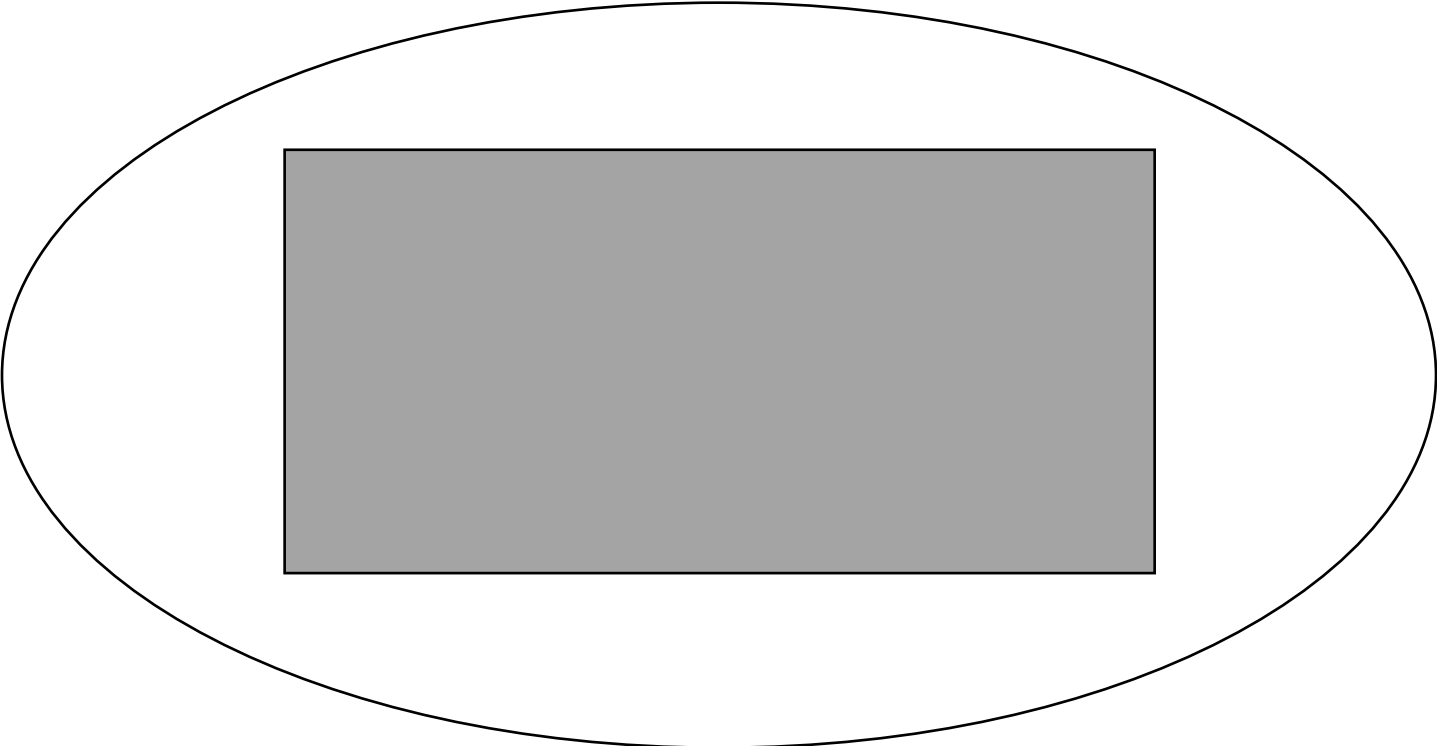


## Detailed Explanation of the Scope Diagram in the Natural Resources Consultation Paper

The following series of diagrams provide a detailed explanation of how Figure 2 in the Natural Resources Consultation Paper was developed.

