

ASBJ Newsletter



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1. Developments of the ASBJ Standards, etc. (released between December 6, 2008 and February 6, 2009)

(1) [Final] Announcement of [Accounting Standard for Business Combinations \(ASBJ Statement No. 21\)](#), [Accounting Standard for Consolidated Financial Statements \(ASBJ Statement No. 22\)](#), [Partial Amendments to the Accounting Standard for Research and Development Cost \(ASBJ Statement No. 23\)](#), [Accounting Standard for Business Divestitures \(ASBJ Statement No. 7 \(revised 2008\)\)](#), [Accounting Standard for Equity Method of Accounting for Investments \(ASBJ Statement No. 16 \(revised 2008\)\)](#) and [Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures \(ASBJ Guidance No. 10 \(revised 2008\)\)](#) (December 26, 2008)

(2) [Final] Announcement of [Accounting Standard for Quarterly Financial Reporting \(ASBJ Statement No. 12 \(revised 2008\)\)](#) and its [Implementation Guidance, Guidance on Accounting Standard for Quarterly Financial Reporting \(ASBJ Guidance No. 14 \(revised 2008\)\)](#) (December 26, 2008)

(3) [DP] Announcement of [Discussion Paper on Accounting for Retirement Benefits](#) (January 22, 2009)

(4) [DP] Announcement of [Discussion Paper on Treatment of Special Purpose Entities and Related Matters in Consolidated Financial Statements](#) (February 6, 2009)

[Legend]

DP: Discussion Paper

ED: Exposure Draft

Final: Standards/Guidance (Final version)

2. Overview of ASBJ Meetings (167th meeting – 170th meeting)

(1) 167th Meeting (held on December 4, 2008)

- a. Tentative Solution on Reclassification of Debt Securities (Draft) [Resolution for public release]
- b. Progress of Studies conducted by Technical Committee for Business Combinations
- c. Progress of Studies conducted by Retirement Benefits Accounting Technical Committee
- d. Progress of Studies conducted by Technical Committee for Financial Statement Presentation
- e. Progress of Studies conducted by Technical Committee for Financial Instruments
- f. New Subjects for Study

a. As the International Accounting Standards Board (IASB) announced that it permits the reclassification of financial assets from the held-for-trading to other category in response to the financial crisis, the Board discussed the accounting treatment in Japan, and resolved for public release of Practical Issues Task Force (PITF) to permit reclassification of debt securities subject to certain requirements.

Upon resolution, two board members stood in opposition citing that the proposed revision of accounting standards was likely to invite moral hazard among managements and significantly undermine trust in standard-setters.

b. The Board discussed the final draft of a series of accounting standards including Accounting Standard for Business Combinations.

c. The Board discussed each issue in the forthcoming Discussion Paper. Since the IASB's Discussion Paper mentioned abolition of accounting for expected return on plan assets, the accounting thereof was discussed.

d. The staff outlined the Discussion Paper released by the IASB and the US Financial Accounting Standards Board (FASB).

e. While the IASB seeks to develop guidance on fair value measurement, efforts are also being made in Japan to develop a Discussion Paper to review accounting standards relating to fair value measurement from the viewpoint of convergence of accounting standards.

f. As a new subject for study, the Board decided to start discussions on accounting for electronically recorded monetary claims and the scheme for holding an entity's own share which has recently been started to be introduced in Japan.

(2) 168th Meeting (held on December 18, 2008)

- a. Accounting Standards for Business Combinations (Draft) [Resolution for public release]
- b. Revised Accounting Standard for Quarterly Financial Reporting (Draft) [Resolution for public release]
- c. Progress of Studies conducted by Retirement Benefits Accounting Technical Committee
- d. Progress of Studies conducted by Technical Committee for Special Purpose Entities
- e. Progress of Studies conducted by Technical Committee for Financial Statement Presentation
- f. Progress of Studies conducted by Technical Committee for Retrospective Restatement
- g. Discussions on Accounting Treatment of Emission Trading Schemes

a. The Board approved the resolution for public release of the Accounting Standards for Business Combinations which had been discussed to respond to the assessment of equivalence by EU. These standards cover the elimination of the pooling of interest method and the accounting treatment for step acquisition. Japan's response to the assessment of equivalence by EU was completed by the release of these accounting standards.

