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November 30, 2011

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

Dear Sir or Madam,

Comments on *Request for Views, Agenda Consultation 2011*

We appreciate efforts of International Accounting Standards Board (IASB) to solicit stakeholders' views on its future strategic directions. We welcome the opportunity to express our comments on *Request for Views, Agenda Consultation 2011* (hereinafter referred to as the "Consultation document").

We believe that the Agenda Consultation is an extremely important opportunity for the IASB's future policy setting of its activities for the next three years. We expect that our comments would help the IASB in developing accounting standards that are based on robust foundation and provide consistent and useful information, which will lead to IFRSs becoming higher quality and more globally accepted standards.

In Japan the issue of application of IFRSs has been continuously being discussed in the Business Accounting Council within the Financial Services Agency. In this connection each stakeholder has a strong interest in the IASB's Agenda Consultation and we have had extensive discussion with major stakeholders in Japan in preparing our comments. Therefore, views expressed in this letter reflect those of a wide variety of stakeholders in Japan.

Question 1 What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years? Question 1(a) Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why? Question 1(b) How would you balance the two categories and five strategic areas? If you have identified

other areas for the IASB's agenda, please include these in your answer.

Question 1(a)

1. We agree with the two main categories and the five strategic areas in the Consultation document. In our view all of the five strategic areas are important.

Question 1(b)

2. Of the two main categories (the development of financial reporting and the maintenance of the existing IFRSs) the IASB should place more emphasis on the latter category for the next three years.

3. The IASB has been continuously developing new standards for these ten years focusing on the adoption of IFRSs in the EU market and the convergence with US GAAP. For companies considering adoption of IFRSs, continuous changes in IFRSs for the next few years would be a serious impediment for their applying IFRSs. Therefore, in our view a stable platform of IFRSs should be the immediate priority for the IASB. The IASB should do its best to complete its existing highest priority projects (Revenue recognition, Leases, Financial instruments, and Insurance contracts) and limit its resources which will be allocated to other agenda items.

4. In addition, the main category "the maintenance of the existing IFRSs" has two strategic areas ("Post-implementation reviews" and "Responding to implementation needs"). Following points should be taken into account.

   (a) Broadening the scope and enhancing the effectiveness of Post-implementation reviews

   In our view the IASB should place importance on the Post-implementation reviews of accounting standards that have been developed so far. This activity would help the IASB in reviewing the IASB's decisions on issues identified as contentious during the development process and in identifying requirements whose outcome may not be consistent with the IASB's intention. In this light the IASB should not limit the scope of Post-implementation reviews to the new requirements after two years of implementation. The IASB should also include older requirements if many stakeholders have concerns (for example, in Japan, concerns are expressed about recognition of internally generated intangible assets in the development phase (see paragraph 21), non-amortisation of goodwill (see paragraph 25), fair value measurement of investments in unquoted equity instruments (see paragraph 20), and functional currency (see paragraph 31).

(b) Reinforcing efforts of IFRS interpretations

There needs to be a certain level of interpretations in order to achieve cross-border consistency in application of IFRSs. In Japan companies that meet certain criteria are legally allowed voluntary application of IFRSs. Companies preparing for the voluntary application have been facing various interpretation issues.

We acknowledge that the Consultation document refers to the role of IFRS Interpretation Committee. Reinforcement of principle-based application guidance is necessary for addressing issues identified during the process of standard-setting. We expect that IFRS Interpretation Committee will play a more important role in the future.

In addition, the Occasional Education Notes "Depreciation and IFRS" issued in 2010, though it was not guidance, provided a very helpful background of the standard. The IASB should continue such efforts in the future.

5. The main category "the development of financial reporting" has three important strategic areas ("Conceptual framework, including a presentation and disclosure framework", "Researching strategic issues for financial reporting", and "Standards-level projects"), of which in our view the area on conceptual framework (including a presentation and disclosure framework) is the most important. In particular, we expect that the IASB will prioritise and separately deal with individual urgent items such as the concept of profit or loss and the recycling of OCI and entire review of contents and volume of disclosure requirements.

