

ASBJ Newsletter



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1. New ASBJ Pronouncements (released between December 1, 2010 and January 31, 2011)

(1) [ED] [Release of Exposure Drafts of Proposed Amendments to Accounting Standard for Quarterly Financial Reporting and related Standard and Implementation Guidance](#) (December 22, 2010)

(The exposure draft is open for comment until January 25, 2011)

(2) [DP] [Release of Discussion Paper on Accounting for Leases](#) (December 27, 2010)

(The discussion paper is open for comment until March 9, 2011)

(3) [DP] [Release of Discussion Paper on Revenue from Contracts with Customers](#) (January 20, 2011)

(The discussion paper is open for comment until March 28, 2011)

[Legend]

DP: Issue Paper, Discussion Paper

ED: Exposure Draft

Final: Statement/Guidance etc. (final version)

2. Overview of ASBJ Meetings (214th Meeting – 217th Meeting)

(1) 214th Meeting (held on December 2, 2010)

- a. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- b. Progress of the Lease Accounting Technical Committee
- c. Progress of the Technical Committee for SPEs
- d. Progress of the Technical Committee for Revenue Recognition
- e. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)

- a. The Board discussed the text of the exposure draft, in advance of the vote on the release at the next meeting. The main focuses of discussion were which non-cash items should be disclosed in the case where omission of the statements of cash flows for the first and third quarter is permitted, and what note disclosures could be reduced.
- b. The Board discussed the text of the discussion paper, in advance of the vote on the release at the next meeting. The discussion paper would include questions regarding the four major issues which would be of significance in developing Japanese standards, including whether lessees should apply a single accounting model (the right-of-use model) for all lease transactions, instead of the existing treatment of classifying leases either as finance leases or operating leases.
- c. The Board discussed how to address the comments received on the exposure draft (continued from the discussions at the last meeting).
- d. The Board discussed the text of the forthcoming discussion paper. There has been a suggestion that

the discussion paper should explicitly describe the difference from the current treatment in a more organized and understandable manner because the subject is difficult. The draft contains the outline of the model proposed by the IASB and the FASB in the text, as well as the flow chart to describe the steps applied to transactions.

- e. In light of the IASB's finalization of its requirements for financial liabilities in October 2010, the Board began its own discussion taking account of convergence with IFRS 9, including whether to create a new category of financial liabilities held for trading and whether to introduce fair value options.

(2) 215th Meeting (held on December 16, 2010)

- a. Progress of the Technical Committee for SPEs (stakeholder hearing)
- b. Release of Exposure Drafts of Proposed Amendments to Accounting Standard for Quarterly Financial Reporting and related Standard and Implementation Guidance
- c. Release of Discussion Paper on Accounting for Leases
- d. Project Plan Update
- e. Progress of the Technical Committee for Revenue Recognition

- a. A hearing was held in order to gather inputs on the proposed amendments from a preparer, a user and an auditor as witnesses.

The preparer witness strongly disagreed with the proposals in the exposure draft because he believes their disadvantages would outweigh the advantages. The auditor witness expressed awareness of the problem in the current practice departing from the original purposes, and noted the cases of companies for which unconsolidated SPEs are significant relatively to the total assets and total debts.

- b. The Board voted to approve the release of exposure draft on significant simplification of quarterly financial statements. The proposals in the exposure draft include (1) permitting omission of the statements of cash flows for the first and third quarter, (2) requiring the quarterly income statement on the cumulative year-to-date basis, in principle, and (3) simplifying notes disclosures.
- c. The Board voted to approve the release of discussion paper on leases. The discussion paper is based on the 'right-of-use model,' under which an entity recognizes an asset representing its right to use the leased asset and a liability representing its obligation to make lease payments.
- d. The Board updated its project plan indicating the timelines for developing standards.
- e. The Board discussed the text of the discussion paper, in advance of the vote on the release at the next meeting.

