



**The Japanese Institute of
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October 25, 2021

Mr. Ross Smith
Program and 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 76 “Conceptual Framework Update: Chapter 7, Measurement
of Assets and Liabilities in Financial Statements”**

Dear Mr. Smith,

The Japanese Institute of Certified Public Accountants (hereafter “JICPA”) highly respects the International Public Sector Accounting Standards Board (hereafter “IPSASB”) for its continuous effort to serve the public interest. We are also pleased to comment on the Exposure Draft 76 “Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements” (hereafter “ED”). Our comments to ED 76 are as follows.

Specific Matter for Comment 1 :

ED 76 proposes a measurement hierarchy. Do you agree with the three-tier hierarchy?
If not, why not? How would you modify it?

Comment:

We agree.

Specific Matter for Comment 2 :

Do you agree with the proposed inclusion of fair value as a measurement basis for assets and liabilities with the same definition as in IFRS 13, Fair Value Measurement, in the Conceptual Framework?

If not, why not?

Comment:

We agree.

Specific Matter for Comment 3 :

Do you agree with the proposed inclusion of current operational value as a measurement basis for assets in the Conceptual Framework?

If not, why not?

The Exposure Draft includes an Alternative View on current operational value.

Comment:

We agree, except for the following:

Under the existing Conceptual Framework, discussions of service potential are strongly linked to a measurement basis of replacement cost. Repositioning replacement cost from a measurement basis to a measurement technique, and positioning current operational value, instead of replacement cost, as a measurement basis linked to service potential give rise to a significant conceptual change. We therefore believe that the IPSASB should provide convincing explanation why such a significant change is necessary. As paragraph BC7.27 discusses that current operational value is superior to replacement cost in that the former includes non-specialized assets in its scope, this should also be explicitly stated in the core text.

Specific Matter for Comment 4 :

It is proposed to substitute a general description of value in use (VIU) in both cash-generating and non-cash-generating contexts, for the previous broader discussion of VIU. This is because the applicability of VIU is limited to impairments. Do you agree with this proposed change?

If not, why not? How would you approach VIU instead and why?

Comment:

We agree.

However, we have found some inconsistencies in the composition of the core text. While paragraph 7.34 refers to impairment by stating “Depreciation, amortization, and impairment, which are discussed in the context of the historical cost measurement basis in paragraphs 7.26 and 7.27, are also relevant to current value measurement bases,” there is no reference to paragraph 7.34 in the discussions made later in the same section from paragraphs 7.57 through 7.62 about the measurement bases for value in use. It therefore gives off a somewhat erratic impression that value in use, which should rather be discussed outside the scope of this section, is discussed in these paragraphs. We believe value in use should be referred to in paragraph 7.34 or a reference to paragraph 7.34 should be added to paragraphs 7.57 or later.

Specific Matter for Comment 5 :

Noting that ED 77, *Measurement*, proposes the use of the cost approach and the market approach as measurement techniques, do you agree with the proposed deletion of the following measurement bases from the Conceptual Framework:

- Market value—for assets and liabilities; and
- Replacement cost—for assets?

If not, which would you retain and why?

Comment:

We agree.

Specific Matter for Comment 6 :

The IPSASB considers that the retention of certain measurement bases that were in the 2014 Conceptual Framework is unnecessary. Do you agree with the proposed deletion of the following measurement bases from the Conceptual Framework?

- Net selling price—for assets
- Cost of release—for liabilities
- Assumption price—for liabilities

If not, which would you retain and why?

Comment:

We agree.

Specific Matter for Comment 7 :

Are there any other issues relating to Chapter 7: Measurement of Asset and Liabilities in Financial Statements of the Conceptual Framework that you would like to highlight?

Comment:

N/A

Yours sincerely,

Hiroshi Shiina

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants