

# ASBJ Newsletter



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## 1. New ASBJ Pronouncements (released between February 1 and March 31, 2011)

- (1) [DP] [Release of Issue Paper on improvements of Accounting Standard for Financial Instruments \(Classification and Measurement of Financial Liabilities\) \(February 25, 2011\)](#)

(The issue paper is open for comment until April 25, 2011.)

- (2) [Final] [Release of the revised PITF No.5 \*Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System \(Part 1\)\* \(March 18, 2011\)](#)

- (3) [Final] [Release of the revised ASBJ Statement No. 22 \*Accounting Standard for Consolidated Financial Statements and related Implementation Guidance and Practical Solution\* \(March 25, 2011\)](#)

- (4) [Final] [Release of the revised ASBJ Statement No.12 \*Accounting Standard for Quarterly Financial Reporting\*, the revised ASBJ Guidance No.14 \*Guidance on Accounting Standard for Quarterly Financial Reporting and related Standard and Implementation Guidance\* \(March 25, 2011\)](#)

### [Legend]

DP: Issue Paper, Discussion Paper

ED: Exposure Draft

Final: Statement/Guidance etc. (final version)

## 2. Overview of ASBJ Meetings (218th Meeting – 221th Meeting)

- (1) 218th Meeting (held on February 3, 2011)

- a. Exposure Draft of Proposed Amendments to Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) [Approval for issue]
- b. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)
- c. Discussion on Accounting Standard for Subsequent Events
- d. Discussion on Intangible Assets
- e. Progress of the Technical Committee for Business Combinations
- f. Progress of the Technical Committee for Financial Instruments (Hedge Accounting)
- g. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements

- a. The Board voted to approve to release the exposure draft on the amendments to Practical Solution under Consolidated Taxation System. The Practical Solution was revised in June 2010 to reflect the consolidated taxation system revised by the tax reform in 2010. The proposed amendment of this time is addition and clarification of some practical treatments.

- b. The Board discussed the text of the forthcoming issue paper, in advance of the vote for issuance at the next meeting.
- c. The Board discussed accounting standard for subsequent events. Considering the difference between the date of authorization for issue under the Companies Act and that under the Financial Instruments and Exchange Act, the Board discussed how financial statements under the Financial Instruments and Exchange Act should treat events that occurred after a certain cut-off date specified for financial statements under the Company Act. One alternative would be to require adjustments to financial statement, and the other would be to treat them similarly to non-adjusting subsequent events (ie requiring disclosure only). Both alternatives have respective advantages and disadvantages, and no consensus has yet reached about which to select.
- d. The Board discussed what items should be disclosed and how intangible assets not yet available for use should be tested for impairment.
- e. The Board discussed issues such as effects on presentation of comprehensive income, treatment of the full goodwill method, and treatment of reverse acquisitions.
- f. The Board discussed how to comment on IASB's Exposure Draft on Hedge Accounting.
- g. Outline of the comments received on the exposure draft was presented. Many of the comments by preparers supported the proposal because it would reduce their burdens in practice.

(2) 219th Meeting (held on February 17, 2011)

- a. Issue Paper on improvements of Accounting Standard for Financial Instruments (Classification and Measurement of Financial Liabilities) [Approval for issue]
- b. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- c. Discussion on Accounting Standard for Subsequent Events

- a. The Board approved to release the Issue Paper on classification and measurement of financial liabilities. The Issue Paper is based on IFRS 9, and proposes to measure financial liabilities after initial recognition at amortized cost, in principle. However, it proposes to measure financial liabilities held for trading and derivatives at fair value through profit or loss. In addition, the paper considers permitting so-called 'fair value option' under situations where certain conditions are met. On the issue of recycling of the amount recognized in other comprehensive income, the paper presents both alternatives of prohibiting and requiring recycling and seeks comments.
- b. The Board discussed how to address the comments received on the exposure draft. In response to the comments, the Board decided to address the issues of whether to require periodical consistency in omission of disclosures and addition of voluntary disclosures.
- c. The Board continued discussion about how financial statements under the Financial Instruments and Exchange Act should treat events that occurred after a certain cut-off date specified for

financial statements under the Company Act. Many of preparers object to requiring adjustments to financial statements for such subsequent events, because they have concern that addressing this issue, which is neither an identified difference from IFRSs nor an item of MoU between IASB and FASB, might cause adverse effects and confusions in practice.

