Accounting Standards Board of Japan (ASBJ)
Fukoku Seimei Building 20F, 2-2, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
Phone +81-3-5510-2737 Facsimile +81-3-5510-2717 URL http://www.asb.or.jp/

November 24, 2009

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam

Comments on Exposure Draft
"Improvements to International Financial Reporting Standards"

We welcome the opportunity to comment on the Exposure Draft "Improvements to International Financial Reporting Standards" (ED). The views expressed as follows are those of the International Issues Standing Committee of the Accounting Standards Board of Japan (ASBJ).

1. We basically agree with the proposed amendments to International Financial Reporting Standards (IFRSs) in the ED. We would like to ask the IASB to proceed with further deliberation for appropriate amendment by taking our comments into consideration.

2. We would like to make comments on the relationship between the proposed amendment to International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* - Impairment of investments in associates in the separate financial statements of the investor and IFRS 9 *Financial Instruments* issued on November 12, 2009.

Relationship between the proposed amendment to IAS 27 and IFRS 9

3. We agree that the proposal in the ED to clarify that in its separate financial statements the investor shall apply the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* to test its investments in subsidiaries, jointly controlled entities and associates for impairment.

4. However, IFRS 9 eliminates the provisions of IAS 39 which require measurement at cost of (paragraph 46(c)) and impairment on (paragraph 58 and 66) investments in equity instruments that do not have a quoted market price in an active market and

whose fair value cannot be reliably measured. We note that eliminating these provisions by IFRS 9 will result in an inconsistency with the proposal in the ED, therefore, the proposal needs to be amended.

5. The proposed amendment of the ED to paragraph 38 of IAS 27 clarifies that in separate financial statements, measurement of investments in subsidiaries, jointly controlled entities and associates both (a) at cost and (b) at fair value through profit or loss are in accordance with IAS 39. As noted in paragraph 4, the IASB has replaced the requirements of measurement of financial assets in IAS 39 with the requirements in IFRS 4 and eliminate the provision of the measurement of financial assets at cost. Therefore, we suggest the IASB amend (b) above to "at fair value through profit or loss **in accordance with IAS 39 and IFRS 9**."

6. The ED also proposes to add paragraph 38D to IAS 27 in order to clarify that in its separate financial statements the investor shall apply the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* to test its investments in subsidiaries, jointly controlled entities and associates for impairment. As also noted in paragraph 4, IFRS 9 eliminates the provisions of impairment for investments in equity. To be consistent with it, we recommend that proposed paragraph 38D should be amended as follows;

   When an entity prepares separate financial statements, it shall apply the requirements of IAS 39 **or IFRS 9** for the ~~determination and~~ measurement of ~~impairment losses on~~ investments in subsidiaries, jointly controlled entities and associates **which are measured at cost**.

*****

We expect that our comments contribute to the forthcoming deliberations in the project.

Yours sincerely,

Atsu Kato
Chairman, International Issues Standing Committee
Board member, Accounting Standards Board of Japan