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ASBJ Newsletter

ASBJ FASF

Contents

1. New ASBJ Pronouncements (released between April 1, 2012 and May 31, 2012)

(1) [ED] Release of Exposure Drafts of *Proposed Amendments to Accounting Standard for Presentation of Comprehensive Income and related Accounting Standard and Guidance* (April 24, 2012)

(The exposure draft is open for comment until May 25, 2012)

(2) [Final] Release of *Accounting Standard for Retirement Benefits and its Application Guidance* (May 17, 2012)

[Legend]
ED: Exposure Draft
Final: Statement/Guidance etc. (final version)

2. Overview of ASBJ Meetings (241st Meeting – 244th Meeting)

(1) 241st Meeting (held on April 5, 2012)

a. Discussion on Retirement Benefits (Step 1)
b. Discussion on Presentation of Comprehensive Income
c. Discussion on Business Combinations (Step 2)
d. Progress of Financial Instruments Technical Committee

a The Board discussed disclosure requirements regarding Retirement Benefits Trusts.

The issue discussed at this meeting was a staff proposal to remove the disclosure requirement regarding Retirement Benefits Trusts proposed in the exposure draft. It was proposed instead to require disclosure as a major component of plan assets when the amount of Retirement Benefit Trusts is significant, relative to the total plan assets.

b. The Board discussed whether to amend the title of the statement of comprehensive income.

The Board was generally in favor of retaining the existing title, on the grounds that only one and a half years have passed since the release of *Accounting Standard for Presentation of Comprehensive Income* and IFRSs allow free choice of titles for financial statements.

c. The Board discussed the accounting treatment for transactions with minority interest shareholders.

Many of the current Board members supported the Board's temporary decision in 2009 that minority interests should be treated as equity.

d. ASBJ staff provided an update about the progress by the IASB and FASB in their Financial Instruments projects (impairment, classification and measurement, and hedge accounting).

(2) 242nd Meeting (held on April 19, 2012)

a. Exposure Draft *Accounting Standard for Presentation of Comprehensive Income* [approval for release]
b. Progress on Retirement Benefits Accounting (Step 1)
c. Discussion on Business Combinations (Step 2)
d. Discussion on Accounting Standard for Intangible Assets

a The Board voted to approve the release of the exposure draft.

The exposure draft proposes not to apply the standard to non-consolidated financial statements for the time being. This is because no consensus is found among market constituents about its application to non-consolidated financial statements, and key information about comprehensive income in non-consolidated financial statements is already available in the statement of changes in shareholders' equity.

During the course of discussions, considering information needs by users, the Board considered permitting voluntary presentation in non-consolidated financial statements, or requiring disclosure about comprehensive income in the notes to non-consolidated financial statements. However, in the exposure draft, neither of these alternatives is adopted.

b. The Board discussed the draft text of the forthcoming final standard.

c. The Board discussed whether to, and how to adopt the full goodwill method.

In its discussion in consideration of comments received on the 2009 Discussion Paper, the Board is in favor of the optional use of the full goodwill method with disclosure in the notes about the amount of goodwill and associated impairment losses attributable to non-controlling interests, which is the difference between those two methods, in order to ensure comparability with the acquired goodwill method. The Board considers that the choice should be treated as an accounting policy and thus should be consistently applied, unlike IFRS, which allows choices for each business combination.

d. The Board resumed its discussion on intangible assets. The Board agreed to continue the discussion, including whether to develop a general accounting standard for intangible assets.

(3) 243th Meeting (held on May 10, 2012)

a. *Accounting Standard for Retirement Benefits and related Application Guidance* [approval for release]
b. Discussion on Business Combinations (Step 2)
c. Discussion on Accounting Standard for Intangible Assets

d. Progress of the Technical Committee for SPEs and Consolidation

a. The Board voted to approve the release of the amendments to *Accounting Standard for Retirement Benefits and the related Application Guidance*.

The amendment discussed was Step 1 of the project, which would require the immediate recognition of actuarial gains and losses and past service costs in the balance sheet. Under the existing requirements, deferral of those items is allowed and they are disclosed in the notes. The new requirements will apply only to consolidated financial statements. For non-consolidated financial statements, the existing requirements are retained for the time being.

The amendments will be effective from the year-end financial statements for annual periods beginning on or after April 1, 2013. However certain amendments, including those about determination of retirement benefit obligations, will become effective on the beginning of annual periods beginning on or after April 1, 2014.

b. The Board discussed the treatment on loss of control.

