

ASBJ Newsletter



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1. Development of the ASBJ Standards (released between February 2008 and March 2008)

(1) [Final] Announcement of Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No.24) (March 10, 2008)

(2) [Final] Announcement of Accounting Standard for Financial Instruments (ASBJ Statement No.10 (Revised 2008)) and Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19) (March 10, 2008)

(3) [Final] Announcement of Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17) and Guidance on

Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20) (March 21, 2008)

(4) [ED] Release of Exposure Draft of Proposed Partial Amendments to Accounting Standard for Retirement Benefits (3) (ASBJ Exposure Draft No.24) (March 21, 2008)

(5) [Final] Announcement of Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21) (March 31, 2008)

(6) [ED] Release of Exposure Draft of Proposed Amendments to ASBJ Statement No.9, Accounting Standard for Measurement of Inventories (ASBJ Exposure Draft No.25) (March 31, 2008)

[Legend]

DP: Issue Paper, Discussion Paper
ED: Exposure Draft
Final: Statement/Guidance, etc. (final version)

2. Overview of the ASBJ Meetings (February 2008 – March 2008)

1) 146th Meeting (held on February 15, 2008)

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| <ul style="list-style-type: none">a. Progress of Studies conducted by Technical Committee for Financial Instrumentsb. Progress of Studies conducted by Practical Solutions Standing Committeec. Progress of Studies conducted by Segment Reporting Technical Committeed. Progress of Studies conducted by Retirement Benefits Accounting Technical Committeee. Progress of Studies conducted by Technical Committee for Inventoriesf. Progress of Studies conducted by Technical Committee for Asset Retirement Obligations |
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a. The Board discussed the note disclosure about the “the structure and organization of the entity for managing risks arising from financial instruments.” It was indicated that, in general, the note disclosure requirement of such quantitative information with respect to market risk is intended to be applied primarily to those companies that have the business purpose of striving to generate profit using financial instruments, such as banks, securities companies, and nonbank financial institutions.

b. The Board discussed the draft texts of the Standard in the lead up to the resolution for their public release.

c. The Board discussed the draft texts related to the treatment of the amount of profit subject to segment disclosure. As no specific measurement method is prescribed for

measuring the amount of profit attributable to each reportable segment, it was clarified that the amount of the profit to be disclosed should be measured based on the measurement method that the company applies to the preparation of financial information for each operating segment.

d. The Board is conducting studies with a view to eliminating the provision in the current Standard for Retirement Benefits that permits the use of a discount rate that is determined in consideration of changes in bond yields observed during a specified period.

e. The Committee is conducting studies on draft texts with a view to either abolishing the last-in first-out method (LIFO) or continuing to permit the use of LIFO subject to certain additional disclosure requirement.

f. The staff explained the analysis of comments on the Exposure Draft and possible responses to the issues raised above.

2) 147th Meeting (held on February 28, 2008)

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| <ul style="list-style-type: none"> a. Accounting Standard for Financial Instruments and Guidance on Disclosures about Fair Value of Financial Instruments [Resolution for public release] b. Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method [Resolution for public release] c. Progress of Studies conducted by Segment Reporting Technical Committee |
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| <ul style="list-style-type: none"> d. Progress of Studies conducted by Technical Committee for Asset Retirement Obligations e. Progress of Studies conducted by Technical Committee for Inventories f. Progress of Studies conducted by Retirement Benefits Accounting Technical Committee g. Progress of Studies conducted by Technical Committee for Retrospective Application h. Progress of Studies conducted by Intangible Assets Technical Committee i. Progress of Studies conducted by Technical Committee for Business Combinations |
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a. The Board approved the release of A revised to Accounting Standard for Financial Instruments and issuance of its implementation guidance for the purpose of expanding disclosure concerning the financial instruments held and fair value, etc., , of such instruments.

The Standard and the Guidance apply to financial statements for annual periods ending on or after March 31, 2010, with early application permitted.

b. The Board approved the release of an accounting standard and its practical solution that require accounting principles and procedures of equity method investees to be, in principle, unified with those of the parent company. For the time being, however, a pragmatic treatment is also permitted in consideration of actual practices.

