

October 16, 2008

Accounting standards for fair value accounting and its measurements

In the background of the recent turmoil in the financial market, a number of announcements in relation to the fair value measurements under international accounting standards have been publicly released¹. In Japan, ASBJ Statement No. 10 (revised 2008) “Accounting Standard for Financial Instruments” provides with accounting treatments of financial instruments and measurement of fair value, and the application of that Statement is conducted in accordance with guidance etc. including “Practical Guidelines on Accounting Standards for Financial Instruments (Accounting System Committee Report No. 14)” of Japanese Institute of Certified Public Accountants (JICPA).

In relation to these, the following items have been deliberated at the 162th Board meeting of the Accounting Standards Board of Japan (ASBJ) held today.

- Exposure Draft of *Practical Solution on fair value measurement* (released for public comment today)
- Reclassification of some financial assets under international accounting standards

In this connection, Mr. Ikuo Nishikawa, Chairman of ASBJ, said:

“Fair value measurement of financial instruments prescribed under the “Accounting Standard for Financial Instruments” is based on the same approach applied by international accounting standards. The Project Plan of the ASBJ revised on September 19, 2008 lists on the agenda a fair value measurement guidance project that is one of the long term projects in the Memorandum of Understanding (MoU) between the IASB and the FASB. The ASBJ plans to develop it considering the progress of the deliberation in international accounting standards.

However, considering the turmoil in the world financial markets, we are proceeding with its deliberation through communication with our constituents on an urgent basis, in addition to monitoring the development made by the internationally recognized accounting setters, so that the ASBJ could contribute to maintain a sound capital market. “

¹ For example, on September 30, 2008, the Office of the Chief Accountant of the US Securities and Exchange Commission (SEC) and the staff of the Financial Accounting Standards Board (FASB) jointly published a press release regarding clarifications on FASB Statement No. 157, “Fair Value Measurements.” On October 10, FASB issued FASB Staff Position (FSP) No. FAS 157-3 “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active.”

The International Accounting Standards Board (IASB) published its staff comments on October 2, 2008 and announced that the clarification made by SEC staff and FASB staff was consistent with the International Accounting Standard No. 39 “Financial Instruments; Recognition and Measurement.” On October 3, IASB published a press release called “next step in response to credit crisis” which included IASB’s statement to ensure consistency of fair value measurement guidance between International Financial Reporting Standards (IFRSs) and US GAAP. Further, IASB issued on October 13 “Reclassification of financial assets (amendments to IAS 39 Financial Instruments; Recognition and Measurement and IFRS 7 Financial Instruments; Disclosure)” and, on October 15, it published the exposure draft, “Improving Disclosures about Financial Instruments (proposed amendments to IFRS 7).”