



**The Japanese Institute of
Certified Public Accountants**

4-4-1, Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan

Phone: 81-3-3515-1130 Fax: 81-3-5226-3356

E-mail: international@jicpa.or.jp

http://www.jicpa.or.jp/n_eng

February 8, 2006

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

545 Fifth Avenue, 14th Floor

New York, NY 10017 USA

**Comments on the Proposed International Public Sector Accounting Standard,
“Presentation of Budget Information in Financial Statements”**

Dear Sir:

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Proposed International Public Sector Accounting Standard, “Presentation of Budget Information in Financial Statements” (the “Proposed Standard”), as follows:

Overall Opinion

We support the proposed standard. Budget information is very important for the government. If included in the general purpose financial statements, a comparison of the government budget with the actual amounts would enhance the government’s accountability.

On “Specific Matters for Comment”

1. To require a comparison of actual amounts with amounts in the original and final budget as part of the general purpose financial statements (GPFs) (paragraph 12).

We agree with the proposal.

2. To require disclosure of the reasons for material differences between budget and actual amounts unless such explanation is included in other public documents issued at the same time as, or in conjunction with, the financial statements (paragraph 12). The IPSASB would welcome views on whether such disclosure should be required or encouraged.

We agree with the proposal to require such disclosure.

If there are material differences between the approved budget and actual amounts, the reporting entity can discharge its accountability by clearly stating the reasons. When users of financial statements lack the means to learn of the reasons for such differences, the reporting entity needs to explain.

3. That an entity shall present a comparison of budget and actual amounts in the GPFSs as additional budget columns in the primary financial statements only where the GPFSs and the budget are on the same basis of accounting and adopt the same classification structure (paragraph 15). The IPSASB would also welcome views on whether the budget figures should be required to be presented on the face of the primary financial statements when the budget amounts and the actual amounts in the GPFSs are prepared on a comparable basis.

In reading and considering paragraph BC 15, we interpret two meanings concurrently: first, “to prohibit the use of an additional budget column unless the GPFSs and budget are accounted for on the same basis and adopt the same classification structure”; second, “to allow two options if the GPFSs and the budget are accounted for on the same basis and adopt the same classification structure.” We agree with the proposal if IPSASB agrees with this interpretation. However, we also propose a change in the wording to state the provisions more explicitly. When reading the wording as it now stands, readers might mistakenly conclude that the additional budget column method will be enforced under some circumstances.

We also recommend that the table for the comparison between the budget and actual amounts be presented as a footnote rather than as a “separate financial statement.”

We suggest the following wording:

“An entity shall present a comparison of the budget and actual amounts, either as an additional budget column in the primary financial statements or as a separate table in the footnotes. When the GPFs and budget are not accounted for on the same basis, the comparison between the budget and actual amounts shall be presented as a separate table in the footnotes of the GPFs.”

4. To require that disclosure of an explanation of the following be made in a report issued in conjunction with, or at the same time as, the financial statements: whether differences between the original and final budget arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events (paragraphs 25-26).

We basically agree with the proposal. However, we believe that the aforesaid explanations should only be required for material changes, not for all changes.

5. To require the comparison of actual and budget amounts to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the GPFs (paragraph 27).

We agree with the proposal.

6. To require a reconciliation of actual amounts on a budget basis with actual amounts presented in the GPFs (paragraph 44).

We agree with the proposal.

7. The IPSASB would also welcome views on whether:
 - separate IPSASs specifying requirements for the comparison of budget and actual amounts should be issued for application when the accrual basis is adopted and when the cash basis is adopted; or
 - the requirements proposed in this ED should be included in IPSAS 1 for those entities adopting the accrual basis of accounting, and in the Cash Basis IPSAS for those adopting the cash basis of accounting.

We support the application of separate standards for the cash basis and the accrual basis. When GPFSs are prepared on the cash basis, we suggest that the proposed requirements be included in the comprehensive cash basis IPSAS. When GPFSs are prepared on the accrual basis, we recommend the issuance of a separate IPSAS together with the amendments to IPSAS 1 “Presentation of Financial Statements,” as proposed in the Appendix A of this ED.

Sincerely,

Yoshihiro Wada
Executive Board Member
Chair of the Public Sector Committee
The Japanese Institute of Certified Public Accountants