

# *ASBJ Newsletter*



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1. Development of the ASBJ Standards etc. (released between December 5, 2009 and February 1, 2010)

(1) [DP] Release of [Discussion Paper on Intangible Assets](#) (December 18, 2009)

(The comment deadline was February 18, 2010)

(2) [ED] Release of [Exposure Drafts of Accounting Standard for the Presentation of Comprehensive Income \(Exposure Draft of ASBJ Statement No. 35\) and amendment to related Accounting Standards](#) (December 25, 2009)

(The comment deadline was February 1, 2010)

(3) [Other] Invitation to Comment on the Expiry of the Period of Applicability of Practical Issue Task Force No. 26 (Tentative Solution on Reclassification of Debt Securities) (February 1, 2010)

(The comment deadline was March 1, 2010)

[Legend]

DP: Issue Paper, Discussion Paper

ED: Exposure Draft

Final: Statement/Guidance, etc. (final version)

2. Overview of ASBJ Meetings (191<sup>st</sup> Meeting – 194<sup>th</sup> Meeting)

(1) 191<sup>st</sup> Meeting (held on December 10, 2009)

- a. ASBJ Discussion Paper “Discussion Paper on Intangible Assets (Draft)” [Resolution for public release]
- b. Progress of Studies Conducted by Technical Committee for Financial Statement Presentation
- c. Progress of Studies Conducted by Technical Committee for Business Combinations
- d. Progress of Studies Conducted by Technical Committee for Financial Instruments

a. The Board approved to release the Discussion Paper on Intangible Assets.

In the past, while there were some requirements for intangible assets, Japan had no comprehensive accounting standard covering intangible assets as a whole. With this in mind, a Discussion Paper on Intangible Assets was compiled.

Currently, development costs are recognized as an expense when incurred in a similar manner to that of the U.S. GAAP. However, the Discussion Paper puts forward the idea that, from the point of view of convergence, development costs should be capitalized as assets, provided that these costs conform to the definition of intangible assets and recognition criteria are met. Furthermore, regarding the issue of measurement, the Discussion Paper proposes that, where it is deemed that the useful life of an intangible asset is indefinite, such an asset should not be amortized. However, several Board Members expressed concern that enterprises’ preferences might affect the determination as to whether or not an intangible asset should be amortized.

- b. The Board undertook final discussion of the draft text of the Exposure Draft on Presentation of Comprehensive Income, prior to the decision to be made at the next Board meeting as to whether the Exposure Draft should be released.
- c. While several staff proposals have been put forward regarding the treatment of minority interest in consolidated financial statements, it was tentatively agreed that minority interest should be treated as a capital transaction. The Board decided that further discussion would be undertaken in the future based on this proposal.
- d. With the expiry of the period of applicability of Practical Issue Task Force No. 26 (Tentative Solution on Reclassification of Debt Securities) (PITF No.26), which is a part of the response to the financial crisis of 2008, approaching in March, the Board discussed whether or not the PITF No. 26 should continue, and how notes on reclassification of debt securities in financial statements should be treated.

(2) 192nd Meeting (held on December 21, 2009)

- a. Exposure Drafts of Accounting Standard for the Presentation of Comprehensive Income” and amendments of related Accounting Statements [Resolution for public release]
- b. Progress of Studies Conducted by Technical Committee for Financial Instruments
- c. Progress of Studies Conducted by Retirement Benefits Accounting Technical Committee
- d. Progress of Studies Conducted by Technical Committee for Retrospective Application

- a. The Board approved to release the Exposure Draft of Accounting Standard for the Presentation of Comprehensive Income.

Regarding the presentation of comprehensive income, the Exposure Draft permits the option of using either two-statement presentation or single-statement presentation.

The Standard, if finalized, would be effective the year-end financial statements for fiscal years beginning on or after April 1, 2010; earlier application would be permitted.

- b. The Board discussed the handling of PITF No. 26. The Board tentatively agreed that implementation of the PITF would not continue, and that continued disclosure of reclassification would not be required.
- c. As regards the attribution of retirement benefits, the Board tentative agreed that both service period basis and benefits formula basis is permitted, rather than permitting only methods conforming to the benefits formula.
- d. In response to the release of the ASBJ No. 24 “Accounting Standard for Accounting Changes and Error Corrections”, the Board discussed the revision of related accounting standards.

