



**The Japanese Institute of
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Ms. Stephenie Fox

Technical Director
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International Federation of Accountants
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Toronto, Ontario, Canada M5V 3H2

***Comments on the Exposure Draft 53 “First-Time Adoption of Accrual Basis
International Public Sector Accounting Standards (IPSASs)”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Exposure Draft 53 (ED 53) “First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs),” as follows.

I. Comments on specific matters

Matter for Comment 1:

The objective of this Exposure Draft is to provide a comprehensive set of principles

that provides relief to entities that adopt accrual basis IPSASs for the first time.

(a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and

(b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs?

Please provide a reason for your response.

We agree with the proposed transitional exemptions, and believe that ED 53 provides appropriate relief.

We believe that such a comprehensive set of transitional exemptions as shown in the ED would help clarify the main issues that would need to be addressed by potential first-time adopters of IPSASs. We also expect that these exemptions can encourage more public sector entities to make further effort to adopt IPSASs.

With respect to some items, however, due to a large number of exemptions included in the ED, it is difficult to understand the relation between those that affect fair presentation and compliance with accrual basis IPSASs, and those that do not. In particular, although both paragraphs 42 and 87 are presented as exemptions for IPSAS 5, *Borrowing Costs*, it is unclear as to under which conditions they would apply. Therefore, we believe further explanations, including illustrative examples of these conditions, would be desirable in the Basis for Conclusions (e.g., in BC57 or succeeding paragraphs).

Matter for Comment 2:

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and

(b) Do you agree that the individual categorization is appropriate?

If not, please provide a reason for your response and provide an alternative approach.

We generally agree with the proposed differentiation and the individual categorization.

However, given the potentially significant impact to the users of IPSAS basis financial statements, we believe that the entities should emphasize the application of transitional exemptions, if applicable. That is, if the entities follow specific disclosure requirements prescribed in paragraph 126(a), they should highlight this fact, and that application of transitional exemptions may have influence on the fair presentation and compliance with accrual basis IPSASs. Accordingly, we propose that IPSASB should require the entities to denote, for example, at the beginning of their financial statements, that they incorporated transitional exemptions, in order to prevent misunderstanding by inexperienced financial statement users.

Matter for Comment 3:

This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accrual basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.

We agree with a relief period of three years.

We also recommend that IPSASB consider requiring a first-time adopter to develop a feasible plan for transitioning to the IPSASs within the three-year relief period.

Yours sincerely,

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