b. The Board approved the resolution for public release of the revision of the Accounting Standard for Quarterly

Financial Reporting to require disclosure of quarterly segment information based on the management approach.

c. & d. The Board discussed draft texts of the forthcoming Discussion Papers.

e. The staff outlined the IASB's Exposure Draft, "Discontinued Operations (proposed amendment to IFRS 5)" and explained the draft comments.

f. The Board discussed the treatment of notes on accounting standards that have not been applied and the treatment when it is practically impossible to restate the financial statements to correct errors.

g. The Board decided to start discussions newly on the accounting treatment for emissions trading in the trial scheme for emissions quota transactions at the "Emission Trade Technical Committee"

(3) 169th Meeting (held on January 15, 2009)

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| <ul style="list-style-type: none">a. Discussion Paper on Accounting for Retirement Benefits (Draft) [Resolution for public release]b. Progress of Studies conducted by Technical Committee for Retrospective Restatementc. Progress of Studies conducted by Technical Committee for Special Purpose Entitiesd. Progress of Studies conducted by Technical Committee for Financial Instruments |
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a. The Board plans to revise the Accounting Standard for Retirement Benefits in or around 2011 and approved the resolution for public release of the Discussion Paper for this reason. The Discussion Paper encompasses a broad range of issues based on the treatment under, and development of, the internationally accepted accounting standards. The Discussion Paper was released on January 22, 2009 and the ASBJ invites comments until April 6, 2009.

b. The Board discussed the draft texts as well as the issues related to the Accounting Standard for Quarterly Financial Reporting (including the treatment of cases where the accounting policy is changed in or after the second quarter) and on segment information.

c. The Board discussed the final draft text of forthcoming Discussion Paper.

d. The Board discussed the electronically recorded monetary claims and whether they can be treated and represented in a similar way as notes receivable.

(4) 170th Meeting (held on January 30, 2009)

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| <ul style="list-style-type: none">a. Discussion Paper on the Treatment of Special Purpose Entities and related matters in Consolidated Financial Statements (Draft) [Resolution for public release]b. Progress of Studies conducted by Technical Committee for Retrospective Restatementc. Progress of Studies conducted by Technical Committee for Revenue Recognition |
|---|

a. The Board approved the resolution for public release of the Discussion Paper on the Treatment of Special Purpose Entities and related matters in Consolidated Financial Statements. For definition of control, which is based on the internationally accepted accounting standards, the Board is considering to add return criterion. In addition, under the existing standards, special purpose entities which satisfy certain requirements are not to be considered as the subsidiaries of the investors of such special purpose entities. However, in accordance with the treatment under, and development of, the internationally accepted accounting standards, the Board is carrying out discussions including on possible deletion of such treatment. The Discussion Paper was released on February 6, 2009 and the ASBJ invites comments until April 13, 2009.

- b. The Board discussed issues related to the fiscal year of initial application and the treatment of cases where it is practically impossible to restate the financial statements to correct errors. The Board also discussed the timing for application, and most agreed that application should be simultaneous and early application should not be permitted.
- c. The staff outlined the IASB/FASB Discussion Paper “Preliminary Views on Revenue Recognition in Contracts with Customers.”

3. ASBJ’s Comments on Document Issued by the IASB and the FASB (December 1, 2008 – January 31, 2009)

(1) The ASBJ submitted [Comments on Exposure Draft “Simplifying Earnings per Share \(Proposed amendments to IAS No. 33\)”](#) (December 5, 2008)

(Click [here](#) for an outline of the Exposure Draft “Simplifying Earnings per Share (Proposed amendments to IAS 33)”.)

