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May 15, 2024

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 87 "Stripping costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)"

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 Exposure Draft 87 "*Stripping costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*" (hereafter "ED"). Our comments to ED are as follows.

Specific Matter for Comment 1

The IPSASB decided to propose IFRIC 20-aligned guidance in ED 87 (see paragraph BC9). Do you agree that amendments to IFRIC 20, for the public sector, are limited to terminology and other IPSASB-specific formatting and consistency amendments (see paragraph BC10)? If not, please explain your reasons, stating clearly what further amendments are necessary and why.

Comment:
We agree.

Specific Matter for Comment 2

The IPSASB decided to propose the IFRIC 20-aligned guidance in ED 87 as an amendment to IPSAS 12, *Inventories*, by including the guidance as an Appendix (see paragraph BC11). Do you agree with the IPSASB's decision? If not, please explain your reasons, stating clearly where the guidance should be included and

why.

Comment:

We agree, except for the following points.

As described in paragraph A4 that "— There can therefore be two benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods," this ED specifies that there are two types of benefits from stripping activity.

In this regard, paragraph BC11 says, "The IPSASB concluded that stripping costs ultimately end in the cost of mineral inventory produced by a surface mine, from which the surface mine will derive benefits." We understand that this provision only applies when the benefit arising from the stripping activity is "inventory produced."

However, in paragraph BC11, there is no mention of the case when the benefit from the stripping activity is "improved access." It can be read as if the costs of stripping activities are ultimately capitalized as the acquisition cost of the mineral inventory, regardless of the type of benefits, which could lead to misunderstandings by the readers and potentially result in incorrect accounting treatment.

We therefore suggest that the description in paragraph BC11 should be supplemented to indicate that it pertains to the case of "inventory produced," which is one of the two types of benefits arising from the stripping activity.

Yours sincerely,

Kaneko Yasushi
Executive Board Member - Public Sector Accounting and Audit Practice
The Japanese Institute of Certified Public Accountants