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Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

**Comments on the Proposed International Public Sector Accounting Standard  
“Service Concession Arrangements: Grantor”**

Dear Sir:

The Japanese Institute of Certified Public Accountants (“JICPA”) is pleased to comment on the Proposed International Public Sector Accounting Standard “Service Concession Arrangements: Grantor” (the “ED”), as follows:

**On “Specific Matters for Comment”**

This Exposure Draft addresses service concession arrangements from the grantor’s perspective. It mirrors the principles set out in IFRIC 12 for accounting by the operator.

Do you agree with this approach?

We agree with this approach. The reason is as follows.

This approach would require both parties to the arrangement to apply the same principles in determining whether the asset used in a service concession arrangement should be accounted for as an asset, thus minimizing the possibility for an asset to be accounted for by both of the parties, or by neither of the parties.

### **Other Comment**

Paragraph 19 of the ED states that when the grantor recognizes a service concession asset, the grantor shall also recognize a liability and the liability recognized may be any combination of a financial liability and a performance obligation.

Also, paragraph 22 of the ED states that when the grantor compensates the operator by granting the operator the right to collect fees from users of the service concession asset or by granting the operator access to another revenue-generating asset for its use, the liability recognized in accordance with paragraph 19 is a performance obligation.

Paragraph 7 in IPSAS 1 states that liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. In our view, the relationship between the definition of “a performance obligation” in the ED and the definition of “the liability” in IPSAS 1 is unclear and, therefore, it is necessary to explain the relationship between these definitions in the standard.

Subject to the above comments we agree with the ED.

Yours sincerely,

Takao Kashitani

Executive Board Member - Public Sector Accounting and Audit Practice

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