



**The Japanese Institute of  
Certified Public Accountants**  
4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: +81-3-3515-1129 Fax: +81-3-3515-1167  
Email: [hieirikaikai@jicpa.or.jp](mailto:hieirikaikai@jicpa.or.jp)

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 78 “Property, Plant, and Equipment”**

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 78 “Property, Plant, and Equipment” (hereafter “ED”). Our comments to ED 78 are as follows.

**Specific Matter for Comment 1 :**

[Draft] IPSAS [X] (ED 78), *Property, Plant, and Equipment* proposes improvements to the existing requirements in IPSAS 17, *Property, Plant, and Equipment* by relocating generic measurement guidance to [draft] IPSAS [X] (ED 77), *Measurement*; relocating guidance that supports the core principles in this Exposure Draft to the application guidance; and adding guidance for accounting for heritage assets and infrastructure assets that are within the scope of the Exposure Draft.

Do you agree with the proposed restructuring of IPSAS 17 within [draft] IPSAS [X] (ED 78)? If not, what changes do you consider to be necessary and why?

Comment:

We agree.

**Specific Matter for Comment 2 :**

Do you agree that when an entity chooses the current value model as its accounting policy for a class of property, plant, and equipment, it should have the option of measuring that class of assets either at current operational value or fair value?

If not, please provide your reasons, stating clearly which current value measurement basis would best address the needs of the users of the financial information, and why.

Comment:

We agree.

**Specific Matter for Comment 3 :**

Are there any additional characteristics of heritage assets (other than those noted in paragraph AG3) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for heritage assets, and why.

Comment:

We agree.

**Specific Matter for Comment 4 :**

Are there any additional characteristics of infrastructure assets (other than those noted in paragraph AG5) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for infrastructure assets, and why.

Comment:

We agree to the characteristics noted in paragraph AG5.

However, we believe that IPSASB should clearly explain as to why existing standards should be amended.

Paragraph 21 of the extant IPSAS 17, *Property, Plant, and Equipment* states that infrastructure assets usually display some or all of the following four characteristics:

- (a) They are part of a system or network;
- (b) They are specialized in nature and do not have alternative uses;
- (c) They are immovable; and
- (d) They may be subject to constraints on disposal.

Of the above, three characteristics (b), (c) and (d) are not reflected in paragraph AG5 of ED 78. BC16 and BC17 do not explain why these three characteristics have been deleted. We request that IPSASB should explain why these characteristics of infrastructure assets, especially (b) and (c), have been deleted in the Basis for Conclusions section.

**Specific Matter for Comment 5 :**

This Exposure Draft proposes to require disclosures in respect of heritage property, plant, and equipment that is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably.

Do you agree that such disclosure should be limited to heritage items?

If not, please provide your reasons, stating clearly the most appropriate scope for the disclosure, and why.

Comment:

We agree.

We request, however, that IPSASB should provide detailed explanation as to the description about how the initial measurement of heritage assets is difficult compared to other assets in paragraph BC31, particularly about the portion: "... is not able to be measured reliably and the assets cannot, therefore, be recognized." For instance, in the past, there were cases where deemed cost was unable to be measured reliably at the initial recognition of infrastructure assets (old roads). This suggests that difficulty of initial measurement is not limited only to heritage assets.

Also, to prevent variation in accounting treatments, we propose that the IPSASB should clarify that acquisition cost or deemed cost is applied to assets other than heritage assets, and there is no cases where these costs are unable to be measured.

#### **Specific Matter for Comment 6 :**

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for heritage assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on heritage assets are required, and why.

Comment:

We agree.

#### **Specific Matter for Comment 7 :**

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for infrastructure assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on infrastructure assets are required, and why.

Comment:

We agree except for the following two points:

- Paragraph BC61 states that renewals accounting has not been adopted. Current ED 78 is based on IAS 16. IPSASB should give more detailed explanation why IPSASB does not adopt renewals accounting, as it is still used in the US (Modified approach in Governmental Accounting Standards Board Statement (GASBS) No.34) as a government-specific accounting treatment, as well as in some other jurisdictions as accounting treatment unique to the public sector.
- The government sector entities have an obligation to maintain/upgrade the quality of services at/to a certain level of their infrastructure assets. In addition, municipalities in Japan are requested to formulate asset management plans. In this respect, the government sector entities are accountable for how it maintains/upgrades infrastructure assets in the future using asset

management information.

For instance, in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) 42, the federal government of the US is required to disclose Deferred Maintenance and Repairs. In some municipalities in Japan, the failure to maintain/repair sewerage systems in a planned manner has caused the systems to be no longer usable or sewer fees to rise dramatically.

We propose that public sector entities should provide explanatory disclosure (e.g., explanation as to a shortfall in the budget needed for maintenance/repair as part of asset management), in cases where the necessary repairs have been postponed. This is because the maintenance/repair of infrastructure assets is generally significant in terms of amount and accountability.

### **Other comments**

Disclosure of the results of the sensitivity analysis on current operational values is referred to in paragraph 84 (g) and (i). In this respect, we request that IPSASB should present practical treatment in Implementation Guidance or Illustrative Examples.

Yours sincerely,

Hiroshi Shiina

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants