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Certified Public Accountants**

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Ms. Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
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***Comments on the Conceptual Framework Exposure Draft 3  
“Conceptual Framework for General Purpose Financial Reporting by  
Public Sector Entities:  
Measurement of Assets and Liabilities in Financial Statements”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Conceptual Framework Exposure Draft 3 (CF-ED3), “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements,” as follows.

**I. Comments on Specific Matters**

**Specific Matter for Comment 1:**

Do you agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting? If you think that there should be a measurement objective please indicate what this measurement objective should be and

give your reasons.

We agree with the proposal. However, for further clarification, we suggest that the statement in paragraph 1.3 of the CF-ED3 – “[T]he selection of a measurement basis is particularly important to meeting the information needs of users for accountability and decision-making purposes if it enables assessments of:” – be amended as follows:

“An appropriate measurement basis should be selected to meet the information needs of primary users of GPFRs for accountability and decision-making purposes. As the following three factors would be highly important for the users of GPFRs, it is essential that the entity assesses whether the selected measurement basis would be able to provide the following information:”

In addition, as we believe that the users of GPFRs would mainly be interested in the information referred to in (a), (b) and (c) stated in paragraph 1.3, we suggest that secondary factors such as in (d), (e) and (f) should be moved to the Basis for Conclusions.

**Specific Matter for Comment 2:**

Do you agree with the current value measurement bases for assets that have been identified in Section 3? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?

We generally agree with the use of the current value measurement bases for assets identified in Section 3.

However, we suggest that the IPSASB further consider the advantages and drawbacks of using the historical cost and the current value measurement bases, and clarify as to when it is more relevant to use each of these.

Also, in view of the fact that holding gains may sometimes arise when the replacement cost is selected as a measurement basis, we believe that the significance of the holding gains over the financial performance of a public sector entity should be explained, particularly in reference to the fixed assets

held for an administrative purpose.

Furthermore, the statement in paragraph 3.11 of CF-ED3 – “[I]f market-based information is used for pricing decisions, the users of services could be charged with higher costs than those actually incurred” – would be applicable for all current value measurement bases, rather than solely for a market value basis.

**Specific Matter for Comment 3:**

Do you agree with the approaches proposed in Section 4 for application of:

- (a) The fair value measurement model to estimate the price at which a transaction to sell an asset would take place in an active, open and orderly market at the measurement date under current market conditions. If not, please give your reasons; and
- (b) The deprival value model to select or confirm the use of a current measurement basis for operational assets. If not please give your reasons.

We agree to the content of fair value model and deprival value model. However, we propose that Section 4 should be moved to Basis for Conclusions for the following reasons.

We are of the view that the fair value model defined in the CF-ED3 is a technique for estimating a market value, and is not guiding the selection of an appropriate measurement basis. We believe the fair value model should be prescribed in the relevant IPSASs as an estimation technique.

We are also of the view that the statements on the deprival value model in Section 4 are redundant, as paragraph 1.3 already describes the perspectives to be employed on selecting an appropriate measurement basis.

**Specific Matter for Comment 4:**

Do you agree with the proposed measurement bases for liabilities in Section 5? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?

We agree with the proposal.

## II. Other comments

With regard to the statement in paragraph 2.7 that “[H]istorical cost is not intended to provide this information when current exit values are significantly higher,” the IPSASB should clarify that the case in which current exit values are significantly lower than the historical cost would not be useful for the assessment of financial capacity.

Yours sincerely,

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