(3) 220th Meeting (held on March 3, 2011)

- a. Discussion on the amendments to Accounting Standard for Quarterly Financial Statements
- b. Presentation of the comments received Exposure Draft of Proposed Amendments to Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)
- c. Discussion on Accounting Standard for Subsequent Events
- d. Progress of the Technical Committee for Financial Instruments (Discussion on IASB Hedge Accounting)
- e. Progress of the Technical Committee for Financial Instruments (Discussion on IASB Impairment)

- a. The Board continued discussion about the issues of whether to require consistency in omission of disclosures and addition of voluntary disclosures, within a year and across years. The direction of the discussion was that consistency of disclosures within a year should be required as before and consistency across years should not be required, leaving to judgment of each entity. In addition, the Board discussed whether comparative disclosure for the previous year should be allowed when that disclosure was not provided in the previous year but newly provided in the current year.
- b. Outline of the comments received on the exposure draft was presented and the Board discussed how to address those comments.
- c. Several Board members suggested that deliberation about a standard on subsequent events should be made with caution, considering impacts on practice. In response to the suggestion, the staff reported that this topic will be addressed with more careful consideration.
- d. The Board discussed how to comment on the IASB's exposure draft on hedging accounting.
- e. The staff provided an overview of the supplementary document issued by the IASB and FASB on January 31 2011, which is the supplement to the exposure draft *Financial Instruments: Amortized Cost and Impairment* issued in November 2009.

(4) 221st Meeting (held on March 17, 2011)

- a. Revised Accounting Standard for Quarterly Financial Reporting and related Standard and Implementation Guidance [Approval for public release]
- b. Revised Accounting Standard for Consolidated Financial Statements and related Implementation

Guidance and Practical Solution [Approval for public release]

- c. Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) [Approval for public release]
  - d. Progress of the Technical Committee for Financial Instruments (Discussion on IASB Impairment)
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- a. The Board approved to issue the revision to Accounting Standard for Quarterly Financial Reporting, which significantly simplifies quarterly reporting. No major changes to the exposure draft were made in the final standard. The revised standard permits omission of statements of cash flows for the first and the third quarter, on condition that certain disclosures are provided. And it requires quarterly income statement and comprehensive income statements to be presented on the cumulative year-to-date basis, with voluntary disclosure on the three month period basis permitted. In addition, a number of notes disclosures has been simplified or eliminated.
  - b. The Board approved to issue the revision that the ‘special treatment for special purpose entities’ should be applied only to transferors of assets. The revised standard will become effective for the consolidated fiscal years beginning on or after April 1, 2013.
  - c. The Board approved to issue the revision to Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System, in which some practical treatments are added and clarified.
  - d. The Board discussed how to comment on IASB’s Supplementary Documents to Financial Instruments: Impairment.

### 3. ASBJ’s Comments on the Documents Issued by the IASB and FASB (February 1, 2011 – March 31, 2011)

- (1) ASBJ submitted its [Comments on the IASB Exposure Draft "Financial Instruments: Hedge Accounting"](#) (March 9, 2011)

### 4. IFRS Foundation appointed Mr. Takatsugu Ochi as IASB Board Member

On February 25, 2011, the Trustees of the International Financial Reporting Standards (IFRS) Foundation, the oversight body of the International Accounting Standards Board (IASB), announced the appointment of Takatsugu Ochi as a member of the IASB. His initial term begins from July 1, 2011, for five years, and the term is renewable once for three years.

Mr. Ochi is currently Assistant General Manager, Financial Resources Management Group of Sumitomo Corporation, a member of the IFRS Interpretations Committee, Secretary-General of the Nippon Keidanren (Japan Business Federation) Taskforce for early adoption of IFRS, and an adviser

to the Accounting Standards Board of Japan (ASBJ). He will relinquish the existing roles upon joining the IASB.

#### 5. ASBJ Vice-Chairman Atsushi Kato Attended the 11<sup>th</sup> Meeting of National Standard-Setters (NSS)

The 11th National Standard-Setters (NSS) Meeting was held on March 24-25, 2011, in New York. The meeting was hosted by the US Financial Accounting Standard Board (FASB), and attended by 62 representatives of 26 national accounting standard-setters, including those of the United Kingdom, Canada, France, Germany, Italy, Spain, Australia, Korea, India, Malaysia and South Africa, as well as international organizations such as the European Financial Reporting Advisory Group (EFRAG) and the International Public Sector Accounting Standards Board (IPSASB). The attendants from the ASBJ were Atsushi Kato (Vice Chairman) and Toru Yoshioka (Technical Staff).