(a) Improvements to conceptual framework

So far, some projects have been taken forward without sufficient care of cross-cutting perspective, which raises a question on consistency within IFRSs. We believe that there needs to be robust foundations which facilitate consistency within IFRSs for the IASB to continue its standard setting activities.

In particular, the concept of profit or loss and the recycling of OCI, which is listed as the individual item in Appendix C of the Consultation document, is an item of extremely high importance and interest to stakeholders in Japan. This item should be given the highest priority.

Some stakeholders in Japan also suggest that the notion of prudence should be incorporated in the conceptual framework again[1] in light of encouraging sound management.

(b) Development of a disclosure framework, review of contents and volume of entire disclosure requirements

The IASB has been selecting necessary disclosure items on the individual standard basis, and we think that IFRSs are highly reputed to provide high quality disclosures. However, disclosures in corporate annual reports in recent years are becoming so voluminous and complex that some are concerned that users find difficulty in judging what they should focus on. Accordingly, we are of the view that the IASB should begin development of disclosure framework and, based on the outcome of that phase, undertake the development of disclosure requirements toward consistent and effective disclosures.

6. Part of IASB's time and resources should be allocated to strategic research for the direction of global accounting standards not only from the short-term perspective but also from mid- and long-term perspective. This research would contribute to responding adequately to long-term financial reporting needs of stakeholders. The research should focus on the areas which contribute to improvement of the quality of accounting standards.

7. Limitation of resources for developing standards and conducting research may be mitigated by utilising resources of national standard setters that have been involved in extensive research on specific agenda items. We, the ASBJ, are willing to provide our resources to the standard development and research activities.

[1] IASB's previous conceptual framework included "Prudence" as one of the elements to support "Reliability", which was one of the qualitative characteristics of financial statements. However, the IASB has not included the notion of prudence in "Chapter 3: Qualitative characteristics of useful financial information" issued in September 2010 as a result of phase A "Objective and qualitative characteristics" of conceptual framework project.

Question 2:

What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

Question 2(a)

Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

Question 2(b)

Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available. Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why? Please link your answer to your answer to question 2(a).

Priority agenda items

8. Following agenda items are of particular interests to stakeholders in Japan:

   (a) OCI and recycling
   (b) Scope of items to be measured at fair value
   (c) Recognition of development costs as assets
   (d) Non-amortisation of goodwill
   (e) Reversal of impairment of fixed assets
   (f) Functional currency

9. Although some items listed in the previous paragraph are not included in Appendix C of the Consultation document, we believe addressing those items would lead to improvement of IFRSs and more benefits to stakeholders in the world.

10. Additional comments are provided in and after paragraph 35 for items other than those included in paragraph 8.

OCI and recycling

11. Appendix C of the Consultation document lists *Other comprehensive income* as one of the possible agenda items, which could consider issues of what items should be included

in profit or loss (or net income) or in OCI and whether recycling between them should be required.

12. IFRSs provide different treatments for different accounting standards regarding the recycling from OCI to profit or loss, which is summarised in the table below. While some of those standards clearly state their rationale for non-recycling, IFRSs as a whole does not provide clear concept of whether and when recycling is required from the cross-cutting perspective.

Items	Whether recycling of OCI to profit or loss is required or prohibited
Revaluation model of fixed assets	Entities do not recycle OCI they recognised when they increased the asset's carrying amount as a result of revaluation.
Financial Instrument's Accounting (IFRS 9, OCI option for investments in equity instrument)	Entities do not recycle OCI arising from the investments to which entities apply OCI option.
Financial Instrument's Accounting (IFRS 9, fair value option for financial liabilities)	Entities do not recycle OCI arising from fair value changes attributable to their own credit risk.
Post-employment benefits (revised IAS 19)	Entities do not recycle OCI arising from remeasurement (such as actuarial gains and losses).
Financial Instrument's Accounting (IAS 39, cash flow hedges)	The effective portion of hedging instruments in cash flow hedges is recognised in OCI and recycled to profit or loss when profit or loss on hedged items is recognised. (The same treatment is proposed in the IASB's exposure draft *Hedge Accounting*.)
Net investment in a foreign operation(IAS 21)	Entities recycle accumulated OCI arising from foreign exchange differences of investments in foreign operations when they dispose those investments.

