

ASBJ Newsletter



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1. Overview of ASBJ Meetings (259th Meeting – 261st Meeting)

(1) 259th Meeting (held on February 6, 2013)

- a. Overview of the IASB's Feedback Statement on Agenda Consultation 2011, and the ASBJ's planned responses
- b. Progress of the Practical Solutions Standing Committee
- c. Progress of the Technical Committee for Financial Instruments
- d. Responses to the IASB's Exposure Draft of *Annual Improvements to IFRSs*

- a. In December 2012, the IASB issued a feedback document on Agenda Consultation 2011. The ASBJ Board members were presented with an overview of the document and discussed how to respond to it.

The feedback document states that the IASB will focus on three areas: (1) implementation and maintenance, (2) the Conceptual Framework, and (3) a small number of major IFRS projects.

The Board agreed to give priority to consideration on the Conceptual Framework project because it relates to subjects of great interest to Japanese constituents.

- b. The Board was presented with the progress by the Practical Solutions Standing Committee, on 'scheme of granting a company's own shares to its employees through a trust.'

The Committee addresses accounting for this scheme, by classifying schemes into two categories: (1) a scheme transferring shares to an employee stock ownership plan through a trust, and (2) a scheme entitling employees to receive shares through a trust.

- c. The Board discussed draft comments on the IASB's Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010))*.
- d. The Board discussed draft comments on the IASB's Exposure Draft on Annual Improvements to IFRSs.

(2) 260th Meeting (held on March 12, 2013)

- a. Discussion on Accounting Standard for Intangible Assets
- b. Progress of the Technical Committee for SPEs and Consolidation
- c. Discussion on the IASB's Exposure Draft *Equity Method: Share of Other Net Asset Changes* and Exposure Draft *Clarification of Acceptable Methods of Depreciation and Amortisation*
- d. Progress of the Technical Committee for Financial Instruments

- a. Staff outlined practices under US GAAP and IFRS regarding identification and valuation of

intangible assets, such as brands and customer relationships, acquired in business combinations. The Board then discussed the benefits of identifying those intangible assets.

- b. The Board reviewed a draft paper “Progress Report on Deliberation on Scope of Consolidation of Special Purpose Entities and other matters,” which is an interim report to summarize the progress made by the Technical Committee for SPEs and Consolidation.
- c. The Board discussed draft comments on the IASB’s Exposure Drafts *Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)* and *Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)*.
- d. The Board discussed draft comments on the IASB’s Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9*, as well as on the FASB’s Exposure Draft *Credit Losses*.

(3) 261st Meeting (held on March 29, 2013)

- a. Agenda item proposals from the Standards Advisory Council
- b. Progress of the Technical Committee for SPEs and Consolidation
- c. Progress of the Technical Committee for Financial Instruments (discussion on draft comments on (i) IASB Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9*, (ii) FASB Exposure Draft *Credit Losses*, (iii) IASB Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting*)

- a. The Standards Advisory Council proposed two agenda items: (1) reconsideration of PITF No. 18 *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* and (2) consistency in the treatments of tax effect accounting for the consolidated taxation system and those for business combinations.

With regard to PITF No.18, the Board will consider whether any additional items should be adjusted in the consolidation process, in addition to the five items listed in the PITF.

With regard to tax effect accounting, the Board will deliberate on how to address the perceived inconsistency in the treatments of tax effect accounting for the consolidated taxation system and that for business combinations.

- b. The Board reviewed the draft paper “Progress Report on Deliberation on Scope of Consolidation of Special Purpose Entities and other matters.”

The report was released on the ASBJ’s website, dated March 29, 2013.

- c. The Board discussed draft comments on the IASB’s Exposure Drafts and the FASB’s Exposure Draft.

(i) IASB Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9*: the Board discussed draft comments. The ASBJ submitted its comment letter to the IASB, dated March 29, 2013.

(ii) FASB Exposure Draft *Credit Losses*: the Board discussed draft comments on the FASB's exposure draft, in which a single impairment model is proposed, although the IASB and the FASB originally had a joint deliberation on the three-bucket impairment model.

