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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 60 "Public Sector Combinations"

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 60 "Public Sector Combinations."

I. Comments on the specific matter

Specific Matter for Comment 1
Do you agree with the scope of the Exposure Draft? If not, what changes to the scope would you make?

We agree with the scope of the Exposure Draft.

Specific Matter for Comment 2

Do you agree with the approach to classifying public sector combinations adopted in this Exposure Draft (see paragraphs 7–14 and AG10–AG50)? If not, how would you change the approach to classifying public sector combinations?

We generally agree with the approach in the Exposure Draft.

We are concerned that there may be a leap of logic in the application guidance on economic substance (paragraphs AG20 - AG25), especially in the description in paragraph AG22. With regard to the "resulting entity" in amalgamation, there may be other entities besides the entities newly formed (a "new entity"). Specifically, there may be situations when one of the parties to the combination continues to exist nominally without obtaining control. Since the judgment of economic substance significantly affects the accounting treatment of combinations lying on the dividing line of the classifications, we ask the Board to clarify the approach.

Specific Matter for Comment 3

Do you agree that the modified pooling of interests method of accounting should be used in accounting for amalgamations? If not, what method of accounting should be used?

We agree that the modified pooling of interests method of accounting should be used in accounting for amalgamations.

Specific Matter for Comment 4

Do you agree to adjustments being made to the residual amount rather than other components of net assets/equity, for example the revaluation surplus? If not, where should adjustments be recognized?

Do you agree that the residual amount arising from an amalgamation should be recognized:

(a) In the case of an amalgamation under common control, as an ownership contribution or ownership distribution; and

(b) In the case of an amalgamation not under common control, directly in net assets/equity?

If not, where should the residual amount be recognized?

We agree with the proposals in the Exposure Draft.

Specific Matter for Comment 5

Do you agree that the acquisition method of accounting (as set out in IFRS 3, Business Combinations) should be used in accounting for acquisitions? If not, what method of accounting should be used?

We agree that the acquisition method of accounting should be used in accounting for acquisitions.

II. Other comments

1. Definition of terms (AG4)

Paragraph AG4 provides definitions for "Input" and "Output" in explaining what constitutes an operation. These definitions are partly different from the corresponding definitions in current Recommended Practice Guideline (RPG) 3, *Reporting Service Performance Information*. As we think that these differences could affect performance reporting under RPG 3, we would like the Board to provide some explanation in the Basis for Conclusion, etc.

2. Paragraph 30

We propose that paragraph 30 be deleted. Paragraph 30 notes that there are limited exceptions to the measurement principle. But the description overlaps with the next paragraph 31.

3. Paragraph 31

Paragraphs 32 - 35 provide exceptions to the recognition and measurement principles in amalgamations. We believe that other estimated items may be affected, besides income taxes and the employee benefits described in those paragraphs. For example, the collectability of allowance for bad debt, or grouping in impairment accounting could be affected. We request the Board to further consider whether any other exceptions can be found.

Yours sincerely,

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