The purpose of the meeting was to discuss technical projects undertaken by national standard setters and to provide input into, and support for, the IASB's standards development. The following topics were discussed at the meeting:

	<b>Agenda</b>	<b>Speaker</b>
<b>March 24, Thursday</b>		
<b>1</b>	IASB Work Plan	Canada
<b>2</b>	IAS 41: Agriculture	Malaysia
<b>3</b>	Business Model in Financial Reporting	EFRAG
<b>4</b>	Post-implementation Review	IASB
<b>5</b>	Disclosure Framework	EFRAG
<b>6</b>	Alternative Approach for Disclosure and Presentation	Australia (AASB)
<b>March 25, Friday</b>		
<b>7</b>	Topical issues in member countries	Member countries
<b>8</b>	Transactions under Common Control	EFRAG
<b>9</b>	Reports from regional groups (AOSSG, EFRAG)	ASBJ/AASB, EFRAG
<b>10</b>	Qualitative Characteristics in Standard Setting	AASB
<b>11</b>	Operation of NSS Group	Chairman

## 6. KASB Chairman Chung Woo Suh Visited Japan and Met ASBJ Chairman Ikuo Nishikawa



On February 15 and 16, 2011, Chairman Chung Woo Suh of the Korea Accounting Standards Board (KASB), an accounting standard setter in Korea, visited Japan. Chairman Suh met board members and staff members of the Accounting Standard Boards of Japan (ASBJ) and other Japanese constituents, to exchange views on the IFRS, citing experiences of mandatory IFRS application in Korea for listed companies from 2011. During his visit, Chairman Suh had a talk with ASBJ Chairman Ikuo Nishikawa, referring to the background and current progress of IFRS implementation in Korea as well as the concerns about IFRS technical issues.

## 7. ASBJ Chairman Ikuo Nishikawa Participated as a Speaker in IFRS Conference in Taiwan

On February 23, 2011, “2011 IFRS Conference in Taiwan” was held in Taipei. The conference was hosted by the Accounting Research and Development Foundation (ARDF), the governing body of Financial Accounting Standards Committee (FASC), the accounting standard setter in Taiwan. The conference was attended by over 160 market constituents, including preparers of financial statements and auditors in Taiwan. From Japan, Noriaki Shimazaki, IFRS Foundation Trustee, and Ikuo Nishikawa, ASBJ Chairman, attended the conference and made keynote speeches, along with Conrad C. Chang, the chairman of FASC.



In their keynote speeches, Mr. Shimazaki provided an update on activities of IFRS Foundation and efforts in Japan toward application of IFRSs, and Chairman Nishikawa presented the ASBJ’s efforts

to converge Japanese GAAP with IFRSs and its activities toward application of IFRSs.



Following the conference, Chairman Nishikawa and Mr. Shimazaki exchanged views with FASC Chairman Chang, accountants from big four accounting firms in Taiwan working with Japanese clients, and accounting academics, on the issues relating to IFRSs implementation in Taiwan, including that by Japanese-owned companies.

On the next day, Chairman Nishikawa and Mr. Shimazaki visited the Taiwan Financial Supervisory Commission (FSC), a financial regulatory authority (equivalent to the Financial Services Agency in Japan), and the National Federation of CPA Associations of the Chinese Taiwan, to exchange views, mainly focusing on various IFRSs implantation issues in Japan and in Taiwan.

## **8. Tomokazu Sekiguchi (ASBJ Technical Manager) Received Accountant Encouragement Award of the 2011 Integrity Awards**

Tomokazu Sekiguchi, ASBJ Technical Manager, was awarded “Accountant Encouragement Award 2011” by the Integrity Awards Council.

The Integrity Award is intended to demonstrate the importance of internal control systems in ensuring efficient business management and support compliance-conscious companies, appreciating that compliance-minded management with high integrity and transparency will have high market competitiveness from the medium and long term viewpoint.

In the light of high expectations for accounting professionals in the economic society of the 21<sup>st</sup> century and their ever-increasing responsibility to fulfill, the “Accountant Encouragement Award” as a branch of the Integrity Award is annually granted to honor (1) those who are actively engaged in accounting profession and making contributions toward further development of the Japanese accounting community, and (2) those who have contributed to publicity of accounting and audit related services.