(iii) IASB Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting*: the Board discussed draft comments and are generally in favor of the proposals in the exposure draft.

2. ASBJ's Comment Submission to the IASB (February 1, 2013 – March 31, 2013)

- (1) ASBJ submitted its [Comment on the Exposure Draft “Annual Improvements to IFRSs 2011-2013 Cycle”](#) (February 15, 2013)
- (2) ASBJ submitted its [Comments on the Exposure Draft “Equity Method: Share of Other Net Asset Changes \(Proposed amendments to IAS 28\)”](#) (March 22, 2013)
- (3) ASBJ submitted its [Comments on the Exposure Draft “Clarification of Acceptable Methods of Depreciation and Amortisation \(Proposed amendments to IAS 16 and IAS 38\)”](#) (March 29, 2013)
- (4) ASBJ submitted its [Comments on the Exposure Draft “Classification and Measurement: Limited Amendments to IFRS 9 \(Proposed amendments to IFRS 9 \(2010\)\)”](#) (March 29, 2013)

3. Release of Accounting Guideline for SMEs (2012)

The Preparation Committee for Accounting Guidelines for Small and Medium-sized Entities (hereafter “the Committee”), established under the joint initiative of the Japan Federation of Certified Public Tax Accountants' Associations (JFCPTAA), the Japanese Institute of Certified Public Accountants (JICPA), the Japan Chamber of Commerce and Industry (JCCI) and the Accounting Standards Board of Japan (ASBJ), had reviewed the “Accounting Guidelines for Small and Medium-sized Entities.” The purpose of the review was to update the guidelines in order to reflect the “Report by the Council on Accounting of Unlisted Companies” (released on August 30, 2010) and the “Interim Report by Working Group on Accounting of Small and Medium-sized Entities” (released on September 30, 2010). Following the approval of the release of updated

guidelines at its meeting held on February 13, 2013, the Committee released the “Accounting Guidelines for Small and Medium-sized Entities (2012)” on February 22, 2013.

These updated guidelines make no changes to the accounting treatment, but are now rewritten with easier expressions, with an aim to improved usability of the guidelines for management in light of the recommendations by the two reports mentioned above.

4. Appointment of Members of the ASBJ and the SAC

The Financial Accounting Standards Foundation (FASF) held the Board of Directors Meeting on March 18, 2013, and it approved the appointment and reappointment of members of the Accounting Standards Board of Japan (ASBJ) and members of the Standards Advisory Council (SAC).

The members of the ASBJ Board and the SAC following these appointments are as follows (new appointees are underlined)

● Accounting Standards Board of Japan

Chairman	Ikuo Nishikawa	
Vice Chairman (full-time)	Takehiro Arai *	
<u>Vice Chairman</u> (full-time)	<u>Atsushi Kogasaka *</u>	
<u>Board Member</u> (full-time)	<u>Tomokazu Sekiguchi</u>	
Board Member (part-time)	Aiko Sekine	Partner, Pricewaterhousecoopers Aarata
<u>Board Member</u> (part-time)	<u>Yoshihiro Tokuga</u>	Dean and Professor of the Graduate School of Management at Kyoto University
<u>Board Member</u> (part-time)	<u>Yasuyuki Fuchita</u>	Executive Fellow, Nomura Institute of Capital Markets Research
<u>Board Member</u> (part-time)	<u>Hisayoshi Masawaki</u>	Director, General Manager, Accounting Dept., Sumitomo Mitsui Finance and Leasing Co., Ltd.
<u>Board Member</u> (part-time)	<u>Kazuyuki Masu</u>	Senior Vice President, General Manager, Corporate Accounting Dept., Mitsubishi Corporation

Board Member (part-time)	Masao Yanaga	Professor, Graduate School of Business Sciences, University of Tsukuba
Board Member (part-time)	Katsuhito Yanagibashi	Senior General Manager, Accounting Standards and System Promotion Center, Canon Inc.
Board Member (part-time)	Minoru Yoshida	Advisor, Corporate Accounting and Control, Asahikasei Co.
<u>Board Member</u> (part-time)	<u>Hitoshi Watanabe</u>	General Manager, International Accounting and Actuarial Affairs Office, Planning and Research Department, Nippon Life Insurance Co.

