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Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto Ontario Canada M5V 3H2

Comments on the Consultation Paper "Accounting and Financial Reporting for Service Concession Arrangements"

Dear Sir:

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Consultation Paper "Accounting and Financial Reporting for Service Concession Arrangements" (the CP), as follows:

On "Request for Comments"

1. It is proposed that a grantor report the property underlying an SCA as an asset in its financial statements if it is considered to control the property. Criteria for determining control are proposed in the Consultation Paper. Do you agree with this approach and the control criteria identified? (See Paragraphs 28-104)

We agree with this approach and the control criteria identified. The reason is as follows.

IPSAS 1 defines assets as "resources controlled by an entity as a result of past

events and from which economic benefits or service potential are expected to flow to the entity.

In the CP, a grantor is required to report the property underlying an SCA as an asset, on the condition that the grantor controls not only the residual interest in the property at the end of the arrangement, but also the services provided through the property underlying an SCA. The grantor's control over services provided through the property underlying an SCA indicates that the grantor can expect future service potential to flow from the underlying property. Therefore, the property controlled by the grantor meets the definition of an asset in IPSAS 1.

2. It is proposed that the underlying property reported by the grantor as an asset and the related liability (reflecting any obligation to provide compensation to the operator) is initially measured based on the fair value of the property other than in cases where scheduled payments made by the grantor can be separated into a construction element and a service element. In such cases, the present value of the scheduled construction payments should be used if lower than the fair value of the property. Do you agree? (See Paragraphs 105-140)

We agree with this proposal. The reason is as follows.

Using the fair value of the property as the initial measurement of the asset is consistent with the guidance prescribed in IPSAS 17 for another circumstance when there is no discernable "historical cost" to use for the initial measurement of the property.

3. It is proposed that contractually determined inflows of resources to be received by a grantor from an operator as part of an SCA should be recognized as revenue by the grantor as they are earned over the life of the SCA beginning at the commencement of the concession term, that is, when the underlying property is fully operational. These inflows generally should be considered earned as the grantor provides the operator access to the underlying property, and amounts received in advance of providing a commensurate level of access to the property should be reported as a liability. Do you agree? (See Paragraphs 191-196)

We agree with this proposal. The reason is as follows.

Recognizing contractually determined inflows of resources to be received by a grantor from an operator as part of an SCA as revenue by the grantor as they are earned over the life of the SCA beginning at the commencement of the concession term is consistent with the guidance prescribed in IPSAS 9 that revenue associated with the transaction involving the rendering of services should be recognized by the reference to the stage of completion of the transaction.

Yours sincerely,

Yasuo Kameoka

Takao Kashitani

Executive Board Member

Chair of the Public Sector Committee

The Japanese Institute of Certified Public Accountants