13. The ASBJ has been arguing the importance of the notion of profit or loss and continues to believe recycling of OCI is essential for the reasons noted in Appendix of this letter and

we suggest that the IASB pose the highest priority on the agenda item of OCI and recycling.

14. We recommend that the IASB proceed with its discussion in the following two stages.

(a) Fundamentally, the IASB should establish a fundamental concept of profit including the characteristics of profit or loss in Phase B (Definition of elements, recognition and derecognition) of the Conceptual Framework project.

(b) However, it may take a long time to reach a final conclusion in the conceptual framework project and therefore in the meantime the existing inconsistency will remain. Accordingly, the IASB should set up a short-term project to consider whether all items included in OCI should be uniformly recycled to profit or loss provided that profit or loss is presented in the statement of comprehensive income.

15. In addition, we have been opposing non-recycling of OCI arising from remeasurement of the defined benefit obligation and stakeholders in Japan have also been expressing significant concerns. We acknowledge that IAS 19 has been amended recently, but in our view this treatment should be reconsidered in the stage (b) in previous paragraph (see also paragraph 3 in Appendix of this letter).

Scope of items to be measured at fair value

16. Fair value measurement is widely incorporated in existing IFRSs. We think fair value measurement provides useful information for some assets and liabilities. However, we are concerned that the existing conceptual framework only lists several measurement bases and does not describe basic concepts of what items or situations each measurement base is appropriate for.

17. Stakeholders in Japan are concerned about following accounting areas:

(a) Revaluation model of fixed assets (property, plant and equipment, and intangible assets);

(b) Fair value model of investment property;

(c) Fair value measurement of agricultural assets; and

(d) Fair value measurement of investments in unquoted equity instruments.

18. Appendix of this paper describes stakeholders' concerns in detail. The items (a) and (b) in the previous paragraph allow free choice between the cost model and the fair value model, which we think may reduce comparability among entities. Ideally, entities

should be required to apply suitable measurement bases by identifying when and to what items those bases are relevant according to their characteristics. Regarding the item (c), some accounting standards setting bodies in Asia such as Malaysia and India are suggesting amendments to the scope of fair value measurement about certain agricultural assets (biological assets) .

19. We recommend that the IASB also give the highest priority to the measurement phase (Phase C) of the Conceptual Framework project as well as the concept of profit and discuss scope of items or situations for which fair value measurement is suitable. The IASB could utilize the outcome of that phase as a base to further consider the measurement bases for the items (a), (b) and (c) in paragraph 17.

20. As for "fair value measurement of investments in unquoted equity instruments" in paragraph 17(d), serious concerns have been expressed by stakeholders in Japan from perspective of practicability and measurement reliability. We recommend that the IASB carry out the post-implementation review of this item early with a scope of early application of IFRS 9.

Recognition of development costs as an asset

21. According to IAS 38 *Intangible Assets,* entities shall recognise expenditure on the research phase as an expense when incurred and shall not recognise internally generated intangible assets. On the other hand, entities shall recognise internally generated intangible assets arising from the development phase if, and only if, they can demonstrate that certain conditions are present[2].

22. More than ten years have passed since the issuance of IAS 38 and, in the meantime, circumstances surrounding the IFRSs have greatly changed in many respects, such as the global spread of IFRS implementation and significant changes in market conditions. While intangible assets have increasingly become important for business activities,

[2] Internally generated intangible assets arising from the development phase shall be recognised if, and only if, entities can demonstrate all of the following:
(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) Its intention to complete the intangible asset and use or sell it.
(c) Its ability to use or sell the intangible asset.
(d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

markets are changing more rapidly and the lifecycle of products and goods are becoming quite shorter.

23. Under these circumstances some stakeholders in Japan are significantly concerned about lack of comparability or arbitrariness of the financial information that may be created by the existing treatment and are suggesting strongly reconsideration of the requirement to capitalise expenditures in the development phase (in the view of those stakeholders expenditure should be recognised as an expense in the same way as in US GAAP). In addition, our survey of corporate annual reports in 2008[3] demonstrated that there was a wide variety of accounting practices regarding recognition of internally generated intangible assets in the development phase.