The Standard and the PITF apply to consolidated financial statements for consolidated annual periods beginning on or

after April 1, 2010, with early application permitted.

c. through f. The Board discussed the draft texts. With respect to d., the Board discussed the introduction of new disclosure requirement for quarterly financial statements. With respect to e., the Board discussed the information disclosure required in circumstances in which significant holding gains arise if LIFO is to be abolished.

g. The Board discussed various issues including accounting for changes in estimates related to depreciation of fixed assets, accounting for cumulative effect of accounting changes, and definition of an error.

h. through i. The staff explained comments received and possible responses to the issues raised in these comments. .

3) 148th Meeting (held on March 14, 2008)

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| <p>a. Accounting Standard for Disclosures about Segments of an Enterprise and Related Information and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information [Resolution for public release]</p> <p>b. Exposure Draft of Proposed Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) [Resolution for public release]</p> <p>c. Progress of Studies conducted by Technical Committee for Asset Retirement Obligations</p> <p>d. Progress of Studies conducted by Technical Committee for Inventories</p> <p>e. Progress of Studies conducted by Technical Committee for Business</p> |
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Combinations f. Progress of Studies conducted by Technical Committee for Investment Property

a. The Board approved the release of Accounting Standard for Disclosures about Segments of an Enterprise and Related Information, which is constructed based on the “management approach.” This Standard applies to financial statements for annual periods beginning on or after April 1, 2010, in order to allow for a sufficient preparation period for preparers. Early application is not permitted.

b. The Board approved the release of an exposure draft to eliminate the provision in the current Standard for Retirement Benefits that permits the use of a discount rate that is determined in consideration of changes in bond yields observed during a specified period.

c. and d. The Board discussed the draft texts in the lead up to the resolution to be made at the next Board meeting for their public release.

e. The Board confirmed that future studies will be conducted with a view to abolishing the pooling of interests method.

f. The Board discussed whether the valuation of investment property should be based on fair value or fair value of investment property should be disclosed. As it was indicated that it is important to disclose fair value of investment property, under the equivalence assessment by the EU, and for certain other

considerations, the Board decided that the future studies will focus on fair value disclosure of investment property.

4) 149th Meeting (held on March 25, 2008)

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| <ul style="list-style-type: none">a. Accounting Standard for Asset Retirement Obligations and Guidance on Accounting Standard for Asset Retirement Obligations [Resolution for public release]b. Exposure Draft “Accounting Standard for Measurement of Inventories” [Resolution for public release]c. Progress of Studies conducted by Technical Committee for Special Purpose Companiesd. Exchange of opinions concerning the subprime loan crisise. Progress of Studies conducted by Technical Committee for Business Combinationsf. Progress of Studies conducted by Intangible Assets Technical Committee |
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a. The Board approved the release of an accounting standard and its implementation guidance that require companies to record asset retirement obligations as liabilities, and record the corresponding retirement expenses in plant, property and equipment.

The Standard and the Guidance apply to financial statements for annual periods beginning on or after April 1, 2010, with early application permitted.

b. The Board approved the release of an exposure draft to eliminate “LIFO” as a cost formula for inventories, which has been permitted in Japan. The deadline for public comments on the exposure draft is set on May 26, because annual closing of many enterprises

will be over before that date.

c. The staff reported comments on the exposure draft and responses to the issues raised in the comments. d. The board discussed issues related to the subprime loan crisis; in particular, issues on i) valuation of and accounting for securitized instruments and ii) whether conduits, etc. should be included in the consolidation scope.

e. The staff reported the progress of studies on the comments received for the Issue Paper. The board discussed with a view to requiring negative goodwill to be accounted for as a gain as of the acquisition date, for reasons including the perspective of convergence of accounting standards.

f. The staff reported the progress of studies on accounting for in-process R&D acquired in a business combination, i.e., whether to maintain the current expense treatment or whether to require capitalization of in-process R&D if it satisfies certain requirements, in order to be consistent with internationally accepted accounting standards.