(2) The ASBJ submitted [Comments on Exposure Draft “Improvements on Disclosures for Financial Instruments” \(Proposed Amendment to IFRS No. 7 “Financial Instruments: Disclosure”\)](#) (December 12, 2008)

(Click [here](#) for an outline of the Exposure Draft “Improvements on Disclosures for Financial Instruments” (Proposed Amendments to IFRS No. 7 “Financial Instruments: Disclosures”).)

(3) The ASBJ submitted [Comments on Exposure Draft “Proposed Amendment to IFRS No. 5: Discontinued Operations”](#) (January 23, 2009)

(Click [here](#) for an outline of Exposure Draft “Proposed Amendment to IFRS No. 5: Discontinued Operations”.)

4. ASBJ Completes the Short-term Projects in the Tokyo Agreement

The Accounting Standards Board of Japan (ASBJ) had worked to respond to the assessment of equivalence by the European Union (EU) as the top priority issue since 2005. The ASBJ also positioned the 26 items advised by the Committee of European Securities Regulators (CESR) for EU equivalence assessment purpose as the short-term convergence items in the “Tokyo Agreement” with the IASB in August 2007 and worked on these items with the objective of completing them by the end of 2008. The objective was met almost according to the plan by the release of Accounting Standards for Business Combinations on December 26, 2008.

On the other hand, in December 2008, [the European Commission \(EC\) also made an announcement that the Japanese accounting standards, as well as the U.S. GAAP, were found to be equivalent to the IFRS as adopted by European Union.](#)

As described above, the convergence between Japan’s accounting standards and the international accounting standards achieved a significant milestone. Going forward, the Board will continue discussions focusing on the medium- to long-term convergence items to accelerate the convergence.

Response to “26 Items advised by CESR for EU equivalence assessment purpose (Note)”

Remedies	Items	Released Standards	
Supplementary Statements	Business combinations (pooling of interests method)	ASBJ Statement No. 21: “Accounting Standard for Business Combinations” (December 2008)	
	Scope of consolidation	ASBJ Guidance No. 15: “Guidance on Disclosures about Certain Special Purpose Entities” (March 2007)	
	Uniformity of accounting policies of overseas subsidiaries	ASBJ PITF No. 18: “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (May 2006)	
Disclosure B Quantitative Disclosures	Share-based payments (Expense recognition)	ASBJ Statement No. 8: “Accounting Standard for Share-based Payment” (December 2005) ASBJ Guidance No. 11: “Guidance on Accounting Standard for Share-based Payment” (December 2005)	
	Business combinations (Date of exchange) (Negative goodwill) (Capitalization of acquired R&D in process)	ASBJ Statement No. 21: “Accounting Standard for Business Combinations” (December 2008) ASBJ Statement No. 22: “Accounting Standard for Consolidated Financial Statements” (December 2008) ASBJ Statement No. 23: Partial Amendments to “Accounting Standard for Research and Development Costs” (December 2008) ASBJ Statement No. 7 (Revised 2008): “Revised Accounting Standard for Divestiture” (December 2008) ASBJ Statement No. 16 (Revised 2008): “Revised Accounting Standard for Equity Method of Accounting for Investments” (December 2008) ASBJ Guidance No. 10 (Revised 2008): “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (December 2008)	
	Inventories	Lower of cost or market method	ASBJ Statement No. 9: “Accounting Standard for Measurement of Inventories” (July 2006)
		LIFO	ASBJ Statement No. 9 (Revised 2008): “Revised Accounting Standard for Measurement of Inventories” (September 2008)
	Uniformity of accounting policies among associates	ASBJ Statement No. 16: “Accounting Standard for Equity Method of Accounting for Investments” (March 2008) ASBJ PITF No. 24: “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (March 2008)	
	Impairment test	The ASBJ will deliberate this item considering developments at IASB/FASB.	
	Capitalization of development cost	The ASBJ will deliberate this item considering developments at IASB/FASB.	
	Agriculture	Not to be addressed as a project	
Disclosure A Qualitative Disclosures	Share-based Payments (if no expensing criteria are disclosed in the new standards)	ASBJ Statement No. 8: “Accounting Standard for Share-based Payment” (December 2005) ASBJ Guidance No. 11: “Guidance on Accounting Standard for Share-based Payment” (December 2005)	
	Business combinations (Minority interest) (Step acquisitions) (Translation of goodwill)	ASBJ Statement No. 21: “Accounting Standard for Business Combinations” (December 2008) ASBJ Statement No. 22: “Accounting Standard for Consolidated Financial Statements” (December 2008) ASBJ Statement No. 7 (Revised 2008): “Revised Accounting Standard for Business Divestitures” (December 2008) ASBJ Guidance No. 10 (Revised 2008): “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (December 2008)	

