

## (Translation for reference purpose only)

### JMIS Exposure Draft No.5

#### Proposed amendments to ASBJ Modification Accounting Standard No. 1, *Accounting for Goodwill* (comparative version)

31 October 2017

ASBJ Modification Accounting Standard No.1, *Accounting for Goodwill* (issued on 30 June 2015) ('the Standard') is proposed to be amended and described in comparative version as follows:

- (1) Due to the publication of IFRS 9 *Financial Instruments* (2014), the original text of IAS 28 *Investments in Associates and Joint Ventures* (herein after referred to as 'IAS 28') has changed (paragraphs 40 and 42 of IAS 28 as indicated in paragraph 5 of the Standard). Changes are displayed in the 'current' column of the reference table (in blue letters, ~~before change~~ (double struck through) and after change (double underlined)).
- (2) 'Deletions or modifications' made by the ASBJ for the standards issued by the IASB are underlined (new text) or struck through (~~deleted text~~). 'Deletions or modifications' made so far are displayed in both 'current' and 'exposure draft' columns of the reference table.
- (3) The changes in the original text described in (1), include a change from 'investment' to 'net investment' (paragraph 42 of IAS 28). When 'investment' is included in paragraphs where 'deletions or modifications' have been made so far, 'investment' are proposed to be replaced with 'net investment' (paragraphs 42, J-42A and J-42C of IAS 28 as indicated in paragraph 5 of the Standard). Also, other parts would be amended so that they are consistent with the changes in the original text (paragraph 1 of the Standard, the first sentence in paragraph 5 of the Standard, paragraphs 32(a) (i), (ii), (iii), 40, J-42A, J-42B, J-42C and J-42D of IAS 28 as indicated in paragraph 5 of the Standard, the heading of paragraph 20 of the Standard, paragraph 20 of the Standard, paragraph 21 of the Standard, and paragraph 22 of the Standard). These proposed changes are shaded.
- (4) Other proposed changes include amendments to the effective date, basis for conclusions and minor amendments to the wording (paragraph 32(a) (ii) of IAS 28 as indicated in paragraph 5 of the Standard, paragraph 7 of the Standard, paragraph 7-2 of the Standard, paragraph 10 of the Standard, paragraph 10-2 of the Standard, the heading of paragraph 11 of the Standard, the heading of paragraph 20 of the Standard, and the heading of paragraph 23 of the Standard). These proposed changes are also shaded.
- (5) In the reference table, among the abovementioned items, comparisons are not displayed for the proposed changes described in (3), that are based on the changes in the original text as issued by the IASB (except for the first sentence in paragraph 5 of the Standard and paragraphs related to the changes in (1)), and not for minor amendments to the wording described in (4) (paragraph 1 of the Standard, paragraphs 32(a) (i), (ii), (iii), J-42A, J-42B, J-42C and J-42D of IAS 28 as indicated in paragraph 5 of the Standard, the heading of paragraph 11 of the Standard, the heading of paragraph 20 of the Standard, paragraph 20 of the Standard; paragraph 21 of the Standard, paragraph 22 of the Standard, and the heading of paragraph 23 of the Standard).

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Exposure draft	Current
<p><b>Japan’s Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications</b></p> <p><b>ASBJ Modification Accounting Standard No. 1 Accounting for Goodwill</b></p> <p style="text-align: right;">30 June 2015 Amended DD MMMM YYYY Accounting Standards Board of Japan</p>	<p><b>Japan’s Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications</b></p> <p><b>ASBJ Modification Accounting Standard No. 1 Accounting for Goodwill</b></p> <p style="text-align: right;">30 June 2015 Accounting Standards Board of Japan</p>
<p><b>Accounting Standard Accounting</b></p> <p>5. ‘Deletions or modifications’ shall be made to the requirements regarding the accounting for goodwill relating to an associate or a joint venture in IAS 28 <i>Investments in Associates and Joint Ventures</i> in the following manner (new text is underlined and deleted text is struck through):</p> <p>40 After application of the equity method, including <u>recognising the amortisation charge for goodwill relating to an associate or a joint venture in accordance with paragraph 32 and</u> recognising the associate’s or joint venture’s losses in accordance with paragraph 38, the entity applies paragraphs 41A-41C to determine whether there is any objective evidence that its net investment in the associate or joint venture is impaired.</p> <p>42 Because goodwill that forms part of the carrying amount of <u>the net investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying</u></p>	<p><b>Accounting Standard Accounting</b></p> <p>5. ‘Deletions or modifications’ shall be made to the requirements regarding the accounting for goodwill relating to <u>an investment in an associate or a joint venture in IAS 28 <i>Investments in Associates and Joint Ventures</i></u> in the following manner (new text is underlined and deleted text is struck through):</p> <p>40 After application of the equity method, including <u>recognising the amortisation charge for goodwill relating to an investment in an associate or a joint venture in accordance with paragraph 32 and</u> recognising the associate’s or joint venture’s losses in accordance with paragraph 38, the entity applies <u>paragraphs 41A-41C <del>IAS 39 <i>Financial Instruments: Recognition and Measurement</i></del></u> to determine whether <u>there is any objective evidence that it is necessary to recognise any additional impairment loss with respect to</u> its net investment in the associate or joint venture <u>is impaired</u>.</p> <p>42 Because goodwill that forms part of the carrying amount of <u>the net</u> <del>an</del> investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying</p>

