

ASBJ Newsletter



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1. Overview of ASBJ Meetings (225th Meeting – 229th Meeting)

(1) 225th Meeting (held on June 2, 2011)

- a. Discussion on intangible assets
- b. Progress of the Technical Committee for Business Combinations
- c. Progress of the Retirement Benefits Accounting Technical Committee

- a. For the treatment of development costs in consolidated financial statements and non-consolidated financial statements, Board members exchanged their views on three alternatives: (1) capitalize in consolidated statements, while expense in non-consolidated statements, (2) permit capitalizing in consolidated statements, while require expensing in non-consolidated statements, or (3) no decision at this point and continue to require expensing for the time being.

Some Board members expressed a view that items that have characteristics of assets should be recognized as such, while others suggested retaining the current treatment, from the perspective of reliability and comparability of the resulting information and that of uncertainty of the costs for capitalization (including application to consolidated accounts first).

- b. For amortization of goodwill, Board members exchanged their views, based on the alternatives set out by the staff: (1) no amortization in consolidated financial statements, while amortize in non-consolidated financial statements or (2) no decision at this point and continue amortization.
- c. The Board resumed discussions on Retirement Benefits (Step 1). For full recognition of actuarial gains or losses items as liabilities in non-consolidated financial statements, the Board discussed the necessity of certain treatments, in terms of the covenants and the relationship with pension legislation and determination of distributable amounts.

(2) 226th Meeting (held on June 16, 2011)

- a. Discussion on intangible assets
- b. Progress of the Retirement Benefits Accounting Technical Committee
- c. Progress of the Technical Committee for Financial Instruments (Fair Value Measurement)
- d. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)
- e. Progress of the Technical Committee for SPEs

- a. The Board discussed the treatment of software, which is an internally generated intangible asset other than development costs that could be capitalized. The Board also discussed how the accounting standard for intangible assets ought to be structured.
- b. Continued from the previous meeting, the Board discussed the treatments about full recognition of actuarial gains or losses as liabilities in non-consolidated financial statements, including whether special treatment is necessary, including application to consolidated accounts first.
- c. In order to reflect disclosure requirements in IFRS 13 *Fair Value Measurements*,

which was finalized by the IASB, the Board discussed addition of disclosure items to those in the exposure draft, including disclosure of quantitative information for Level 3 inputs, effects analysis, and the valuation process used. The Board will consider whether a re-exposure draft is necessary because of those final additions.

- d. An outline of the comments received on *Issue Paper on improvements of Accounting Standard for Financial Instruments (Classification and Measurement of Financial Liabilities)* was presented by the staff.
- e. As the IASB issued a set of consolidation standards, including IFRS 10 *Consolidated financial Statements* and other IFRSs, the boundaries of consolidation is now specified. The Board will consider individual issues, based on comparison between the requirements of current Japanese standards and IFRSs.

(3) 227th Meeting (held on June 30, 2011)

- a. Discussion on intangible assets
- b. Progress of the Retirement Benefits Accounting Technical Committee
- c. Progress of the Technical Committee for Financial Instruments (Fair Value Measurement)
- d. Progress of the Technical Committee for Financial Instruments (Financial Assets)

- a. The Board discussed draft text of standards, based on the three alternatives discussed at the 225th meeting.
- b. The Board discussed the effective date of the full recognition of actuarial gains or losses as liabilities and the change in the calculation method of retirement benefit obligation and service costs.
- c. The Board discussed the treatment of fair value measurements in quarterly financial statements and illustrative examples of disclosure relating to fair value measurements.
- d. An outline of the comments received on Issue Paper on improvements of Accounting Standard for Financial Instruments (Classification and Measurement of Financial Assets) was presented by the staff, followed by the Board's discussion on how to address those comments.

(4) 228th Meeting (held on July 14, 2011)

- a. Progress of the Technical Committee for Revenue Recognition
- b. Progress of the Technical Committee for Financial Instruments (Financial Liabilities)
- c. Update on the IASB/FASB project on financial instruments

At the beginning of the meeting, ASBJ Chairman Ikuo Nishikawa remarked about the speech made by the Minister of Financial Services at the Business Accounting Council Meeting (BAC) held on

June 30, 2011, in which the Minister requested the BAC to deliberate the direction of convergence. In light of this speech, Chairman Nishikawa expressed an intention that the Board would carry out its discussion, giving adequate consideration to the development at the BAC.