3. FASF Managing Director Hiroshi Endo and Standing Board Member Takehiro Arai visit standard setters and others in Australia and Asian nations

Currently, internationally accepted accounting standards are in the process of a major transition, as evidenced, for example, by the possibility that the U.S. regulators may permit U.S. domestic companies to report under the International Financial Reporting Standards (IFRS) within the year. Under these circumstances, FASF Managing Director Hiroshi Endo and Standing Board Member Takehiro Arai visited Australia on February 7 and 8, 2008, Malaysia on March 4, and India on March 5 in order to exchange opinions with standard setters and other relevant parties in Asia and Oceania, that are geographically close to Japan, with respect to responses to the global convergence of accounting standards, as well as the organization and the status of accounting standard development of each standard setter.

The schedule of the visit and the parties they had meetings with are shown in the table below.

<February 7>
<p>Australian Accounting Standards Board (AASB)</p> <ul style="list-style-type: none"> • David Boymal, Chairman • Attended the AASB Board Meeting
<February 8>
<p>Financial Reporting Council (FRC, Auastralia)</p> <ul style="list-style-type: none"> • Jeffrey Lucy, Chairman <p>The Treasury</p> <ul style="list-style-type: none"> • Geoff Miller, Head of Corporate and Financial Services Division <p style="text-align: right;">and four others</p>
<March 4>
<p>Malaysian Accounting Standards Board (MASB)</p> <ul style="list-style-type: none"> • Nordin Mohd Zain, Executive Director • Tan Bee Leng, Senior Technical Manager
<March 5>
<p>The Institute of Chartered Accountants Of India (ICAI)</p> <ul style="list-style-type: none"> • Ved Jain, Chairman • Uttam Prakash Agarwal, Vice Chairman • Ashok Haldia, Chief Secretary <p style="text-align: right;">and three others</p>

We shared the following understanding with all of the abovementioned standard setters

concerning the responses to be made to the trend of global convergence of accounting standards.

- The fundamental premise is that the IFRS will never be fixed in stone and will continue to change. Standard setters must be ready to respond to such changes in a timely manner.
- “Sharing of various issues,” such as issues in practical applications regarding the IFRS and “mutual understanding” among the standard setters to acknowledge each other’s view are critical.
- In order to realize the above, active communication between nations and regions should be promoted in various forms.

With respect to the convergence status in each country, we received the following explanations.

- Australia
An “Australian version of the IFRS” was introduced in 2005 with certain amendments to the original IFRS including the elimination of certain options permitted in the original version. However, the full version of the IFRS has been adopted since January 2008.
- Malaysia
As Malaysia has been under strong

influence of the UK historically, the basic approach to the adoption of IFRS has been to accept it as is. However, some of the individual standards, including IAS 39 “Financial Instruments: Recognition and Measurement,” have not been adopted. As such, only a partial adoption of the IFRS has been actually achieved to date.

- India
Indian accounting standards have been developed based on the IFRS. However, in July 2007, it was decided that the full version of the IFRS will be adopted in April 2011, with a possibility of certain curve-out depending on the circumstances. As can be seen from the above report, situations are diverse regarding the IFRS convergence among nations in Asia and Oceania. In view of these circumstances, ASBJ/FASF considers it necessary for us as a member of the Asia/Oceania region to continue to have close communication with standard setters in each country and promote sharing of understanding among these standard setters.

4. FASF President Toshitaka Hagiwara visits IASCF Chairman Gerrit Zalm and IASB Chairman Sir David Tweedie

In March 2008, FASF President Toshitaka Hagiwara, together with Managing Director Hiroshi Endo, visited London to meet with Mr. Gerrit Zalm, Chairman of the International Accounting Standards Committee Foundation (IASCF) and Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB).

The purpose of this meeting was to exchange opinions with chief market constituents in view of the recent rapid developments in the global convergence of accounting standards as the U.S. is taking steps toward convergence with the IFRS. Mr. Hagiwara also had meetings with Mr. Denham, Chairman of the U.S. Financial Accounting Foundation (FAF), Mr. Herz, Chairman of the Financial Accounting Standards Board (FASB), and the U.S. Securities and Exchange Commission (SEC) Commissioner Ms. Casey and Chief Accountant Mr. Hewitt, among others, in November 2007.