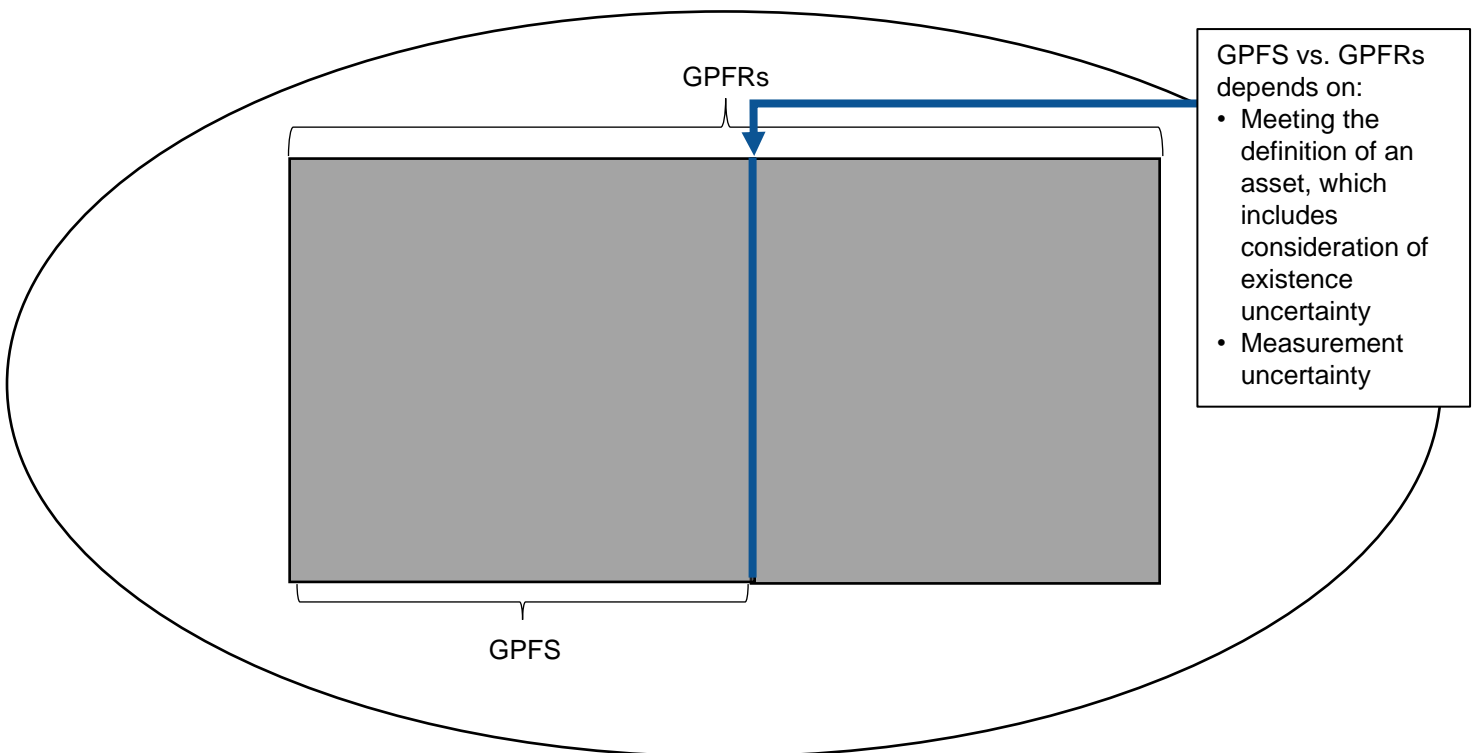
### Step 1: Consideration of all Naturally Occurring Phenomena and those that are Potential Resources

- The oval represents all naturally occurring phenomena, including those which may not meet the definition of a resource as set out in the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework). For example, items such as seismic or volcanic activity would be in this oval. The rectangle inside the oval represents phenomena which are resources for financial reporting purposes.