(Appointment effective April 1, 2013)

* Mr. Arai and Mr. Kogasaka were appointed as Vice Chairmen by ASBJ Chairman Nishikawa, pursuant to Article 3 of the ASBJ Operation Rule, through the nomination by ASBJ Chairman and approval by the Board at the 262th Board meeting in April.

<u>Deputy Chairman</u> (part-time)	<u>Yukio Ono</u>	Partner and Chairman of the Board, Deloitte Touche Tohmatsu LLC
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(Appointment effective October 1, 2013)

● **Standards Advisory Council**

Chairman	Kunio Nozaki	Managing Executive Officer, Sumitomo Chemical Co.,Ltd.
Vice Chairman	Seno Tezuka *	Partner, Deloitte Touche Tohmatsu LLC
<u>Member</u>	<u>Takahiro Ikoma</u>	General Manager, Profit Management Department, The Dai-ichi Life Insurance Company., Ltd.
Member	Hidetake Ishihara	General Manager, Accounting & Finance Div., Nippon Steel & Sumitomo Metal Corporation
Member	Yuichiro Kato	General Manager, Controller's Dept., Toray Industries, Inc.

Member	Goro Kumagai	Senior Fellow, Strategic Research Department, Mizuho Securities Co.,Ltd.
Member	Makoto Shinohara	Partner, Ernst & Young ShinNihon LLC
<u>Member</u>	<u>Kazumi Suzuki</u>	Professor, Graduate School of Business Administration, Kobe University
Member	Koichi Takahata	Managing Executive Officer, Assistant General Manager, Financial Resources Management Group, General Manager, Accounting Controlling Dept., Sumitomo Corporation
Member	Junko Nakagawa	Senior Managing Director, Nomura Holdings, Inc.
<u>Member</u>	<u>Hidenori Hanada</u>	General Manager, Accounting Dept., NKSJ Holdings, Inc.
Member	Hiroyuki Matsuzaki	Director of Listing Dept., Tokyo Stock Exchange, Inc.
Member	Kimitaka Mori	Partner, KPMG AZSA LLC
Member	Hiroshi Yamada	Chief Accounting and Liaison Officer, General Manager, Accounting Group, Panasonic Corporation
<u>Member</u>	<u>Masaki Yoneyama</u>	Professor, Graduate School of Economics, University of Tokyo

(Appointment effective April 1, 2013)

*Mr. Tezuka will be appointed as Vice Chairman through the nomination by the SAC Chairman, pursuant to Article 65, paragraph 4 of the FASF Constitution.

5. Appointment of the Chair and Members of Operation Supporting Committee

At the FASF Board of Directors Meeting held on March 18, 2013, appointment of the Chair and Members of the Operation Supporting Committee was approved, as prescribed in Article 65-2, paragraph 2 of the FASF Constitution. Its members are as follows.

(New appointees are underlined)

- **Operation Supporting Committee**

Chair	Masaji Miyako	Managing Director, The Financial Accounting Standards Foundation
Member	Ikuo Nishikawa	Chairman, The Accounting Standards Board of Japan
Member	Takehiro Arai	Vice Chairman, The Accounting Standards Board of Japan
<u>Member</u>	<u>Atsushi Kogasaka</u>	Vice Chairman, The Accounting Standards Board of Japan

(Appointment effective April 1, 2013)

6. [ASBJ elected as an inaugural member of the ASAF](#)

The Accounting Standards Board of Japan (ASBJ) is pleased to announce that it has been elected as an inaugural member of the Accounting Standards Advisory Forum (ASAF).

