

Swiss Comment to

ED 86 Exploration for and Evaluation of Mineral Resources

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation). The SRS-CSPCP has discussed ED 86 Exploration for and Evaluation of Mineral Resources.

2. General Remarks

As part of the major project «Natural Resources» existing standards in IFRS were analyzed. The responses to the *Consultation Paper* confirm that the adoption of the IFRS standards for accounting for the Exploration for and Evaluation of Mineral Resources (ED 86) and for Stripping Costs in the Production Phase of a Surface Mine (ED 87) are necessary also for the public sector. Both standards deal with specific requirements in the extraction of mineral resources. As they are not directly related to the planned standard on «Natural Resources», the IPSAS Board decided to submit them for consultation as stand-alone EDs. No specific public sector changes to the IFRS standards were identified; therefore, these EDs are aligned with the private sector standards.

The waiver proposed by the IPSAS Board to adapt the EDs to specific standards in the IPSAS, e.g. to Impairment (IPSAS 26), is based on the rules for alignment projects. In these projects, inter alia for reasons of efficiency, significant revisions are waived, if the standards are widely employed in the private sector and no public sector specific variant transactions exist, which require extensions. The standards of both EDS relate to a very restricted area. In the public sector such transactions are the exception, rather than the rule.

3. Specific Matter for Comment 1

The IPSASB decided to propose an IFRS 6-aligned Standard in ED 86 (see paragraphs BC2–BC7). Do you agree that amendments to IFRS 6, for the public sector, are limited to terminology and other IPSASB-specific formatting and consistency amendments (see paragraph BC8)?

If not, please explain your reasons, stating clearly what further amendments are necessary and why.

In Switzerland mineral resources are of little importance. Nonetheless, we recognize that such standards are very important for other states, in order to ensure consistent accounting. Taking over the standards from IFRS without significant changes is in our view appropriate.

We suggest strengthening the asset recognition section, with the definition of assets, to mitigate potential political incentives to capitalize disbursements on assets that should be recognized as expenses. While this problem is less common in the private sector, there is a risk of overvaluing assets in the public sector.

Additionally, we suggest strengthening the wording of paragraph 16 of ED 86 to emphasize that it is necessary to apply the relevant IPSAS to this tangible or intangible assets according to the nature of the assets (e.g., IPSAS 45, Property, Plant and Equipment). Currently, it is only clear that the assets are subject to impairment, but it is not clear that they may also be subject to depreciation and amortization under the relevant IPSAS.