

Comments On Exposure Draft

Exposure Draft on Intangible Assets – Climate-Related Expenditure IAS-38 issued by the IASB

1.) My Opinion : In my opinion, Costs incurred in technology & ways to reduce carbon emissions shall be recognized as Intangible Asset. I think the proposed change to IAS 38 (Recognition of Intangible Assets resulting from climate related expenditure), is a timely and forward-looking adjustment. By clarifying the accounting treatment for costs incurred in the pursuit of sustainability and climate goals, the amendment aligns with the growing emphasis on environmental responsibility. However, careful attention must be paid to ensuring that the criteria for recognition—such as demonstrating future economic benefits—are robustly applied. This will prevent subjective interpretations and maintain the standard's reliability. Additionally, clear guidance on how to distinguish between capitalizable expenditures and those to be expensed would enhance consistency in application.

2.) Address the Rapid Evolution of Climate-related Practices : As jurisdictions worldwide adopt frameworks incentivizing environmental sustainability, such as carbon markets and green bonds, IAS 38 must align with these emerging practices. The Committee's guidance should consider how such mechanisms affect recognition and measurement, ensuring the standard remains future-ready and relevant in the context of global climate strategies

3.) Measurement : 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. 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. Consistent measurement practices will enhance comparability and reduce diversity in financial reporting.

Thanks & Regards



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