

ASBJ Newsletter



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1. Overview of ASBJ Meetings (210th Meeting – 213th Meeting)

(1) 210th Meeting (held on October 7, 2010)

- a. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements (stakeholder hearings)
- b. Progress of the Retirement Benefits Accounting Technical Committee
- c. Progress of the Technical Committee for Revenue Recognition

- a. A hearing was held to hear views on the current quarterly reporting system and its possible simplification from market participants. A preparer, a user, an auditor and an academic stated their views as witnesses and questions and answers followed.

The preparer witness pointed out several problems in the existing quarterly reporting system including practical burdens and suggested the following:

- (1) requiring only reporting on the cumulative year-to-date basis.
- (2) simplifying significantly for the first quarter and for the third quarter (such as elimination of statement of cash flows).

The user witness presented the results of the survey among analysts, commenting that elimination of statements of cash flows for the first quarter and the third quarter could be accepted if the information such as depreciation expenses, impairment losses and capital expenditure, which are available only in that statement, would be provided in some other form.

The academic witness reported an empirical research that suggests the quarterly reporting system reduces asymmetry of information and increases liquidity of stocks. The auditor witness commented on reviewability and possible simplifications.

- b. The Board voted on whether to proceed with Step 1 (immediate recognition of actuarial gains or losses on the balance sheet) of the project as previously scheduled. The Board agreed to go ahead toward finalizing Step 1, considering advantages of early improvements to the financial reporting and steady progress toward convergence, while taking account of practical burdens arising from changes more than once.
- c. The Board discussed the draft comments to the IASB exposure draft. While the Board generally supports the efforts to develop the revenue recognition standard, concerns were expressed about how to determine the transfer of goods or services, inclusion of credit risks in the amount of transaction prices (revenues) and the treatment of product warranties as quality assurance warranties.

(2) 211th Meeting (held on October 21, 2010)

- a. Progress of the Technical Committee for Financial Instruments (fair value measurement)
- b. Progress of the Technical Committee for Financial Instruments (financial liabilities)

- c. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- d. Progress of the Technical Committee for Revenue Recognition
- e. Discussion on the IASB exposure draft *Insurance Contracts*

- a. The staff outlined the comments received on *the Exposure Draft of Accounting Standard for Fair Value Measurements and Disclosures* and the Board discussed how to respond to them. Comments will be dealt with after analyzing and grouping into (i) issues that need further considerations and (ii) issued that need additional guidance and (iii) issues that might need reconsideration subject to the IASB's deliberations.
- b. The Board discussed financial liabilities for the first time. Following IASB's finalization of requirements for financial liabilities in October 2010, the Board decided to undertake its own discussions on classifications and measurements for financial liabilities, aiming at issuing the discussion paper in the first quarter of 2011 to identify the direction of the amendments to Accounting Standard for Financial Instruments.
- c. The Board discussed specific aspects of the simplification of quarterly financial statements, including (i) whether reporting should be on the three months period basis or on the cumulative year-to-date basis, (ii) whether to permit omission of statements of cash flows for the first and third quarter and (iii) basic approach to revisions to notes disclosures and possible simplifications.
- d. The Board had a final discussion on the comments to the IASB exposure draft on revenue recognition.
- e. The Board initiated a discussion on the draft comments on the IASB exposure draft on insurance contracts.

(3) 212th Meeting (held on November 5, 2010)

- a. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- b. Progress of the Technical Committee for Revenue Recognition
- c. Progress of the Lease Accounting Technical Committee
- d. Discussion on the IASB exposure draft on insurance contracts

- a. The Board discussed (1) whether quarterly income statements should be presented on the cumulative year-to-date basis or on the three months period basis, (2) whether to permit omission of statements of cash flows for the first and third quarter, and (3) elimination of several disclosure requirements. The Board decided to permit omission of statements of cash flows for the first and the third quarter and will consider what non-cash items should be required.
- b. The Board discussed the issuance of ASBJ discussion paper based on the IASB/FASB exposure draft on revenue recognition issued in June.
- c~d. The Board discussed the draft comments on the IASB exposure drafts *Leases* and *Insurance*

Contracts.

(4) 213th Meeting (held on November 18, 2010)

- a. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- b. Discussion at the Technical Committee for Revenue Recognition
- c. Discussion at the Lease Accounting Technical Committee
- d. Discussion at the Technical Committee for SPEs
- e. Discussion on the IASB exposure draft on insurance contracts

- a. The Board discussed the text of the exposure draft. It decided to require presentation of the quarterly income statement on the cumulative year-to-date basis, with voluntary disclosure of the three months period information permitted.

At the previous meeting, there were discussions about the following:

(1) when voluntarily providing information on the three months period basis, whether to require disclosures of segment information, earnings per share and significant seasonable changes.

(2) when only reporting on the cumulative year-to-date basis, whether to require the information such as sales, profits and earnings per share for the three months period.

The Board decided that the items (1) should be voluntary and the items (2) need not be required because users could easily calculate them.

