



EXPOSURE DRAFT 92

TANGIBLE NATURAL RESOURCES

Program and Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th floor
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Brasília, Brazil

Fev 28, 2025

Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *Exposure Draft (ED) 92, Tangible Natural Resources*. CFC, alongside with its regionais arms – *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization responsible for regulatory activities overseeing the accountancy profession throughout the country.

Our points of view and comments can be found in the Appendix of this document, which was prepared by the Permanent Committee for Public Sector Accounting Standards (CP CASP – acronym in Portuguese) linked to the Federal Accounting Council.

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,

A handwritten signature in black ink, appearing to read 'Ana Tercia Lopes Rodrigues', is positioned above the printed name.

Ana Tércia Lopes Rodrigues

Technical Vice-President

Conselho Federal de Contabilidade

CONTEXT AND GENERAL COMMENTS

The Brazilian Federation is composed by 26 states, the Federal District and 5,569 municipalities governments. These levels of governments are responsible for formulating, implementing, and evaluating public policies in cooperative and/or competitive arrangements.

APPENDIX

Specific Matter for Comment 1: Scope (paragraphs 3-5):

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS. (See paragraphs 3-4, BC8, and BC34.) Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

As a result of the proposed scope, tangible natural resources held for conservation are one common example of items which could fall within the scope of this Exposure Draft. What other items would you anticipate being accounted for through this Exposure Draft?

This Exposure Draft includes an [Alternative View](#) regarding its scope and the definition of tangible natural resources.

Answer:

CP CASP/CFC agrees with the proposed standard should be applied to all tangible natural resources that are assets and can be measured reliably. However, CP CASP/CPC agrees with the alternative view that IPSAS 45 should be amended to remove the reference to heritage assets that meet the concept of tangible natural resources.

Other items that would begin accounting for this Exposure Draft are the resources exist in the subsoil or on the maritime platform for which the governmental entity does not have a plan for exploitation in the short or medium term (the existence of such a plan would convert the asset into an investment property, in the case of concession to third parties for exploitation, or an inventory, in the case of direct exploitation). Such resources may be held for future exploitation (for example, if there is no technology available at the date of their recognition, or if the current population has decided that they will be needed for use by future generations), since they can be measured reliably.

Specific Matter for Comment 2: Definitions (paragraph 6):

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.

Do you agree with the proposed definitions? If not, why not?

This Exposure Draft includes an [Alternative View](#) regarding its scope and the definition of tangible natural resources.

Answer:

CP CASP/CFC agrees with the proposed concept.

Specific Matter for Comment 3: Depreciation (paragraph 23):

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.

Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

Answer:

CP CASP/CFC partially agrees with the presumption. The view that some tangible natural resources can have an indefinite useful life is correct. However, this presumption does not stem solely from the non-use or non-consumption of the resource. Naturally, some natural resources have a wear and tear process that is independent of use or consumption by the governmental entity or whoever it authorizes to do so. A radioisotope, for example, can periodically reduce its volume in a process called half-life, which can last milliseconds or thousands of years. A glacier at the top of a mountain can sublimate simply through the action of time, without being used or consumed. In this way, the indefinite useful life is related to the characteristics of the asset and not just its use or consumption.

It would be important to talk more about the analysis of the characteristics of tangible natural resources, in the Implementation Guidance (IG) and Illustrative Examples (IE), to help users identify whether the resource has a definite or indefinite useful life.

Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51):

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered.

Do you agree with the proposed disclosure exemption? If not, why not?

Answer:

CP CASP/CFC agrees to the exemption.

Specific Matter for Comment 5: Cross-References to IPSAS 45, *Property, Plant, and Equipment* (paragraphs 15 and 54):

This Exposure Draft includes cross-references to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45.

Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

Answer:

CP CASP/CFC agrees with the cross-reference.

Specific Matter for Comment 6: Transition (paragraph 60):

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing tangible natural resources which meet the recognition criteria on the date of initial application of the [draft] Standard at their deemed cost, or on a full retrospective basis in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

Answer:

CP CASP/CFC agrees with the proposed alternative. The imposition of a full retrospective application, in accordance with IPSAS 3, would increase the cost without increasing the benefit that will be obtained by using the attributed cost model, which has a lower cost than the application of IPSAS 3.

Specific Matter for Comment 7: Amendment to the Description of 'Heritage Asset' in IPSAS 45, *Property, Plant, and Equipment* (Appendix B):

The IPSASB proposes to amend the description of 'heritage asset' in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard.

Do you agree with the proposed amendment? If not, why not?

Answer:

CP CASP/CFC partially agrees, as explained in the answer to question 1. The removal of the reference needs to be more explicit. IPSAS 45 needs to present more clearly that, even if an asset has the characteristics of a historical heritage, if it meets the concept of a tangible natural resource, the new standard should be applied and not IPSAS 45. And this should not be limited to the new standard but could make it explicit that if a historical heritage asset meets the requirements of another standard, in a clear and irrefutable way, it should be recognized and evidenced in accordance with another IPSAS other than IPSAS 45.

Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples:

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful.

Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

Answer:

CP CASP/CFC partially agrees with IG and IE. As presented in question 3, more detail is needed on identifying the useful life of a tangible natural resource. The example could explore how the characteristics of the asset are important for identifying the useful life, highlighting that it doesn't just depend on the use or consumption of the asset.

An important point to highlight is the need for more examples on the recognition of natural resources, such as subsoil or maritime platform. Some of these resources, as well as meeting the concept of an asset, can be measured reliably. The IG contains only one item talking about the difficulties of recognizing mineral resources, which, incidentally, will be common for other natural resources. It is therefore important to provide examples of when measurement is possible.

Another point to be highlighted are examples of situations that can lead to misunderstanding for the preparers of financial statements about the existence or not of natural resources. For example, gases from landfills are sometimes exploited by governmental entities. We understand that these gases are not natural resources, as they derive from human action, but it would be important to have detailed examples of similar situations.