

ASBJ Newsletter



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1. Overview of ASBJ Meetings (232th Meeting – 233th Meeting)

(1) 232nd Meeting (held on October 20, 2011)

- a. Progress of the Technical Committee for Financial Instruments
- b. Progress of the Technical Committee for SPEs and Consolidation

At the beginning of the meeting, ASBJ Chairman Ikuo Nishikawa spoke about the “*Accounting Standard for Fair Value Measurements and Disclosures*” project. The project is currently under way and requires additional time before finalizing the standard. The exposure draft of the standard was proposed to apply for the annual periods beginning on or after April 1, 2012. However, considering the necessary lead time, Chairman Nishikawa noted it was no longer possible to start applying the standard from the proposed original effective date.

- a. The Board discussed its comment on the IASB exposure draft on the mandatory effective date of IFRS 9.

The exposure draft proposes to delay the mandatory effective date of IFRS 9 to the annual periods beginning on or after January 1, 2015. The Board considered accepting the delay of the effective date as long as certain conditions were met.

The Board also discussed its own standard on classification and measurement of financial assets. The Board previously considered the amendments based on IFRS 9. However, given the recent development including the FASB’s exposure draft, the Board agreed to potentially reconsider its approach as appropriate. Following which, cash flow characteristics and business model were discussed.

With regard to classification and measurement of financial liabilities, the differences between the FASB’s decisions to date and the treatment under IFRS 9 were analyzed and discussed.

- b. An outline was presented regarding IFRS 12 *Disclosures of Interests in Other Entities*, and the Board then discussed potential impacts if IFRS 12 were introduced in Japan.

Among other disclosure items required in IFRS 12, the discussion mainly focused on “joint ventures and associates”, “subsidiaries with material non-controlling interests”, and “structured entities.” These items are viewed as key changes or of importance, compared to the current Japanese standard.

(2) 233th Meeting (held on November 18, 2011)

- a. Discussion on the IASB Agenda Consultation document
- b. Progress of the Technical Committee for SPEs and Consolidation
- c. Progress of the Technical Committee for Financial Instruments

- a. The Board discussed its draft comment letter on the IASB’s Agenda Consultation document,

which requests inputs on the strategic direction and overall balance of the IASB's work plan, and on the priority of individual projects or agenda areas over the next three years.

The draft comment suggests that the focus over the next three years should be on the "Maintenance of the Existing IFRSs".

The draft comment suggests the following issues should be addressed as agenda: (1) OCI and recycling, (2) Scope of items to be measured at fair value, (3) Recognition of development costs as assets, (4) Non-amortization of goodwill, (5) Reversal of impairment of fixed assets, and (6) Functional currency.

Additionally, at the beginning of the discussion, ASBJ Chairman Ikuo Nishikawa spoke regarding the "Council on Agenda Consultation." The Council was established with the aim of delivering a stronger voice from Japan. Members of the Council include the ASBJ, the Japanese Institute of Certified Public Accountants (JICPA), Japan Business Federation (Nippon Keidanren), the Securities Analysts Association of Japan (SAAJ), Tokyo Stock Exchange, the Ministry of Economy, Trade and Industry and the Ministry of Justice, with the FASF and the Financial Services Agency (FSA) as Secretariats. Chairman Nishikawa noted that the Council had discussed issues to convey consistent views, and that the ASBJ's draft comments had been prepared in light of views of the market constituents.

- b. The Board discussed the IASB exposure draft *Investment Entities*, issued on August 25, 2011
- c. The status of the IASB' discussion relating to IFRS 9 was reported.

Regarding the amendment to defer the mandatory effective date of IFRS 9, the IASB tentatively decided that the effective date are deferred to the annual periods beginning on or after January 1, 2015, and that early application is still permitted.

Regarding the restatement of comparative-period financial statements for the initial application, the IASB received comments that indicated costs and other issues to arise from the restatement. Consequently, the IASB decided not to require the restatement, but instead require modified disclosures on transition to IAS 39 to IFRS 9.

2. ASBJ's Comment Submitted to the IASB

The Accounting Standards Board of Japan (ASBJ) submitted comment letters on IASB Exposure Draft [Improvements to IFRSs](#) and Exposure Draft [Mandatory Effective Date of IFRS 9](#), on October 21, 2011, as well as on IASB Request for Views [Agenda Consultation 2011](#), on November 30, 2011.

3. [The 14th Joint Meeting with the IASB Held in London](#)

Representatives of the International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ) held their fourteenth biannual meeting in London on October 31 and November 1, 2011.

The meeting provided the first formal opportunity for the Boards to meet since the appointment of Mr. Hans Hoogervorst and Mr. Ian Mackintosh in July 2011 as the IASB's Chair and Vice-Chair respectively.

The Boards discussed the joint work of the IASB and the US Financial Accounting Standards Board (FASB), to improve International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) and to bring about their convergence.