24. Therefore, we believe that it is necessary to include the implementation of IAS 38 in the scope of the Post-implementation review to identify whether there have been any implementation problems.

Non-amortisation of goodwill

25. The IASB revised its accounting standards for business combinations and issued IFRS 3 *Business Combinations* in 2004. This requires goodwill arising from business combinations to be tested for impairment and its amortisation is prohibited. The main reason of the IASB's decision is that the useful life of acquired goodwill and the pattern in which it diminishes generally are not possible to predict and that straight-line amortisation of goodwill over an arbitrary period fails to provide useful information. In addition, the IASB held the view that more useful information would be provided to users of an entity's financial statements through a rigorous and operational impairment test.

26. However, the ASBJ and many stakeholders in Japan advocate an approach of straight-line amortisation coupled with an impairment test, based on an analysis of pros and cons of amortisation and non-amortisation. This approach would enable the income as a result of the business combination to periodically match against amortisation of goodwill as a part of its consideration. The approach is also consistent with the view that entity's profit is the excess of income earned over the cost invested.

[3] In order to examine how IAS 38 ”Intangible assets” is applied in practice by EU corporations, we surveyed the accounting treatment of internally generated development costs of fifty large corporations using their published annual reports for fiscal 2008. The survey covered the corporations in the industries where we expected that the percentage and amount of R&D expenditures are large compared with other industries and there are strong needs from investors to disclose the amount of the capitalized development costs, including pharmaceuticals and automotive.

27. Many respondents disagreed with the approach adopted in IFRS 3 at the time of its exposure draft (ED 3 issued in December 2002). This non-amortisation approach was one of contentious issues at that time, but the IASB has not yet made a review of its final conclusion and the Consultation document does not explicitly include it in the scope of Post-implementation review. We believe that the IASB should conduct a Post-implementation review of its conclusion and should consider whether it is necessary to amend IFRS 3.

Reversal of impairment losses of fixed assets

28. According to IAS 36 *Impairment of Assets*, if there is any indication that an asset may be impaired, an entity is required to compare the recoverable amount of the asset with its carrying amount and recognise an impairment loss as the excess of the carrying amount over the recoverable amount. On the other hand, if there is any indication that impairment losses recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, the entity shall estimate a recoverable amount of that asset and reverse such impairment losses only if there has been a change in the estimates used to determine the asset's recoverable amount.

29. One of the reasons for requiring reversals of impairment losses is that they provide users with more useful information about the potential future benefits of an asset or group of assets, which is also sometimes cited as one of the benefits of revaluation of fixed assets. However, we oppose reversals of impairment losses because of the same concerns as we noted in the scope of items to be measured at fair value (see paragraph 16 and those following it). And stakeholders in Japan note that reversals of impairment losses would take a relatively significant time and effort because they would require an entity to maintain the carrying amounts of assets that would have been determined if no impairment losses had been recognised in prior years.

30. US GAAP adopts a two-step approach (firstly, an entity compares undiscounted future cash flows to be derived from the asset with its carrying amount and, secondly, it records an impairment loss calculated as the excess of the asset's carrying amount over its fair value) and prohibits a reversal of prior impairment losses because an impairment loss results in a new cost basis to an impaired asset. Therefore, given that a reversal of impairment losses is one of significant differences between IFRSs and US GAAP, we are of the view that a reversal of impairment losses should be reconsidered alongside with the scope of items to be measured at fair value (see paragraph 16 and those following it).

Functional currency

31. IAS 21 *The Effects of Changes in Foreign Exchange Rates* defines the term *functional currency* as the currency of the primary economic environment in which an entity operates. An entity considers several factors in determining its functional currency, among which IAS 21 establishes a hierarchy by segregating priority factors from additional factors. IAS 21 gives priority to factors related to cash flows from operations (the currency that mainly influences sales prices and costs of goods or services), but if it is difficult to determine a functional currency only by those factors, then additional factors would be considered such as the currency in which funds from financing activities (that is, issuing debt and equity instruments) are generated and the currency in which receipts from operating activities are usually retained.

