



**ASOCIACIÓN INTERAMERICANA DE CONTABILIDAD  
INTERAMERICAN ACCOUNTING ASSOCIATION  
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Panama, Republic of Panama, May 30 2024  
Oficio N°44/052024

**Subject: Comment letter on Draft Exposure 87, " Proposed International Public Sector Accounting Standard: Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)".**

Dear Mr. Carruthers,

I appreciate the opportunity to comment on the above-mentioned Draft Standard 87. "Stripping Costs in the Production Phase of an Open Pit Mine (Amendments to IPSAS 12)" and provide you with our response to the Request for Information.

These comments are made in my capacity as the Inter-American Accounting Association (IAC) President, made up of 29 sponsoring organizations from 20 countries in Latin America and the Caribbean, through the Coordination of the Inter-American Technical Commission on the Public Sector.

I am pleased to provide you with my comments with the aim of improving the transparency, relevance, and comparability of financial statements across jurisdictions. We support IPSASB's approach to public sector convergence based on International Financial Reporting Standards (IFRS) applied in the private sector, provided that the nature of the transaction is economically similar, and any public sector specific issues are addressed separately.

## **1 – OBJECTIVE**

The project seeks to gather opinions through two comments to make amendments to IPSAS 12 "Inventories" with the following objective:

Provide guidance on accounting for waste removal ("stripping") costs incurred in the production phase of an open pit mine (production stripping costs). Accounting for production stripping costs is challenging because the costs incurred can benefit both current and future period production, and there is no specific guidance in IPSAS that addresses this issue.

## 2 – GENERAL ASPECTS OF THE AMENDMENT

1. It is basically structured based on IFRIC 20 “Stripping costs in the production phase of an open pit mine”.
2. Entities may find it necessary to remove waste materials from the mine. This waste disposal activity is known as "stripping."
3. This Appendix addresses the following issues: Reconnaissance, Initial Measurement, and Asset Subsequent Measurement by Clearance Activity.
4. To the extent that the benefit of the clearing activity is realized in the form of inventory produced, the entity shall account for the costs of that clearing activity in accordance with the principles of IPSAS 12, Inventories.

## 3 – QUESTION PROPOSED BY IPSASB

### ***Specific topic for comment 1:***

*The IPSASB decided to propose a guide aligned with IFRIC 20 in Draft Standard 87 (see paragraph BC9). Do you agree that the amendments to IFRIC 20, for the public sector, are limited to IPSASB specific terminology and other formatting and consistency modifications (see paragraph BC10)?*

*If not, explain your reasons, clearly stating what additional modifications are needed and why.*

***BC10. The IPSASB did not identify any public sector specific reasons for departing from the principles of IFRIC 20 in the development of this revision, except for terminology and other IPSASB specific consistency and formatting amendments.***

### ***Specific topic for comment 2:***

*The IPSASB decided to propose the guidance aligned with IFRIC 20 in Exposure Draft 87 as an amendment to IPSAS 12, Inventories, including the guidance as an Appendix (see paragraph BC11). Do you agree with the IPSASB's decision?*

*If not, explain why, clearly stating where the guidance should be included and why.*

***BC11. The IPSASB concluded that stripping costs ultimately end up in the cost of the mineral inventory produced by an open pit mine, from which such an open pit mine will derive benefits. Therefore, due to this relationship between clearing activities and the inventory produced cost, IPSASB decided that the IFRIC 20 aligned guidance should be included as Appendix A of IPSAS 12.***



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**4 – ANSWER.**

**Opinion Comment 1**

Yes, the AIC Public Sector Committee members agree with the IFRIC 20 aligned guidance in Exposure Draft 87, which, for the public sector, are limited to IPSASB specific terminology and formatting and consistency modifications.

**Opinion Comment 2**

Yes, the members of the AIC Public Sector Committee agree to the IFRIC 20 aligned guidance in Draft Standard 87 as an amendment to IPSAS 12, Inventories, including the guidance as an Appendix.

**Recommendations**

1. It is recommended to clarify that this guide does not address oil and natural gas extraction, including the question of whether oil sands extraction was an open-pit mining activity.
2. In paragraph A10, it mentions that the entity may identify the adequacy or improvement of an existing asset. It is recommended to clarify that the criteria set out in Conceptual Framework 5.7 must be met. If the criteria are not met, an asset will not be recognized for clearing activity.
3. The asset from the clearing activity could complement or enhance a variety of existing assets, e.g. ownership of the mine (land), the mineral deposit itself, an intangible right to extract the mineral or an asset that originated in the development phase of the mine that would be subject to the IPSAS 17 application, IPSAS 31.

Therefore, I agree with the proposed approach for the guidance to be aligned with IFRIC 20, we request that the recommendations be evaluated in such a way that they fit the specific needs of the public sector.



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We hope that our input regarding the **"IFRIC 20 Aligned Guidance in Draft Standard 87 as an Amendment to IPSAS 12, Inventories"** will be appropriate and useful for IPSAB.

If you would like to further discuss our feedback, please do not hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'Jorge Sandoval la Serna'.

**Dr. Jorge Sandoval la Serna  
President - AIC**

**Inter-American Technical Committee**

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