

ASBJ Newsletter



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1. Development of the ASBJ Standards (released between June and July 2008)

- (1) [Final] Announcement of Amendments to Implementation Guidance on Disclosures about Certain Special Purpose Entities (ASBJ Guidance No. 15) (June 20, 2008)
- (2) [DP] Release of Issue Paper on Accounting Changes and Error Corrections (June 20, 2008)
- (3) [ED] Release of Exposure Draft of Proposed Accounting Standard for Business Combinations (ASBJ Exposure Draft No. 26), Proposed Accounting Standards for Consolidated Financial Statements (ASBJ Exposure Draft No. 27), Proposed Partial Amendments to the Accounting Standards for Research and Development Cost (ASBJ Exposure Draft No. 28), Proposed Amendments to ASBJ Statement No. 7, Accounting Standards for Business Divestitures (ASBJ Exposure Draft No. 29), Proposed Amendments to ASBJ Statement No. 16, Accounting Standard for Equity Method of Accounting for Investments (ASBJ Exposure Draft No. 30), Proposed Amendments to ASBJ Guidance No. 10, Implementation Guidance on Accounting Standards for Business Combinations and Business Divestitures (ASBJ Exposure Draft of Guidance No. 29) (June 30, 2008)

(4) [ED] Release of Exposure Draft of Proposed Accounting Standards for Disclosure about Fair Value of Investment and Rental Property (ASBJ Exposure Draft No. 31) and its Implementation Guidance (ASBJ Exposure Draft of Guidance No. 30) (June 30, 2008)

(5) [Final] Announcement of Partial Amendments to Accounting Standards for Retirement Benefits (Part 3) (ASBJ Statement No. 19) (July 31, 2008)

(6) [ED] Release of Exposure Draft of Proposed Amendments to ASBJ Statement No. 12, Accounting Standards for Quarterly Financial Reporting (ASBJ Exposure Draft No. 32) and its Implementation Guidance (ASBJ Exposure Draft of Guidance No. 31 (Proposed Amendments to ASBJ Guidance No. 14)) (July 31, 2008)

[Legend]

DP Issue Paper, Discussion Paper

ED Exposure Draft

Final Statement/Guidance, etc. (final version)

2. Overview of ASBJ Meetings (154th meeting – 157th meeting)

(1) 154th Meeting (held on June 13, 2008)

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| <ul style="list-style-type: none">a. Issue Paper on Accounting Changes and Error Corrections [Resolution for public release]b. ASBJ Guidance No. 15 “Proposed Amendments to Implementation Guidance on Disclosures about Certain Special Purpose Entities” [Resolution for public release]c. Progress of Studies Conducted by Technical Committee for Business Combinationsd. Progress of Studies Conducted by Intangible Assets Technical Committeee. Progress of Studies Conducted by Technical Committee for Investment Property |
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a. The Board approved the resolution for public release of the Issue Paper showing the direction of the standards prior to public release of the Exposure Draft. The deadline for public comments is set for September 19.

b. The Board approved the resolution for public release of the Guidance. Since there was no provision for handling notes in quarterly financial statements, partial amendments to the Guidance was approved to clarify such handling.

c. through e. The Board discussed the final draft text in the lead up to the resolution for public release at the 155th Board meeting.

(2) 155th Meeting (held on June 23, 2008)

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| <ul style="list-style-type: none">a. Exposure Draft of Accounting Standards for Business Combinations [Resolution for public release]b. Accounting Standards for Disclosures about Fair Value of Investment and Rental Property and its Implementation Guidance [Resolution for public release]c. Comments on the Exposure Draft of Proposed Partial Amendments to Accounting Standards for Retirement Benefits (Part 3)d. Comments on the Exposure Draft of Accounting Standards for Measurement of Inventories |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

a. The Board approved the resolution for public release of the Exposure Draft. The Exposure Draft sets out specific proposals for issues addressed in the Issue Paper including abolition of the pooling of interests method. In addition, capitalization of in-process research and development acquired in business combination was discussed. The deadline for public comments is set for August 20.

b. The Board approved the resolution for public release of the Exposure Draft. The Exposure Draft requires to disclose the description of investment and rental property, the carrying amount changes in the amount during the period, the fair value at the end of the

period/measurement method and profit/loss arising from investment and rental property, if investment and rental property is held. The deadline for public comments is set for August 20. c. and d. The staff introduced comments on the Exposure Draft containing amendments to the standard for the discount rate used when measuring the retirement benefit obligations and abolition of the last-in first-out method (LIFO) for measurement of inventories and explained possible responses to these issues. Going forward, deliberations will be continued towards public release of the final version.