During the recent meeting in London, opinions were exchanged on a broad range of topics including 1) outlook for the progress of global convergence of accounting standards and

how the sponsoring bodies can support it, 2) the IASCF's response to global convergence of accounting standards, and 3) responses toward a closer relationship between Japan and IASCF/IASB.

5. ASBJ Chairman Ikuo Nishikawa attends the Meeting of National Standard Setters (NSS)

The Meeting of National Standard Setters was held on March 27 and 28, 2008 in Melbourne, Australia.

The NSS Meeting used to function as a forum in which the IASB discusses issues including its operating policy with major standard setters in the world (so-called liaison nations or the liaison body).¹ However, since September 2005, that function was transferred to a IASB Meeting with World Standard Setters (WSS Meeting, held annually in September). Currently, the NSS Meeting is held semiannually in spring and autumn under the sponsorship of various national standard setters including the liaison nations to discuss input and support to be provided for research projects conducted by

¹ Consists of Japan, the U.S. the UK, Canada, Germany, France, Australia and New Zealand, as well as EFRAG, which joined the liaison body in 2004.

each standard setter, as well as for projects and the work plan of the IASB.

The March 2008 NSS Meeting was chaired by Mr. Ian McIntosh, Chairman of the Accounting Standards Board (ASB UK) and attended by standard setters of seven ex-liaison nations other than the FASB, the European Financial Reporting Advisory Group (EFRAG), standard setters of Hong Kong, Taiwan, Lebanon, and South Africa, as well as the IASB. In total, 30 participants from 13 standard setters participated in the Meeting. From Japan, ASBJ Chairman Ikuo Nishikawa together with some other members attended the Meeting.

The agenda and the respective presenters were as follows:

Agenda	Presented by
< March 27 >	
1) Structure and Purpose of the NSS	ASB (UK)
2) IASB Work Programme	ASB
3) Intangibles	AASB (Australia)
4) Retirement Benefit Plans	AcSB (Canada)
5) Conceptual Framework	IASB, AcSB , FRSB (New Zealand)

Agenda	Presented by
< March 28 >	
6) Rate Regulated Operations	AcSB
7) Measurement	ASB
8) Complexity	ASB
9) Non-Consolidated Information	ASB
10) Closure	

6. ASBJ Technical Director Kenichi Akiba receives the Integrity Award 2008 – Accountant Encouragement Award

ASBJ Technical Director Kenichi Akiba recently received the “Accountant Encouragement Award 2008” by the Japan Internal Control Grand Prix - Integrity Award – Council.

The “Japan Internal Control Grand Prix 2008 - Integrity Award -”, previously called “Key Firm of Integrity Award”, was established by the Sankei Shimbun and KFi K.K. in 2002 for the purpose of supporting companies with high awareness of compliance. It was renamed this year to highlight the fact that integrity is one of

the most important factors that influence the internal control. From this year, a special award called “Accountant Encouragement Award 2008” was granted to the three most eligible accounting professionals among younger generations who are (1) striving to achieve excellent performance in their own areas of accounting profession from the broader, international perspective, (2) making contributions toward further developments of the Japanese accounting system, and (3) making contributions to the promotion of the publicity of the profession and the role of certified public accountants. Mr. Akiba was selected as one of the awardees.



(Photo by “Financial Japan” Editorial Department)

The award ceremony was held on March 26, 2008 at TSE Arrows, and Mr. Akiba expressed his gratitude for the award as follows:

“I am very grateful that I am granted such an

award. I understand that this award was granted for the appreciation of my work as a research fellow at the ASBJ in helping the Board to develop accounting standards. If so, I owe a great deal, for this honor of receiving the award, to my colleagues at the ASBJ and others who worked together with me in the development of accounting standards and all others who supported our efforts. I would like to express my gratitude to them all.”

The ASBJ hopes that this award will be a source of encouragement for Japanese accounting professionals for their professional development.

Other awardees are also listed below.