(3) 193rd Meeting (held on January 15, 2010)

- a. Discussion on Practical Issues Task Force No. 26.
- b. Progress of Studies Conducted by Technical Committee for Business Combinations
- c. Progress of Studies Conducted by Technical Committee for Provisions (analysis of comments)

d. Progress of Studies Conducted by Technical Committee for Revenue Recognition (analysis of comments)

- a. The Board discussed the draft text of a request for comments on the Practical Issues Task Force No. 26.
- b. The Board discussed the amortization of goodwill. The Board identified and clarified the issues to be discussed in the process of developing the exposure draft in terms of a question whether amortization should be required. They included constituents' views on the question of whether goodwill should be amortized, discussion from the point of view of convergence, the relationship with other standards, such as the allocation of acquisition cost of business combinations to intangible assets on and impairment of goodwill, views on advanced review of accounting standards for consolidated financial statements, etc.
- c. The staff presented a report on the analysis of the comments received on the Discussion Paper on Provisions. The comments included many concerns regarding the elimination of probability recognition criterion and regarding the expected value approach.
- d. The staff presented a report on the analysis of the comments received on the Discussion Paper on Revenue Recognition.

Since the joint IASB/FASB exposure draft on this subject is expected to be released in the second quarter of 2010, the Board decided not to discuss further until the IASB/FASB exposure draft is released.

(4) 194th Meeting (held on January 28, 2010)

- a. Resolution regarding the invitation to comment with respect to the expiration of the period of applicability of Practical Issues Task Force No. 26 (Tentative Solution on Reclassification of Debt Securities)
- b. Progress of Studies Conducted by Technical Committee for Retrospective Application
- c. Progress of Studies Conducted by Retirement Benefits Accounting Technical Committee
- d. Progress of Studies Conducted by Technical Committee for Financial Instruments (Discussion of Standard Revision)
- e. Progress of Studies Conducted by Technical Committee for Earnings Per Share (EPS)

- a. The Board approved to release the invitation to comment with respect to the expiration of the period of applicability of Practical Issues Task Force No. 26 (PITF No. 26). The Board resolved as follows: (1) The period of applicability of PITF No. 26 should not be extended. (2) As the PITF will not be extended, notes on disclosure of reclassification would not be required in future accounting periods.
- b. The Board discussed revision of the Accounting Standard for Quarterly Financial Statements to accompany the release of the ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections".
- c. The Board discussed the draft text of the revisions to the Accounting Standard for Retirement Benefits.

The main changes with respect to the existing Standard which the Board discussed included: (1)

Immediate recognition of unrecognized items on the balance sheet. (2) Calculation for attribution methods.

Regarding immediate recognition of unrecognized items on the balance sheet, items that in the past were treated as unrecognized items on the balance sheet should be recognized as liabilities. In this situation, as, rather than recognizing the whole of the unrecognized portion to net income, after applying tax effects the items are recognized as negative items of net assets (the items are subsequently recycled), therefore, the impact on the income statement remains unchanged.

- d. The Board reviewed the overall direction of future discussion on matters relating to the revision of the current accounting standards for financial instruments.

Of the accounting standards that relate to financial instruments, regarding Classification and Measurement, the IASB has already released a final standard in the form of IFRS 9. The staff proposed that a “Summary of the Current State of Discussion” outlining the direction at the interim step of discussion on the issue of Classification and Measurement should be released in the fourth quarter of 2010. However, some of the Board members expressed their views on this proposal as urged caution, noting that the endorsement of IFRS 9 in Europe has not been started, and that the discussion on Classification and Measurement in the U.S. is proceeding along lines different from those specified by IFRS 9.

- e. The Board discussed the direction which discussions by the Technical Committee for Earnings Per Share (EPS) should take in the future.

Discussion of EPS in Japan has been halted, in line with the current state of discussion in the IASB. However, the Board decided that discussion should commence regarding existing differences with those IFRSs that will not be affected by the IASB’s future discussion in this area, and regarding those items with respect to which constituents have expressed a desire for discussion.