The ASAF was created as a result of the 2011 strategy review conducted by the IFRS Foundation Trustees. The forum consists of twelve members from major national accounting standards setters and regional groups around the world, and will provide technical advice to the International Accounting Standards Board (IASB). The ASAF and its membership will be reviewed after two years. The initial membership of the forum is as follows:

Region	Member
Africa	<ul style="list-style-type: none"> ● South African Financial Reporting Standards Council, supported by the Pan African Federation of Accountants (PAFA)
Asia-Oceania	<ul style="list-style-type: none"> ● Accounting Standards Board of Japan ● Australian Accounting Standards Board ● Chinese Accounting Standards Committee ● Asia Oceania Standard Setters Group (AOSSG), represented by the Hong Kong Institute of Certified Public Accountants
Europe	<ul style="list-style-type: none"> ● Accounting Standards Committee of Germany ● European Financial Reporting Advisory Group (EFRAG) ● Spanish Accounting and Auditing Institute ● United Kingdom Financial Reporting Council
The Americas	<ul style="list-style-type: none"> ● Group of Latin American Standard Setters (GLASS), represented by the Brazilian Committee of Accounting Pronouncements ● Canadian Accounting Standards Board ● United States Financial Accounting Standards Board

The first ASAF Meeting was held in London on 8 and 9 April, 2013. The ASAF Meetings are open to public, including via webcast. Meeting papers are made available on the IASB's website.

7. The 17th Standards Advisory Council Meeting

On March 11, 2013, the 17th Standards Advisory Council (SAC) Meeting was held.

The meeting began with discussions on possible agenda items for the ASBJ's consideration. First, the Council discussed the possible standard-level agenda items which had been suggested at the previous meeting. It decided not to recommend the ASBJ to take up "comparative information" at this time, but to continue to assess whether to recommend it as an agenda item for the ASBJ in the future.

The Council then discussed the possible practical solutions level agenda items which had been suggested at the previous meeting. It decided to propose that the ASBJ take up 'reconsideration of PITF No. 18 *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*' and 'tax effect accounting for the consolidated taxation system and business combinations.' In addition, it decided to further discuss the accounting issues surrounding assessment of recoverability of deferred tax assets. Also, it decided to ask the Practical Solutions Standing Committee to assess accounting for additional retirement benefits for early retirements, as well as accounting for restructuring (the Council received the suggestion for this topic as a new item at this meeting). In addition to this, the Council received suggestions for several other new topics (three standard-level topics and one practical solutions-level topics).

Later in the meeting, the ASBJ provided an update on its recent activities and ongoing projects. The Council members then expressed views and asked questions on the Business Combinations project.

8. ASBJ held Open Seminar – February and March 2013

The ASBJ/FASF has hosted the ASBJ Open Seminar series since 2010. Through its work the ASBJ is able to identify global trends in accounting in a timely manner. In the Open Seminar, the ASBJ provides up-to-date information about these trends to improve services to members of the FASF.

During the most recent seminars held in major cities across Japan, the Financial Services Agency presented recently proposed audit standards on responses to fraud risk as well as revisions to audit standards. The ASBJ then provided an update on its projects on Business Combinations and Intangible Assets, as well as on its international collaborations with other standard setters, focusing

on the IASB's ongoing projects and the establishment of the Accounting Standards Advisory Forum (ASAF). In addition, the ASBJ provided an overview of the exposure draft of proposed *Accounting Standards for Business Combinations* and related matters, issued on January 11, 2013. More than 700 attendants across five locations joined the seminars.

In conjunction with these seminars, the ASBJ/FASF met to exchange views with Chubu Economic Federation in Nagoya, and local audit firms in Osaka, Sapporo, and Fukuoka, promoting their understanding of and support for the ASBJ/FASF.

The seminars were convened with the support from local stock exchanges.



Date	Location	Venue
February 21, 2013	Tokyo	Yomiuri Hall
February 22, 2013	Fukuoka	TKP TENJIN City Center
February 25, 2013	Osaka	TKP Osaka Umeda Business Center
February 26, 2013	Nagoya	DAITEC SAKAE
March 8, 2013	Sapporo	Sapporo Securities Exchange

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