- a. The status of the IASB/FASB project on revenue recognition was reported.
- b. Continued from the 226th meeting, the Board discussed how to proceed with this project in light of the comments received on issue paper.
- c. The deliberations by the IASB/FASB on Financial Instruments: Classification and Measurements as well as Impairment were reported.

(5) 229th Meeting (held on July 29, 2011)

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| <ol style="list-style-type: none">a. Progress of the Technical Committee for Financial Instrumentsb. Progress of the Technical Committee for SPEsc. Discussion on intangible assets (Impairment of an intangible asset with an indefinite useful life) |
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At the beginning of the meeting, ASBJ Chairman Ikuo Nishikawa talked about the ASBJ's Project Plan. He explained the intention to suspend the display of the current plan and to re-release an updated plan at an appropriate time, taking into account global developments as well as views of the market constituents. The Board agreed with this.

- a. The Board discussed the scope of the standard for financial instruments. A change to a conceptual definition, rather than a definition by listing examples as under the current standard, is considered. However, in effect, the scope would remain almost the same with the current standard.
- b. Following the issue of IFRS 10, the Board discussed differences between the Japanese standard and IFRS 10 and potential impacts when the concept in IFRS 10 is introduced in Japan.
- c. The Board discussed how to apply the impairment accounting to an intangible asset with an indefinite useful life. Following the previous discussions about this issue, the Board further discussed whether to provide detailed provisions for the annual impairment test for an intangible asset with an indefinite useful life (simplified treatment).

2. Appointment of Mr. Hisaaki Hirama as ASBJ Board Member

The Accounting Standards Board of Japan (ASBJ) announced the retirement of Mr. Tatsuya Yamada, Executive Officer, Head of Finance & Accounting Group, Mizuho Financial Group Inc., on July 31, 2011, and the appointment of Mr. Hisaaki Hirama, General Manager, Accounting Division, Mizuho Financial Group Inc., as a part-time Board Member, effective on August 1, 2011. Mr. Hirama's term ends on March 31, 2013, being the remaining period of Mr. Yamada's term as a Board member.

3. Release of Accounting Guideline for Small and Medium-sized Entities 2011

The Preparation Committee for Accounting Guideline for Small and Medium-sized Entities (hereafter “the Committee”), established with the initiative mainly taken by the Japanese Institute of Certified Public Accountants (JICPA), The Japan Federation of Certified Public Tax Accountants’ Associations (JFCPTAA), the Japan Chamber of Commerce and Industry (JCCI) and the ASBJ, reviewed the “Accounting Guideline for Small and Medium-sized Entities,” in order to reflect the amendments to related accounting standards, provisions and tax laws. Following the approval of the release of an updated guideline at the meeting held on June 9, 2011, and the “Accounting Guideline for Small and Medium-sized Entities 2011” was released on July 20, 2011. Please note that the articles of tax laws listed in the “related items” are based on the ones as of the release date.

In light of the “Report by Council on Accounting Standard for Unlisted Companies” and the “Interim Report by the Research Group on Accounting for Small and Medium-sized Entities”, the Committee has decided to improve the usability of the guideline, by simplifying wording while retaining a necessary level. The Committee intends to introduce such changes in the 2012 version of the guideline.

The full texts of the Guideline and the table of concordance (in Japanese) are available on JICPA, JFCPTAA, JCCI and ASBJ websites.

4. Comments on “Report of the IFRS Foundation Trustees’ Strategy Review”

The Trustees of the IFRS Foundation, which are discussing the strategy of the IFRS Foundation for their second decade following their successful first decade, issued on April 28, 2011 a report summarizing the comments received on its strategic review by the deadline of February 2011.

The FASF/ASBJ submitted a comment letter, dated on July 25, 2011, to the Trustees on its views of the report, appreciating the efforts by the IFRS Foundation in continuing a comprehensive review of its strategy for its second decade to achieve the objective of establishing a single set of high quality global accounting standards.

In the comment letter, the FASF/ASBJ expressed the views that we consider that the Report, reflecting views of many constituents who commented on the “Status of Trustees’ Strategy Review” issued on November 5, 2010, is generally appropriate as a summary of the IFRS Foundation’s strategy for the next decade. The letter also notes that we appreciate that the Trustees’ strategy review will be coordinated with the conclusion of the governance review concurrently undertaken by IFRS Foundation Monitoring Board and hope their product would help clarify the IFRS Foundation’s strategy for the next decade.

