

November 26, 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 90 “Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement”

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 90 “*Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*” (hereafter “ED”). Our comments to ED are as follows.

Specific Matter for Comment 1

Do you agree that current operational value is an applicable current value measurement basis for assets in the scope of IPSAS 12, *Inventories*, and IPSAS 31, *Intangible Assets*, as proposed in Part 1 of this ED?

If you do not agree please explain your reasoning.

The ED *includes an Alternative View on adding current operational value as an additional measurement basis to the current value model in IPSAS 31.*

Comment:

1. Application of current operational value to the measurement of inventories

We agree, but request that the two issues detailed below be addressed.

(1) Initial measurement of inventories

The ED’s proposed method of applying deemed cost at initial measurement of inventories is a stipulation unique to IPSAS. To ensure that entities more clearly understand the impact

of this proposal, we request the IPSASB to provide examples of how the deemed cost of the inventories provided for in paragraph 9(b) of IPSAS 12, *Inventories*, is measured using current operational value, either in Implementation Guidance or Illustrative Examples.

(2) Subsequent measurement of inventories

The ED proposes to add a case in which inventories are held for the purpose of “consumption in the rendering of services at no charge (a transfer expense) or for a nominal charge” to the cases in which the subsequent measurement of inventories at cost or current operational value is allowed as an exception. We request the IPSASB to provide the specific details of that purpose, either in Implementation Guidance or Illustrative Examples.

2. Application of current operational value to the measurement of intangible assets

We agree.

However, there is unlikely to be an active market for rights to provide public services, intangible assets unique to the public sector. In terms of an entity-specific entry value that mainly comprises the remaining service potential and degree of obsolescence of the asset, measuring these intangible assets is more difficult than measuring tangible assets and may thus lack objectivity. Therefore, the IPSASB should clarify relevant guidance by adding Implementation Guidance or Illustrative Examples.

Specific Matter for Comment 2

Part 1 of this ED proposes that current operational value is an applicable subsequent current value measurement basis for right-of-use assets (i.e., assets in scope of IPSAS 43, *Leases*).

(a) Do you agree that current operational value can be applied to the subsequent measurement of right-of-use assets? If you do not agree, please explain your reasoning.

(b) If you agree with (a), do you agree that current operational value can be applied using the current guidance in IPSAS 46 (without the income approach as one of its measurement techniques)? If you do not agree please explain your reasoning.

Comment:

We agree.

However, given that calculating the discounted present value of lease payments in the measurement of right-of-use assets is the accounting applied by the lessee, the IPSASB should

add to the Basis for Conclusions a statement to the following effect: The proposed method is not the income approach where measurement is made by discounting future economic benefits (cash inflow), but a method assumed to be part of the cost approach in that the present value is determined using the aggregate lease payments.

Specific Matter for Comment 3

Do you agree with the replacement of value in use of a non-cash-generating asset by current operational value in the definition of recoverable service amount in IPSAS 21, *Impairment of Non-Cash Generating Assets*, as proposed in Part 2 of this ED? Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its current operational value.

If you do not agree please explain your reasoning.

Comment:

We agree, but request the following revisions as paragraphs BC36 to BC45 of the ED have a problem that hampers users' understanding:

Whereas the ED considers three options—Approaches (a) to (c)—for the retention or replacement of value in use of a non-cash-generating asset and explains them in paragraphs BC36 to BC45, it does not explicitly state that Approach (c) has been adopted in the end.

To deal with it, we propose that Approach (b) be redefined as “Retaining the definition of ‘value in use of a non-cash-generating asset’ and replacing the term ‘value in use’ with ‘current operational value.’”

We also propose that Approach (c) be redefined as “Abolishing the definition of ‘value in use of a non-cash-generating asset’ and adopting current operational value as a branch of recoverable service amount in its own right,” and that the ED having adopted Approach (c) be explicitly stated.

Yours sincerely,

Kaneko Yasushi

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants