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Mr. James Gunn

Managing Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

***Comments on Exposure Draft 56 “The Applicability of IPSASs”***

Dear Mr. Gunn,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Exposure Draft 56 “The Applicability of IPSASs” (the ED) as follows.

I. Comments on the specific matter

Specific Matter for Comment

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the *Executive Summary* of the ED. This description will be part of the *Preface to International Public Sector*

*Accounting Standards.*

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

We generally agree with the proposals in the ED. As a standards-setting board, we believe that the IPSASB is responsible for defining certain characteristics of the public sector entities to which the IPSASs will apply.

For the following items pertaining to the proposed changes to paragraph 10 of the “Preface to International Public Sector Accounting Standards” (the Preface), however, we believe that further discussion and clarification would be required with respect to the characteristics of public sector entities.

1. Proposals

- In some cases, a government business enterprise (GBE) that had initially intended to adopt the IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) but that suffers a deterioration in its operations may arbitrarily choose to change its objective to that of delivering services to the public and accordingly adopt the IPSASs to avoid any impairment under the IFRS. Such application of the IPSASs will certainly be undesirable. We believe that the IPSASB should require the public sector entities to pay attention to this issue by including in the Preface, for example, the following: “Public sector entities within the scope of the IPSASs should not change their objectives according to any changes in external environments without any justifying rationale.” (We made a similar comment in our comment letter on the Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.”)
- The proposed changes to paragraph 10 of the Preface would result in the determination of public sector entity “characteristics” within the scope of the IPSASs. The IPSASB should consider, however, that the entities which have already adopted the IFRSs, thereby not specifically required to adopt the IPSASs, would not be forced to automatically apply them when they have those characteristics. For example, it would be possible to include in the Preface the

following requirement: “Notwithstanding the requirements of paragraph 10, entities that have already adopted the IFRSs are excluded from the scope of the IPSASs.”

## 2. Points to confirm

- Regarding the context for the text, “do not have capital providers seeking a return on their investment,” are we to understand that “return on their investment” would have the same meaning as “commercial return” in the definition of cash-generating assets in paragraph 2 of IPSAS 21 “Impairment of Non-Cash Generating Assets”? Since the term “commercial return” is not currently defined in the IPSASs, we request the IPSASB to clarify this.
- A large number of public sector entities have capital providers seeking returns on investments in debt issuers. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.
- Does the term “a return of their investment” in (b) of the proposed changes to paragraph 10 of the Preface include the gain on sales, in addition to the return of the investment principal (Confirmation for the purpose of translation)?
- The IFRSs do not specifically address entities that aim to recover the total costs. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.

Yours sincerely,

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