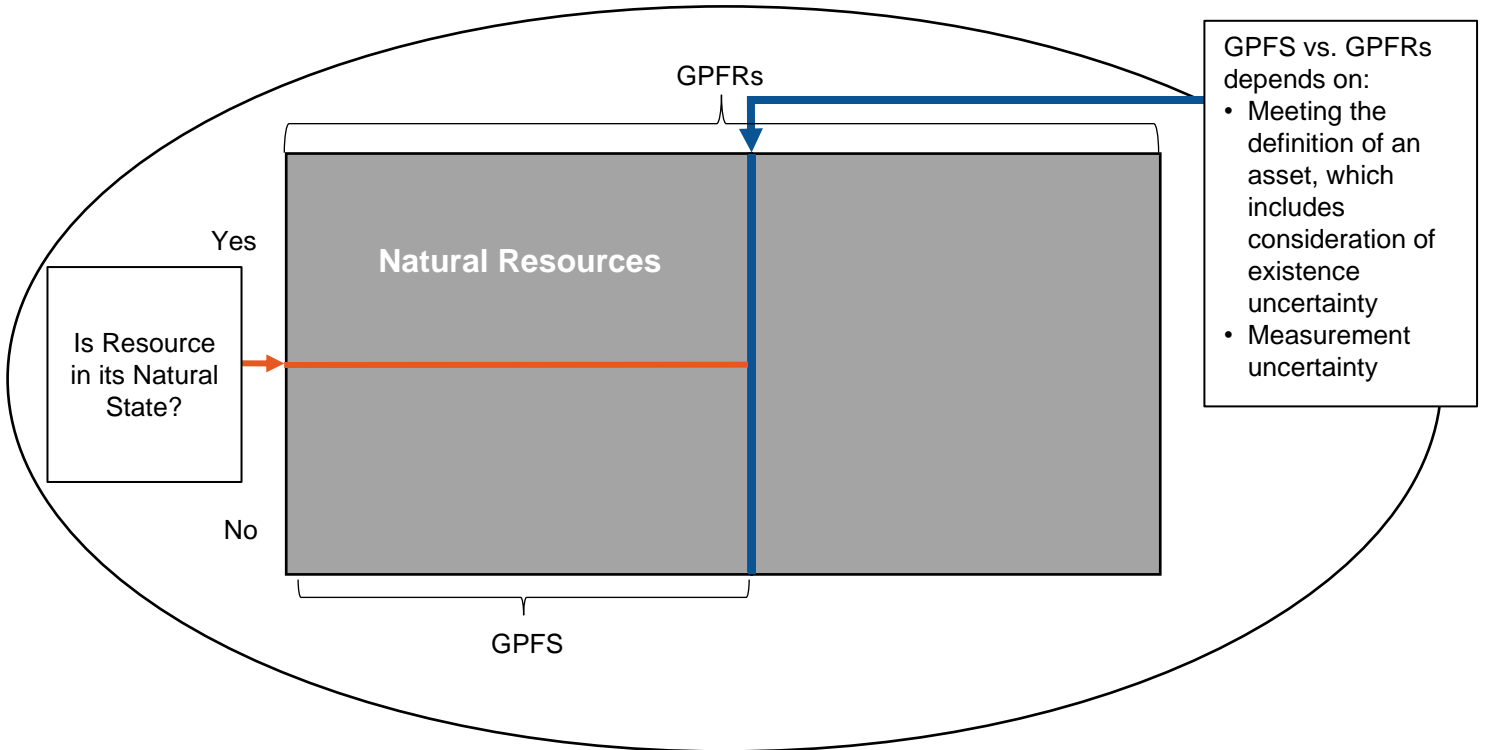
## Step 2: Distinguishing between Resources Recognized in the GPFS and Unrecognized Resources

- In this step, a distinction is made between resources that meet the criteria to be recognized as an asset within the General Purpose Financial Statements (GPFS), and those resources which are not recognized in the GPFS but can be relevant in the broader GPFRs. Visually, this separation is denoted by the vertical blue line as shown below. To be recognized as an asset, an item must meet the definition of an asset in the IPSASB's Conceptual Framework and be measurable in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs. These considerations are impacted by uncertainties over the existence and measurement of the asset. Chapter 2 of the CP provides details on the recognition of assets.