During the meeting, the Boards exchanged views on the following projects undertaken by the IASB and the FASB:

- Financial instruments (including the credit impairment model for financial assets)
- Revenue recognition^(*) (including the recent deliberations that will lead to the re-exposure draft expected to be issued during the fourth quarter of 2011)
- Leases (including the recent deliberations that will lead to the re-exposure draft expected to be issued in the first quarter of 2012)
- Investment entities (regarding the exposure draft, *Investment Entities*, published by IASB in August 2011).

The IASB and the ASBJ also discussed interpretative and practical issues relating to the voluntary application of IFRSs in Japan.

In addition, the ASBJ and the IASB exchanged views regarding the *Agenda Consultation 2011* the IASB is undertaking to gather views on the strategic direction and the priority of agenda areas over the next three years.

The next joint meeting is planned for early in the second quarter of 2012 in Tokyo.

^(*) Revised exposure draft on revenue recognition was issued on November 14, 2011

4. [The 11th China-Japan-Korea Meeting](#)

The accounting standard setter meeting of China, Japan, and Republic of Korea was held in Xiamen, China on October 26, 2011. Ms. Yang Min, the Secretary-General of China Accounting Standard Committee, Mr. Ikuo Nishikawa, the Chairman of Accounting Standards Board of Japan, Mr. Lim Suk Sig, the Chairman of Korea Accounting Standards Board, International Accounting Standards

Board (IASB) members Mr. Zhang Wei-guo and Mr. Takatsugu Ochi, as well as thirty other delegates from these countries joined the meeting. In addition, the meeting welcomed delegates from Hong Kong and Macau as observers. During the meeting, attending delegates had a valuable discussion regarding the latest developments of the international convergence of accounting standards, IASB projects and its future agenda, and prospective efforts of the Asian-Oceanian Standard Setters Group (AOSSG), and reached consensus of the following:

(1) Standard setters of the three countries will maintain communicating process and efforts in standard-setting process and convergence projects, while keeping the other countries updated. During the communication, it's expected that the three countries will share their experience in resolving issues arising from standard development and enforcement process.

(2) Standard setters of the three countries will seek to coordinate their views on the IASB's projects whilst they respectively submit comments to the IASB regarding technical issues arising from those projects.

(3) Standard-setters of the three countries will work together to enhance and reinforce regional communication and cooperation in the Asian-Oceania region and commit joint efforts to improve the AOSSG to make this organization a vital platform for regional involvements of standard-setting process of IFRSs.

In addition, attending delegates agreed that they are willing to provide full support for the IASB's Asian-Oceanian regional liaison office in Tokyo planned to launch in October 2012.

The next China-Japan-Korea Accounting Standards Setters' Meeting will be held in Korea in 2012.

5. The 3rd AOSSG Meeting Held in Melbourne

On 23 and 24 November, 2011, the third annual meeting of the Asian-Oceanian Standard-Setters Group (AOSSG) was held in Melbourne, Australia. The meeting was attended by 67 representatives from twenty-two AOSSG member countries or jurisdictions. From the ASBJ, Mr. Ikuo Nishikawa (Chairman), Mr. Atsushi Kato (Vice Chairman), Mr. Takehiro Arai (Vice Chairman), Mr. Masao Yanaga, (Board Member) and staff members attended. Representatives of the IASB also attended the meeting, including Mr. Hans Hoogervorst (Chairman), along with Mr. Takatsugu Ochi (Board Member), Mr. Prabhakar Kalavacherla (PK) (Board Member) and Mr. Zhang Wei-Guo (Board Member).

Since the second meeting in Tokyo in September 2011, the ASBJ had served as Chair of the AOSSG and the AASB as Vice Chair. At this meeting, the AASB was confirmed as new Chair, and the Hong Kong Institute of CPAs (HKICPA) Financial Reporting Standards Committee was elected as new Vice Chair.

In addition, the Memorandum of Understanding (MoU) of the AOSSG was revised to extend the terms of the Chair and the Vice Chair from one to two years. Furthermore, based on the [Vision Paper](#) issued in June 2011, views were exchanged on the organization's future operation.

With regard to technical issues, the IASB members provided an update on recent activities. And then, the AOSSG members, along with the IASB members, exchanged views on Revenue Recognition, Insurance Contracts, Financial Instruments, Consolidation, Agriculture, Islamic Finance, Emission Trading Schemes, Foreign Currency, Agenda Consolation, Leases, and Discount Rates.

6. The FASF Released the Launch of Accounting Human Resource Development Program

The FASF finds it increasingly important for Japan to show its presence to the world, in developing global accounting standards, as well as to request to take into consideration Japanese circumstances. To enable this, it is necessary to develop accounting professionals, particularly professionals on a global stage, on a mid- to long-term and the "All-Japan" basis. As a part of such initiatives, the "Human Resource Development Task Force" was established within the FASF in August 2011, to discuss action plans.

Members of the Task Force include representatives from the Japanese Institute of Certified Public Accountants (JICPA), Japan Business Federation (Nippon Keidanren), the Securities Analysts Association of Japan (SAAJ), major accounting firms, former IASB Board Tatsumi Yamada, and the ASBJ Board Members. The Financial Services Agency (FSA) also attended the meeting as an observer.