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<p>the requirements for impairment testing goodwill in IAS 36 <i>Impairment of Assets</i>. <del>Instead, For a net investment in an associate or a joint venture, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount whenever application of paragraphs 41A-41C indicates that the net investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the net investment subsequently increases. In determining the value in use of the net investment, an entity estimates:</del></p> <p>...</p>	<p>the requirements for impairment testing goodwill in IAS 36 <i>Impairment of Assets</i>. <del>Instead, For an investment in an associate or a joint venture, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of paragraphs 41A-41C</del>IAS 39 indicates that the <u>net</u> investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the <u>net</u> investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the <u>net</u> investment subsequently increases. In determining the value in use of the <u>net</u> investment, an entity estimates:</p> <p>...</p>
<p><b>Effective Date</b></p> <p>7. An entity shall apply this Standard as issued in June 2015 (the ‘2015 Standard’) to consolidated financial statements for annual periods ending on or after 31 March 2016. Regarding quarterly financial reporting, an entity shall apply this Standard to consolidated interim financial statements for quarters within annual periods beginning on or after 1 April 2016.</p>	<p><b>Effective Date</b></p> <p>7. An entity shall apply this Standard to consolidated financial statements for annual periods ending on or after 31 March 2016. Regarding quarterly financial reporting, an entity shall apply this Standard to consolidated interim financial statements for quarters within annual periods beginning on or after 1 April 2016.</p>
<p>7-2. An entity shall apply this Standard as amended in MMMM YYYY (the ‘YYYY Amendments’) to consolidated financial statements for annual periods which IFRS 9 <i>Financial Instruments</i> (2014) (‘IFRS 9 (2014)’) listed in Appendix 1 of <i>Application of “Japan’s Modified International Standards”</i> as amended in MMMM YYYY is first applied. Regarding quarterly financial reporting, an entity shall apply the YYYY Amendments to consolidated interim financial statements from the first quarter of that annual period.</p>	<p>[Added]</p>
<p><b>Basis for Conclusions</b></p>	<p><b>Basis for Conclusions</b></p>

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<p><b>History of the project</b></p> <p>10. In the initial endorsement process, based on the discussions at its Board meetings, the ASBJ decided to make ‘deletions or modifications’ to the Standards issued by the IASB relating to the non-amortisation of goodwill because the ASBJ determined that the thinking in IFRS is critically different from the fundamental thinking on accounting standards generally accepted in Japan (see paragraphs 11-32).</p>	<p><b>History of the project</b></p> <p>10. Based on the discussions at its Board meetings, the ASBJ decided to make ‘deletions or modifications’ to the Standards issued by the IASB relating to the non-amortisation of goodwill because the ASBJ determined that the thinking in IFRS is critically different from the fundamental thinking on accounting standards generally accepted in Japan.</p>
<p>10-2. The YYYY Amendments did not make any ‘deletions or modifications’ regarding goodwill in the endorsement process, but the YYYY Amendments amended the wordings of the requirements subject to ‘deletions or modifications’ as well as their Japanese translations in order to reflect the amendments to IAS 28 made by IFRS 9 (2014).</p>	<p>[Added]</p>