

ASBJ Newsletter



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1. Overview of ASBJ Meetings (249th Meeting – 251st Meeting)

(1) 249th Meeting (held on August 7, 2012)

- a. Reestablishment of the Practical Solutions Standing Committee
- b. Progress of the Technical Committee for Revenue Recognition
- c. Discussion on a comment on the IFRS Foundation *Due Process Handbook*
- d. Discussion on IASB Exposure Draft *Annual Improvements to IFRSs*

- a. Over recent years, the Accounting Standards Board of Japan (ASBJ) has focused mainly on projects related to convergence with IFRS. As a result, practical issues in the context of Japanese GAAP have not been sufficiently addressed.

With an aim to enhance its ability to address these practical issues, the Board agreed to re-establish the Practical Solutions Standing Committee.

- b. An overview was presented on recent tentative decisions made by the IASB and the FASB.

Regarding satisfaction of performance obligations, the Boards tentatively decided to clarify the criterion used to determine whether the performance obligations are satisfied over time. No major changes were made from the revised exposure draft.

However, because some of the concerns from Japanese constituents have not been sufficiently addressed, it was suggested that the ASBJ consider further actions.

- c. The Board discussed its responses to the proposed *IFRS Foundation Due Process Handbook*, issued in May 2012.
- d. The Board discussed its responses to the IASB Exposure Draft *Annual Improvements to IFRSs 2010-2012 Cycle*, issued in May 2012.

(2) 250th Meeting (held on August 23, 2012)

- a. Discussion on Accounting Standard for Intangible Assets (stakeholder hearing)
- b. Discussion on Business Combinations (Step 2)
- c. Discussion on a comment on the IFRS Foundation *Due Process Handbook*, and others

- a. The Board conducted a hearing from stakeholder (preparers, users, and auditors), with an aim to identify the needs of constituents in relation to a potential accounting standard for intangible assets.

The stakeholders expressed their views on individual issues from their perspectives. All of them supported establishing a comprehensive accounting standard for intangible assets.

- b. During the previous discussion, many Board members suggested that 'loss of control' should be

addressed in Step 2. In response to that, the Board discussed possible directions in the case where this issue is to be included in an upcoming exposure draft.

- c. The Board discussed its draft comments on the IFRS Foundation's Invitation to Comment, *IASB and IFRS Interpretations Committee Due Process Handbook*, the IASB's Exposure Draft, *Annual Improvements to IFRSs 2010-2012 Cycle*, and the IFRS Interpretations Committee's Draft IFRIC Interpretation, *Levies Charged by Public Authorities on Entities that Operate in a Specific Market*.

(3) 251st Meeting (held on September 5, 2012)

- a. Discussion on Business Combinations (Step 2)
- b. Discussion on Accounting Standard for Intangible Assets
- c. Discussion on IFRS Committee's Draft IFRIC Interpretation
- d. Progress of the Technical Committee for Financial Instruments

- a. The Board discussed 'acquisition related costs', and 'provisional accounting treatment,' both of which are included in the issues to be discussed in the development of an exposure draft on Business Combinations.

Regarding acquisition-related costs, the Board is considering the direction that they should be recognized as expenses as incurred, taking consideration of (1) practical issues in determining to what extent the expenditures for business combinations should be included in costs, and (2) enhancement of comparability with financial information under global accounting standards.

Regarding the provisional accounting treatment (recognizing gains/losses on adjustments to the provisional accounting arising from its finalization or changes, in the year next to that of the business combination), the Board is considering treating the adjustment as a replacement of the goodwill amount at the date of the business combination, if the original allocation amount was revised due to finalization of or a change to the provisional accounting treatment.

- b. During the hearing at the 250th Meeting, the stakeholders expressed their support for establishing a comprehensive accounting standard for intangible assets. At this meeting, the Board discussed how to proceed with this project in depth, including some researches on practices, on the 'treatment of intangible assets acquired in business combinations' and 'individually acquired research and development costs.'

Although the Board generally supported the direction indicated by staff, concerns were also expressed regarding potential inconsistency if the Board proceeds with its discussion without any overall picture of a comprehensive standard.

- c. The Board discussed draft comments on the Draft IFRIC Interpretation, *Put Options Written on Non-controlling Interests*.

- d. The Board was provided with an update on the progress made by the IASB and the FASB on their Financial Instruments projects (impairment, classification and measurement, and hedge accounting).

Regarding impairment, the IASB and the FASB have been jointly discussing an approach which categorizes financial instruments into three buckets and estimates expected losses for each category.

