

An aerial photograph of New York City, showing the dense skyscrapers of the Manhattan skyline and the lush greenery of Central Park. The image is used as a background for the presentation slide.

**IPSASB**

International Public  
Sector Accounting  
Standards Board®

AGENDA ITEM 7

# NATURAL RESOURCES

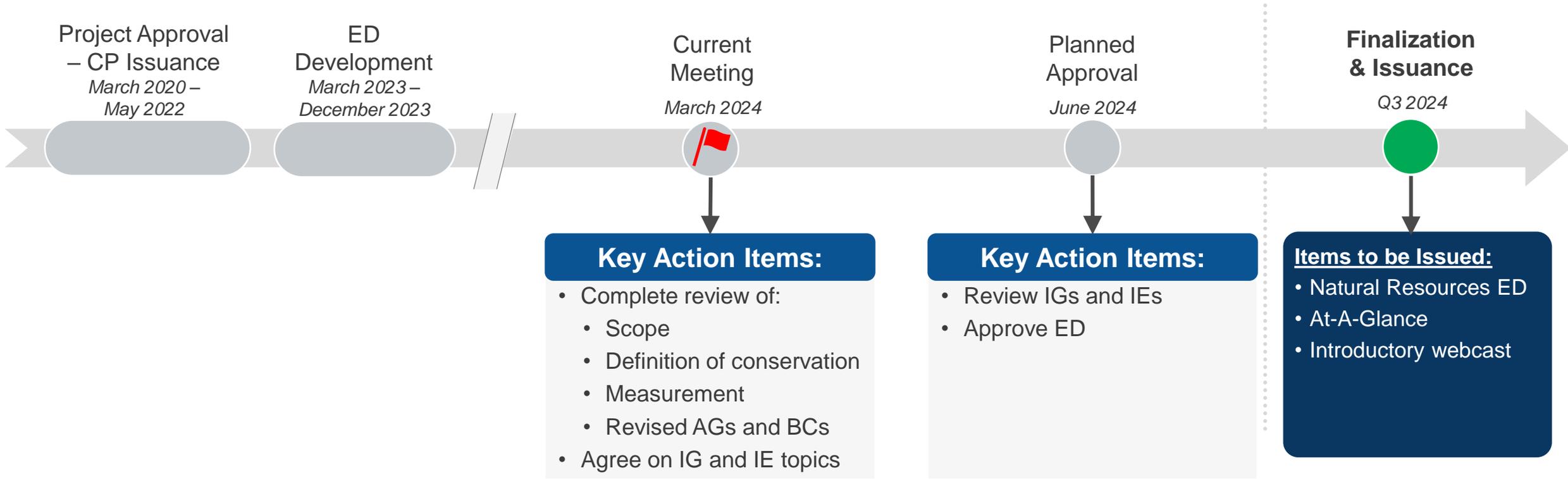
IPSASB Meeting – March 2024

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# Natural Resources

## Project Timeline



# Revised Scope

## Analysis

- To better signpost to natural resources falling within the scope of existing IPSAS, scoped out items which fall within the scope of:
  - IPSAS 12, *Inventories*
  - IPSAS 16, *Investment Property*
  - IPSAS 27, *Agriculture*
  - IPSAS 45, *Property, Plant, and Equipment*
- As instructed, added scope exclusions for the following:
  - Natural resource-related obligations (IPSAS 19)
  - Assets held for sale (IPSAS 44)
- Scope exclusions for leases (IPSAS 43) and intangible assets (IPSAS 31) were retained
- To be consistent with the IPSAS for other tangible assets, E&E expenditures within the scope of ED 86 were also excluded

## Recommendation

- Exclude items within the following IPSAS from the scope of the ED:
  - IPSAS 12
  - IPSAS 16
  - IPSAS 19
  - IPSAS 27
  - IPSAS 31
  - IPSAS 43
  - IPSAS 44
  - IPSAS 45
  - ED 86

# Definition of Conservation

## Analysis

- Definition (rather than a description) of “conservation” is needed:
  - Clearly identifies natural resources held for conservation, as they have specific accounting and disclosure requirements
- Reviewed various definitions of conservation – key aspects include:
  - Protection of natural resources from the impact of human activities
  - Managing use of natural resources in an efficient or sustainable manner
- Propose to limit definition to protection of a natural resource:
  - Distinguishes conservation from other uses which may fall within the scope of existing IPSAS

## Recommendation

- Conservation is defined as:  
  
“The act of managing and protecting a natural resource from degradation due to human activity.”

# Proposed Approach on how Measurement Guidance will be Presented in the ED

## Analysis

- As natural resources is a new area in financial reporting, Task Force propose that:
  - Core text should refer to principles from IPSAS 46 for:
    1. Initial measurement;
    2. Subsequent measurement; and
    3. When a current value is considered reliably measured
  - Natural resources held for conservation are held for operational capacity. Therefore, current value should be measured using COV
  - IGs and IEs should include real-life examples of how natural resources can be measured in the public sector
- Task Force would like to ask IPSASB members to provide sample fact patterns which could be developed into examples

## Recommendation

- Core text will refer to principled-level guidance from IPSAS 46
- AGs will clarify that the current value of natural resources held for conservation should be measured using COV
- IGs and IEs will illustrate the measurement of COV

# Revised Subsequent Measurement Guidance

## Analysis

- Task Force analyzed potential options for subsequent measurement and found that:
  - Current values typically provide more relevant and timely information
    - But differences from historical costs for natural resources held for conservation may not be material
  - Constituents are expected to be the most familiar with the PP&E model
  - PP&E model results in lower financial reporting costs and has more flexibility

## Recommendation

- Subsequent measurement guidance for natural resources in the draft ED should be the same as IPSAS 45, *Property, Plant, and Equipment*
  - Choice of historical cost of current value

# Summary of Other Changes in the ED

- In addition to changes from Agenda Items 7.2.1 to 7.2.4, other key changes to the ED include:
  - Revised derecognition guidance to be consistent with IPSAS 45
  - Additional disclosures
  - Clarified prospective application transition method
  - Added AGs on unit of account and the application of the recognition criteria to subsoil resources, water, and living resources
  - Amendments to Other IPSAS – Amendment to heritage items no longer necessary

# Proposed Topics for IGs and IEs

- Key additions to December 2023 table:

Topic / Principle	Proposed IG	Proposed IE
Definitions	<ul style="list-style-type: none"> <li>• Differentiating conservation from other uses</li> </ul>	<ul style="list-style-type: none"> <li>• Contrasting parks used for services to visitor and conservation reserves</li> </ul>
Recognition	<ul style="list-style-type: none"> <li>• Assessment of control</li> </ul>	<ul style="list-style-type: none"> <li>• Events triggering the recognition of previously unrecognized resources</li> <li>• Changes in use of a resource</li> <li>• Recognition of water and living resources</li> <li>• Impact of land claims on control</li> <li>• Resources held as a custodian</li> <li>• Additions to natural resources held for conservation</li> </ul>
Measurement	<ul style="list-style-type: none"> <li>• General approach for the determination of COV</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed examples on the determination of COV</li> </ul>
Effective Date and Transition	<ul style="list-style-type: none"> <li>• Not recommended (no change from 2023)</li> </ul>	<ul style="list-style-type: none"> <li>• Application of proposed transition approaches</li> </ul>

# Proposed Accounting for Natural Resources