(3) 216th Meeting (held on January 12, 2011)

- a. Release of Discussion Paper on Revenue from Contracts with Customers
- b. Progress of the Technical Committee for SPEs
- c. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)
- d. Progress of the Technical Committee for Financial Instruments (Fair Value Measurement and Disclosure)
- e. Discussion on the IASB Request for Views “*Effective Dates and Transition Methods*”

- a. The Board voted to approve the release of discussion paper on revenue recognition. Under the discussion paper, the revenue would be recognized on the basis of the units of performance obligations contained in the contract. In principle, measurement would be determined on the basis of transaction prices. When the amount of consideration varies with factors such as discounts and incentives, the probability-weighted amount of consideration would be used as the transaction price. However, this issue is still to be considered in future deliberations.
- b. Following the hearing at the last meeting, the Board discussed the text of the amendments to accounting standards for consolidations of the SPEs.
- c. The Board discussed the issues related to the treatment and disclosure for compound financial instruments.
- d. The Board discussed the treatment of fair values contained in other standards, such as the use of the average price over one month before the closing date for available-for-sale securities and the use of the average rate over a certain period before or after the closing date in Accounting Standards for Foreign Currency Transactions.
- e. The Board discussed its comments on the IASB’s Request for Views on Effective Dates and Transition Methods. In developing many IFRSs, the IASB asks for views on whether the new IFRS should be applied on the single date approach (in which all of the new IFRSs would become effective at the same date), or the sequential approach (in which new IFRS would become effective at different dates over years). The Board discussed the advantages and disadvantages of the respective approaches.

(4) 217th Meeting (held on January 21, 2011)

- a. Discussion on Intangible Assets
- b. Progress of the Technical Committee for Business Combinations
- c. Progress of the Retirement Benefits Accounting Technical Committee
- d. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)
- e. Progress of the Technical Committee for Financial Instruments (Hedge Accounting)
- f. Discussion on Accounting Standard for Subsequent Events
- g. Discussion on the IASB Request for Views “*Effective Dates and Transition Methods*”

- a. The Board decided to defer its deliberation on capitalization of development costs, since it is under deliberation in the Panel on Non-consolidated Financial Statements. The Board discussed what to disclose, how to treat licenses, when to start amortizing in-process R&D acquired individually, and frequency of impairment tests for intangible assets that has not been in use
- b. The Board resumed its discussion on Step 2 of the Business Combination project. The Board confirmed the progress in each issue and further issues necessary to be considered in the future.
- c. The Board resumed the discussion toward finalizing Step 1 of the project. The Board discussed the determination of discount rate and the treatments in non-consolidated financial statements that does not present comprehensive income.
- d. The Board discussed the bifurcation of embedded derivative that are separately managed.
- e. The Board discussed its comments on IASB's Exposure Draft on Hedge Accounting.
- f. The Board discussed how to define subsequent events in light of the reporting under the Companies Act and the Financial Instruments and Exchange Act. In addition, the Board discussed the treatment under the Financial Instruments and Exchange Act, the adjusting subsequent events that occurred after that date prescribed in the definition under the Companies Act.
- g. The Board discussed its comments on IASB's Request for Views on Effective Dates and Transition Methods. The Board supported the sequential approach, under which new requirements easier to apply should become effective earlier, based on the view that new requirements would improve financial reporting.

3. ASBJ's Comments on the Documents Issued by the IASB and the FASB (December 1, 2010 – January 31, 2011)

- (1) ASBJ submitted its [Comments on the IASB Exposure Draft "Leases"](#) (December 15, 2010)
- (2) ASBJ submitted its [Comments on the IASB Request for Views "Effective Dates and Transition Methods"](#) (January 31, 2011)

4. IFRS Foundation Trustees Meeting Held in Tokyo (Announcement of Establishment of Asia-Oceania Liaison Office in Tokyo)

On February 9 and 10, 2011, the Trustees Meeting of the IFRS Foundation was held at Hotel Okura in Tokyo. At this meeting, the Trustees formally agreed to establish an office in Tokyo for enhanced liaison activities in the Asia-Oceania region. The office would make it smoother for the region to convey their views to the IASB and obtain information from the IASB. The Accounting Standards Board of Japan (ASBJ) and the Financial Accounting Standards Foundation (FASF) will fully cooperate with constituents toward the smooth establishment and operation of the liaison office.