### 3. [Visit to Japan by Ian Mackintosh, Chairman of the U.K. Accounting Standards Board \(ASB\)](#)

In January 2010, Mr. Ian Mackintosh, Chairman of the U.K. [Accounting Standards Board \(ASB\)](#) and of the National Standard-Setters (NSS), visited Japan, accompanied by Mr. David Loweth, the ASB’s Technical Director.

On January 18, ASB representative exchanged views with the ASBJ representatives regarding international trends in accounting standards and the projects being undertaken by the IASB, etc. On January 19, a roundtable meeting was held at the Hotel Okura Tokyo at which Mr. Mackintosh discussed the current status of IFRS adoption in the U.K. with Japanese constituents. At this meeting, which began early in the morning, around 30 constituents from different sectors who are involved with accounting exchanged views with Mr. Mackintosh.

Prior to the exchange of views, Mr. Mackintosh, the ASB Chairman, and Mr. Loweth, the ASB’s Technical Director, gave a presentation on “U.K. Experience of Adoption of IFRS” during which they presented the results obtained in surveys of IFRS adoption in the U.K. and other parts of Europe,



and discussed the lessons learnt from UK adoption.

IFRS adoption became mandatory for the consolidated financial statements of public companies in the U.K. in 2005. Surveys that have been conducted since then indicate that many constituents in the Europe feel that IFRS adoption has improved the quality of consolidated financial statements, but also that there are concerns regarding the burden imposed by the enormous number of disclosure requirements. The presentation by Mr. Mackintosh and Mr. Loweth noted that the latter is becoming a major issue in the U.K. They pointed out some of the lessons that could be learned from the experience of IFRS adoption in the U.K., including the need for comprehensive planning and preparation, and the fact that the effects of IFRS adoption will be wider than accounting, including implications on various aspects of business administration.

The presentation also described the Policy Proposal: The Future of U.K. GAAP, which was published by the ASB in August 2009. The ASB envisaged a three-tier accounting regime, in which IFRS would apply to publicly accountable entities, IFRS for SMEs would apply to non-publicly accountable entities (excluding small entities, and the Financial Reporting Standard for Smaller Entities (FRSEE) (a financial reporting standard formulated by the ASB) would apply to small entities. The presentation also discussed the current situation regarding the establishment of accounting standards for non-listed companies.

The presentation was followed by a Q&A session; there was a lively, wide-ranging exchange of views regarding the differences between the current financial reporting system in the U.K. and the tiered system proposed by the ASB, the future role of accounting standards setting bodies, etc.

#### [4. Toward the Establishment of an "Council on Accounting of Unlisted Companies" \(provisional title\)](#)

On January 22, 2010, [the IFRS Council \(chaired by FASF President Toshitaka Hagiwara\)](#) released a proposal for the establishment of an ["Council on Accounting of Unlisted Companies" \(provisional title\)](#) at which constituents could meet to discuss how to address accounting standards for unlisted companies in light of the trend towards the internationalization of the Japan GAAP. [\(The council was established on March 4, 2010.\)](#)

## 5. Project Progress (As of February 28, 2010)

	2009	2009	2010	2010	2010	2010	2011
	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Items related to the remaining differences between existing Japanese GAAP and IFRSs</b>							
Business Combinations(Step 2)	<i>DP</i>			ED		Final	
Financial Statement Presentation	<i>DP</i>	<i>ED</i>	Final				
Intangibles		<i>DP</i>		ED		Final	
Retrospective Restatement		<i>Final</i>					
<b>Items related to projects addressed in the MoU between the IASB and the FASB</b>							
1. Scope of Consolidations			ED				Final
2. Financial Statement Presentation – phase B	<i>DP</i>			Comment	DP		ED
3. <i>Revenue Recognition</i>	<i>DP</i>			Comment	DP		ED
4. Liabilities and equity distinction			Comment				
5. Financial Instruments							
- Reclassification		ED	Final				
- Classification and measurement	<i>Comment</i>					ED	Final
- Impairment		Comment				ED	Final
- Hedging		Comment				ED	Final
6. Fair Value Measurement and Disclosure	<i>DP</i>		ED		Final		
	<i>Comment</i>						
7. Post-employment Benefits							
- Step 1			ED				Final
- Step 2		Comment					ED
8. Lease	<i>Comment</i>					Comment	DP ED
9. Derecognition	<i>Comment</i>		DP				ED Final
<b>Items related to the IASB projects other than those addressed in the MoU between the IASB and the FASB</b>							
Earnings per Share*						ED	Final
Provisions	<i>DP</i>				ED		Final
Insurance contracts			Comment				