In the FASB's outreach, most stakeholders indicated the necessity for further clarification of, and concerns about the operability of the proposed expected loss model.

In response, the FASB began discussing an alternative expected loss model, which has a single measurement objective, in contrast to the three-bucket model approach which has two different measurement objectives. The FASB has already reached several tentative decisions.

2. ASBJ's Comment Submission to the IASB and the IFRS Interpretations Committee (August 1, 2012 – September 30, 2012)

- (1) ASBJ submitted its [Comments on the IFRS Foundation's Invitation to Comment, IASB and IFRS Interpretations Committee Due Process Handbook](#), (September 5, 2012)
- (2) ASBJ submitted its [Comments on the IASB's Exposure Draft, Annual Improvements to IFRSs 2010-2012 Cycle](#), (September 5, 2012)
- (3) ASBJ submitted its [Comments on the Draft IFRIC Interpretation DI/2012/1, Levies Charged by Public Authorities on Entities that Operate in a Specific Market](#), (September 5, 2012)
- (4) ASBJ submitted its [Comments on the Draft IFRIC Interpretation DI/2012/2, Put Options Written on Non-controlling Interests](#), (September 28, 2012)

3. The 13th Regular Meeting with FASB held in Tokyo

Representatives of the Financial Accounting Standards Board (FASB) and the Accounting Standards Board of Japan (ASBJ) met on September 13 and 14, 2012, in Tokyo. This meeting was the thirteenth in a series of discussions between the FASB and the ASBJ.

At this meeting, the FASB and the ASBJ provided updates on their recent activities, respectively, and exchanged views on the opportunities for continuing cooperation among the interested organizations, including national accounting standard-setters.

The FASB and the ASBJ also discussed the following projects currently under deliberation by the FASB and the IASB:

- (1) Financial Instruments: classification and measurement / impairment (including the recent tentative decisions by the FASB and the IASB)
- (2) Revenue recognition (including the redeliberation items)
- (3) Leases (including the recent deliberations that will lead to the re-exposure draft to be issued in the fourth quarter of 2012)

Furthermore, the FASB and the ASBJ exchanged views on the FASB's Invitation to Comment, *Disclosure Framework*, and several research topics.

The FASB and the ASBJ agreed that they would continue to exchange views on issues faced and potential future concerns.

4. ASBJ held Open Seminar - Summer 2012

The ASBJ/FASF has hosted the ASBJ Open Seminar series since 2010. Through its work the ASBJ is able to identify global trends in accounting in a timely manner. In the Open Seminar, the ASBJ provides up-to-date information about these trends to improve services to the members of the FASF.

At the most recent seminars held in August 2012, the Financial Services Agency reported developments in the deliberations on the use of IFRS in Japan, and the ASBJ provided an update on the status of its development of domestic standards, as well as on international developments, including developments made in IASB projects.

In addition, the ASBJ provided an overview of the *Amendments to Accounting Standard for Retirement Benefits and its Implementation Guidance*, issued on May 17, 2012. More than 1,100 attendants across five locations joined the seminars, and received timely updates.

The seminars were convened with the support from local stock exchanges.



Date	Location	Venue
August 24, 2012	Osaka	Osaka International Convention Center
August 27, 2012	Nagoya	DAITEC SAKAE
August 29, 2012	Fukuoka	Fukuoka Tenjin Building
August 30, 2012	Tokyo	Mielparque Hall
August 31, 2012	Sapporo	Sapporo Securities Exchange

5. FASF Seminar for new practitioners, “To Utilize the FASF’s Guides to the Preparation of Annual Securities Reports and Quarterly Reports”

In addition to its regular seminars focusing on amendments to the Guide to the Preparation of Securities Reports, the FASF started a new series of seminars in December 2011 designed for new practitioners of financial disclosures. The seminars were well received by participants, and the FASF again hosted the seminars in Tokyo and Osaka in September 2012.

The seminar is designed to help participants get familiarized with the use of the FASF’s “Guide to the Preparation of Annual Securities Reports” and “Guide to the Preparation of Quarterly Reports.” It focuses on ‘fundamentals of disclosure,’ such as relevant regulations and related systems, targeting mainly at those who are in their first or second year in disclosure practice.

Although seminar attendance was limited to only FASF member companies, approximately 500 attendees joined the seminar, indicating a resounding success.



Date	Location	Venue
September 21, 2012	Tokyo	Bellesalle Hanzomon
September 24, 2012	Osaka	Osaka International Convention Center

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