

# *ASBJ Newsletter*



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## 1. New ASBJ Pronouncements (released between June 1 and July 31, 2013)

- (1) [ED] Release of the Exposure Draft of [Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts \(Exposure Draft of PITF No.39\)](#) (July 2, 2013)

[Legend]

ED: Exposure Draft

Final: Statement/Guidance etc. (final version)

## 2. Overview of ASBJ Meetings (266th – 269th Meeting)

- (1) 266th Meeting (held on June 13, 2013)

- a. Responses to the FASB Exposure Draft *Financial Instruments—Credit Losses*, and to the IASB's Exposure Draft *Financial Instruments: Expected Credit Losses*
- b. The ASBJ's Request for Views on the IASB's Exposure Draft *Leases*
- c. Discussion on Accounting for transactions that deliver the company's own stock through trusts
- d. Discussion on Business Combinations (Step 2)

- a. After being presented with a draft comment letter on the FASB Exposure Draft as well as an outline of comments on the IASB Exposure Draft, the Board discussed its responses to each of the exposure drafts respectively.
- b. In developing the ASBJ's comments on the revised Exposure Draft *Leases*, jointly issued on May 16, 2013 by the IASB and the FASB, the Board discussed issuing a Request for Views to solicit input from Japanese constituents.
- c. As a step towards issuing an exposure draft, the Board discussed drafting a proposal for a practical solution on accounting for transactions that deliver the company's own stock to employees through a shareholding plan or to employees who are granted a right to shares through trusts.
- d. With a view to finalizing the Business Combinations standard, the Board discussed the treatment of negative capital surpluses (treatment at the end of interim reporting periods on a consolidation basis), and the treatment of entities accounted for using the equity method (associates and non-consolidated subsidiaries), as well as accounting for incremental purchases and partial sales.

- (2) 267th Meeting (held on June 27, 2013)

- a. Responses to the IASB's Exposure Draft *Financial Instruments: Expected Credit Losses*
- b. Overview of the IASB's Exposure Draft *Leases*
- c. Overview of the IASB's Feedback Statement *Discussion Forum—Financial Reporting Disclosure*

- d. Release of Exposure Draft of PITF *Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts* [approval for release]
- e. Discussion on Progress Report on Deliberation on Intangible Assets
- f. Discussion on Business Combinations (Step 2)
- g. Establishment of Insurance Contracts Technical Committee

- a. The Board discussed the draft comments on the IASB Exposure Draft *Financial Instruments: Expected Credit Losses*.
- b. An outline (classification of leases, lessee accounting and lessor accounting) of the revised Exposure Draft issued on May 16, 2013 by the IASB and the FASB was presented. The Board then discussed the Exposure Draft.
- c. Staff presented an outline of the IASB's Feedback Statement *Discussion Forum—Financial Reporting Disclosure* issued by the IASB on May 28, 2013. The Board then reviewed the IASB's short-term and mid-term responses.
- d. The Board reviewed the draft Exposure Draft of PITF *Practical Solution on Transactions Delivering the Company's Own Stock to Employees etc. through Trusts*. All Board members present at the meeting approved the draft, subject to minor editorial changes, which would be left to the Chairman.
- e. The Board reviewed a draft of the "Progress Report on Deliberation on Intangible Assets" and supported its publication.
- f. The Board discussed responses to comments received on the Business Combinations (Step 2) Exposure Draft of, after being presented with staff recommendations.
- g. The Board approved the establishment of an Insurance Contracts Technical Committee, as well as selection of the chairman and members of the technical committee.

(3) 268th Meeting (held on July 10, 2013)

- a. Overview of a planned endorsement process of IFRS
- b. Overview of the Accounting Standards Advisory Forum (ASAF)'s telephone conference
- c. Progress of the Lease Accounting Technical Committee
- d. Feedback statement on research on goodwill
- e. Discussion on Business Combinations (Step 2)

- a. Following the Business Accounting Council's paper "The Present Policy on the Application of International Financial Reporting Standards (IFRS)," issued on June 19, 2013, the Board was presented with and discussed an outline of the planned IFRS endorsement process.

