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Mr. James Gunn

Managing Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

***Comments on Exposure Draft 59 “Amendments to IPSAS 25, Employee Benefits”***

Dear Mr. Gunn,

The Japanese Institute of Certified Public Accountants (“we”, “our”, and “JICPA”) is pleased to provide you with our comments on Exposure Draft 59 “Amendments to IPSAS 25, *Employee Benefits*.”

**I. Comments on the specific matter**

**Specific Matter for Comment 1**

Do you agree with the proposals in the Exposure Draft for revision of IPSAS 25? If not, please indicate what proposed amendments you do not agree with and provide reasons.

1. Presentation of components of defined benefit cost

The International Accounting Standards Board (IASB) revised International Accounting

Standard (IAS) 19 in 2011 to introduce “other comprehensive income” that will not be recycled in relation to the components of remeasurements. Consequential amendment was made to IAS 1 *Presentation of Financial Statements* to require separate presentation of that part that is not recycled in the statement of comprehensive income (paragraph 82A of IAS 1).

Although IPSAS 25 does not adopt the concept of “other comprehensive income”, we believe it has the same issue as the IASB in that it requires the remeasurements to be recognized in net assets/equity which substantially will not be recycled. We propose that the IPSASB should consider the presentation of remeasurements in the statement of changes in net assets/equity. This consideration could include IPSAS 1 *Presentation of Financial Statements*.

## 2. Basis for Conclusions

### (1) Regarding paragraph BC23

Paragraph BC23 of ED 59 lists items (a) - (m) as the main revisions to the IPSAS 25 besides the elimination of the corridor option.

Since the description of each item is unclear (euphemistic), we had difficulty in identifying to which paragraph in the body of the standard each item corresponds (specifically items (a), (e), (f), (i) and (k)). In order to make the standard more understandable for readers, corresponding paragraphs of the standard should be specified in items (a) to (m).

Furthermore, the structure of BC23 is confusing in that it describes the revisions made to IAS 19 and the rationale of accepting (or not accepting) those revisions in IPSAS 25 without any distinction. We therefore believe that they should be separately described.

Items (l) and (m) correspond to paragraph 96A, and there seems to be several items that correspond to paragraph 135A. In order to make the standard more understandable for readers, we believe it is necessary to reorganize the paragraph so that each item from (a) to (m) corresponds to a specific paragraph of the body of the standard.

(2) Regarding paragraph BC30

Paragraphs BC24 to BC30 of ED 59 explain how the IPSASB considered the differences between Government Finance Statistics (GFS) and IPSASs. Paragraphs BC24 - BC29 explain the actual differences between GFS and IPSASs and the last paragraph BC30 describes why the IPSASB did not revise the IPSAS in line with GFS as follows:

“The IPSASB concluded that these differences are due to the different objectives and presentational frameworks of IPSASs and GFS. They do not constitute public sector specific reasons that warrant departure from IAS 19.”

We believe that this description is inadequate for a “basis for conclusion”.

We think the IPSASB should state the rationale for justifying the differences with GFS for issues addressed in BC24 - BC29. For instance, ED 59 adopts the net interest approach, while GFS applies different measurement basis to interest revenue/expense on plan assets and liabilities (defined benefit obligation). We believe that the IPSASB should explain more clearly the basis for conclusion to take precedence of the IAS over GFS.

**Specific Matter for Comment 2**

IPSAS 25 currently includes a section on Composite Social Security Programs (paragraphs 47-49). The IPSASB is considering deleting this section because the IPSASB is not aware that it has been applied in any jurisdiction. If you do not agree that this section should be deleted, please provide a reason for your response along with any proposed revisions.

We agree with the proposal to delete the relevant paragraphs regarding composite social security programs because we assume that retirement benefits for Japanese national and local public service employees would not fall under composite social security programs based on the current definition of composite social security programs in the ED and we also are not aware of any instances that other jurisdictions operate systems that are composite social security programs.

If, however, the IPSASB decides to retain the paragraphs regarding composite social security programs, we prefer to add supplemental explanation in order to clarify the concept of “provide benefits” in (b) of the definition of composite social security programs. The pension plan for Japanese public service employees are composed of the basic pension which is not “consideration in exchange for service” and the employees’ pension which is “consideration in exchange for service.” Both pensions are collected simultaneously and collected funds are managed together. However, when the benefits are paid out, benefits under each pension scheme are calculated separately and paid out by a different body. We therefore ask the IPSASB to clarify at which point (collection, fund management or payment) we should consider when deciding if the programs fall under composite social security programs. The above comment is made on the assumption that the plans are distinguished when benefit payments are made.

## **II. Other comments**

Below are the items that seem to be a simple error, including those in the current IPSAS 25 that were wrong in the first place. The paragraph number shown at the top of each item is a paragraph number in ED 59.

- Paragraph 27

With regard to the corresponding paragraph in IAS 19 (paragraph 26), there is a sentence following (b), but the sentence is omitted in ED 59.

- Paragraph 35

(a) and (b) are in reverse order compared to the corresponding paragraph in IAS 19 (paragraph 36).

- Paragraph 147

Although the first sentence of the paragraph includes the wording “may include”, the corresponding paragraph in IAS 19 (paragraph 153) does not include “may”. In addition, it is not underlined in ED 59 as an amendment.

- Paragraphs 154B, 154C, 159B and 162B

While the corresponding paragraphs in IAS 19 (paragraphs 161, 162, 166 and 170) contain the wording “provided in exchange for service”, all the above paragraphs only include “provide for service”. Since this “in exchange” is the wording included in the definition of employee benefits, we believe it should be included in ED 59 as well.

Yours sincerely,

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