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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 Consultation Paper “IPSASs and  
Government Finance Statistics Reporting Guidelines”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Consultation Paper (CP) “IPSASs and Government Finance Statistics Reporting Guidelines,” as follows.

**General Comments**

**1. The importance of historical cost basis**

We request the IPSASB to ensure that, while proceeding with this project, the revision of the existing IPSASs would reflect the objectives of Conceptual Framework that is currently under consideration. In particular, we emphasize the importance of historical cost for IPSASs, when aligning IPSASs with Government Finance Statistics (GFS), which requires market price basis for the measurement of assets.

We understand that the revaluation model (subsequent measurement of fixed assets) is optional for entities under the current IPSASs. However, even when the

entities apply the revaluation model, we believe that they still need to retain historical cost data (see paragraphs 54 and 55 of IPSAS 17 *Property, Plant, and Equipment*), as we will explain below in “Other Comments.”

## 2. Maintaining a close relationship to the IFRSs

We also request the IPSASB to ensure that the IPSASs would not deviate from the IFRSs, when reducing the differences between IPSASs and GFS.

### Comments on Specific Matters

#### Specific Matter for Comment 1:

With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

- (a) Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?
- (b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.

- (a) We agree that the issues in Category A in Table 2 are resolved. However, if the IPSASB decides to withdraw IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, A1. GGS reporting in Table 2, now classified as the “Issue resolved” would need to be reconsidered.
- (b) We do not find any further differences that should be added to the list.

#### Specific Matter for Comment 2:

Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include (i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

We agree with the view to develop the guidance on the development of integrated Charts of Accounts.

However, we are concerned that the project to develop guidance would require considerable amount of staff resources. As we can see from the responses on the

IPSASB's Work Program, the IPSASB has many standard-setting projects that need to be prioritized. Therefore, we recommend for the IPSASB to consider securing for additional resources to develop the Charts of Accounts.

**Specific Matter for Comment 3:**

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?
- (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

(a) We agree with the view that the IPSASB should take a more systematic approach. We believe that, by referring to GFS reporting guidelines and clarifying the differences between GFS reporting guidelines and IPSASs, while developing and revising IPSASs, the IPSASB can demonstrate the need for the reconciliation of the two and, at the same time, provide useful information to both the preparers and users of financial statements and GFS reporting. In addition, we believe that it could also help relevant stakeholders in various jurisdictions understand the conceptual differences between IPSASs and GFS in their standard setting processes.

(b) As we stated in our general comments, in the process of reducing the differences between GFS reporting guidelines and IPSASs, the IPSASs should clearly state in its publications, such as in the preface to IPSAS Handbook, its position as to give priority to IFRSs than GFS when reviewing the articles of IPSASs that have been converged to IFRSs.

We also suggest that IPSASB decides on the procedure of aligning IPSASs with GFS, in reference to "Process for Reviewing and Modifying IASB Documents ("Rules of the Road")."

**Specific Matter for Comment 4:**

Are there other areas where IPSAS changes could address GFS differences? Please describe these.

No, we do not find any other areas.

**Specific Matter for Comment 5:**

This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS.

- (a) Are there any further IPSAS 22 options that should be considered? If so, what are these?
- (b) Which one of the options do you consider that the IPSASB should consider adopting?

We support Option B.

Amongst governments that issue accrual-based consolidated financial statements, none of them have chosen to provide disclosures required by IPSAS 22, as part of their general purpose financial reports (GPFs) (paragraph 5.25 of CP). Therefore, we suggest that IPSASB should withdraw IPSAS 22, in order to save its resources for other standard setting activities.

When we compare financial information and statistical information, we note that their objectives, concepts and preparation methods are very different. Therefore, we believe that it is sufficient to describe the relations between the two standards in the relevant IPSAS Appendices, for example, of ISPAS 1, 2, 6 to 8, or 18, rather than requiring to be consistent with GFS applicable to general government sector (GGS) financial reporting and the consolidated government financial statements, as proposed in Option C, of paragraph 5.26 (a) of the CP.

If the IPSASB chooses to include it in the body of IPSASs, we suggest that this disclosure requirement be voluntary.

**Preliminary View 1:**

The IPSASB should amend Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

We agree to amend Study 14.

## Other Comments

### Information required when entities choose to apply revaluation model

Paragraphs 54 and 55 of IPSAS 17, *Property, Plant, and Equipment* prescribe the application of the revaluation model as follows:

#### IPSAS 17

54. If the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.

55. If the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

Under the current requirements shown above, if the entity chooses to apply revaluation model, it would still need to retain the information on historical cost, fair value and revaluation process for each class of assets.

These IPSASs require an entity to credit directly to revaluation surplus (net assets) when the carrying amount of a class of assets is increased as a result of a revaluation, or to recognize in surplus or deficit when the carrying amount is decreased. If the entity previously recognized revaluation deficit, the increase shall be recognized in surplus or deficit to the extent of the deficit of the same class of assets. On the other hand, if the entity previously recognized revaluation surplus, the decrease shall be debited to revaluation surplus.

Yours sincerely,

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