

ASBJ Newsletter



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1. Overview of ASBJ Meetings (230th Meeting – 231th Meeting)

(1) 230th Meeting (held on August 26, 2011)

- a. Progress of the Technical Committee for SPEs
- b. Discussion on the extension of IFRS 9 mandatory effective date (exposure draft)
- c. Discussion on a comment to the EFRAG Effects Analysis

- a. Continued from the 229th meeting, the Board discussed differences between the Japanese standard and IFRS 10 including the treatment of potential voting rights.

For the treatment of potential voting rights in determining control, IAS 27, which has been replaced with IFRS 10, provided that the existence of potential voting rights should be taken into consideration and IFRS 10 retains this concept.

As to when an entity should take account of potential voting rights, whereas IAS 27 provided that the entity should take them into consideration when the rights are currently exercisable, IFRS 10 requires that potential rights should be taken into consideration if the rights are substantive.

In Japan, there is no such provision as that in IFRS 10, and the potential voting rights are not taken into consideration in assessing control. The Board discussed whether it is necessary to introduce a treatment similar to that in IFRS 10.

- b. An outline was presented about the International Accounting Standards Board (IASB) exposure draft (ED) on the mandatory effective date of IFRS 9 *Financial Instruments*. The ED proposes extending the mandatory effective date to the annual periods beginning on or after January 1, 2015, from the annual periods beginning on or after January, 1 2013 (the current effective date).
- c. An outline was presented about the draft comment prepared by the staff on Discussion Paper (DP) *Considering the Effects of Accounting Standards* issued by the European Financial Reporting Advisory Group (EFRAG). The comment period ends on August 31, 2011.

(2) 231th Meeting (held on September 21, 2011)

- a. Discussion on the IASB Agenda Consultation document
- b. Discussion on the IASB ED on *Improvement to IFRSs*
- c. Progress of the Technical Committee for SPEs and Consolidation
- d. Progress of the Technical Committee for Financial Instruments

- a. An outline of *Agenda Consultation 2011* issued by the IASB in July 2011 was presented.

The consultation is undertaken to collect inputs on the strategic direction and overall balance of the IASB's work plan, and on the priority of individual projects or agenda areas over the next three years.

- b. An outline of the IASB exposure draft *Improvement to IFRSs* was presented. Then, the Board discussed how to respond to it. The ED proposes seven amendments to five standards.

- c. An outline of IFRS 11 *Joint Arrangements* was presented.

d. Among the issues relating to financial instruments, the Board discussed (1) its comment on IASB ED *Mandatory Effective Date of IFRS 9*, (2) the progress by the IASB on hedge accounting, and (3) the comments received on the ASBJ's Issue Paper on classification and measurement.

Regarding the comment on IASB ED *Mandatory Effective Date of IFRS 9*, the Board considers accepting the deferment of the effective date as long as certain conditions were met.

Regarding hedge accounting, the staff provided an update on the progress made by the IASB, mainly focusing on the changes from the original exposure draft, such as extending the scope of hedge accounting to equity financial instruments designated as at fair value through other comprehensive income (FVOCI).

Regarding the comments received on the issue paper on classification and measurement, the Board discussed the accounting for the case where a transaction price is significantly different from the fair value at the initial recognition of the financial instruments.

2. [ASBJ's Comment to the EFRAG](#)

The Accounting Standards Board of Japan (ASBJ) submitted a comment letter, dated on August 31, 2011, to the European Financial Reporting Advisory Group (EFRAG) on Discussion Paper *Considering the Effects of Accounting Standards*.

3. The 11th Joint Meeting with the FASB Held in Tokyo

Representatives of the ASBJ and the US Financial Accounting Standards Board (FASB) met on August 18 and 19, 2011, in Tokyo, Japan.

At this meeting, the ASBJ and the FASB updated each other with the recent developments in their respective convergence projects with the IASB. Furthermore, the ASBJ and the FASB exchanged views on the following projects undertaken by the FASB and the IASB:

- (1) Financial instruments (credit impairment model for financial assets discussed by the FASB and the IASB, and the classification and measurement of financial assets and financial liabilities discussed by the FASB)
- (2) Revenue recognition (recent deliberations that will lead to the re-exposure draft to be issued in the third quarter of 2011*)
- (3) Leases (recent deliberations that will lead to the re-exposure draft to be issued in the fourth quarter of 2011*)
- (4) Insurance contracts (accounting for the effects of changes arising from remeasurement of insurance contract liabilities)

Representatives of the ASBJ and the FASB agreed that their ongoing discussions are useful in

promoting mutual understanding that will contribute to subsequent deliberations at each Board and to the future development of high-quality accounting standards on the significant items to be improved with the IASB. The ASBJ and the FASB agreed that they would continue to exchange views on issues faced and potential future concerns.

(*)Under the IASB Work Plan updated as of September 30, 2011, the revised exposure drafts are expected to be issued, on revenue recognition in the fourth quarter of 2011, and on leases in the first half of 2012, respectively.

