

# ASBJ Newsletter



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1. New ASBJ Pronouncements (released between December 1, 2011 and January 31, 2012)

(1) [ED] [Release of Exposure Draft of PITF No.37 Tax Expense for Quarterly Financial Reporting due to Tax Reform 2011](#) (December 22, 2011)

(The exposure draft is open for comment until January 11, 2012)

(2) [Final] [Release of the PITF No.28 Tax Expense for Quarterly Financial Reporting due to Tax Reform 2011](#) (January 20, 2012)

[Legend]

ED: Exposure Draft

Final: Statement/Guidance etc. (final version)

2. Overview of ASBJ Meetings (234th Meeting – 236th Meeting)

(1) 234th Meeting (held on December 21, 2011)

- a. Exposure Draft PITF *Tax Expense for Quarterly Financial Reporting due to Tax Reform 2011* [approval for release]
- b. Progress of the Technical Committee for Revenue Recognition
- c. Progress of the Technical Committee for SPEs and Consolidation
- d. Progress of the Technical Committee for Financial Instruments

a. The “Amendments to the Corporation Tax Act” and the “Financial Resource for Restoration Act” were issued on December 2, 2011.

Because of those tax revisions, companies whose fiscal year ends in March will have a change in tax rates during a quarterly reporting period. In response to many inquiries about the treatment of tax expenses in quarterly financial statements in the light of timely disclosure, the Board discussed proposing a practical solution (PITF).

The exposure draft sets out, in question and answer format, treatments for (1) cases where tax expenses for quarterly reporting are calculated in the same manner as annual accounts, (2) cases where tax expenses are calculated based on the treatment specific to quarterly reporting, and (3) cases where scheduling of temporary differences is impracticable in a timely manner.

The PITF would be applied for the quarterly periods ending on or after the promulgation of the tax revisions, including the quarterly periods which ended before the issue of the final PITF.

b. On November 14, 2011, the IASB and the FASB issued the revised Exposure Draft *Revenue from Contracts with Customers* (the revised ED) for comment by March 2012.

The ASBJ decided to solicit inputs from Japanese constituents to deliver Japanese views to the IASB and the FASB through identifying possible improvements to the revised ED, as well as understanding the impact of the revised ED on Japanese accounting practices.

- c. The Board had a final discussion on its comments on the IASB Exposure Draft *Investment Entities*.
- d. The Board discussed the IASB's tentative decision on limited revisions to IFRS 9 *Financial Instruments*.

(2) 235th Meeting (held on January 10, 2012)

- a. Discussion on items relating to "the Panel on Non-consolidated Financial Statements"
- b. Progress of the Technical Committee for Financial Instruments

- a. The Board considered resuming its discussions on the suspended projects, namely, Intangible Assets (recognition of development costs as assets), Business Combinations Step 2 (non-amortization of goodwill), Retirement Benefits Step 1 (recognition of actuarial gains and losses and past service cost as liabilities in retirement accounting), and Presentation of Comprehensive Income (treatment in non-consolidated financial statements).

The Board will discuss these items taking into account the consensus among constituents about developments of, or revisions to accounting standards, as well as the ASBJ's stance in response to the IASB's Agenda Consultation.

- b. Regarding accounting treatments for compound financial instruments, the Board discussed (1) whether to separate the derivatives embedded in compound financial instruments, and (2) if so, how to separate them.

Board members expressed their views about appropriately reflecting the entity's business strategy and risk management in financial statements, from the viewpoints of reducing complicity and those of eliminating arbitrariness and ensuring comparability.

(3) 236th Meeting (held on January 19, 2012)

- a. Responses related to the Tax Reform (the change of tax rate): (1) Proposed PITF *Tax Expense for Quarterly Financial Reporting due to Tax Reform 2011* [approval for release], (2) Other related considerations
- c. Progress on Retirement Benefits Accounting (Step 1)
- c. Progress of the Technical Committee for Revenue Recognition

- a. Following an analysis of comments received on the exposure draft, the Board voted to approve the release of the PITF, with no major changes from the exposure draft.

The Board also discussed the treatments for subsequent years as a related issue.

- b. Following the decision at the previous meeting to resume discussions, the Board's agreed direction is that in consolidated financial statement, actuarial gains or losses and past service cost should be immediately recognized as liabilities, while in non-consolidated financial statements the current treatment should be retained. At this meeting, the Board mainly discussed the following two issues:

The first issue was whether to permit the full recognition of actuarial gains or losses and past service cost as other comprehensive income in non-consolidated financial statements. While many supported not permitting it, some suggested the treatment in non-consolidated statements should be separately discussed.