- b. The Board was presented with an overview of the ASAF's telephone conference, held on July 3, 2013, where the IASB's Exposure Draft *Financial Instruments: Expected Credit Losses* was discussed.
- c. In developing the ASBJ's comment letter on the IASB's revised exposure draft, the Board discussed (1) whether to agree with the proposal that lessees should recognize all leases on the balance sheet in principle, (2) whether to agree with the proposed criteria by which lessees should classify leases with different cost patterns, and (3) whether to agree with the proposed criteria by which lessors should classify leases with different income patterns.
- d. With an aim to contribute to international debates, the ASBJ has conducted research on impairment and amortization of goodwill. A draft paper "Feedback Document on Questionnaire and Exchange of Views on Impairment and Amortization of Goodwill", summarizing the inputs obtained from constituents, was prepared. The Board reviewed the draft paper and then approved its publication.
- e. With a view to finalizing the standard, the Board discussed responses to comments received on the exposure draft, including the treatment of income taxes resulting from the partial sale of a parent's shares in its subsidiary and the treatment of transactions with non-controlling interests in separate financial statements.

(4) 269th Meeting (held on July 25, 2013)

- a. Report from the Standards Advisory Council
- b. Progress of the Lease Accounting Technical Committee
- c. Establishment of Working Group for Endorsement of IFRSs
- d. Discussion on Business Combinations (Step 2)

- a. The Standards Advisory Council, established within the Financial Accounting Standards Foundation (FASF), submitted requests to the ASBJ for (1) a study on accounting for the recoverability of deferred tax assets and (2) a study and assessment of accounting relating to restructuring. The Board discussed these requests.
- b. In developing the ASBJ's responses to the IASB's revised exposure draft, the Board discussed (1) determination of whether a contract contains a lease, (2) lessees' identification of components and allocation of consideration, (3) lessors' identification of components in a contract and allocation of the consideration, (4) short-term leases, and (5) variable lease payments.
- c. The Board approved the establishment of a Working Group, which will discuss topics in detail in proceeding with the process of IFRS endorsement in response to the recommendation from the Business Accounting Council. The Board also approved the selection of the members of the Working Group.

- d. The Board had previously discussed the issues to be addressed in light of comments received on its exposure draft. With a view to finalizing the standard, the Board reviewed the draft amendments to the Accounting Standard for Business Combinations and the Accounting Standard for Consolidated Financial Statements.

### 3. ASBJ's Comment Submissions to the IASB and the FASB (June 1, 2013 – July 31, 2013)

- (1) ASBJ submitted its [Comments on the Proposed Accounting Standards Update "Financial Instruments — Credit Losses \(Subtopic 825-15\)"](#) to the FASB (June 18, 2013)
- (2) ASBJ submitted its [Comments on the Exposure Draft "Financial Instruments: Expected Credit Losses"](#) to the IASB (July 5, 2013)

### 4. The 18th Standards Advisory Council Meeting

On July 16, 2013, the 18th Standards Advisory Council Meeting was held.

The meeting began with a report on the establishment of the ASBJ “Rules for due process in developing accounting pronouncements”, followed by a presentation on the outline of the planned process for the endorsement of IFRSs, to be conducted by the ASBJ. The Council then discussed several possible agenda items which had been suggested at previous meetings. The Council decided that (1) for ‘recoverability of deferred tax assets (in relation to the JICPA Audit Committee Report No.66),’ ‘provisioning relating to restructuring’ and ‘accounting for additional retirement benefits on early retirement’ the Council will request that the ASBJ conduct a study and assessment on the impacts and on whether it is possible to develop any accounting pronouncements on the topics, (2) for ‘development of an accounting standard to be applied where the going concern assumption is not appropriate,’ the Council will deliberate the topic after the Business Accounting Council concludes the ongoing discussion about auditing of special-purpose financial statements, and (3) ‘provision for points granted to customers’ is to be put on hold.

The Council also received suggestions for several new topics. One of them was ‘subsequent events.’ This topic is already an agenda item of the ASBJ’s although discussions are currently on hold. Therefore, the Council will be given an update from the ASBJ on the project’s status at the next Council meeting. For ‘accounting treatment when a parent transfers its business to a wholly-owned subsidiary by means of divestitures with no consideration transferred’ and ‘treatment of contingent purchase consideration under the *Accounting Standard for Business Combinations*,’ the Council decided to request that the Practical Solutions Standing Committee assess these topics.