Meanwhile, on February 10, 2011, the FASF hosted a dinner party at Hotel Okura. Besides IFRS Foundation Trustees, top officials from the Financial Services Agency of Japan, IFRS-related Japanese constituents and others attended the party, including the Guests of Honor, IASB Chairman Sir David Tweedie, IFRS Trustee Vice-Chair Tsuguoki Fujinuma, Minister Shozaburo Jimi for Financial Services, and Senior Vice Minister Shozo Azuma.



5. The 10th Regular Meeting with the FASB

Representatives of the Accounting Standards Board of Japan (ASBJ) and the Financial Accounting Standards Board (FASB) met on February 7 and 8, 2011, in Norwalk, Connecticut. This meeting was the tenth in a series of discussions between the ASBJ and the FASB designed to enhance dialogue between the two Boards in their shared pursuit of global convergence of accounting standards. The FASB representatives included FASB Chairman Leslie F. Seidman, who took up her position as the chairman in December 2010.

At this meeting, taking account of the situations around the use of IFRS in Japan and the US, the ASBJ and the FASB updated each other with the recent developments in their respective convergence projects with the IASB. Furthermore, the ASBJ and the FASB exchanged views on the following projects:

- Financial instruments
- Revenue recognition
- Measurement of liabilities (as a cross-cutting issue)
- Leases

Representatives of the ASBJ and the FASB agreed that their ongoing discussions are useful in promoting mutual understanding that will contribute to subsequent deliberations at each Board and to the future development of high-quality accounting standards on the significant items to be improved with the IASB. The ASBJ and the FASB agreed that they would continue to exchange views on issues they are faced and current concerns.

6. The AOSSG's Activities

The Asian-Oceanian Standard Setters Group (AOSSG), which is currently led by Chairman Ikuo Nishikawa (ASBJ Chairman) in co-operations with Vice-chairman Kevin Stevenson (Chairman of the Australian Accounting Standards Board), is engaged in various activities.

< Submissions from the AOSSG to the IASB and the IFRS Foundation in response to exposure drafts and other consultation documents >

- Comments on IASB's request for views on *Effective Date and Transition Method* (January 31, 2011)
- Comments on IFRS Interpretations Committee Review (The IFRS Foundation Questionnaire) (January 31, 2011)
- Comments on IASB Exposure Draft *Insurance Contracts* (November 30, 2010)
- Comments on IASB Staff Draft *Fair Value Measurement* (December 13, 2010)
- Comments on IASB's Project *Consolidated Financial Statements* (December 14, 2010)
- Comments on IASB Exposure Draft *Leases* (December 14, 2010)
- Comments on IASB Staff Draft *Financial Statement Presentation* (January 5, 2011)

7. Vice Chairman Atsushi Kato of ASBJ and Chairman Noriaki Shimazaki of International Affairs Committee of IFRS Council Attend 'International Conference on Accountancy Profession: Catalyst to Sustained Economic Growth'

'International Conference on Accountancy Profession: Catalyst to Sustained Economic Growth,' hosted by the Institute of Chartered Accountants of India (ICAI), was held on January 5-6, 2011 in New Delhi, India. Vice Chairman Atsushi Kato of ASBJ and Chairman Noriaki Shimazaki of International Affairs Committee of the IFRS Council attended the conference.

The overall theme of the conference was what role the chartered accountants should play in the light of economic growth in India. The topics also covered convergence between Indian GAAP and IFRS as well as the international activities by Indian accountants. The sessions included presentations by guest speakers, and panel discussions to share their views.