The second issue was whether additional disclosures in non-consolidated financial statements should (1) state only the fact of the different treatment from the consolidated financial statements, or (2) provide also the amount of the liability as though the immediate recognition were required. The majority supported the alternative (1) above.

- c. The Board discussed the outline of its comment letter on the IASB exposure draft on revenue recognition.

### 3. ASBJ's Comment Submission to the IASB

The ASBJ submitted a comment letter to the IASB's Exposure Draft [\*Investment Entities\*](#), on January 5, 2012.

### 4. ASBJ's Request for Views on IASB's Revised Exposure Draft *Revenue from Contracts with Customers*

On November 14, 2011, IASB, jointly with the FASB, published the revised Exposure Draft *Revenue from Contracts with Customers* (the revised ED). In order to contribute to the global high-quality standard, the ASBJ has been conveying its views on the IASB-FASB joint efforts on revenue recognition, through discussions with the IASB and FASB and comment submissions.

This time, the ASBJ released a request for views to gather inputs from market constituents. It would help the ASBJ understand the impact of the revised ED on accounting practices in Japan, identify possible improvements to the proposal, and then deliver Japan's views to the IASB and the FASB. The request for comments runs between December 22, 2011 and February 17, 2012.

## 5. Release of the Report by the Panel on Accounting for Small and Medium-sized Entities (the interim report), “Basic Accounting Guide for Small and Medium-sized Entities”

“The Panel on Accounting for Small and Medium-sized Entities” (the Small and Medium Enterprise Agency and the Financial Services Agency serve as co-secretariats) was established, mainly of constituents from small and medium-sized entities. ASBJ Chairman Ikuo Nishikawa also participates as a member. The Panel has been developing a “Basic Accounting Guide for Small and Medium-sized Entities.” On February 1, 2012, the Panel released “the Report by the Panel on Accounting for Small and Medium-sized Entities (the interim report),” which also contains the background and future considerations.

The guide was compiled after reviewing the comments received from a wide variety of constituents on the exposure draft released on November 8, 2011, with some amendments.

## 6. [The 12<sup>th</sup> Joint Meeting with the FASB Held in Norwalk](#)

Representatives of the Financial Accounting Standards Board (FASB) and the Accounting Standards Board of Japan (ASBJ) met on February 6 and 7, 2012, in Norwalk, CT. This meeting was the twelfth in a series of discussions between the FASB and the ASBJ.

The ASBJ supports the efforts by the FASB and the International Accounting Standards Board (IASB) to develop high-quality global accounting standards and is working on its projects to achieve convergence between Japanese GAAP and International Financial Reporting Standards (IFRSs), taking into consideration the progress of the joint projects by the FASB and the IASB.

At this meeting, the FASB and the ASBJ provided updates on their respective convergence activities with the IASB with the aim of contributing to the development of high-quality global standards. The ASBJ also explained its comments on the IASB’s Agenda Consultation 2011.

Furthermore, the FASB and the ASBJ exchanged views on the following projects undertaken by the FASB and the IASB:

- Credit impairment model for financial assets
- Classification and measurement of financial instruments and insurance contracts
- Hedge accounting
- Revenue recognition
- Leases
- Investment companies

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

## 7. IASB Chairman Hans Hoogervorst visits Japan (Meeting with the Press, hosted by the IASB, held at a FASF conference room)

On February 9, 2012, during his visit to Japan, IASB Chairman Hans Hoogervorst met the Japanese press at a conference room of the Financial Accounting Standards Foundation (FASF).

IASB Board Member Takatsugu Ochi and IASB Director Michael Stewart joined in the meeting. The IASB's recent developments (including an outline of the Agenda Consultation) were presented, followed by questions and answers with the over twenty press participants.



## 8. Additional Appointment of ASBJ Board Member

The FASF appointed Mr Minoru Yoshida (Advisor, Corporate Accounting & Control, Asahikasei Co.) as an additional Board Member of the ASBJ. His term begins on December 26, 2011 and ends on March 31, 2013.

## 9. ASBJ Vice-Chairman Takehiro Arai speaks at a Study Group Meeting in Kansai Economic Federation

On January 13, 2012, ASBJ Vice Chairman Takehiro Arai, along with Technical Manager Tomohiro Nishimura, attended a meeting of the "Study Group on International Accounting Standards and Corporate Management" established within Kansai Economic Federation, as guest speakers.

The topics included the ASBJ's recent activities and the IASB's revised exposure draft "Revenue

from Contracts with Customers,” followed by exchanges of views with participants.

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