The ASBJ provided an update on its recent activities and ongoing projects. The Council members then expressed their views and asked questions.

## 5. Establishment of Working Group for Endorsement of IFRSs, Appointment of Members

The Business Accounting Council of the Financial Services Agency issued *The Present Policy on the Application of International Financial Reporting Standards (IFRS)* on June 19, 2013. The paper states that “regarding the specific endorsement process in Japan, it is appropriate that the Accounting Standards Board of Japan (ASBJ), which has the capability of accounting standard development, first examines the standards, and then the Financial Services Agency designates individual standards in the same manner currently used to designate Japanese GAAP.”

In response to this recommendation, the ASBJ established a “Working Group for Endorsement of IFRSs” to proceed with the endorsement process. Members are as follows.

### **Chairman:**

Atsushi Kogasaka Board Member (Vice Chairman), ASBJ

### **Members:**

Tomokazu Sekiguchi Board Member, ASBJ

Shinichi Imakiire Senior Manager, Finance & Accounting Department, Finance Group, Hitachi, Ltd.

Harunaga Kato Assistant General Manager, General Accounting Dept, Head of Accounting Research Team, Sumitomo Corporation

Shuichi Takahata Manager, Accounting Division, Mitsubishi Heavy Industries, LTD.

Naohiro Tomura Group Manager, Accounting Group, Finance & Accounting Dept, Toshiba Corporation

Shinichi Yamatoko Senior Manager (Assistant General Manager), Financial Accounting & Tax Dept. Accounting & Finance Div., Nippon Steel & Sumitomo Metal Corporation

Makoto Kaimasu Senior Vice President, The Securities Analysts Association of Japan

Goro Kumagai Senior Fellow, Strategic Research Dept, Mizuho Securities Co., Ltd.

Kenichi Akiba Professor of Commerce, Waseda University

Katsunobu Mandai Professor, Faculty of Commerce and Management, Hitotsubashi University

Kanako Ogura Partner, KPMG AZSA LLC

Keiko Kishigami	Partner, Ernst & Young ShinNihon LLC
Kazuaki Furuuchi	Partner, Deloitte Touche Tohmatsu LLC
Takao Kamiya	Director of Technical Activities, ASBJ
Atsushi Itabashi	Director of Financial Activities, ASBJ
Yasunobu Kawanishi	Director of International Activities, ASBJ
Masayoshi Ogiwara	Translation Project Manager, ASBJ
Tsutomu Iguchi	Technical Manager, ASBJ

## 6. Appointment of Councillors, Directors, Auditors, and others

Based on votes at the Councilors Meeting held on 14 June 2013, the Board of Directors Meeting held on 17 June 2013, and the Councillors Meeting held on 28 June 2013, the FASF announced the appointment of the following Councillors, Directors, Auditors, and others (new appointees are underlined, titles are as of the date of appointment):

### 1. Councillors (11)

(Councillors: Appointment effective 14 June 2013)

(Chairman: Appointment effective 28 June 2013)

#### Chairman:

Shozo Yamazaki                      Chairman and President, the Japanese Institute of Certified Public Accountants

#### Councillors:

Hideyoshi Ando                      Professor, Faculty of Commerce, Senshu University

Kenjiro Egashira                      Professor, Waseda Law School

Koichiro Kimura                      Chief Executive Officer, PricewaterhouseCoopers Aarata

Masakazu Kubota                      Senior Managing Director, Keidanren

Atsushi Saito                          Group CEO, Japan Exchange Group, Inc.

Yoshikiyo Sakai                      Director and Senior Vice President, Director of Finance and Accounting Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Koichi Takahata Managing Executive Officer, Assistant General Manager, Financial Resources Management Group, General Manager, Accounting Controlling Dept., Sumitomo Corporation

Shigeru Nakajima Attorney-at-Law

Yoshiaki Nishimura President, Tokai Rubber Industries, Ltd.

