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PÚBLICOS DEL PERÚ**

MIEMBROS
DE:



“Año del Fortalecimiento de la Soberanía Nacional”

Lima, October 17, 2022.

LETTER N ° 217-2022-JDCCPP/CD.

MR. IAN CARRUTHERS

Chairman,

*International Public Sector Accounting Standards Board IPSASB,
The International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA*

*Re: Comments on the Consultation Paper
Natural Resources*

Dear Ian Carruthers,


Receive a cordial greeting and thanks for the support of the IPSASB. We are pleased to provide comments on the Consultation Paper, Natural Resources issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the aforementioned Consultation Paper are attached to this letter.

If you need any additional clarification, do not hesitate to contact us through the email jaranibar@mef.gob.pe with Mr. Juan Francisco Aranibar Romero, Technical Secretary of the National Technical Committee of the Government Sector of our represented Board of Deans of Colleges of Public Accountants of Peru.


Thanking you,

Yours sincerely,




Fernando Amaut Paucar
Chairman
Board of Deans of Colleges of
Public Accountants of Peru




CPC Edwin León Ccorahua
Secretary
Board of Deans of Colleges of
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Comments on the Consultation Paper, Natural Resources

Preliminary View 1—Chapter 1

The IPSASB's preliminary view is that a natural resource can be generally described as an item which:

- (a) Is a resource as described in the IPSASB's Conceptual Framework;*
- (b) Is naturally occurring; and*
- (c) Is in its natural state.*

Do you agree with the IPSASB's Preliminary View, particularly whether the requirement to be in its natural state should be used to scope what is considered a natural resource?

We agree with the IPSASB's Preliminary Opinion. The requirement to be in its natural state should be used to scope what is considered a natural resource.

Specific Matter for Comment 1—Chapter 1

The IPSASB's preliminary description of natural resources delineates between natural resources and other resources based on whether the item is in its natural state.

Do you foresee any challenges in practice in differentiating between natural resources and other resources subject to human intervention? If so, please provide details of your concerns. How would you envisage overcoming these challenges?

The IPSASB noted that the natural resources project and sustainability reporting in the public sector are connected in that this project focuses on the accounting for natural resources while sustainability reporting may include consideration of how natural resources can be used in a sustainable manner.

Yes, there are challenges in practice to differentiate between natural resources and other resources subject to human intervention, mainly those that are used in the value chain in the provision of public services by government entities. To overcome these challenges, measurement methodologies could be taken into account based on the service potential obtained by the use of said resources in their natural state.

In our opinion the natural resources project and sustainability reporting in the public sector are connected.



Preliminary View 2—Chapter 2

The IPSASB's preliminary view is that a natural resource should only be recognized in GPFs if it meets the definition of an asset as defined in the IPSASB's Conceptual Framework and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFs.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree with the IPSASB's Preliminary Opinion. The natural resources should only be recognized in GPFs if it meets the definition of an asset as defined in the IPSASB's Conceptual Framework and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFs.

Preliminary View 3—Chapter 3

The IPSASB's preliminary view is that guidance on exploration and evaluation expenditures, as well as development costs, should be provided based on the guidance from IFRS 6, Exploration for and Evaluation of Mineral Resources, and IAS 38, Intangible Assets.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree with the IPSASB's Preliminary Opinion. Guidance should be provided on exploration and evaluation expenditures, as well as development costs, should be provided based on the guidance from IFRS 6, Exploration for and Evaluation of Mineral Resources, and IAS 38, Intangible Assets.

Preliminary View 4—Chapter 3

The IPSASB's Preliminary View is that IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

Do you agree with the IPSASB's Preliminary View?



We agree with the IPSASB's Preliminary Opinion. The IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

Preliminary View 5—Chapter 3

The IPSASB's preliminary view is that, before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset because.

Do you agree with the IPSASB's Preliminary View?

Please provide the reasons supporting your view.

We agree with the IPSASB's Preliminary Opinion. Before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset because: (1) it is a resource as defined in the Conceptual Framework; (2) it is possible in certain scenarios for an entity to demonstrate that it has control over the resource; and (3) it is possible for there to be a past event which gave rise to control.

Preliminary View 6—Chapter 3

The IPSASB's preliminary view is that existence uncertainty can prevent the recognition of unextracted subsoil resources.

Do you agree with the IPSASB's preliminary view?

We agree with the IPSASB's Preliminary Opinion. The existence of uncertainty can prevent the recognition of unextracted subsoil resources.

Preliminary View 7—Chapter 3

The IPSASB's preliminary view is that the selection of a measurement basis for subsoil resources that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs may not be feasible due to the high level of measurement uncertainty. Based on this view, the recognition of subsoil resources as assets in the GPFS will be challenging.

Do you agree with the IPSASB's Preliminary View?

If not, please provide the reasons supporting your view.



We agree with the IPSASB's Preliminary Opinion. The selection of a measurement basis for subsoil resources that achieves the qualitative characteristics and takes account of constraints on information in the GPFs may not be feasible due to the high level of measurement uncertainty. Based on this view, the recognition of subsoil resources as assets in the GPFs is challenging.