(3) 156th Meeting (held on July 10, 2008)

a. Progress of Studies Conducted by Segment Reporting Technical Committee

b. Progress of Studies Conducted by Retirement Benefits Accounting Technical Committee

a. This concerns deliberations on the handling of the segment information in quarterly financial statements. With regard to handling the segment information, Accounting Standards for Disclosures about Segments of an Enterprise and Related Information published in March 2008 specified that disclosures should be made based on the management approach adopted by international accounting standards. To that end, deliberations are continuing on the handling of the segment information in quarterly financial statements.

Points under deliberation include when to start application in quarterly financial statements, in light of the timing to start disclosure of the segment information for a fiscal year, and what items should be included for disclosure.

b. Deliberations are continuing on the relationship with traditional business practices to measure retirement benefit obligations, as the discount rate “at the end of the period” is going to be applied to measure retirement benefit obligations.

(4) 157th Meeting (held on July 24, 2008)

a. ASBJ Statement “Proposed Partial Amendments to Accounting Standards for Retirement Benefits (Part 3) [Resolution for public release]

b. Exposure Draft of Accounting Standards for Quarterly Financial Reporting and its Implementation Guidance [Resolution for public release]

c. Progress of Studies Conducted by Retirement Benefits Accounting Technical Committee

d. Progress of Studies Conducted by Technical Committee for Financial Instruments

a. When an entity measures retirement benefits obligations, the rate used to discount that obligation is determined on the basis of the yield on long-term government bonds, government agency bonds and high quality corporate bonds. In practical terms, the average yield on bonds for the previous five years is widely used as the discount rate since taking into account fluctuations in bond yields over a specific period is allowed. This has been brought up as a discussion point in EU equivalence assessment and has been investigated by the Board as part of the efforts towards international convergence of accounting standards. This amendment removes the provision that allows an entity to use the discount rate to measure retirement benefits obligations to be determined in light of fluctuations in bond yields over a specific period and instead mandates that the yields of term-end be used. The Board also deliberated whether to introduce the corridor approach used in international accounting standards, but this issue was not included in the scope of this project because the International Accounting Standards Board (IASB) is currently considering abolition of the deferred recognition approach, including the corridor approach.

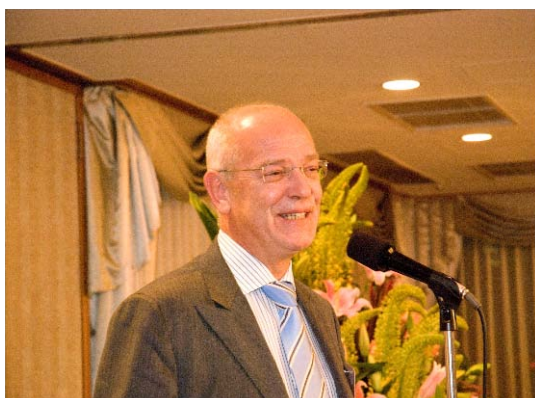
b. The Board approved the resolution for public release of the Exposure Draft of the handling of segment information in quarterly financial statements. For this matter, the deadline for public comments is set for September 19.

c. The Board reviewed public comments on [the Discussion Paper IAS No. 19, Preliminary Views on Amendments to IAS 19 Employee Benefits](#), publicly released by the IASB.

d. The staff gave a summary of [the Discussion Paper, Reducing Complexity in Reporting Financial Instruments](#), published by the IASB.

3. Gerrit Zalm, Chairman of the IASCF Trustees visited Japan

On June 3 and 4, [Gerrit Zalm](#), Chairman of [the International Accounting Standards Committee Foundation \(IASCF\)](#) Trustees and Tom



Seidenstein, Director of Operations of the IASCF visited Japan. During his stay, Chairman Zalm visited major Japanese constituents, including the Japanese Institute of Certified Public Accountants, the Financial Services Agency and the Tokyo Stock Exchange and exchanged views on recent situations in global convergence and the constitutional review of the IASCF, including friendly talks with Toshitaka Hagiwara, President of the Financial Accounting Standards Foundation (FASF) and Ikuo Nishikawa, Chairman of the Accounting Standards Board of Japan (ASBJ).

On the evening of June 3, a welcome reception for Chairman Zalm was hosted by the FASF at the Palace Hotel, which was attended by approximately 70 leaders of major institutions involved in capital markets, including Takafumi Sato, Commissioner of the Financial Services Agency. The reception provided opportunities for the participants to directly communicate with Chairman Zalm, as well as opportunities for information sharing among the participants.