Tsuguoki Fujinuma Adviser, The Japanese Institute of Certified Public Accountants

## 2. Directors (11), Auditors (2)

(Directors and Auditors: Appointment effective 14 June 2013)

(President and Managing Director: Appointment effective 17 June 2013)

### **President:**

Kazuaki Kama Chairman of the Board, IHI Corporation

### **Managing Director:**

Masaji Miyako Secretary General, Financial Accounting Standards Foundation

### **Directors:**

Hiromi Asano Executive Director, the General Insurance Association of Japan

Futomichi Amano Chief Executive Officer, Deloitte Touche Tohmatsu LLC

Gen Ikegami Deputy President, the Japanese Institute of Certified Public Accountants

Shinsaku Iwahara Professor, School of Law, Waseda University

Toru Okusa Senior Executive Officer, MITSUBISHI ESTATE CO., LTD

Joji Okada Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.

Takashi Obinata Professor, Faculty of Economics, the University of Tokyo

Masanobu Kaizu Director, the Securities Analysts Association of Japan

Keiko Kitamura Professor, Faculty of Commerce, Chuo University

Masahiko Koyanagi Executive Director, Policy Making Headquarters, Japan Securities Dealers Association



<u>Shinya Saito</u>	<u>Professor, Faculty of International Social Sciences, Yokohama National University</u>
<u>Masaki Shizuka</u>	<u>Senior Executive Officer, Tokyo Stock Exchange, Inc.</u>
Fumio Tokubutsu	Vice Chairman, The Life Insurance Association of Japan
Tatsuhiko Nojima	Representative Director, Executive Vice President, Mitsubishi Heavy Industries, Ltd.
Tsutomu Miyagi	Managing Director, the Japan Chamber of Commerce and Industry
<u>Hideki Miyazaki</u>	<u>Member of the Board, Executive Deputy President, Japan Tobacco Inc.</u>
<u>Kimitaka Mori</u>	<u>Deputy President, the Japanese Institute of Certified Public Accountants</u>
Koshi Wada	Vice Chairman & Senior Executive Director, Japanese Bankers Association
<b>Auditors:</b>	
<u>Toru Kajikawa</u>	<u>Executive Director, the Japanese Institute of Certified Public Accountants</u>
<u>Shigeo Sakase</u>	<u>Senior Advisor, Hitachi, Ltd.</u>

### 3. Standards Advisory Council (4)

(Appointment effective 17 June 2013)

#### **Vice Chairman:**

Masaji Suzuki ※ Partner, Deloitte Touche Tohmatsu LLC

#### **Members:**

Kanako Ogura Partner, KPMG AZSA LLC

Keiko Kishigami Partner, Ernst & Young ShinNihon LLC

Shimboku Hattori General Manager, General Accounting Dept., Sumitomo Corporation

※Mr. Masaji Suzuki was appointed as Vice Chairman through the nomination by Chairman of the Standards Advisory Council, pursuant to Article 65, paragraph 4 of the FASF Constitution.

#### 4. Other Committees

- Nominating and Evaluating Committee (5)

(Appointment effective 17 June 2013)

**Chairman:**

Keiko Kitamura                      Professor, Faculty of Commerce, Chuo University

**Members:**

Masakazu Kubota                      Senior Managing Director, Keidanren

Masaki Shizuka                      Senior Executive Officer, Tokyo Stock Exchange, Inc.

Tsuguoki Fujinuma                      Adviser, The Japanese Institute of Certified Public Accountants

Kimitaka Mori                      Deputy President, the Japanese Institute of Certified Public Accountants

- Due Process Oversight Committee (6)

(Appointment effective 17 June 2013)

**Chairman:**

Shinya Saito                      Professor, Faculty of International Social Sciences, Yokohama National University

**Members:**

Gen Ikegami                      Deputy President, the Japanese Institute of Certified Public Accountants

Toru Okusa                      Senior Executive Officer, MITSUBISHI ESTATE CO., LTD

Masanobu Kaizu                      Director, the Securities Analysts Association of Japan

Masakazu Kubota                      Senior Managing Director, Keidanren

Yoshiaki Nishimura                      President, Tokai Rubber Industries, Ltd.

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