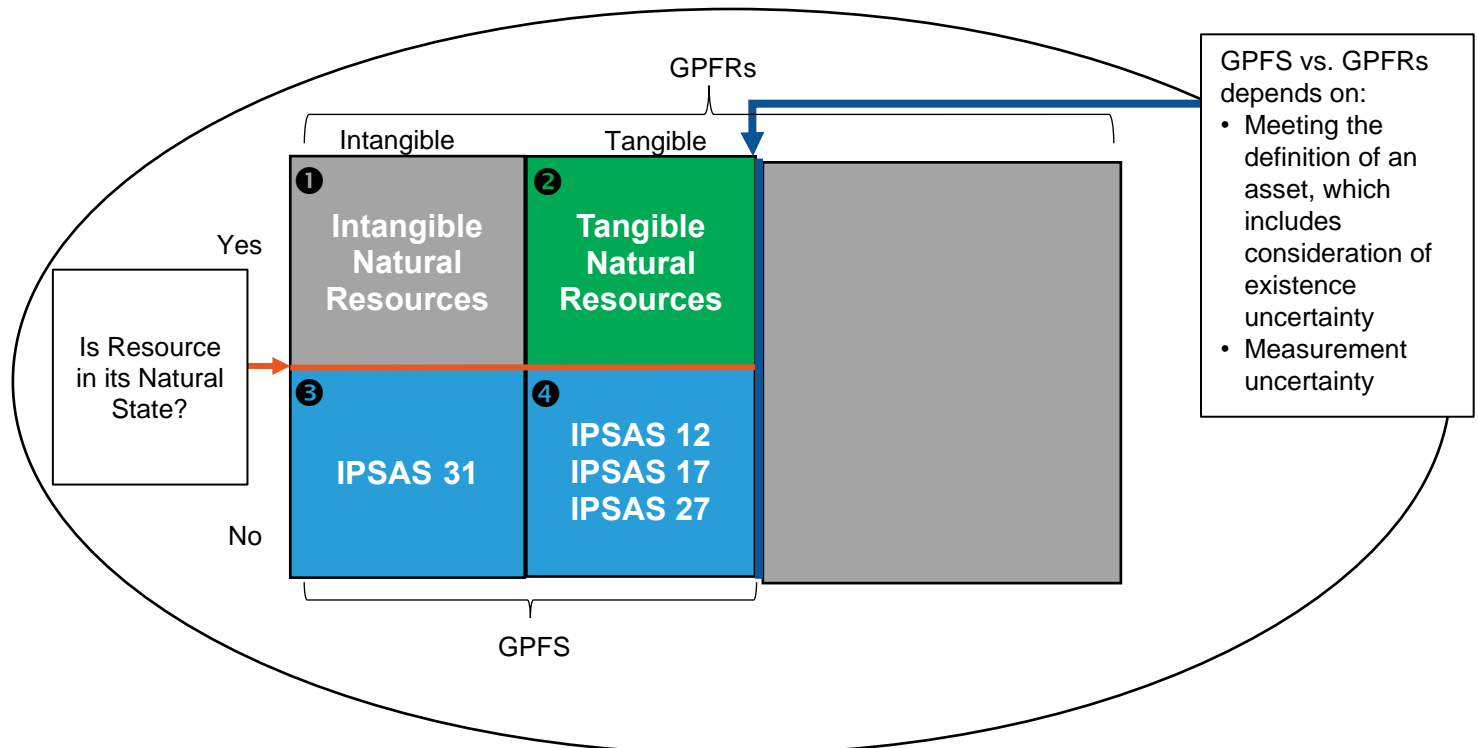
*Step 3: Consideration of whether a Resource is in its Natural State*

- For resources which are recognized in the GPFS, this next step applies the general description of natural resources and considers whether the resource is in its natural state. This is visually represented by the orange horizontal line which separates items which meet the description of natural resources, i.e., naturally occurring resources in their natural state, to the top half of the GPFS portion of the diagram and items which are not in its natural state to the bottom half.



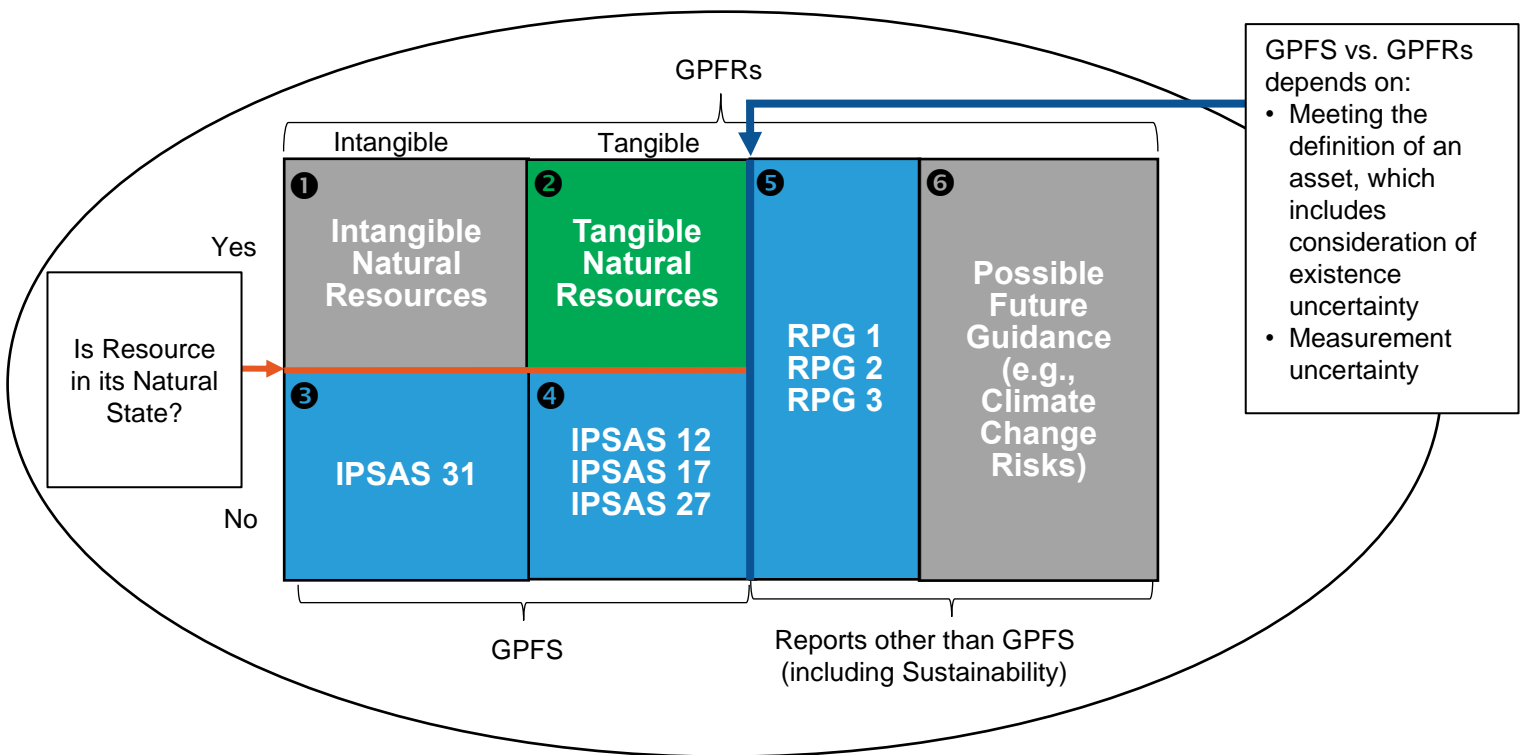
## Step 4: Distinction between Tangible and Intangible Resources