\*: Temporary halt (restart depending on IASB's situation)

### [Legend]

- WG** Launch of Working Group
- TC** Launch of Technical Committee
- RR** Research Report
- Comment** Comment on the DP or ED of IASB to be prepared
- DP** Discussion Paper
- ED** Exposure Draft
- Final** Standards/Guidance (Final Version)

*Italicized legends indicate finished events.*

## 6. Announcement of the FASF Seminar on the “Guide to the Preparation of Securities Reports” (for the Fiscal Year Ending March 31, 2010)

FASF will be holding its regular seminar on the “Guide to the Preparation of Securities Reports” again this year, on the dates listed below.

This seminar (for the Fiscal Year Ending March 31, 2010) will include an explanation of points regarding the presentation of financial statements prior to the regular shareholders meeting (in accordance with the revised Cabinet Order on disclosure of December 2009, etc.), and regarding the notes that are required in cases where an entity has issued moving strike convertible bonds, or has adopted an employee share-ownership plan. We will also explain points to note when preparing consolidated financial statements in accordance with designated IFRSs. In addition, we will explain points on notes on financial instrument, securities and derivative transaction, and notes on disclosures about fair value of investment and rental property applicable from March 2010 onwards.

For more detailed information about the seminar, or to apply to attend the seminar, visit <http://www.asb.or.jp/> (website scheduled to be online by mid-March 2010).

We look forward to seeking you at the seminar.

City	Date	Venue
Osaka	April 2 (Fri.) 13:30 – 15:30	Grand Cube Osaka
Tokyo (1st session)	April 5 (Mon.) 13:30 – 15:30	Yomiuri Hall
Nagoya	April 5 (Mon.) 13:30 – 15:30	Nagoya Congress Center
Tokyo (2nd session)	April 6 (Tues.) 13:30 – 15:30	Yomiuri Hall
Tokyo (3rd session)	April 7 (Wed.) 13:30 – 15:30	Yomiuri Hall
Sapporo	April 9 (Fri.) 10:30 – 12:30	JR Tower Hotel Nikko Sapporo
Fukuoka	April 9 (Fri.) 10:30 – 12:30	Nishitetsu Grand Hotel
Kanazawa	April 12 (Mon.) 10:30 – 12:30	ANA Crown Plaza Hotel Kanazawa
Hiroshima	April 12 (Mon.) 10:30 – 12:30	Hotel Granvia Hiroshima
Sendai	April 13 (Tues.) 10:30 – 12:30	Hotel Metropolitan Sendai
Takamatsu	April 13 (Tues.) 10:30 – 12:30	ANA Hotel Clement Takamatsu

Note: The first and second sessions in Tokyo are open to FASF members only.



## 7. Notice

### (1) New Publications

Periodical – Accounting Standards and Disclosure Quarterly No. 28 (to be published on March 15, 2010)

[Main Contents]

- ✓ Feature Article: “Two New Accounting Standards that Enhance Comparability over time and Understandability of Financial Statements”
  - Discussion Meeting
  - Explanation of the “Accounting Standard for Accounting Changes and Error Corrections and Guidance with Respect to the Accounting Standard for Accounting Changes and Error Corrections, and the Exposure Draft of Accounting Standard for Presentation of Comprehensive Income”
- ✓ Special Feature: The Visit to Japan by Mr. Ian Mackintosh, Chairman of the U.K.’s ASB
  - “A Discussion between Mr. Ian Mackintosh, Chairman of the ASB, and Mr. Ikuo Nishikawa, Chairman of the ASBJ”, etc.
- ✓ Accounting Square: “2010 will be the Beginning of the New Era of IFRS,” Kazutoshi Inano of the Securities Analysis Association of Japan
- ✓ CFO Letter: “Cultivation of CFOs as Managerial Talent,” Junichi Matsumoto, Executive Vice President and CFO, Mitsui & Co., Ltd.
- ✓ Chairman’s Voice: “Looking Back on the Last Three Years,” Ikuo Nishikawa, ASBJ Chairman  
Click [here](#) to buy this publication (Japanese only)

#### “ASBJ Newsletter” (No. 13)

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