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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 Exposure Draft 51 “Joint Arrangements”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Exposure Draft 51 (ED 51) “Joint Arrangements” as follows.

**I. Comments on specific matters**

**Specific Matter for Comment 1:**

Do you agree that joint arrangements should be classified as joint ventures or joint operations based on whether an entity has (i) rights to assets and obligations for liabilities, or (ii) rights to net assets?

We agree with the proposal in the Exposure Draft.

With regard to Japanese municipal practice, Japan has organizations called Administrative Associations and Cross-regional Federations that conduct administrative

work for multiple municipalities collectively. If the equity method were applied, the amounts of assets and liabilities in each municipality's financial statements when administrative work was conducted by Administrative Associations, etc. would differ significantly from those amounts when the work was conducted by a single municipality. We therefore believe that these associations should be treated as joint operations in accordance with the requirements of ED 51 so that each municipality recognizes its assets and liabilities. We think this approach would indicate municipalities' economic substance.

**Specific Matter for Comment 2:**

Do you agree that joint ventures should be accounted for in consolidated financial statements using the equity method?

We agree with the proposal in the Exposure Draft.

We believe, however, in addition to the reason that IPSASs should be consistent with the International Financial Reporting Standards (IFRSs), a more detailed rationale should be provided in the Basis for Conclusions (e.g., BC3). For example, we find an explanation as to why the proportionate consolidation was eliminated in paragraphs BC41-BC45 of IFRS 11, *Joint Arrangements*. An appropriate explanation should be included in the IPSASs to ensure that the rationale can be understood without any reference to the IFRSs, even in cases where the IFRSs are revised.

Yours sincerely,

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