One view is that the existing treatment should be retained because an investment in the business still continues even after the loss of control. And the other view is that an investment should be measured at fair value when control is lost. The second view takes into consideration convergence with international standards and consistency with the treatment of acquisitions achieved in stages.

c. The Board discussed several issues relating to intangible assets: 1) definition and recognition criteria, 2) treatment of intangible assets with an indefinite life, 3) treatment of land-lease rights, 4) treatment of separately acquired R&D projects, and 5) treatment of deferred charges.

d. In response to the release of IFRS 10 *Consolidated Financial Statements*, issued in 2011 by the IASB, the ASBJ continues discussions about the potential impacts of the notion in IFRS 10 if applied in Japan. At this meeting, the Board discussed the treatment of agents.

(4) 244th Meeting (held on May 24, 2012)

a. Discussion on Business Combinations (Step 2)
a. Progress of the Lease Accounting Technical Committee
c. Progress of the Technical Committee for SPEs and Consolidation
d. Dissolution of three technical committees

a. The Board discussed the treatment related to full goodwill method and loss of control, based on explanations by staff about the backgrounds of the treatment in international standards.

b. The Board discussed the issues regarding the progress of IASB/FASB's joint project on leases.

The IASB and FASB released an exposure draft in 2010 which proposed the right of use model for lessees and a mixed model for lessors. They are now redeliberating the proposals in response to the comments received on the exposure draft, with a view to issuing a re-exposure draft.

c. The Board discussed the treatment of cases where the voting rights are not a determinant of control (sometimes referred to 'treatment of the SPE').

Under IFRS 10, for the SPE over which an investor does not have power, the investor assesses the 'purpose and design of an investee', 'relevant activities (activities that significantly affect their return),' 'determination of power,' and 'determination of return.' The Board discussed whether introducing such an approach in Japan would be feasible.

d. The Board agreed to dissolve three technical committees, namely those for Earnings per Share (EPS), Retrospective Application, and Accounting Standard on Quarterly Reporting. Those technical committees are considered to have completed their tasks by developing the documents as originally anticipated.

3. Chairman Prada of the IFRS Foundation Trustees visits Japan

On May 13-15, 2012, Chairman Michel Prada of the IFRS Foundation Trustees, along with Yael Almog (Executive Director) and Mark Byatt (Director of External Affairs), visited Japan.

The party reviewed the progress on the IFRS Foundation satellite office to be opened in Tokyo in the fall of 2012, met major market constituents, and attended a breakfast meeting hosted by the FASF/ASBJ.

4. FASF Board of Directors Meeting and Board of Councillors Meeting

On May 23 2012, the FASF Board of Directors Meeting was held.

The discussion at the meeting was on proposed the Business Report for the 12th period and proposed Financial Accounts for the 12th period.

On June 1, 2012, the FASF Board of Councillors Meeting was held.

The discussion at the meeting was on retirements and appointments of Directors. The resulting retirements and appointments were as follows:

Board of Directors Member Appointment

(1) Retiring Directors

Yujiro Kawamoto	Director, Executive Vice President, Mitsubishi Heavy Industries, Ltd. (to retire on June 20, 2012)
Hidemi Ijichi	Executive Officer, Japan Securities Dealers Association (to retire on June 30, 2012)

(2) Appointed Directors

Tatsuhiko Nojima	Representative Director, Executive Vice President, Mitsubishi Heavy Industries, Ltd. (to take office on June 21, 2012)
Masahiko Koyanagi	Managing Director, Japan Securities Dealers Association (to take office on July 1, 2012)

5. FASF Seminar on the "Guide to the Preparation of Quarterly Reports" (for the First Quarter ending June 30, 2012)

The FASF seminars on the "Guide to the Preparation of Quarterly Reports" (for the First Quarter ending June 30, 2012) were held, starting on June 4, 2011. Eleven sessions were held in nine cities as follows: Tokyo (3 sessions), Osaka, Nagoya, Fukuoka, Sapporo, Sendai, Kanazawa, Hiroshima, and Takamatsu. At the sessions, an ASBJ representative also provided an outline of ASBJ Statement No. 26 *Accounting Standard for Retirement Benefits and its Implementation Guidance*, issued on May 17, 2012.

Judging from the total number of seminar participants (approximately 4,000 participants), and the high level of interest displayed by the participants, the seminar was a resounding success.

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