4. ASBJ Chairman Ikuo Nishikawa Attended the 12th Meeting of National Standard-Setters (NSS)

The 12th National Standard-Setters (NSS) Meeting was held on September 12 and 13, 2011, in Vienna, Austria. The meeting was hosted by the Austrian Accounting Standard Board, and was attended by 63 representatives of 30 national accounting standard-setters, including those of the United Kingdom, the United States, Canada, France, Germany, Australia, Korea, India, and Malaysia, as well as international organizations such as the European Financial Reporting Advisory Group (EFRAG). The attendants from the ASBJ included Ikuo Nishikawa (Chairman), Atsushi Kato (Vice Chairman), Yoshihiro Nomura (Full-time Board Member), Atsushi Kogasaka (Technical Director) and Toru Yoshioka (Technical Staff).

The purpose of the meeting was to discuss technical projects undertaken by national standard setters and to provide input into, and support for the IASB's standards development. The following topics were discussed at the meeting:

	Agenda	Speaker
September 12, Monday		
1	IASB Work Plan	Canada
2	Topical issues in member countries	—
	(1) Financial Instruments	EFRAG
	(2) Unit of Account	Canada
	(3) Emerging Economies Group (EEG)	IASB
3	(4) Amendments to IFRS 1	Korea
	Income Taxes	EFRAG
4	IASB Agenda Consultation	IASB, Canada, India
September 13, Tuesday		
5	Operation of NSS Meeting	Chairman
6	Statement of Best Practice	Australia, France
7	True and Fair View	UK
8	Reports from regional groups	AOSSG, EFRAG,

		GLASS, PAFA
9	Pre- and Post-implementation Reviews	France
10	Framework for Standard-setting	Australia

5. ASBJ Chairman Ikuo Nishikawa Attended the 2011 World Standard Setters (WSS) Meeting

A World Standard-Setters (WSS) Meeting was held on September 15 and 16, 2011, in London. The WSS Meeting is held once a year in autumn to facilitate the exchange of views between the IASB and the national standard setters around the world.

The 2011WSS Meeting was attended by nearly 100 representatives from around 50 countries. The attendants from the ASBJ included Ikuo Nishikawa (Chairman), Atsushi Kato (Vice Chairman), Yoshihiro Nomura (Full-time Board Member) and Toru Yoshioka (Technical Staff). The meeting included reports on the IFRS implementation issues, presentation of the IASB's project planning and recent key considerations, project updates and small group discussions. The agendas are shown below:

[September 15]

- Welcome speech by IASB Chairman Hans Hoogervorst
- Sharing experiences — establishing regional standard-setting groups
- Future agenda of the IASB
 - ✧ Project update
 - ✧ Beak-out discussions
 - ✧ Group feedback
- Post-implementation reviews
 - ✧ Project update
 - ✧ Beak-out discussions
 - ✧ Group feedback

[September 16]

- Optional early riser sessions
 - ✧ IFRS interpretations process and application
 - ✧ Implementing the IFRSs for SMEs
 - ✧ XBRL IFRS taxonomy
- Cross-cutting measurement issues
- Optional session 1
 - ✧ Updates on new standards and staff drafts (IFRS 9)
 - ✧ Smaller group discussion (Conceptual Framework, Consolidation: Investment companies, Emissions trading schemes, Disclosure)
- Optional session 2

- ◇ Updates on new standards and staff drafts (IFRS 10/IFRS 11/IFRS 12, IFRS 13, Revenue project, Leases project)
- ◇ Smaller group discussions (Conceptual Framework, Consolidation: Investment companies, Emissions trading schemes, Disclosure)

6. The 13th Meeting of Standards Advisory Council of FASF

The 13th Standards Advisory Council Meeting was held on September 5, 2011. Mr Seno Tezuka (Partner, Deloitte Touche Tohmatsu LLC) was appointed as Vice Chairman of the Standards Advisory Council, pursuant to the Constitution of the Financial Accounting Standards Foundation (FASF), under Chairman Kunio Nozaki (Managing Executive Officer, Sumitomo Chemical Co.,Ltd.), who was appointed at the Board of Directors Meeting held on May 26, 2011.

At the meeting, following reports on the ASBJ's recent activities, the members exchanged views on issues, including the future treatment of the ASBJ's Project Plan.

Then, recent activities including international ones were explained.

7. FASF Seminar on the "Guide to the Preparation of Quarterly Reports" (for the Second Quarter Ending September 30, 2011)



The FASF seminars on the "Guide to the Preparation of Quarterly Reports" (for the Second Quarter Ending September 30, 2011) were held, starting on September 5, 2011, in 9 cities for 11 sessions: Tokyo (3sessions), Osaka, Nagoya, Fukuoka, Sapporo, Sendai, Kanazawa, Hiroshima, and Takamatsu. The seminar was accompanied by a presentation by a representative of the Financial Services Agency on "Recent Trend in Disclosure Systems etc."

The total number of seminar participants (approximately 4,000 participants) indicated high level of interest among constituents.

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