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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
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**Comments on the Draft IFRIC Interpretation DI/2010/1 *Stripping Costs in the
Production Phase of a Surface Mine***

To the Board Members:

The Japanese Institute of Certified Public Accountants (“we” and “our”) welcomes the opportunity to comment on the draft **IFRIC Interpretation *Stripping Costs in the Production Phase of a Surface Mine***.

The following are our concerns related to these proposals.

Question 1 – Definition of a stripping campaign

The proposed Interpretation defines a stripping campaign as a systematic process undertaken to gain access to a specific section of the ore body, which is a more aggressive process than routine waste clearing activities. The stripping campaign is planned in advance and forms part of the mine plan. It will have a defined start date and it will end when the entity has completed the waste removal activity necessary to access the ore to which the campaign is associated.

Do you agree that the proposed definition satisfactorily distinguishes between a stripping campaign and routine waste clearing activities? If not, why?

Comment:

We do not agree.

With regard to the definition provided in paragraph 4 of the proposed Interpretation, there may be other situations, in practice, where it is difficult to directly associate a stripping activity to a specific section of the ore body, due to reasons such as a complex structure of a mining area. This, we believe, could readily lead to practical difficulties when determining whether the costs relate to a stripping campaign or routine stripping. We are concerned that the distinction may be changed arbitrarily.

As noted in BC 15 of the proposed Interpretation, we believe it is important, in practice, for an entity's mine plan to clearly define the distinction between a stripping campaign and routine stripping, with "reasonable consistency" in advance. We, therefore, would like the definition for a stripping campaign in paragraph 4 to explicitly state that "a stripping campaign should be distinguished from routine stripping activities with reasonable consistency." This would eliminate the possibility of arbitrary distinctions.

Question 2 – Allocation to the specific section of the ore body

The proposed Interpretation specifies that the accumulated costs recognized as a stripping campaign component shall be depreciated or amortised in a rational and systematic manner, over the specific section of the ore body that becomes directly accessible as result of the stripping campaign. The units of production method is applied unless another method is more appropriate.

- (a) Do you agree with the proposal to require the stripping campaign component to be depreciated or amortised over the specific section of the ore body that becomes accessible as a result of the stripping campaign? If not, why?
- (b) Do you agree with the proposal to require the units of production method for depreciation or amortisation unless another method is more appropriate? If not, why not?

Comment:

We agree to both of the proposals.

Paragraph 10 requires an entity to classify the stripping campaign component as tangible or intangible according to the nature of the existing asset to which it relates. However, paragraphs 16-19 requires subsequently measurement of the stripping campaign component subsequently at its cost, as explained above, and states that the units of production method is preferred for depreciation or amortization. Therefore, the requirements of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* are in effect more restricted. It is not common for an Interpretation to impose such restrictions to the requirements of standards. We believe that the IFRS Interpretations Committee should explain the reasons for the Interpretations' restrictions in the Basis for Conclusions. .

Yours faithfully,

Keiko Kishigami

Executive Board Member - Accounting Practice (IFRS)

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