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Ms. Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario, Canada M5V 3H2

***Comments on Consultation Paper “The Applicability of IPSASs to  
Government Business Enterprises and Other Public Sector Entities”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities” (“CP”) as follows.

I. Comments on specific matters

Specific Matters for Comment 1:

Do you agree with the IPSASB’s PV? If so, do you prefer Option 1a or Option 1b?  
Please give the reasons for your view.

For the following reasons, we agree with the IPSASB’s PV.

- We assume that there are two approaches to determine accounting standards that are applicable to government business enterprises (GBEs) as follows. Since there are

various views on the operation and management of GBEs in each jurisdiction, we believe that an objective-oriented approach is appropriate.

➤ Definition approach

Definition approach organizes the characteristics of GBEs and develops the criteria for meeting the characteristics of GBEs and then automatically determines entities satisfying the criteria on the basis of the characteristics of GBEs. This approach is currently adopted in the International Public Sector Accounting Standards (IPSASs).

➤ Objective-oriented approach

Objective-oriented approach considers intention or policies of governments. If a government has objective to manage the profitability of GBEs, it will apply the International Financial Reporting Standards (IFRSs). On the other hand, if its objective is to deliver services to the public, it will apply the IPSASs. We think this approach can enhance option 1a in the CP.

- In order to definitely interpret the scope of GBEs outside the application of the IPSASs, the characteristics of public sector entities should be clearly explained and those which do not meet the characteristics will be defined as the one outside the application of the IPSASs. We believe that this would be consistent with the purpose of the IPSASs.
- Since it is unrealistic for the IPSASB to develop a single definition of GBEs applicable to every jurisdiction, we believe that Approach 1 is appropriate.

For the following reasons, we believe that Option 1a would be desirable.

- We believe it would be helpful for IPSASB to use the current and developing terminology to describe characteristics of public sector entities from the viewpoint of the consistency with other requirements.
- We are concerned that the explanation of characteristics of public sector entities for which IPSASs are intended would be integrated into other guidelines.
- We are also concerned that option 1b can cause some mismatches between the conceptual framework for accounting and the terms used in government financial statistics (GFS).

Specific Matters for Comment 2:

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

Since we believe that Option 1a would be desirable, we do not have any responses to this question.

## II. Proposed descriptions of "Characteristics of Public Sector Entities" in paragraph 6.8

The proposed descriptions of "Characteristics of Public Sector Entities" in paragraph 6.8 may face the following challenges:

- In the context of the descriptions of the characteristics of public sector entities, we may have to note that there are some entities which do not have any responsibilities for delivering services 'directly' to the public in Japan. For example, an entity is responsible for financing the facilities operated by another entity, but does not have any responsibility for delivering services directly to the public. In this case, the entity does not strictly meet the characteristics described in paragraph 6.8, and therefore this may create the problem that the IPSASs would not apply to those entities.
- Paragraph 6.8 describes two requirements for meeting the characteristics. It is unclear whether IPSASs will apply to an entity when it meets both of the characteristics or either would be sufficient. If the first characteristic includes wide descriptions of the delivery of services to the public as the characteristics of entities, we should conclude that IPSASs would apply to entities that satisfy both of the characteristics and IFRSs would apply to any entity among them that have investors with a view to generating profit.
- We believe that the descriptions of differences between public sector and private sector entities should be further considered in order to clarify characteristics of public sector entities.

## III. Other comments

Where a GBE that initially intends to apply IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) suffers a deterioration in its operations, in some cases it may arbitrarily choose to change its objective to that of delivering services to the public, and accordingly to apply IPSASs in order to avoid any impairment under the IFRSs. Such application of IPSASs will certainly be undesirable. We believe that the IPSASB should emphasize that the operational objectives assigned to GBEs should not be changed according to any changes in external environments without any justifying rationale.

Yours sincerely,

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