- In this step, the GPFS portion is further subdivided into resources which are tangible in nature and resources that are intangible. Together with the orange line from Step 3, the GPFS section is now divided into 4 boxes: 1) intangible natural resources (box ❶), 2) tangible natural resources (box ❷), 3) intangible resources which are no longer in its natural state (box ❸), and 4) tangible resources which are no longer in its natural state (box ❹).
- Box ❶ in the diagram below represents intangible natural resources, such as the electromagnetic spectrum. As noted in paragraph **Error! Reference source not found.**, the IPSASB may consider guidance relating to the access of such intangible natural resources as part of its limited scope update of IPSAS 31, *Intangible Assets*.
- As noted in paragraph **Error! Reference source not found.**, the focus of this CP is tangible natural resources, which are represented by the green box ❷ below.
- Resources which are not in their natural state are likely to be within scope of existing IPSAS. Intangible resources which are not in their natural state are likely within the scope of IPSAS 31 and represented in box ❸ below. Tangible resources which are not in their natural state are likely to be within the scope of IPSAS 12, *Inventories*, IPSAS 17, *Property, Plant, and Equipment*, and IPSAS 27, *Agriculture*, and represented by box ❹ below.
- While items falling within the scope of IPSAS 12, IPSAS 17, and IPSAS 27 do not meet the description of natural resources, the delineation between these items and natural resources are briefly discussed in Chapters 3-5 of the CP.



## Step 5: Consideration of Resources which could be Relevant to the Broader GPFs

- This step adds consideration of resources which do not meet the criteria to be recognized as assets within the GPFs but could be relevant in the broader GPFs.
- Although the current IPSAS suite of guidance does not specifically address natural resources, the IPSASB's existing Recommended Practice Guidelines (RPG) may be applicable to both recognized and unrecognized natural resources which are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting. The application of the RPGs to natural resources is discussed in Chapter 6 of the CP and is represented by box 5 below.
- In addition to the existing RPGs, the IPSASB may consider providing additional guidance in the future on broader GPFs which relate to natural resources, such as potential reporting on sustainability and reporting on issues such as climate change risks. These items are represented in box 6 below.



## Step 6: Visual Representation of the Scope of the Natural Resources CP

- Building on Steps 1-5, this final step summarizes the scope of the Natural Resources CP. The items which are discussed in the CP are housed within the white dashed box in the middle of the diagram:
  - i. As noted in Step 4, the main focus of the CP is tangible natural resources (box 2 below) and whether they can be recognized as assets in the GPFS.
  - ii. While resources which are within scope of IPSAS 12, IPSAS 17, and IPSAS 27 (box 4 below) do not meet the description of natural resources, these items are briefly discussed in Chapters 3-5 in the context of the delineation between subsoil resource, water, and living resources which are and are not in their natural state.
  - iii. In addition, while the RPGs do not specifically relate to recognized tangible natural resources, they could be applicable to certain recognized and unrecognized natural resources (box 5 below). The application of RPGs 1-3 is discussed in Chapter 6 of the CP.