On the morning of June 4, at the Palace Hotel, Chairman Zalm and Japanese constituents held a roundtable meeting with the theme of the progress of global convergence and the IASCF's issues and strategies. The program was as follows:

- (1) Opening remarks by Tsuguoki Fujinuma, Trustee of the IASCF
- (2) Speech by Gerrit Zalm: "My Appointment as Chairman of the IASCF: Immediate Tasks for the IASCF":
 - (a) Recent global development regarding the IFRS;
 - (b) Constitutional review of the IASCF, in particular, establishment of the Monitoring Group and changes on the composition of the IASB concerning its size and geographical diversity;
 - (c) Status of the financing arrangement of the IASCF (this section was led by Mr. Seidenstein).
- (3) Questions and answers

In the questions-and-answers session, participants exchanged views frankly with Chairman Zalm on their requests for the IASCF's oversight function and demand to increase the number of Japanese board members of the IASB, which seemed to contribute to mutual understanding of each party's viewpoint and opinions.



The abridged translation of Chairman Zalm's speech can be found in the Foundation's quarterly journal, Accounting Standards Quarterly, Issue No. 22 (to be issued on September 15).

4. Senior Technical Manager Masayoshi Ogiwara and Technical Staff Koji Ishihara participated in the IASB Regional Standard-Setters Meeting held in Singapore

On July 16, [the 6th IASB Regional Standard-Setters Meeting](#) was held in Singapore, hosted by [the Accounting Standards Council \(ASC\)](#), the standard-setter in Singapore. In addition to

standard-setters from South East Asian countries including Brunei, Cambodia, Indonesia, Malaysia, Thailand and Singapore, standard-setters from Japan, Korea and Taiwan participated in this meeting. Approximately 30 people in total, including Sir David Tweedie, Chairman of the IASB and Warren McGregor, Board Member of the IASB, participated in the meeting. Senior Technical Manager Masayoshi Ogiwara and Technical Staff Koji Ishihara represented the ASBJ at the meeting.

Participants had discussions and shared the experiences of each country on the following agenda at the meeting.

Agenda and Description
1. Worldwide adoption of the IFRS ✓ Sir David Tweedie, Chairman of the IASB - “Update on Major Projects” ✓ Warren McGregor, Board Member of the IASB - “IFRS for Private Entities”
2. Initiatives towards convergence with the IFRS in each country
3. Valuation of Financial Instruments (IAS 39) ✓ Issues arising out of assets with low liquidity, i.e., assets without active markets ✓ Issues arising out of long-term projects with uncertainties in cash flow
4. Accounting for Property Valuation (IAS 40, IFRIC No. 15, Agreements for the Construction of Real Estate) ✓ Application of the percentage of completion basis vs. the completion basis ✓ Collectability of investment properties and deferred tax assets (IAS 12)

On July 17, a public seminar hosted by the ASC was held in connection with the meeting. Chairman Tweedie and Mr. McGregor, gave a presentation on the IASB's activities and constituents from Singapore presented a panel discussion regarding the subprime issues (application of IAS 39, Recognition and Measurement of Financial Instruments in Markets with Low Liquidity) and the issues in the Amendments to IFRS 3 Business Combinations (measurement of non-controlling interest, step acquisition).

5. Chairman Ikuo Nishikawa and other members participated in the 29th Japanese Institute of Certified Public Accountants Annual Conference and gave a presentation entitled: ASBJ's Initiatives toward International Convergence of Accounting Standards

On July 17, 2008, the Japanese Institute of Certified Public Accountants (JICPA) held the 29th JICPA Annual Conference at the Nagoya Marriott Associa Hotel. At a sectional meeting of this conference, ASBJ Chairman Ikuo Nishikawa and some other members (Takehiho Arai, a Board



Member of the ASBJ, Masakazu Kobayashi and Masafumi Nakane, Technical Staffs of the ASBJ) gave a presentation entitled: ASBJ's Initiatives toward International Convergence of Accounting Standards.

Firstly, Chairman Nishikawa explained recent progress of the ASBJ's activities, mentioning that international convergence toward high quality accounting standards will have great benefits for participants in the capital markets by enabling global comparison of company valuation, that developments of accounting standards should be achieved through evaluation and selection of the

market, and that the ASBJ will build closer partnership and communicate with the IASB and the

Financial Accounting Standards Board (FASB) to continue to work on reducing differences between Japanese GAAP and international accounting standards.

Mr. Arai explained changes in the environment surrounding the ASBJ, mentioning that in March 2008, the Committee of European Securities Regulators (CESR) published its advice that the Japanese GAAP should be considered equivalent to International Financial Reporting Standards (IFRSs) as in the case of the U.S. GAAP, assuming that the ASBJ will develop accounting standards in line with the Project Plan published in December last year, and that in response to this advice, in June 2008, the European Commission published a proposed regulation to allow financial statements in accordance with the Japanese GAAP as well as the U.S. GAAP in the European markets from January 1, 2009.