- b. The Board discussed individual issues in the discussion paper, such as product warranties, sale of a product with a right of return and revenues on a gross basis and on a net basis.
- c. The Board discussed the comments on the IASB exposure draft as well as the ASBJ discussion paper.
- d. Comments received on the exposure draft about consolidation of 'development-type' SPE are reported and discussed. There were many respondents who suggested that there is no need to rush into amendments at this time, in light of the progress of the IASB's deliberations.
- e. The Board had a final discussion on the comments on the IASB exposure draft.

2. ASBJ's Comments on the Documents Issued by the IASB (October 1, 2010 – November 30, 2010)

- (1) ASBJ submitted its [Comments on the IASB Exposure Draft "Revenue from Contracts with Customers"](#) (October 22, 2010)
- (2) ASBJ submitted its [Comments on the IASB Exposure Draft "Insurance Contracts"](#) (November 30, 2010)

3. [ASBJ's Project Plan Update](#)

On December 17, 2010, the Accounting Standards Board of Japan (ASBJ) published the update of the project plan through to 2011. The update this time is in response to the recent developments of standard setting and the IASB's updated work plan as of November 29, 2010. It mainly updated the plans for the projects on which final pronouncements or due process documents were previously scheduled to be issued in the 4th quarter of 2010.

4. The AOSSG's Activities

(1) Launch of a web-site of the Asian-Oceanian Standard Setters Group

The Asian-Oceanian Standard Setters Group (AOSSG) has launched the AOSSG web-site to enable effective and efficient communication among its members and to raise awareness of the AOSSG among outside stakeholders in the Asian-Oceanian region. The web-site was made available on November 4, 2010 (<http://www.aossg.org/index.php>).

The AOSSG will update information on the web-site on a timely basis, on a wide range of accounting standard setting issues of relevance to entities in the Asian-Oceanian region, including the activities of AOSSG Working Groups and on AOSSG comment letters to the IASB.

(2) [Establishment of the Chairman's Advisory Committee](#)

On November 4, 2010, the AOSSG announced the establishment of the Chairman's Advisory Committee (the Committee) for the period until the next annual meeting. The objective of the Committee is to provide assistance to the Chairman and Vice-Chair of the AOSSG for administrating its operation, while maintaining the operational continuity of the AOSSG.

The Committee started off with eight members of the AOSSG, which consists of those from Japan, Australia, China, Korea, Hong Kong, India, Malaysia, and Singapore. ASBJ Chairman Ikuo Nishikawa, the Chairman of the AOSSG, chairs the Committee as well.

The Committee, in assisting the AOSSG's operation, will address issues raised by the Chairman or Vice Chairman, suggest agenda items for AOSSG meetings and working groups and advise the Chairman on other matters, including whether to call special meetings.

5. IASB holds its 29th Standards Advisory Council Meeting

The 29th IFRS Advisory Council Meeting was held in London on November 3 - 4, 2010. Attendants from Japan were two Council members, Seiichi Kaneko (Director of the Securities Analysts Association of Japan) and Shozo Yoneya (representative of Nippon Keidanren, and Corporate Auditor, ITOCHU Corporation), and Makoto Sonoda (Deputy Director, Corporate Accounting and Disclosure Division of the Financial Services Agency) as an observer. The agenda for the Meeting is shown below:

Time	Agenda
Nov. 3 10:10-11:50	Overview of last four months - Report of the Chair and Vice Chairs IASB Update by Chairman David Tweedie
11:50-12:45	Public consultation on the IASB's proposed post-2011 work plan
13:40-14:15	Monitoring Boards' governance review of the IFRS Foundation
14:30-16:45	Dealing with the complexity of cross-cutting issues - Discussion in small groups
16:45-17:30	Research project on IFRS 2 <i>Share-based Payment</i>
Nov. 4 9:10-10:30	Meeting with representatives of the Trustees
10:55-11:40	Dealing with the complexity of cross-cutting issues - Report back from the break-out sessions
11:40-12:50	Advisory Council performance review
12:50-13:10	A rethink of the process/timing for developing new standards

The main focus of discussion at the meeting was on "Dealing with the complexity of cross-cutting issues." Discussions were undertaken in four groups. The groups reached consensus on the following points:

- (1) Cases of Significant Inconsistency
 - Recycling or not recycling the other comprehensive income (OCI)
 - Discrepancy in the notion of control (consolidation, revenue recognition and derecognition)
- (2) Insufficient Conceptual Framework

Since most of inconsistencies between standards results from deficiencies in the conceptual framework, the IASB should give higher priority to its Conceptual Framework project to address those problems.

- (3) Permissible Inconsistency

Inconsistencies between standards results from difference in how each standard has been developed and which business model each standard focuses on. It is acknowledged that it is impossible to address all the inconsistencies under the current situation. What is very important here is that the Board should sufficiently explain, in Basis for Conclusions, the reason behind the Board's approval of the standard that contains some inconsistencies with other standards from a viewpoint of why it has not eliminated the inconsistency with the Conceptual Framework or other standards, as well as that of the background and circumstance of the specific project.

