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Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

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***Comments on the Conceptual Framework Exposure Draft 4
“Conceptual Framework for General Purpose Financial Reporting by
Public Sector Entities:
Presentation in General Purpose Financial Reports”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Conceptual Framework Exposure Draft 4 (CF-ED4), “*Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports,*” as follows.

I. Comments on Specific Matters

Specific Matter for Comment 1:

Do you agree with the proposed descriptions of “presentation”, “display”, and “disclosure” and the relationships between them in Section 1? If not, how do you modify them?

We generally agree with the Board's proposal, however, we suggest for the Board to carefully consider the following:

(1) Proposed definition of “presentation”

We believe that the proposed definition of presentation in paragraph 1.2 of the CF-ED4 may be misunderstood so that “display” and “disclosure” are the subordinate concepts of “presentation.” Therefore, we believe that it would be appropriate to remove the sentence on “display” and “disclosure” from paragraph 1.2, and simply state that, “[P]resentation is the selection, location and organization of information.” In this way, it will be clearly shown that the “presentation” is the process for reporting information.

Furthermore, in view of the flow of the sentences, we propose to change the order of the current paragraphs to read; paragraphs 1.1, 1.2, 1.5, 1.6, 1.7, 1.3, and 1.4, in order to clarify that “[P]resentation is the selection, location and organization of information.”

On a related note, it will also be useful to reorganize and classify paragraphs explaining the “nature” of information to be presented (displayed or disclosed), and the “techniques” on the presentation decisions as follows:

Section	Nature of information	Presentation techniques
Section 2	Par.2.3 to 2.5	Par.2.1, 2.2, 2.6 to 2.10
Section 3	N/A	All paragraphs
Section 4	Par.4.4 to 4.9, 4.12 to 4.14	Par.4.1 to 4.3, 4.10, 4.15, 4.16

(2) Distinctions among presentation, display, and disclosure

Paragraph BC7 states that certain distinction between “presentation” and “disclosure” used in some jurisdictions is inadequate to address presentation concepts for GPFRs. However, since the reason for not using the concept of “presentation” and “disclosure” is unclear from this sentence, we propose to modify the second paragraph of BC7 to read:

“The concepts of “presentation” and “disclosure” are closely related to both reporting of information on the face of a financial statement and in the notes to a statement. How they correspond with each reporting style is not always clear in other GPFRs. Therefore,

it will be difficult to conceptually clarify the presentation style of information for other GPFRs.”

Furthermore, paragraph BC7 appears to place emphasis on “information,” along with “presentation” and “disclosure,” by stating that “...presentation applies to information reported on the face of a statement and disclosure applies to information reported in the notes...” Given that “presentation” or “disclosure” is not the “information” itself, but the process information is reported, we believe that the Board needs to modify these sentences, as well as its statement on “display” in paragraph BC7.

(3) Relationship between display or disclosure, and information selection

We believe that identification of information for display and disclosure (paragraph 1.6) is a part of information selection. Therefore, it will be appropriate to move paragraph 1.6 to Section 2: information selection, and show specific criteria for making decision on display and disclosure.

Specific Matter for Comment 2:

Do you agree with the identification of three presentation decisions (selection, location and organization) in section 1? If not, how would you modify the identification of presentation decisions?

We agree with the proposed identification of three presentation decisions, provided that these will be clearly defined.

In the absence of a clear definition, it will be difficult to adequately understand those three presentation decisions. Furthermore, no clear explanation on each of those three terms can be found in the ED (please refer to our comment on distinction between high level decisions and lower level decisions below).

Specific Matter for Comment 3:

Do you agree with the proposed approach to making presentation decisions in Section 1? If not, how would you modify it?

We agree with the proposed approach.

Specific Matter for Comment 4:

Do you agree with the description of information selection in Section 2:

- (a) In the financial statements; and
- (b) Within other GPFRs?

If not, how would you modify the description(s)?

We generally agree with the description of information selection, however, we have the following comments for your consideration:

(1) Distinction between high level decisions and low level decisions

The ED identifies high level and low level decisions on selection, location and organization of information for presentation decisions in paragraph 1.10. However, it is debatable whether making this distinction is useful.

We believe that which information is to be reported in what reports (high level decisions), and where the information is to be placed within a report (low level decisions) should be articulated simply in relation to the location of information. Therefore, we suggest the Board to consider deleting paragraph 2.2.

(2) Guidance on detailed information selection decisions

Paragraph 2.5 states that “the objectives of financial reporting, applied to the area covered by a particular report” guides the selection decisions for detailed information for other GPFR. Given that the information presented in financial statements is the core of financial reporting, further explanation would need to be added to clarify that selection decisions on detailed information in other GPFRs should be made after carefully considering its relation to financial statements.

Specific Matter for Comment 5:

Do you agree with the description of information location in Section 3:

- (a) In the financial statements;
- (b) In other GPFRs; and,
- (c) Between different reports within GPFRs?

If not, how would you modify the description(s)?

We do not agree with the proposal.

As opposed to state that location has the impact on information's relevance, verifiability, understandability, faithful representation, and comparability in paragraph 3.1, we believe that inserting some statements on qualitative characteristics in each relevant section will be sufficient. Therefore, we suggest deleting the first sentence of the paragraph 3.1 that describes qualitative characteristics.

Although it is not described in paragraph 3.1, information location also has influence on timeliness. For example, when selecting whether to report in financial statements or other GPFs having different reporting date, the information location has an effect on timeliness.

In addition, the first sentence of paragraph 3.9. states that “[F]or the financial statements, displayed information is shown on the face of the appropriate statement, while disclosures are in the notes.” And, this is described as “[this] style of organization” in the next sentence. We believe that “organization” should be changed to “location” since this paragraph is for information location.

Specific Matter for Comment 6:

Do you agree with the description of information organization in Section 4:

- (a) In the financial statements; and
- (b) In other GPFs?

If not, how would you modify the description(s)?

We generally agree with the proposal in Section 4.

However, we believe that further clarification would be necessary, in regards to the descriptions of “display” and “disclosure” for “organization of information within the GPFs” (paragraphs 4.15 and 4.16), to be in line with that for financial statements which distinguishes between “information displayed” and “information disclosed” in the financial statement (paragraph 4.8 to 4.13). Specifically, it would be appropriate to state that paragraphs 4.14 and 4.15 are explaining “display.”

Furthermore, organization of information in other GPFs is also necessary to be able to distinguish between information displayed and disclosed.

Specific Matter for Comment 7:

Do you consider that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFs, including the financial statements, of governments and other public sector entities? If not, how would you extend the proposals?

We generally agree with that CF-ED4 contains sufficient detail on concepts applicable to presentation in GPFs.

Yours sincerely,

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