Preliminary View 8—Chapter 4

Based on the discussions in paragraphs 4.11-4.31, the IPSASB's preliminary views are:

- (a) It would be difficult to recognize water in seas, rivers, streams, lakes, or certain groundwater aquifers as an asset in the GPFs because it is unlikely that they will meet the definition of an asset, or it is unlikely that such water could be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs;*
- (b) Water impounded in reservoirs, canals, and certain groundwater aquifers can meet the definition of an asset if the water is controlled by an entity;*
- (c) Where water impounded in reservoirs and canals meets the definition of an asset, it may be possible to recognize the water in GPFs if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs; and*
- (d) In situations where the financial capacity or operational capacity of a water resource cannot be reliably measured using currently available technologies and capabilities, the resource cannot be recognized as an asset in the GPFs.*

Do you agree with the IPSASB's Preliminary View?

We agree with the IPSASB's Preliminary Opinion.

- (a) It would be difficult to recognize water in seas, rivers, streams, lakes, or certain groundwater aquifers as an asset in the GPFs because it is unlikely that they will meet the definition of an asset, or it is unlikely that such water could be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs;*
- (b) Water impounded in reservoirs, canals, and certain groundwater aquifers can meet the definition of an asset if the water is controlled by an entity;*
- (c) Where water impounded in reservoirs and canals meets the definition of an asset, it may be possible to recognize the water in GPFs if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs; and*
- (d) In situations where the financial capacity or operational capacity of a water resource cannot be reliably measured using currently available technologies and*



capabilities, the resource cannot be recognized as an asset in the GPFs.

Specific Matter for Comment 3—Chapter 5

Living organisms that are subject to human intervention are not living resources within the scope of this CP. The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of existing IPSAS.

In your view, is there sufficient guidance in IPSAS 12, IPSAS 17, or IPSAS 27 on how to determine which IPSAS to apply for these items necessary?

If not, please explain the reasons for your view.

The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of existing IPSAS; however, additional guidance is needed in IPSAS 12, IPSAS 17, or IPSAS 27 to apply for these required elements, as from a natural resource accounting perspective.

Preliminary View 9—Chapter 5

Based on the discussions in paragraphs 5.18-5.41, the IPSASB's preliminary views are:

- (a) It is possible for a living resource held for financial capacity to meet the definition of an asset, be measurable in a way that achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and thus meet the criteria to be recognized as an asset in GPFs;*
- (b) If a living resource with operational capacity meets the definition of an asset, an entity will need to exercise judgment to determine if it is feasible to measure the living resource in a way which achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and so meet the criteria to be recognized as an asset in the GPFs; and*
- (c) In situations where the financial capacity or operational capacity of a living resource cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs using currently available technologies and capabilities, the living resource cannot be recognized as an asset in the GPFs.*

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.



We agree with the IPSASB's Preliminary Opinion.

- (a) *It is possible for a living resource held for financial capacity to meet the definition of an asset, be measurable in a way that achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and thus meet the criteria to be recognized as an asset in GPFs;*
- (b) *If a living resource with operational capacity meets the definition of an asset, an entity will need to exercise judgment to determine if it is feasible to measure the living resource in a way which achieves the qualitative characteristics and takes account of the constraints on information in the GPFs, and so meet the criteria to be recognized as an asset in the GPFs; and*
- (c) *In situations where the financial capacity or operational capacity of a living resource cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFs using currently available technologies and capabilities, the living resource cannot be recognized as an asset in the GPFs.*

Preliminary View 10—Chapter 6

Based on the discussion in paragraphs 6.7-6.15, the IPSASB's preliminary view is that certain information conventionally disclosed in GPFs should be presented in relation to natural resources.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree with the IPSASB's Preliminary Opinion. Certain information conventionally disclosed in GPFs should be presented in relation to natural resources.

Preliminary View 11—Chapter 6

Based on the discussion in paragraphs 6.16-6.20, the IPSASB's preliminary view is that certain information conventionally found in broader GPFs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.



We agree with the IPSASB's Preliminary Opinion. Certain information conventionally found in broader GPFRs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting.

Specific Matter for Comment 4—Chapter 6

The proposals in paragraphs 6.16-6.20 (Preliminary View 11) are largely based on the IPSASB's RPGs. While these proposals are expected to be helpful to users of the broader GPFRs, the information necessary to prepare these reports may be more challenging to obtain compared to the information required for traditional GPFS disclosures. As noted in paragraph 6.17, the application of the RPGs is currently optional.

In your view, should the provision of the natural resources-related information proposed in Preliminary View 11 be mandatory? Such a requirement would only be specifically applicable to information related to natural resources.

Please provide the reasoning behind your view.

In our opinion, such a requirement should be specifically applicable to information related to natural resources. Whose reasoning is based on achieving compliance with the qualitative characteristics and taking into account the limitations of information in the GPFRs.

Sincerely

Mg. César Alan Justo Gómez
Chairman
National Technical Committee of
the Government Sector

MSc. Juan Francisco Araniñar Romero
Technical Secretary
National Technical Committee of
the Government Sector