He also explained status of each project in line with the Tokyo Agreement and the Project Plan, mentioning that for Inventories (the Exposure Draft was issued in March), the ASBJ is conducting studies abolition of the last-in first-out method and that for Investment Property (the Exposure Draft was issued in June), the Board is discussing a requirement for disclosure of fair value of property held to earn rentals or capital appreciation.

Mr. Kobayashi provided a detailed explanation of Business Combinations (the exposure draft was issued in June), including abolition of the pooling of interests method, determination of acquirer, measurement date for fair value of equity shares consideration, accounting for negative goodwill, measurement of minority interest, accounting for step acquisition, accounting for goodwill arising from acquisition of a foreign subsidiary and accounting for in-process research and development costs acquired in business combinations.

Finally, Mr. Nakane explained that regarding retirement benefits (the Exposure Draft was issued in March), the ASBJ is discussing removal of the treatment which provides that an entity may take into consideration fluctuations in yields of bonds over a certain period, as well as brief descriptions and major issues of changes in accounting estimates and errors (the Discussion Paper was issued in June). He also provided a detailed explanation of revenue recognition and financial statement presentation, which were started in 2008 as medium and long-term projects.

In the subsequent questions-and-answers session, comments were offered by participants regarding their concerns about changing the existing accounting standards and concepts in order to converge with international accounting standards and the treatment of goodwill amortization and full goodwill alternative in business combinations, which showed their high level of interest.



6. ASBJ holds the 4th Standards Advisory Council

The ASBJ held the 4th Standards Advisory Council on July 31. At the meeting, the ASBJ firstly reported status of deliberations and the SAC exchanged views on developments of accounting standards over several areas and the revision of the ASBJ's Project Plan.

Then, in order to conduct a questionnaire survey of constituents on the ASBJ's activities, the SAC explained the procedure and exchanged views about purpose of the survey and questions.

In addition, during this meeting, the Financial Services Agency explained the necessity of accounting treatment for new company's own stock holding schemes.

7. Progress of Projects (related to convergence)

As of August 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 (STEP 1)							
(Pooling-of-interest method)	<i>RR/DP</i>		<i>ED</i>		Final		
(Others)	<i>RR/DP</i>		<i>ED</i>		Final		
Inventories (LIFO)		<i>ED</i>		Final			
Uniformity of accounting policies (Associates)	<i>ED</i>	<i>Final</i>					
Fixed assets (impairment)							
Intangibles (R&D expenses)	<i>DP</i>		<i>ED</i>		Final		
Construction contracts	<i>Final</i>						
Asset retirement obligations	<i>ED</i>	<i>Final</i>					
Retirement benefits (discount rate, etc.)		<i>ED</i>		<i>Final</i>			
Financial instruments (disclosure of fair value)		<i>Final</i>					
Investment property	TC		<i>ED</i>		Final		
2. Items concerning differences between Japanese GAAP and IFRSs except above (medium-term)							
Segment reporting		<i>Final</i>					
Business combinations (STEP 2)							
(Issues for phase 2)							ED
(Amortization of goodwill)							ED
Retrospective restatement							
(Change in accounting policy)			<i>DP</i>			ED	Final
(Depreciation method)			<i>DP</i>			ED	Final
(Discontinued operations, etc.)							
3. Items related to MOU between IASB and FASB (medium and long-term)							
Scope of consolidation				DP			
Financial statement presentation (report of business performance)		TC			DP		
Revenue recognition		TC			DP		
Liabilities and equity distinctions		WG					
Financial instruments (review of existing standards)					DP		

[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) <i>Italicized legends indicate finished events.</i>

8. Notices

(1) ASBJ Offers Webcast Service on Progress of Deliberations

In order to increase the openness of the Board's deliberations, the ASBJ launched a video distribution service over the Internet (Webcast Service) to convey the status of the ASBJ's deliberations, starting from the 156th ASBJ Meeting held on July 10. The service is available for anybody who has access to the Internet and Adobe Flash Player (version 8.0 and above) installed on their PC. Please visit [our website](#). (This service is available in Japanese only.)

(2) Seminar Opportunities (No. 1):

“Convergence of Accounting Standards — Now in Europe ~ Together with Stig Enevoldsen, Chairman of EFRAG”

In September 2008, Stig Enevoldsen, Chairman of [the European Financial Reporting Advisory Group \(EFRAG\)](#), and Paul Ebling, Technical Director of the EFRAG, will visit Japan at the invitation of the ASBJ.