A number of guest speakers across the world were invited, including Mr. Ian Macintosh, Vice-chair-designate of the IASB, and Mr. Ian Ball, Chief Executive, International Federation of Accountants (IFAC),

Japanese representatives presented the following topics:

- Noriaki Shimazaki, Chairman of International Affairs Committee, the IFRS Council: 'Towards Global Accounting Standard: Enhanced Relationship between Japan and India'

- Tomoyuki Furusawa, Director of Corporate Accounting and Disclosure Division, Financial Services Agency: ‘Implementation of IFRSs: Japanese Perspectives’
- Atsushi Kato, Vice Chairman, ASBJ: ‘Creation and Development of AOSSG’

Indian constituents warmly expressed their appreciations for Japanese representatives’ visit to India and their presentations.

8. The Supplementary China-Japan-Korea Meeting held in Beijing

On January 25, 2011, the supplementary meeting took place among the leaders of accounting standards setters of China, Japan and Republic of Korea in Beijing. The ASBJ was represented by Chairman Ikuo Nishikawa and Vice-chairman Takehiro Arai. This meeting was held because of Ms. Yang Min’s appointment as Director-General of Accounting Regulatory Department, the Ministry of Finance of China (Chinese accounting standard setter) in December 2010, succeeding to Mr. Liu Yuting. The topics discussed included the function of the Three Countries Meeting in the future.

9. Professor Stephen A. Zeff of Rice University visited Japan

Professor Stephen A. Zeff, a renowned professor of accounting at Rice University in Huston, Texas, visited Japan from January 19, 2011. His research area includes the historical development of standard-setting, such as US GAAP and IFRS. He has served as members of the institutes of accountants in various countries. Recognized his contribution, he was inducted as the 70th member of the Accounting Hall of Fame in the United States in 2002. He has also been awarded in other countries.

Professor Zeff and Professor Kees Camfferman, from Vrije University Amsterdam, the Netherlands, at the request of the IFRS Foundation, are currently carrying out a research project to write a book, with the working title of ‘A History of the First Ten Years of the International Accounting Standards Board, 2001-2010.’ In writing the book, they pay attention to selected jurisdictions that have been of particular significance to the IASB, including Japan. The purpose of their visit to Japan is to help them research and understand the activities and development with respect to IFRS in Japan during the period.

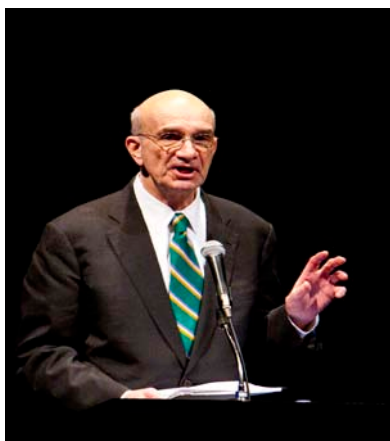
While Professor Zeff and Professor Camfferman stayed in Japan, they primarily located at the FASF office and conducted interviews with major stakeholders for two weeks starting on January 24, 2011, with 29 interviewees, including policymakers, preparers, users, auditors, and standard-setters. The topics covered major developments relating to IFRS during the period, including the EU equivalent assessment between 2004 and 2008, the Tokyo Agreement in 2007, and the Interim Report by the Business Accounting Council in 2009, as well as technical issues or concerns specific to Japan arising from the interaction with the IASB.

Professor Zeff and Professor Camfferman had undertaken a similar project before and co-written a book titled “*Financial Reporting and Global Capital Markets: A History of the International Accounting Standards Committee, 1973-2000*”, published in 2007, at the request of the IFRS Foundation. As with the last publication, they intend to write a book that can serve as a reference for practitioners, standard setters, regulators and academics. They plan further interviews with over 300 stakeholders in Europe, Americas and Asia. Following those interviews, the new book is expected to be published around 2013.

