



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

9 September 2022

Mr John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
CANADA

Dear John,

**CONSULTATION PAPER, NATURAL RESOURCES**

The Malaysian Institute of Accountants (“MIA”) is pleased to provide comments on the International Public Sector Accounting Standards Board (“IPSASB”) Consultation Paper, *Natural Resources* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB’s deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Executive Director of Digital Economy, Reporting and Risk at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR WAN AHMAD RUDIRMAN WAN RAZAK**  
Chief Executive Officer

**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?

If not, please provide your reasons.

We agree with the proposed description of a natural resource. However, we propose that further guidance is provided on the indicators and extent of human intervention.

**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?

We wish to highlight that in our jurisdiction, there are human intervention in certain part of the forest. The intervention is purely for conservation and enhancement of the forest resources. Hence, we will find it challenging to categorize the forest as a natural resource due to such human intervention.

We propose that the standard clearly state the nature or purpose of human intervention that will allow a resource to be classified as a natural resource.

**Specific Matter for Comment 2 – Chapter 1**

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.

In your view, do you see any other connections between these two projects?

We agree that 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 GPFRs.**

**Do you agree with the IPSASB's preliminary view?**

**If not, please provide your reasons.**

We agree with the IPSASB's preliminary view 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 GPFRs.

**Preliminary View 3 - Chapter 3**

**The IPSASB's preliminary view is that guidance on exploration and evaluation expenditure, 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 View.

We wish to highlight that in our jurisdiction, the public sector entities do not normally involved directly in the exploration for and evaluation of mineral resources. The public sector entities usually grant licenses to third parties to carry out such activities and earn a percentage of royalties and licensing fee.

**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?**

**If not, please provide your reasons.**

We agree with the IPSASB's preliminary view.

As highlighted in our response to Preliminary View 3, the public sector entities in our jurisdiction do not normally involve in such activities.

**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.**

**Do you agree with the IPSASB’s preliminary view?**

**Please provide the reasons supporting your view.**

We agree with the IPSASB’s preliminary view that before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset.

**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?**

**Please provide the reasons supporting your view.**

We agree with the IPSASB’s preliminary view that existence 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 certainty. 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 view.

However, we believe that certain subsoil resources such as oil can be measured reliably and hence fulfill the recognition criteria. Accordingly, we propose that the IPSASB provides guidance on the factors to be considered on the measurement of subsoil resources rather than concluding that any subsoil resource cannot be measured.

**Preliminary View 8 – Chapter 4**

**(a) It would be difficult to recognize water in seas, rivers, streams and 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 GPRSs;

- (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 GPFRs; and
- (d) In situation 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?**

**If not, please provide your reasons supporting your view.**

We agree with the IPSASB's preliminary view.

**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.**

We believe that the guidance from IPSAS 12, IPSAS 17 and IPSAS 27 are sufficient.

**Preliminary View 9 – Chapter 9**

**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 GPFRs, 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 GPFRs, 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 GPFRs 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 view and propose that appropriate guidance on the measurement be provided.

**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 view.

**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 GPFRs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial 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 IPSASB's preliminary view that 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 discussion and analysis, and service performance reporting.

**Specific Matter for Comment 4 – Chapter 6**

**The proposals in paragraphs 6.12-6.20 (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 the answer.**

We disagree that the provision of the natural resources-related information proposed in Preliminary View 11 be mandatory as it would be challenging to obtain such information where cost may exceed the benefit of such disclosures.