



Outlook

Re: Two Tentative Agenda Decision(s) issued by the IASB for comments

From ICAI BANGALORE <bangalore@icai.org>

Date Mon 12/16/2024 2:11 PM

To asb@icai.in <asb@icai.in>

Chairman

लेखा मानक बोर्ड

Accounting Standards Board

भारतीय सनदी लेखाकार संस्थान

The Institute of Chartered Accountants of India

Dear Sir,

Bengaluru Branch (SIRC) is pleased to submit the following inputs for your reference as per your mail today.

1. IAS 38: Intangible Assets – Climate-Related Expenditure

1. Recognition Criteria for Climate-Related Costs

- **Issue:** The draft remains unclear on determining whether *climate-related expenditure* meets the recognition criteria (i.e., identifiability, control, and future economic benefits). ESG or sustainability projects often focus on long-term societal and regulatory compliance rather than generating direct, measurable cash flows.
- **Recommendation:** Expand on guidance to clarify:
 - Costs related to emissions-reduction programs (e.g., carbon credits).
 - Costs incurred to meet environmental compliance obligations and whether such expenditures are capitalized or expensed.
 - Whether non-monetary indirect benefits (e.g., improved reputation, license to operate) qualify as "future economic benefits."
- **Justification:** This will align accounting treatment with growing investment in ESG initiatives, ensuring consistent reporting across industries.

2. Control of Intangible Assets in Shared ESG Projects

- **Issue:** Climate-related projects often involve collaborative efforts between entities (e.g., joint sustainability initiatives, government-funded projects). IAS 38 lacks guidance on determining control where benefits are shared or non-exclusive.
- **Recommendation:** Introduce illustrative examples to address:
 - Whether partial control of climate-related outputs qualifies for asset recognition.

- Control assessment when shared infrastructure (e.g., renewable energy projects) is developed through partnerships or co-investments.
 - **Justification:** This will clarify the accounting treatment for joint ESG initiatives, improving comparability across entities.
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3. Measurement of Climate-Related Intangible Assets

- **Issue:** Measuring the costs of internally generated intangible assets remains challenging for climate-related expenditure. For example, allocating costs for emissions reduction programs or developing sustainable processes is often subjective.
 - **Recommendation:** Provide specific guidance on:
 - Allocating indirect costs (e.g., R&D, employee training) for sustainability projects.
 - Determining the useful life and amortization methods for intangible assets arising from climate initiatives.
 - **Justification:** Consistent measurement practices will enhance comparability and reduce diversity in financial reporting.
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4. Disclosure Requirements

- **Issue:** Current disclosure requirements under IAS 38 do not adequately capture the nature and impact of climate-related intangible assets. Investors increasingly require detailed information on sustainability-related investments.
- **Recommendation:** Mandate enhanced disclosures, including:
 - Breakdown of capitalized climate-related costs and their purpose.
 - Impact of recognized intangible assets on the entity's long-term sustainability strategy.
 - Sensitivity analysis or risk factors associated with these investments.
- **Justification:** Enhanced transparency will align reporting practices with stakeholder expectations for climate-related financial disclosures.

Kindly acknowledge the same.

Chairman

Bengaluru Branch (SIRC)
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Spread environmental awareness.

On Mon, 16 Dec 2024 at 10:06, asb@icai.in <asb@icai.in> wrote:

Dear Sir/Madam,

Namaste!

Sub: Two Tentative Agenda Decision(s) issued by the IASB for comments

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) carry out a number of activities to support the understanding and consistent application of IFRS Accounting Standards. From time to time, IFRS IC issues Agenda Decisions to explain how the applicable principles and requirements in IFRS Standards apply to a transaction or fact pattern. For this purpose, it first issues a tentative agenda decision seeking public comments from across the globe.

The Accounting Standards Board (ASB) of ICAI with the aim to provide an opportunity to the various stakeholders in India to raise their concerns and participate in International Standard-setting and implementation related activities, invites comments on the consultative documents issued by the IASB and IFRS IC.

Recently, the IFRS IC has issued the following tentative agenda decisions for public comments:

- **Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38)** - The downloadable version is available at <https://www.icai.org/post/asb-ias38>
- **Assessing Indicators of Hyperinflationary Economies (IAS 29)** - The downloadable version is available at <https://www.icai.org/post/asb-ias29>

The above-mentioned tentative agenda decisions issued by the IFRS IC, have been hosted on the website of the Institute of Chartered Accountants of India (www.icai.org) for public comments with last date as **January 13, 2025**.

Comments on the abovementioned TADs may be submitted through any of the following modes:

1. Electronically: Click on <http://www.icai.org/comments/asb/> to submit comment online (Preferred mode)
2. Email: Comments can be sent to: commentsasb@icai.in
3. Postal: Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

You are also requested to give the aforesaid TADs the widest possible publicity in your area. Further clarifications on these TADs may be sought by e-mail to asb@icai.in.

Thanking you,

Yours Sincerely,

Chairman
लेखा मानक बोर्ड
Accounting Standards Board
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India

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<https://wofa.icai.org/register>

यह ई - मेल प्रिंट करने से पहले पर्यावरण पर विचार करें!

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