32. Although cash flows from operations are the main source of entity's net cash flows, no less important considerations could be given to the currency in which funds from financing activities are generated and the currency in which profit is retained for income tax payment imposed as a result of operations through various currencies in the jurisdiction where a parent company resides or for dividends to shareholders. Therefore, an entity should be required to take into account all relevant main factors including country-specific environment.

33. In addition, stakeholders in Japan are concerned about problems that may arise when a functional currency differs from Japanese yen. For example, financial reporting may not reflect an entity's internal management, or an entity may have to prepare multiple accounting records based on different currencies if a functional currency of financial reporting is not allowed for tax purposes (corporate tax law) or calculation of distributable profit (company act), which would make costs outweigh benefits.

34. These problems do not likely appear in jurisdictions where US dollar or Euro is their domestic currency, and the problems might not be discussed when IAS 21 was revised in 2003. Therefore, now that IFRSs are widely applied outside Europe, we recommend that the post-implementation reviews include identifying whether there have been any related problems. If the IASB adds the project of foreign currency translation listed in Appendix C of the Consultation document, the IASB can deal with this functional currency issue within that project.

Other items – items to be added when resources are available

35. The IASB should consider whether the following items listed in Appendix C of the Consultation document should be added if resources are available.

Business combinations under common control

36. Existing IFRSs do not have requirements for business combinations under common control and there are concerns about diversity in practice. Work of this project has been delayed because the IASB gave priority to completion of MoU projects with the FASB. There seems to be strong needs for accounting treatments in this area because reorganisation of businesses within a consolidation group frequently takes place.

37. We believe we can contribute to the discussions about this issue, since the ASBJ has an experience of developing accounting requirements for business combinations under common control based on the approach that would align the treatments in separate financial statements with those in consolidated financial statements.

Other items – items to be removed

38. The following items are those in Appendix C of the Consultation document that the IASB should consider removing.

Liabilities - amendments of IAS 37

39. The exposure draft issued in 2005 proposed removing probability criterion for recognition of a liability and requiring a single measurement based on *expected value*. However, many objected to these proposals and it seems to be difficult to gain consensus. We think the basic treatment of existing IAS 37 is still working well and we recommend that the IASB allocate its resources to other projects.

Other consideration

40. In addition to the above item, stakeholders in Japan have been seriously concerned about the proposal of requiring statement of cash flows using the direct method within the project of financial statement presentation. Such stakeholders emphasise the benefits of information values provided by the indirect method and, also taking into account

cost-benefit consideration, disagree with the IASB advancing the project maintaining this proposal.

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We expect our comments will contribute to future deliberations of IASB’s work plan and strategic directions of agenda setting.

Ikuo Nishikawa

Chairman, Accounting Standards Board of Japan

Appendix

A view on OCI and recycling (paragraph 11)

1. The ASBJ is of the view that all items included in OCI should be recycled to profit or loss (or net income) subsequently. Profit or loss has been recognised as a total performance indicator and used as a basis for various important indicators such as earnings per share. Performance of an entity is ultimately attributable to cash flows and accounting allocates those cash flows to each accounting period in order to provide meaningful performance-related information. Recycling of OCI ensures that total amount of profit or loss would ultimately equal to the total amount of cash flows. If some OCI items are not recycled, then profit or loss would not necessarily reflect the entire cash flows and usefulness of profit or loss as a total performance indicator would decrease.

2. Total amount of comprehensive income also would ultimately equal to the total amount of cash flows. However, comprehensive income could not replace the role of profit or loss as a total performance indicator from the perspective of the objectives of the entity's investment. It is because comprehensive income includes changes in fair value of the entity's investment before arriving at the final outcome that is expected from the entity's investment. Comprehensive income is merely the difference of the amount of net assets between different accounting periods and for some investments the outcome remains to be seen. On the other hand, profit or loss provides actual performance information after being relieved from the uncertainty of the outcome expected from the investments.