5. The Second India-Japan Dialogue Held in Bangalore

The Second India-Japan Dialogue took place in Bangalore, a city located in the southern part of India, on August 3, 2011. This dialogue followed the inaugurated dialogue held in Tokyo in July 2010, during which a Memorandum of Understanding (MoU) was signed between the Core Group on IFRS constituted by the Ministry of Corporate Affairs, Government of India and The IFRS Council, with the aim of sharing knowledge and experiences in the context of implementing the IFRS as India and Japan are similarly placed in application of or convergence with the IFRS.

From Japanese side, the dialogue was participated by a party of 15, including Mr. Noriaki Shimazaki (Chairman, the IFRS Council), Mr. Hiroshi Hirose (Chairman, Committee on Corporate Accounting of Keidanren), and Mr. Ikuo Nishikawa (Chairman, the ASBJ), as well as representatives from the Financial Services Agency, Keidanren, the JICPA, Tokyo Stock Exchange, and the ASBJ/FASB. From Indian side, it was participated by approximately 30 members, including Mr. G. Ramaswamy (President, the Institute of Chartered Accounting of India), Mr. Manoj Fadnis (Chairman, the Accounting Standard Board, ICAI), Mr. Mohandes Pai (Trustee, the IFRS Foundation) as well as representatives from the Ministry of Corporate Affairs, Securities and Exchange Board of India, Reserve Bank of India (India's Central Bank), various regulators (such as Insurance Regulatory & Development Authority, India) and major companies.

During the general sessions, the two sides updated their developments on implementing the IFRS and exchanged views on the recent global development around the IFRS. Then, during technical sessions, grouped by the participants' backgrounds (regulators, standard setters, accounting associations and preparers/users), they discussed technical issues.

The Indian roadmap described a plan to begin a phased implementation (by the type of industries, the size of companies) of Indian Accounting Standards converged with the IFRS, beginning from April 2011. However, it has been deferred without any formal announcement. Indian representatives explained that the delay of the announcement was due to (1) unresolved tax issues, (2) the request from the business community to defer the effective date, (3) the delay of the amendments to the company law, and (4) unresolved issues in calculating distributable reserves.

The Japanese delegates expressed their deepest appreciation for the support to Japan at the time of the great earthquake in March 2011. They provided an update on the recent development relating to implementing the IFRS in Japan.

A series of the dialogue is determined to be held until 2012. The Second dialogue closed with the agreement to hold the next round of the dialogue in Tokyo around Fall 2012.

6. New Appointment of FASF Board of Directors

The Financial Accounting Standards Foundation (FASF) appointed two new directors to replace retiring members, pursuant to the provision in the Constitution of the FASF, Article 21, Paragraph 1.

(1) Retiring Member (to be retired on July 15, 2011)

Hiroyuki Koizumi Former Vice Chairman, The Life Insurance Association of Japan

Katsuo Handa Former Executive Director, The General Insurance Association of Japan

(2) Elected Member (to take office on July 16, 2011)

Fumio Tokubutsu Vice Chairman, The Life Insurance Association of Japan

Hiromi Asano Executive Director, The General Insurance Association of Japan

7. ASBJ Held its 1st-4th Sessions of a Series of Open Seminar 2011

The ASBJ and FASF, starting last year, host the ASBJ Open Seminars 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 promotion of environment for successful IFRS adoption as well as to improve services to the members of the FASF.

The latest seminars took place at the following locations, with the help of local stock exchanges:

Session	Date	Location	Venue
1	July 19, 2011	Tokyo	Mielparque Hall
2	July 21, 2011	Nagoya	DAITEC SAKAE
3	July 22, 2011	Osaka	TKC OSAKA UMEDA BUSINESS CENTER
4	July 26, 2011	Fukuoka	ACROS Fukuoka



These were the first series of open seminars for this year. The year 2011 marks the 10th anniversary of the establishment of the FASF, and the FASF representative expressed our gratitude to participants. Then, the Financial Services Agency discussed the deliberations at the Business Accounting Council Meeting, which resumed on June 30, 2011, as well as the situation surrounding. The ASBJ provided an update on timely topics such as new IFRSs, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, and IAS 19 *Employee Benefits*. Approximately 1,000 participants in four sessions in total visited the seminars.

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