

ASBJ Newsletter



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1. New ASBJ Pronouncements (released between June 1, 2012 and July 31, 2012)

- (1) [Final] [Release of Accounting Standard for Presentation of Comprehensive Income and related Accounting Standard and Guidance](#) (June 29, 2012)

[Legend]

ED: Exposure Draft

Final: Statement/Guidance etc. (final version)

2. Overview of ASBJ Meetings (245th Meeting – 248th Meeting)

- (1) 245th Meeting (held on June 7, 2012)

<ul style="list-style-type: none">a. Discussion on Presentation of Comprehensive Incomeb. Discussion on Business Combinations (Step 2)c. Discussion on the IASB <i>Agenda Consultation</i>d. Progress of the Technical Committee for Financial Instruments

- a. The Board discussed the analysis of comments received on the exposure draft of the amendment to the standard for presentation of comprehensive income, and how to address them.

Regarding the proposal not to present comprehensive income in non-consolidated financial statements, the comments from the respondents were split. This was also the case in the Board's previous discussions on the issue.

Some comments suggested that, while supporting the exposure draft, the Board should again in the future consider application of the standard to non-consolidated financial statements when presentation of comprehensive income would be a well established practice.

- b. The Board discussed how to treat acquisition-related costs in business combinations.

Under Japanese GAAP, acquisition-related costs in business combinations are included in the cost of the acquisition when they are considered to be part of the consideration transferred. Such costs are expensed under the global standards. How to deal with this difference is an issue.

The Board will consider the issue from the perspective of consistency with other standards as well as whether such costs meet the definition of an asset.

- c. The Board received an update from the staff on the development on the IASB's Agenda Consultation.

- d. The Board was provided with an update on the progress by the IASB and FASB on their Financial Instruments projects (impairment, classification and measurement, and hedge accounting).

(2) 246th Meeting (held on June 21, 2012)

- a. Release of *Accounting Standard for Presentation of Comprehensive Income* [approval for release]
- b. Discussion on Business Combinations (Step 2)
- c. Progress of the Technical Committee for Revenue Recognition

- a. The Board voted to approve the release of the amended Accounting Standard for Presentation of Comprehensive Income.

No change was made to the exposure draft proposal regarding presentation of comprehensive income in non-consolidated financial statements. This means that this standard will continue not to apply to non-consolidated financial statements.

The decision regarding the standard's application to non-consolidated financial statements was made because views are still split among constituents, and because key information about comprehensive income in non-consolidated financial statements is already available in the statement of changes in shareholders' equity.

- b. The Board discussed the treatment of special liabilities (such as provisions for restructuring costs) associated with business combinations and contingent liabilities.

The staff recommends that the current treatment be retained for special liabilities associated with business combinations and that no special guidance be provided for contingent liabilities, because both issues should be addressed in conjunction with discussions on provisions.

- c. Staff provided a future plan on the revenue recognition project.

The IASB/FASB are re-deliberating after the receipt of comments on their exposure drafts. Meanwhile, the ASBJ has identified several topics to focus on, including criteria for a performance obligation that an entity satisfies over time, onerous performance obligations and disclosure, by comparing the ASBJ's comments with those of other respondents.

(3) 247th Meeting (held on July 5, 2012)

- a. Discussion on Business Combinations (Step 2)
- b. Discussion on Accounting Standard for Intangible Assets
- c. Progress of the Technical Committee for SPEs and Consolidation
- d. Progress of Lease Accounting Technical Committee

- a. The Board is leaning toward retaining the existing treatment of goodwill, i.e. requiring its amortization, for the time being. The Board also completed its discussion on other issues including the treatment of minority interests.

The Board has decided to divide those other issues into two categories; (a) items to be addressed

toward an exposure draft and (b) items to be considered in the future (out of the scope of the exposure draft in Step 2).

- b. The Board discussed various issues regarding intangibles and future actions to be taken.

Given this subject is discussed by the Board without using a technical committee, the Board agreed to invite witnesses to directly hear constituents' view. Those witnesses who will be in attendance at a future Board meeting will include users, preparers, and auditors.

- c. Since the release of IFRS 10 *Consolidated Financial Statements* by the IASB, the ASBJ has discussed potential impacts of the concepts in IFRS 10 if they were to be applied in Japan. At this meeting, the Board discussed possible future actions to be taken regarding whether to establish criteria for control over Special Purpose Entities (SPEs) and whether to stipulate the treatment of an agent.

If the Board did choose to address those issues, the next question would be whether to cover all entities or limit the scope only to SPEs. The majority of the Board members were in favor of limiting the scope to SPEs only.

However, views about when to start the reconsideration are mixed as an amendment to the treatment of SPEs was made in March 2011 and the effective date of the amendment has not yet been reached.

- d. An update was provided about the June 2012 IASB/FASB Meeting.

(4) 248th Meeting (held on July 25, 2012)

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| <ul style="list-style-type: none">a. Report from the Standards Advisory Councilb. Discussion on Business Combinations (Step 2)c. Progress of the Technical Committee for Financial Instrumentsd. Progress of the Technical Committee for SPEs and Consolidation |
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- a. A report was provided about the outcome of the Standards Advisory Council Meeting held on July 11, 2012.

At the Council meeting, the Council reviewed its processes for agenda proposals to the Board, and discussed the new processes.

As part of the new process, some Council members will be appointed to play a key role in considering the agenda proposals.