In the session of Monitoring Board's governance review of the IFRS Foundation, Mr. Makoto Sonoda (Deputy Director, Corporate Accounting and Disclosure Division) gave presentation.

6. ASBJ holds its Seventh and Eighth Sessions of a Series of Open Seminar (IFRS: The stance Japan should take on)

The ASBJ and FASF, starting this year, host the ASBJ Open Seminars on “Development of IFRS and its Adoption in Japan” in major cities through Japan. The objectives of the Seminars are to provide up-to-date information about global trends in accounting, which can be presented only by the ASBJ who is able to timely follow the trends, and thereby contribute to promotion of environment for successful IFRS adoption as well as to improve services to the members of FASF.

The latest seminars were subtitled “IFRS: The stance Japan should take on” were held in Tokyo (at Yomouri Hall) on November 2, 2010 and in Osaka (at Osaka Bankers Associations) on November 4, 2010. The topics discussed were “Challenge in implementing IFRS - impact on business management” presented by IFRS Foundation Trustee Noriaki Shimazaki, the ASBJ project update by ASBJ Chairman Ikuo Nishikawa, and the IASB exposure drafts on revenue recognition and lease (the MoU projects between the IASB and the FASF) by Vice chairman Atsushi Kato. The seminars were attended by more than 1300 people (the total number of the attendance for two sessions).

The seminar program in Tokyo is shown as below:

The 7th Seminar in Tokyo (Yomiuri Hall) on November 2, 2010

Title	Speaker
Challenge in implementing IFRS ~ impact on business management ~	Noriaki Shimazaki, Special Advisor of Sumitomo Corporation, Trustee of the IFRS Foundation, and Chairman of International Affairs Committee of the IFRS Council of Japan
ASBJ's Activities	Ikuo Nishikawa, ASBJ Chairman
Development of the IASB standard setting (revenue recognition, leases)	Atsushi Kato, ASBJ Vice Chairman

IFRS Foundation Trustee Noriaki Shimazaki spoke of the background of the discussion toward the IFRS implementation and the recent development, including the Trustees Meeting held in Seoul in October 2010. He emphasized the need for Japan to play an active role in conveying their views on the IASB's standard setting, citing several examples.

ASBJ Chairman Ikuo Nishikawa gave a presentation about the ASBJ's activities, with a focus on the ASBJ Project Plan updated in September 2010, referring to IASB's work plan as its background.

ASBJ Vice Chairman Atsushi Kato commented on the IASB Exposure Draft “*Revenue from Contracts with Customers*” and “*Leases*”, outlining the background and features of the proposals and the differences from the Japanese standard.

7. FASF holds its 11th Standards Advisory Council Meeting

The 11th Standards Advisory Council Meeting was held on November 11, 2010. The Meeting began with a report on the ASBJ's recent activities, followed by an exchange of views regarding the delays of the IASB's projects and the ASBJ's deliberation on simplification of the Quarterly Financial Statements. Then, explanations were given about international activities, including the 2nd AOSSG Meeting held in September 2010, the National Standard Setters (NSS) Meeting, and the World Standard Setters (WSS) Meeting. Furthermore, Council Member Yoshinori Kawamura (Professor, Waseda University) reported the 2010 survey results, followed by an exchange of views on the public-sector accounting and the way to release the survey results. Finally, the establishment of the Panel on Non-consolidated Financial Statements was reported, followed by an exchange of views on the development in that discussions.

8. Project Progress (As of December 16, 2010)

	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Items related to the remaining differences between existing Japanese GAAP and IFRSs					
Business Combinations (Step2)		ED	Final		
Intangibles		ED	Final		
Items related to projects addressed in the MoU between the IASB and the FASB					
1 Scope of Consolidations			ED		
2 Financial Statement Presentation					
- Phase B					
- Discontinued Operations				ED	
3 Revenue Recognition		DP		ED	
4 Liabilities and Equity Distinctions					
5 Financial Instruments					
- Classification and Measurement of Financial Assets				ED	
- Classification and Measurement of Financial Liabilities		DP2		ED	
- Impairment				ED	
- Hedging				ED	
6 Fair Value Measurement and Disclosure			Final		
7 Post-employment Benefits					
- Step 1		Final			
- Step 2			DP		ED
8 Leases	DP			ED	
9 Derecognition		DP		ED	
Items related to the IASB projects other than those addressed in the MoU between the IASB and the FASB					
Provisions					
Emission Trading Schemes					
Insurance Contracts					
Items other than those addressed by the IASB and the FASB					
Special Purpose Entities		Final			
Quarterly Financial Statements	ED	Final			
Subsequent Events		ED	Final		

[Legend]

DP Discussion Paper

DP2 Advanced Discussion Paper (It is a document presenting preliminary views in the form near to a standard before the development of exposure drafts.)

ED Exposure Draft

Final Accounting Standard/Guidance etc.

Italicized legends indicate finished events.

“ASBJ Newsletter” (No. 18)

Issued on January 27, 2011

Editor: Shousaku Shimomura

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