- ✓ Accountant Encouragement Award 2008
 - Mr. Makoto Shinohara (CPA, Ernst & Young ShinNihon)
 - Mr. Shinya Yamada (CPA, Shinya Yamada Accounting Office)
- ✓ Japan Internal Control Grand Prix 2008 – Integrity Award –
 - First Prize
 - Seven & i Holdings Co., Ltd.
 - Merit Awards
 - Kyoritsu Electric Corporation

7. FASF holds a Seminar “Points to Consider when Preparing a Report on First Quarter ending June 30, 2008”

A new quarterly reporting system will be introduced with respect to annual periods beginning on or after April 1, 2008. In conjunction with this, FASF held a seminar for preparers on “Points to Consider When Preparing Report on First Quarter Ending June 30, 2008.” At the same time, the ASBJ held a briefing session on “the ASBJ’s Recent Activities and Overview of Accounting Standards for Quarterly Financial Reporting.”

As this was the first seminar on quarterly reports, it was held more than one month earlier than conventional seminars on securities reports and other topics.

The seminar was held in 11 sessions in total in 9 prefectures all over Japan, i.e., in Osaka, Tokyo (three sessions), Nagoya, Takamatsu, Kanazawa, Sendai, Hiroshima, Sapporo and Fukuoka, commencing on (Tuesday) February 26. The seminar was highly successful with more than 4,000 participants, evidencing the strong interest among market constituents in the newly introduced disclosure system.



8. Progress of Projects (related to convergence)

As of April 1, 2008

	2007	2008				2009	
	Q4	Q1	Q2	Q3	Q4	H1	H2
1. Items advised by CESR for EU equivalence assessment purpose (short-term)							
Business Combinations(STEP1)							
Pooling-of-interest method	<i>RR/DP</i>		ED		Final		
Others	<i>RR/DP</i>		ED		Final		
Inventories (LIFO)		<i>ED</i>		Final			
Uniformity of accounting policies(Associates)	<i>ED</i>	<i>Final</i>					
Impairments of fixed assets							
Intangibles (R&D expenses)	<i>DP</i>		ED		Final		
Construction contracts	<i>Final</i>						
Asset retirement obligations	<i>ED</i>	<i>Final</i>					
Retirement benefits		<i>ED</i>		Final			
Disclosure of FV information of financial instruments		<i>Final</i>					
Investment property	TC		ED		Final		
2. Items remaining differences between Japanese GAAP and IFRSs except above (medium-term)							
Segment reporting		<i>Final</i>					
Business Combinations(STEP2)							
Issues for PHASE2							ED
Amortization of goodwill							ED
Retrospective restatement							
Change in accounting policy			(DP)			ED	Final
Depreciation method			(DP)			ED	Final
Discontinued operations							
3. Items related MOU between the IASB and the FASB (medium and long-term)							
Scope of consolidations				DP			
Financial statement presentation		TC			DP		
Revenue recognition		TC			DP		
Liabilities and equity distinctions		WG					
Financial instruments							

【Legend】

WG Launch of Working Group

TC Launch of Technical Committee

RR Research Report

DP Issue Paper, Discussion Paper

ED Exposure Draft

Final Standards/Guidance (Final Version) *Italic face describes done events*

9. Notices

1) Regular meeting with the IASB and the FASB

ASBJ and IASB held their seventh regular meeting under the joint convergence project on April 8 and 9 in Tokyo, inviting Sir David Tweedie, Chairman of the IASB and others (refer to [the press release](#) issued after the seventh regular meeting). In addition, seeing this as a great opportunity, the ASBJ held a [roundtable meeting with Chairman Tweedie](#) as well as a [Special Joint Seminar of the IASB and the ASBJ](#) intended to increase the awareness among the market constituents about the current status of global accounting convergence.

Further, the fifth regular meeting with the FASB will be held starting on May 26 in Tokyo, inviting Robert H. Herz, Chairman of the FASB and others. A roundtable meeting with Chairman Herz and others is also scheduled.

The results of these regular meetings will be reported in detail in the next issue of this newsletter (scheduled for June).

2) The publications

“Guide for the Preparation of Quarterly Report (for the reporting on the first quarter ending June 30, 2008)”

This publication (in Japanese only) can be purchased [here](#) on our website.

“ASBJ Newsletter” (No. 2)

Issued on May 1, 2008

Editor : Akiyoshi Maruyama

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