In addition, submissions for potential topics may be provided not only by the Council members but also by other constituents, such as outside organizations.

- b. At the 247th Meeting, the Board agreed to divide issues into two categories; (a) items to address

towards an exposure draft and (b) items to be considered in the future.

The staff recommended that category (a) should comprise (1) treatment of minority interests (accounting treatment, presentation), (2) acquisition related costs, and (3) provisional accounting treatment.

However, many Board members argued the issues about loss of control should also be taken up.

- c. An update was provided on the 2012 IASB/FASB Meeting.
- d. An update was provided on the discussion on Investment Entities at the IASB/FASB Meeting.

In principle, under IFRS 10, a reporting entity is required to consolidate all investees it controls regardless of the nature of the reporting entity. As an exception for a reporting entity that is an investment entity, the IASB/FASB is considering requiring the entity to measure its investments at fair value through profit or loss, rather than consolidating them.

They are discussing whether to allow applying such an exception to the parent entity of an investment entity, when the parent itself is not an investment entity. The IASB tentatively decided not to allow such an exception in this case.

3. [ASBJ's Comment to the IFRS Interpretations Committee](#)

The Accounting Standards Board of Japan (ASBJ) submitted a comment letter, dated July 26, 2012, to the IFRS Interpretations Committee on its tentative agenda decision regarding *IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 17 Leases - Purchase of right to use land*.

4. ASBJ Vice-Chairman Takehiro attended Kobe University Workshop

On July 1, 2012, the 70th Workshop “Insight into adoption of IFRS” hosted by Kobe University and Research Institute of Advanced Management, was held at Kobe University, Umeda Intelligent Laboratory.

ASBJ Vice Chairman Takehiro Arai attended the workshop as a panelist, along with Mr. Takatsugu Ochi (IASB Board Member) and Mr Harunaga Kato of Sumitomo Corporation (Team Leader, Accounting Research). The coordinator was Professor Sakurai Hisakatsu of Kobe University, Graduate School of Business Administration.

Following presentations by the panelists, views were exchanged on a wide variety of issues, including the contents and history of accounting standards and points of IFRS adoption, as well as

on corporate management and developments in financial capital markets.

5. ASBJ Vice-Chairman Atsu Kato and Technical Director Atsushi Kogasaka attend the 33rd JICPA Annual Conference (Panel Discussion)

On July 19, 2012, the 33rd JICPA Annual Conference was held at the Nikko Hotel in Kumamoto. The ASBJ was present at a panel discussion titled the “Challenges of Principle-based IFRS -- Mutual understanding between preparers and auditors, and the role of a standard setter,” by Vice Chairman Atsu Kato as a coordinator, and Technical Director Atsushi Kogasaka as a panelist.

Mr Takatsugu Ochi (IASB Board Member) delivered a report via video message on the “Efforts by the IASB and the IFRS Interpretations Committee”.

Several presentations were then made: ASBJ Technical Director Atsushi Kogasaka, “Efforts by Japan and the ASBJ on IFRS interpretation issues”; Mr Kazuo Yuasa of Fujitsu Ltd. (also, IFRS Interpretations Committee Member), “Activities by the IFRS Interpretations Committee”; and Ms. Aiko Sekine of PricewaterhouseCoopers Aarata (also, Deputy President, the Japanese Institute of Certified Public Accountants), “Efforts made in Japan on interpretations issues”. The panel then discussed these topics.

The next session was on mutual understanding between preparers and auditors. Mr. Shuichi Takahata of Mitsubishi Heavy Industries, Ltd. and Mr. Masahiko Tezuka of Deloitte Touche Tohmatsu LLC presented a report and the panel discussed the topic.

After answering questions from participants, the one hour and forty minute session ended.

6. The 15th Standards Advisory Council Meeting

On July 11, 2012, the 15th Standards Advisory Council Meeting was held.

The first agenda item was “methodology for selecting agendas to be proposed for consideration”. Following the explanations given by a staff, Council members made comments on two key issues: (1) submissions for potential topics should be collected not only from the Council members but also from other constituents to invite a wide variety of views, and (2) the role of the Practical Solutions Standing Committee should be to assess and clarify issues, rather than to decide whether to take up an agenda, and the Standards Advisory Council should select and prioritize the agendas.

In response to these comments, the Chairman of the Council suggested that (1) submissions of potential topics can be provided not only from members of the Council and the Committee but also

from other interested parties, and (2) the Council decide whether to take up an agenda item even when the issue is at the practical solutions level.

There was no opposition to the suggestions and it was agreed that the Chairman would review a revised version of the paper on the methodology for the selection of agendas to be proposed. Appointment of the Council members in charge of agenda consideration will be entrusted to the Chairman.

Next, the Council discussed a new agenda proposal (Employee Stock Ownership Plan or ESOP using company's own shares). It was agreed that the Practical Solutions Standing Committee of the ASBJ, as discussed above, would assess the topic and then the Council would discuss again whether to take it up at a future meeting.

Lastly, a report on the ASBJ's recent activities was presented and the Council members exchanged views on the progress made of the development of standards and ongoing projects, such as Business Combinations.

7. Appointment of FASF Board of Directors

The Financial Accounting Standards Foundation (FASF) appointed two new directors to replace retiring members, pursuant to the Constitution of the FASF, Article 21, Paragraph 1.

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)

8. Retirement of ASBJ Board Member

Mr. Yoshihiro Nomura has retired from ASBJ Board Member on June 30, 2012.

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