Views on the presentation of remeasurements of the defined benefit obligation (see paragraph 15)

3. The ASBJ is of the view that actuarial gains or losses on the defined benefit obligation arising from changes in the turnover rate or the discount rate should be included in profit or loss after the periods in which they occur because those gains or losses represent changes in the estimates of service cost and interest cost recognised in profit or loss in prior periods.

4. In addition, stakeholders in Japan are of the view that, because a pension scheme is of long-term nature, and it is not appropriate to immediately recognise in profit or loss the changes in the defined benefit obligation caused by short-term changes in the discount rate. Such stakeholders are also of the view that an entity should not be required to immediately recognise short-term changes in fair value of plan assets in profit or loss because it is supposed that an entity provides funding for the payment of benefits over the long term until employees' retirement.

5. Under IAS 19 before the amendment in 2011, actuarial gains or losses are reflected in manufacturing cost (as labour cost) through deferred recognition. But, in the light of the perspective in the previous paragraph, stakeholders in Japan are of the view that it would be a serious problem for cost calculation in the manufacturing industries that those actuarial gains or losses are immediately recognised in OCI and never recycled to profit or loss.

Concerns for the scope of items to be measured at fair value (paragraph 16)

(a) Revaluation model of fixed assets

6. IFRS allows entities to choose either the cost model or the revaluation model for fixed assets (property, plant, and equipment and intangible assets). There is no criterion about such choices except that entities are required to choose a model as an accounting policy and apply the policy to an entire class of fixed assets.

7. The revaluation model seems to have been incorporated by the influence of accounting standards of several jurisdictions which reflect revaluation practice. The rationale for the model seems to be that financial information should reflect changes in the price-level, such as, caused by inflation. However, even if there are cases when the revaluation model is appropriate, allowing a free choice of either the cost model or the revaluation model may give rise to comparability problems. Therefore, in our view, the IASB should identify appropriate criteria for each model so that entities can apply either model adequately depending on their situations.

(b) Fair value model of investment property

8. IAS 40 *Investment Property* allows entities to choose either the fair value model or the cost model for investment properties. If they adopt the fair value model, changes in fair value would be recognised in profit or loss. The IASC proposed only the fair value model for investment properties in its exposure draft *Investment Property* (E64) issued in July 1999, but it received a lot of reservations about extending a fair value model to non-financial assets and decided to include the cost model.

9. Investment properties[4] include not only investments whose objective is to gain income from market price changes but also properties held only for long-term rentals. The latter

[4] Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes: or
(b) sale in the ordinary course of business.

may be appropriate for the cost model in some cases, for example, when entities associate those properties with their expertise, strength of their brand, and ancillary services. Therefore, allowing a free choice between the fair value model and the cost model may impair faithful representation and comparability. In our view the IASB should identify appropriate criteria for each of the fair value model and the cost model so that entities can select either one according to their situations.

(c) Fair value measurement of agricultural assets

10. IAS 41 *Agriculture* requires entities to measure biological assets at fair value less costs to sell except for the case that the fair value cannot be measured reliably. Changes in fair value less costs to sell shall be included in profit or loss. Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest.

11. Some Asian standards setting bodies such as Malaysia and India are recommending reconsideration of the scope of fair value measurement for agricultural assets. Some are of the view that some biological assets can be regarded as fixed assets held to use for business purposes on an ongoing basis and therefore the scope of fair value measurement in IAS 41 is not appropriate.

(d) Fair value measurement of investments in unquoted equity instruments

12. IAS 39 *Financial Instruments: Recognition and Measurement* requires entities to measure investments in equity instrument at cost that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. IFRS 9 has not retained this treatment and requires entities to measure all investments in equity instrument at fair value. However, it provides limited guidance on the circumstances when the cost may be an appropriate estimate of fair value[5] in order to alleviate some of the concerns expressed in the response to IASB's exposure draft *Financial Instruments: Classification and Measurement*.

[5] IFRS 9 states that in limited circumstances cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to determine fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

13. However, serious concerns, including whether the guidance provided in the redeliberation process would work effectively, have been expressed by stakeholders in Japan from perspectives of practicability and measurement reliability.