Remedies	Items	Released Standards
	Insurance accounting (catastrophic provisions)	Not to be addressed as a project
	Construction contracts (the percentage of completion method)	ASBJ Statement No. 15: "Accounting Standard for Construction Contracts" (December 2007) ASBJ Guidance No. 18: "Guidance on Accounting Standard for Construction Contracts" (December 2007)
	Nonperforming loans	Not to be addressed as a project
	Costs for Assets retirement Obligations	ASBJ Statement No. 18: "Accounting Standard for Asset Retirement Obligations" (March 2008)
	Asset retirement obligations	ASBJ Guidance No. 21: "Guidance on Accounting Standard for Asset Retirement Obligations" (March 2008)
	Retirement benefits (discount rate)	ASBJ Statement No. 19: "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (July 2008)
	Disclosure of fair value of financial instruments	ASBJ Statement No. 10 (Revised 2008): "Revised Accounting Standard for Financial Instruments" (March 2008) ASBJ Guidance No. 19: "I Guidance on Disclosures about Fair Value of Financial Instruments" (March 2008)
	Reversal of impairment	The ASBJ will deliberate this item considering developments at IASB/FASB.
	Investment property	ASBJ Statement No. 20: "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (November 2008) ASBJ Guidance No. 23: "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (November 2008)
	Financial instruments (not included in the advise this time)	The ASBJ will deliberate this item considering developments at IASB/FASB.

(Note) Twenty-six items for which remedies were advised in July 2005 by the CESR for the financial statements prepared in accordance with the Japanese standards in relation to the assessment of equivalence by the European Commission (EC).

5. ASBJ Dispatches Staffs to the IASB

For some time, the ASBJ has dispatched staffs to the IASB with certain objectives including seeking closer links between the Boards. This year, four new staffs are seconded to the IASB for external assignment or on a business trip basis to participate in the IASB's projects (in addition, one staff has been dispatched to the FASB).

Toshikazu Masuyama

- Term: February 2009 - November 2010
- The project he will be responsible for at the IASB: Common control transactions, etc.
- Aspiration: "I would like to contribute to the development of higher quality international accounting standards, making use of my experience in Japan."
- Parent organization: Ernst & Young ShinNihon LLC

Mitsuhiro Takemura

- Term: Two years from Spring 2009
- The project he will be responsible for at the IASB: response to comments on Exposure Draft proposed amendment to IAS12 *Income taxes*, etc.
- Aspiration: "I intend to give my best on all the work, and to get along with everybody and build trust."
- Parent organization: Tohmatsu Tax Co.

Keiji Fukuzawa

- Term: (on a business trip basis)
- The project he will be responsible for at the IASB: Derecognition
- Aspiration: "There are so many issues, complex problems, and tight deadlines in the project, but I hope to contribute as much as possible."
- Parent organization: The Bank of Japan

Takashi Matabe

- Term: (on a business trip basis)
- The project he will be responsible for at the IASB: Financial statement presentation
- Aspiration: "It has a long history since it was started as a performance reporting project, so I feel the weight of responsibility. I'll do the best I can."
- Parent organization: Deloitte Touche Tohmatsu