After discussions during five meetings, the Task Force prepared and released a support program to develop accounting human resources.

The program is scheduled to start in January 2012.

7. Additional Appointment of Councillor of the FASF

The FASF held the Board of Councillors Meeting, and the Board voted to appoint Hiroshi Hirose (Vice Chairman, Sumitomo Chemical, Co., Ltd.) as an additional Councillor of the FASF, effective on November 8, 2011.

8. The Establishment of Other Committees (Nominating and Evaluating Committee, and Due Process Oversight Committee, and Operation Supporting

Committee)

The FASF held the Board of Directors Meeting on November 18, 2011. The Board voted to establish “other committees” as prescribed in Article 65-2 of the FASF Constitution (Nominating and Evaluating Committee, Due Process Oversight Committee, and Operation Supporting Committee) and appointed chairmen and members of each committee respectively.

(1) Nominating and Evaluating Committee

Duty: Select candidates for Members and Chairman of the Accounting Standards Board of Japan (ASBJ), and recommend to the Board of Directors. Evaluate performance of ASBJ Board Members and Chairman during their terms, and report to the Board of Directors.

Members of the Committee:

Chairman	Muneharu Otsuka (Director of FASF)	Professor, School of Commerce, Waseda University
Member	Hiroyuki Iwakuma (Director of FASF)	Senior Executive Vice President & COO, Tokyo Stock Exchange Group, Inc.
Member	Shinichi Taniguchi (Director of FASF)	Representative Director and Executive Vice President, Nippon Steel Corporation
Member	Shozo Yamazaki (Director of FASF)	Chairman and President, The Japanese Institute of Certified Public Accountants
Member	Hiroshi Hirose (Councillor of FASF)	Vice Chairman, Sumitomo Chemical, Co., Ltd.
Member	Tsuguoki Fujinuma (Councillor of FASF)	Vice Chairman & Senior Executive Director, Japanese Bankers Association

(2) Due Process Oversight Committee

Duty: Oversee the ASBJ’s development of standards to ensure they comply with the prescribed due process and report to the Board of Directors.

Members of the Committee:

Chairman	Keiko Kitamura	Professor of Faculty of Commerce, Chuo University
Member	Gen Ikegami	Deputy President, The Japanese Institute of Certified Public Accountants

Member	Akiyoshi Oba	President& CEO, Tokio Marine Asset Management Co., Ltd.
Member	Masakazu Kubota	Senior Managing Director, Nippon Keidanren
Member	Noriaki Shimazaki	Special Adviser, Sumitomo Corporation
Member	Yoshiaki Nishimura	President, Tokai Rubber Industries, Ltd.

(3) Operation Supporting Committee

Duty: Manage the operation of the FASF Secretariat and the ASBJ (excluding development of standards) to support the FASF President in performing his duty.

Members of the Committee:

Chairman	Ikuo Nishikawa	Chairman, The Accounting Standards Board of Japan
Member	Hideo Takahashi	Managing Director, The Financial Accounting Standards Foundation
Member	Takehiro Arai	Vice Chairman, The Accounting Standards Board of Japan
Member	Atsushi Kato	Vice Chairman, The Accounting Standards Board of Japan

9. FASF Hosted Constituents Gathering on the IFRS Foundation/IASB

The FASF hosted a constituents gathering to share an update on the IFRS Foundation/IASB, at the Imperial Hotel, Tokyo, on December 1, 2011.

Representatives of the IFRS Foundation presented an update on activities and issues of their bodies to attending constituents. The representatives included Mr. Tsuguoki Fujinuma (IFRS Foundation Trustee), Mr. Noriaki Shimazaki (IFRS Foundation Trustee), Mr. Takatsugu Ochi (IASB Board Member), Mr. Kazuo Yuasa (IFRS Interpretations Committee Member), Mr. Shozo Yoneya (IFRS Advisory Council Member) and Mr. Sei-Ichi Kaneko (IFRS Advisory Council Member), along with Mr. Hiroshi Yamada (Global Preparer Forum Member) and Mr. Tetsujiro Ishiguro (Global Preparer Forum Member).

10. FASF Seminar on Disclosure for New Practitioners

The FASF had conducted a survey among the FASF seminar attendants, to gather inputs on improvement to seminar events. Many respondents requested a new kind of seminar, one providing an overview of disclosures to support those who are new to the practice, in addition to the FASF's traditional seminars which focus on the amendments to the guide to the preparation of securities reports and others,

In response to these requests, the FASF held a "Seminar on Disclosure for New Practitioners." The seminar was designed to assist seminar participants in utilizing FASF's "Guide to the Preparation of Annual Securities Reports" and a "Guide to the Preparation of Quarterly Reports." It focused on "Fundamentals of Disclosure," such as relevant regulations and the related system. The seminar was available for those with FASF Membership.

Date	Venue	Location
December 14, 2011	Bellesalle Hanzomon	Tokyo
December 15, 2011	Nagoya Congress Center	Nagoya
December 16, 2011	Osaka International Convention Center	Osaka
December 21, 2011	Bellesalle Hanzomon	Tokyo

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