

## Accounting Standards Board of Japan (ASBJ)

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February 15, 2013

International Accounting Standards Board

30 Cannon Street

London EC4M 6XH

United Kingdom

Dear Sir/Madam,

### **Comments on the Exposure Draft “Annual Improvements to IFRSs 2011-2013 Cycle”**

We welcome the opportunity to provide comments on the Exposure Draft “Annual Improvements to IFRSs 2011-2013 Cycle” (hereinafter referred to as “the ED”).

1. We basically agree that the proposals in the ED on the Annual Improvements Project 2011-2013 Cycle from the viewpoint of whether they would indeed be improvements to IFRSs.
2. We would like to make comments on the following two matters.
  - Meaning of effective IFRSs in IFRS1 *First-time Adoption of International Financial Reporting Standards*
  - Clarifying the interrelationship of IFRS 3 *Business Combinations* and IAS 40 *Investment Property* when classifying property as investment property or owner-occupied property in IAS40

We hope the IASB will take our comments into consideration to seek more appropriate improvements.

#### **Meaning of effective IFRSs**

3. Although we agree with the proposed accounting treatment outlined in the ED, we have concerns with respect to the consistency between the main body of the standard and the Basis for Conclusions.
4. We do not think that the phrase “*unless this IFRS provides an exemption or an exception that permits or requires otherwise*” proposed in paragraph BC11A of IFRS1 in the ED, is clearly reflected in the wording of paragraph 8 of IFRS1. We are concerned that only inclusion of this

wording in paragraph BC11A will cause re-inconsistency between the main body of the standard and the Basis for Conclusions. Therefore we believe that the requirement detailed in paragraph BC11A should be also included in paragraph 8 of IFRS1.

**Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property**

5. Although we agree with the proposed accounting treatment outlined in the ED, we believe that requirements similar to the transitional provisions which are applied for existing entities in the ED should also be allowed for first-time adopters.
  
6. For existing entities, the ED proposes transitional provisions and requires applying the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts that amendment. However, a similar transitional provision is not proposed for first-time adopters. Therefore, first-time adopters are always required to apply the amendment retrospectively, if the end of its first IFRS reporting period is after the effective date of the amended standard. This might give rise to the contradiction if a first-time adopter chooses to apply the exemptions available for business combinations in accordance with appendix C of IFRS1. We believe that requirements similar to the transitional provisions which are applied for existing entities should also be allowed for first-time adopters.

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We hope our comments will contribute to the forthcoming deliberations in the project.

Yours sincerely,



Atsushi Kato

Vice Chairman of the Accounting Standards Board of Japan