6. Project Progress (As of February 12, 2009)

	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010
1.Items advised by CESR for EU equivalence assessment purpose (short-term)							
Business Combinations(Step 1)		<i>Final</i>					
Inventories(LIFO)	<i>Final</i>						
Impairments of fixed assets							
Intangibles (In-process R&D)		<i>Final</i>					
Retirement benefits(Discount rate)	<i>Final</i>						
Investment property		<i>Final</i>					
2.Items related to the remaining differences between existing Japanese GAAP and IFRS(medium-term)							
Business Combinations (Step 2: Issues for phase2)					DP		ED
Business Combinations (Step 2: Amortization of goodwill)					DP		ED
Intangibles							DP
Retrospective restatement (Change in accounting policy)				ED		Final	
Discontinued operations				DP		ED	Final
3.Items related to the MoU between the IASB and the FASB(medium and long-term)							
Scope of consolidations			<i>DP</i>			ED	Final
Financial statement presentation (Comprehensive income and other)				DP		ED	Final
Financial statement presentation (Phase B)				DP			
Revenue recognition					DP		
Liabilities and equity distinctions							
Financial instruments (Replacement of existing standards)				DP			
Financial instruments (Fair value measurement)				DP			
Post-employment benefits			<i>DP</i>				
Lease							
4.Items related to the IASB projects other than the MoU between the IASB and the FASB(medium and long-term)							
Earnings per share		<i>TC</i>		ED		Final	
Provisions		<i>TC</i>			DP		ED
Insurance contracts							

[Legend]

WG Launch of Working Group **TC** Launch of Technical Committee
RR Research Report **DP** Discussion Paper
ED Exposure Draft **Final** Standards/Guidance (Final Version)

Italicized legends indicate finished events.

7. Notices

(1) The publications

Periodical - Accounting Standards Quarterly No. 23 (to be published in March 15, 2009)

[Main contents]

- ✓ Feature article 1: “Future Perspective of Application of the IFRSs to Japanese Companies”
Constituents’ Comments on “Public Consultation on Application of International Accounting Standards in Japan (Interim Report) (Draft)”, Planning and Coordination Committee, Business Accounting Council
 - “Expectations for the Japanese Roadmap”, Noriaki Shimazaki, Director, Executive Vice President, Sumitomo Corporation
 - “The Role of Certified Public Accountants Facing an Era of Globalization”, Koichi Masuda, Chairman and President of the Japanese Institute of Certified Public Accountants (JICPA)
 - “Application of International Accounting Standards from the Viewpoint of a Provider of Markets”, Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc.
 - “Toward New Age of Participation”, Yukio Suzuki, Chairman of the Security Analysts Association of Japan
 - “ASBJ’s Challenges Toward Adoption of IFRSs”, Shigeo Sakase, Vice Chairman of the ASBJ
- ✓ Feature article 2: “Milestones Toward Global Convergence”: Completion of Short-term Convergence Items based on the Tokyo Agreement
 - “Upon Completion of Short-term Convergence Items based on the Tokyo Agreement”, Ikuo Nishikawa, Chairman of the ASBJ
 - “ASBJ’s Efforts for the EU’s Equivalence Assessment Items”, Takehiro Arai, Board Member (full-time) of the ASBJ
 - “Assessment of Equivalence of Accounting Standards by the EU”, Toshitake Inoue, International Accounting Coordination Office, Planning and Coordination Bureau, Financial Services Agency
- ✓ Accounting Square: “Debate over Legislation for Listed Companies”, Hideki Kanda, Professor, University of Tokyo Graduate Schools for Law and Politics
- ✓ CFO Letter: “Accounting Standards and Insurance Companies”, Toshio Abe, Senior Managing Executive Officer, Meiji Yasuda Life Insurance Company

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

(2) Accounting standards and other documents are now freely available on the ASBJ/FASF’s website.

Recently, there has been growing interest in accounting standard including the progress of convergence with international accounting standards and debates over application of the IFRSs to Japanese companies. Therefore, from the beginning of this year, accounting standards and other documents issued by the ASBJ are made freely available on our website (in the past, the accounting standards were limited to the members only two months after release). Please use this service (*Accounting standards and other documents issued by the ASBJ are Japanese only*).

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