A symposium featuring the above two will be held during their stay in Japan. It is entitled “Convergence of Accounting Standards — An Interview with Stig Enevoldsen, Chairman of EFRAG: Europe Today,” hosted by the Center of Excellence—Waseda Institute for Corporation Law and Society.

Symposium Outline

- ✓ Date & Time: September 24, 2008 (Wednesday) 13:30 – 16:30
- ✓ Place: Masaru Ibuka Auditorium, International Conference Center, Waseda University
- ✓ Program:

[Opening remarks]

Tatsuo Uemura, Leader Professor, Waseda Institute for Corporation and Society
Dean, Faculty of Law and the School of Law at Waseda University

[Lecture]

- “EFRAG Updates”
Stig Enevoldsen, Chairman, EFRAG
- “PAAinE's Activities: Opinions from Europe – Focusing on Revenue Recognition and Business Reporting –”
Paul Ebling, Technical Director, EFRAG

[Panel Discussion]

- The Status of Application of the IFRS, Business Reports and Revenue Recognition in Europe
Moderator: Eiko Tsujiyama (Professor, Faculty of Business & Commerce, Waseda University)
Panelists: Stig Enevoldsen (Chairman, EFRAG)
Paul Ebling (Technical Director, EFRAG)
Yoshihiro Tokuga (Professor, Graduate School of Economics, Kyoto University)
Shunichi Toyoda (Senior Technical Manager, ASBJ)

Please click [here](#) for detailed information and an application form for the symposium (Information is available in Japanese only).

(3) Seminar Opportunities (No. 2):
“The Current IFRS Situation and the World Trends”

Since last year, the U.S. has made a notable move about the IFRS, which may have a major impact on the direction of international accounting standards. Therefore, the ASBJ/FASF and the Japanese Institute of Certified Public Accountants (JICPA) will, taking advantage of the visit of Chairman David Tweedie and Board Member John T. Smith of the IASB to Japan in September, hold a seminar in which they will describe the IASB’s initiatives towards the future after the revision of the MoU between the IASB and the U.S. Financial Accounting Standards Board (FASB), including the IASB’s views on recent trends in the U.S. At the same time, Ikuo Nishikawa, Chairman of the ASBJ will give an update on the ASBJ’s efforts to address convergence going forward, in line with these global movements.

Seminar Outline

- ✓ Date & Time: September 25, 2008 (Thursday) 13:00 – 15:00
- ✓ Place: Konin Kaikeshi Kaikan(JICPA Headquarters)
- ✓ Programs (simultaneous translation provided):
 - “Worldwide Adoption of IFRSs”
Sir David Tweedie, Chairman, IASB
 - “Status of Individual Projects of the IASB”
John T. Smith, Board Member, IASB
 - Questions and answers (1)
 - “ASBJ’s Activities Going Forward towards Convergence”
Ikuo Nishikawa, Chairman, ASBJ
 - Questions and answers (2)
- ✓ Participation fees: free

Please click [here](#) for detailed information and an application form for the seminar (Information is available in Japanese only).

(4) Periodicals and Other Publications
Accounting Standards & Disclosure Quarterly, Issue No. 22 (to be issued on September 15, 2008)

[Main contents]

- ✓ Featured Article 1: “The Overall Picture of the Exposure Drafts of Accounting Standards for Business Reorganization and its Implementation Guidance”
- ✓ Featured Article 2: “Trends in Global Convergence”
 - “The U.S. Views on International Convergence of Accounting Standards,” Bob Herz, Chairman and Michael Crooch, Board Member, FASB
 - “My Appointment as Chairman of the IASCF: Immediate Tasks for the IASCF,” Gerrit Zalm, Chairman of the Trustees, the IASCF
 - “The Future Perspectives of the EU’s Equivalence Assessment,” Toshitake Kurosawa, Director, Inspection Division, Executive Bureau, Securities and Exchange Surveillance Commission
- ✓ Accounting Square: “Banks and the Corporate Accounting System,” Seiji Sugiyama, Chairman of the Japanese Bankers Association
- ✓ CFO Letter: “A Fair Internal Observer ,” Naoto Takano, Senior Managing Director and CFO, Teijin Limited

This publication is in Japanese only and can be purchased through our website.

ASBJ Newsletter (No. 4)

Issued: September 9, 2008

Editor: Akiyoshi Maruyama

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Accounting Standards Board of Japan / Financial Accounting Standards Foundation
Fukoku Seimei Building 20F, 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan

* If you have any comments or requests, please contact:

E-mail: publicity@asb.or.jp

Fax: 03-5510-2712