10. ASBJ Holds its Open Seminars “Shaping the course of IFRS”

On January 24, 2011, the ASBJ and FASF held its 9th open seminar titled “Developments of IFRS and its Adoption in Japan: Shaping the course of IFRS” at Yomiuri Hall in Tokyo. Guest speakers were Professor Stephen A. Zeff of Rice University and IASB Board Member Tatsumi Yamada.

At the beginning of the three-hour seminar, ASBJ Chairman Ikuo Nishikawa introduced Professor Zeff and then explained the ASBJ Project Plan. With the title of “What is Meant by a Jurisdiction’s ‘Adoption’ of IFRS?,” Professor Zeff discussed the challenges in adopting IFRS, citing experiences of implementing IFRS in various jurisdictions. He also explained the importance and difficulties of the actions by regulators and other constituents in each jurisdiction to address enhanced standardization and transparency in their decision-making process on how to adopt the international standards, in the light of improving comparability of financial statements.



IASB Board Member Tatsumi Yamada updated the progress and the plans of the IASB’s projects, based on the IASB Work Plan (updated in December 2010). He discussed key issues on Consolidation, Revenue Recognition, Leases and Financial Instruments (hedge accounting). Final standard on Consolidation is to be issued shortly and other three are major projects to be finalized by the end of June 2011.



11. ASBJ/FASF Holds Meeting in Fukuoka and Sapporo to Exchange Views

The ASBJ and FASF hold a series of meetings for exchange of views to enhance communication with FASF member companies and accounting professionals who locate in the areas distant from Tokyo.

Those meetings aim for direct communications with constituents, including hearing their requests as well as providing them with the latest information, which might be difficult to fully understand from only the ASBJ website, newspapers and magazines. Such information includes the IASB's latest development and its background and the details and prospects of ASBJ's standard developments. We consider such activities meaningful in enhancing the understanding of the ASBJ's role in developing Japanese accounting standards and in supporting the preparation for implementation of IFRSs.

The latest meetings (exchange of views/seminar) took place in two locations: in Fukuoka on January 28, 2011, and in Sapporo on February 2, 2011. The meetings were attended by Kyushu Economic Federation and Hokkaido Economic Federation, respectively, as well as accounting professionals.

FASF Managing Director Hideo Takahashi opened the meetings, expressing his gratitude for continuous supports to the FASF. Then, ASBJ Vice-chairman Takehiro Arai discussed (1) standards developments by the IASB, (2) ASBJ Project Plan, (3) ASBJ's recently issued documents (Proposed Amendments to Accounting Standard for Quarterly Financial Reporting), (4) ASBJ's international activities and (5) other topics (deliberations by Council on Accounting of Unlisted Companies). Participants asked questions about the future trend in standard developing and the exposure draft on quarterly financial reporting.

We believe these meetings also enhanced a clear understanding of the ASBJ's roles and functions, which include not only development of Japanese standards but also delivery of views in Japan to the IASB.

The ASBJ and FASF will continue these initiatives.



12. The 12th Standards Advisory Council Meeting

The 12th Standards Advisory Council Meeting was held on February 3, 2011. The Meeting began with a report on the ASBJ's recent activities, followed by an exchange of views regarding the progress in the IASB's projects status and the progress in the Panel on Non-consolidated Financial Statements. Then, explanations are given about international activities, including the plans for 2011. Furthermore, the current development and future arrangement on the 2010 survey results were reported. In addition, there were exchanges of views on how the ASBJ should deliver its opinion regarding the Companies Act and the tax laws, with the advance application to consolidated accounts in mind, and how the ASBJ should support IFRS interpretations and other practical issues.

13. Project Progress (as of January 31, 2011)

	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		<i>DP</i>		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	<i>DP</i>			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	<i>ED</i>	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.

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