Other 2011 Integrity Awards recipients are as below:

- ✓ Accountant Encouragement Award 2011
  - Atsumu Hayashi (Certified Public Accountant, Professor of LEC Accounting School)
- ✓ Integrity Award 2011
  - Outstanding Achievement:  
Komatsu Ltd.
  - Superior Performance:  
Sekisui House, Ltd.  
Teijin Limited

## 9. ASBJ Held its 10th-12th Sessions of a Series of Open Seminar

The ASBJ and FASF, starting this year, host the ASBJ Open Seminars on “Development of IFRS and its Adoption in Japan” in major cities throughout 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 improvements of environment for successful IFRS adoption as well as to improve services to the members of the FASF.

The latest seminars were held in Osaka (at Osaka Bankers Associations) on February 18, 2011, in Nagoya (at Design Hall) on February 25, 2011, and in Tokyo (at Yomiuri Hall) on March 4, 2011. The topics covered: the IASB’s development of standards and related ASBJ activities, the IASB project on financial instruments, and the ASBJ exposure draft on amendments to Accounting Standard for Quarterly Financial Statements (issued in December 2010), accompanied by a presentation on recent trends in corporate disclosure policy by the Financial Services Agency. The seminars were attended by more than 1300 people (the total number of the attendance for three locations).

The seminar program in Tokyo is shown as below:

The 12<sup>th</sup> Seminar in Tokyo (Yomiuri Hall) on March 4, 2011

Title	Speaker
<b>Message from the FASF</b>	Hideo Takahashi, FASF Secretary General
<b>Recent trends in corporate disclosure policy</b>	Tomoyuki Furusawa, Director of Corporate Accounting and Disclosure Division of Financial Services Agency.
<b>Proposed amendments to Accounting Standard for Quarterly Financial Statements</b>	Takehiro Arai, ASBJ Vice Chairman
<b>IASB's development of standards and related ASBJ activities</b>	Ikuo Nishikawa, ASBJ Chairman
<b>IASB project on financial instruments</b>	Atsushi Kato, ASBJ Vice Chairman

#### 10. FASF Seminar on the “Guide to the Preparation of Securities Reports” (for the fiscal year ending March 31, 2011)

The FASF seminars on the “Guide to the Preparation of Securities Reports” (for the fiscal year ending March 31, 2011) were held, starting on April 5, 2011, in 8 cities for 10 sessions: Tokyo (3 sessions), Osaka, Nagoya, Fukuoka, Sapporo, Kanazawa, Hiroshima, and Takamatsu. The seminar was accompanied by a presentation on “Recent Trends in Disclosure Systems etc” by the Corporate Accounting and Disclosure Division, Planning and Coordination Bureau, of the Financial Services Agency.

Judging from the total number of seminar participants (approximately 4,000 participants), and the high level of interest displayed by the participants, the seminar was a resounding success.

#### 11. ASBJ Vice-Chairman Takehiro Arai Participated as a Speaker in a Seminar hosted by Kansai Economic Federation

On March 24, 2011, Takehiro Arai, ASBJ Vice Chairman, as a speaker attended a seminar hosted by Kansai Economic Federation for member companies of the Federation.

At the seminar, Vice Chairman Arai presented the latest development, mainly focusing on the overviews of the amendment to Accounting Standard for Quarterly Financial Reporting.

#### 12. ASBJ/FASF Holds Meeting with Chubu Economic Federation 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, to hear their requests as well as to provide 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) with Chubu Economic Federation took place in Nagoya on February 25, 2011.

FASF Secretary General Hideo Takahashi opened the meetings, expressing his gratitude for continuous supports to the FASF. Then, ASBJ Vice Chairman Takehiro Arai discussed (1) the IASB's development of standards, (2) ASBJ's Project Plan, (3) ASBJ's new document (proposed amendments to Accounting Standard for Quarterly Financial Reporting), (4) ASBJ's international activities and (5) other topics (including deliberations by Council on Accounting of Unlisted Companies). Participants eagerly asked questions about the future trend in standard development and the exposure draft on quarterly financial reporting.

We will continuously undertake initiatives like this.

13. Project Progress as of March 31, 2011 (based on Project Plan updated in December 17, 2010)

	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
<b>Items related to the remaining differences between existing Japanese GAAP and IFRSs</b>					
Business Combinations (Step2)		ED	Final		
Intangibles		ED	Final		
<b>Items related to projects addressed in the MoU between the IASB and the FASB</b>					
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		<i>DP2</i>		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	
<b>Items related to the IASB projects other than those addressed in the MoU between the IASB and the FASB</b>					
Provisions					
Emission Trading Schemes					
Insurance Contracts					
<b>Items other than those addressed by the IASB and the FASB</b>					
Special Purpose Entities		<i>Final</i>			
Quarterly Financial Statements	<i>ED</i>	<i>Final</i>			
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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