

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 <https://www.asb.or.jp/en/>



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Mr. Hans Hoogervorst
Chair
International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf, London, E14 4HD
United Kingdom

Comments on the Exposure Draft *Disclosure of Accounting Policies* (Proposed amendments to IAS 1 and IFRS Practice Statement 2)

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to provide our comments on the International Accounting Standards Board (the “IASB”)’s Exposure Draft *Disclosure of Accounting Policies* (Proposed amendments to IAS 1 and IFRS Practice Statement 2) (the “ED”), issued in August 2019.
2. Our understanding is that the ED was issued to improve the disclosures of accounting policies. We agree that there is room for improvement in this area and we appreciate the IASB’s efforts to address this issue.
3. However, we believe that the proposed amendments in the ED would not achieve the objective of improving the disclosures of accounting policies. If the IASB were to amend IFRS Standards to improve the disclosure of accounting policies, we have the following three comments:
 - (a) The IASB should not use the term ‘material’ to describe the accounting policies that should be disclosed. We are not convinced with the IASB’s reasoning for this change. Moreover, there are other IFRS Standards that use the term ‘significant’ instead of ‘material’ (for example, paragraph 34 of IAS 28 *Investments in Associates and Joint Ventures* refers to ‘significant transactions’

whereas the proposed paragraph 117A of IAS 1 in the ED refers to ‘material transactions’). We have difficulty understanding why the term ‘significant’ is replaced with the term ‘material’ only in the context of the disclosing accounting policies and not elsewhere in IFRS Standards.

- (b) If accounting policies were to be narrowed down to those that are reasonably expected to influence the primary users’ decisions, so that accounting policies provide the basis for financial statement analyses, we believe they would be the following two types of accounting policies:
 - (i) accounting policies that are chosen from one or more alternatives in an accounting standard; and
 - (ii) accounting policies that are developed in the absence of an accounting standard that specifically applies.

Accounting standards in our jurisdiction have treated these two types of accounting policies as significant accounting policies for a long time and the concept has been well accepted.

Accordingly, we believe that the examples of accounting policies that are to be included in the authoritative guidance should be limited to these two types of accounting policies.

We note that paragraphs 119 and 121 of IAS 1 *Presentation of Financial Statements* currently refer to these two types of accounting policies. However, the understandability of accounting policies that are reasonably expected to influence the primary users’ decisions could be improved by amending these paragraphs and to clarify that these two types of accounting policies are those that are required to be disclosed.

- (c) There is no specific guidance in existing IFRS Standards nor in the ED that addresses how an entity should provide entity-specific information related to how the entity applied the requirements in IFRS Standards. It is questionable whether practice would be improved without addressing this issue.
4. On another point, as issues related to the ED in the context of the concept of accounting policies, the IASB has issued another Exposure Draft, *Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8) in September 2017. If the IASB proceeded with the ED and this other Exposure Draft separately,

IFRS Standards that address related issues may be amended twice in a short period of time. Accordingly, we think the IASB should consider these issues together.

5. We hope our comments are helpful for the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read "A. Kogasaka". The signature is written in a cursive, flowing style.

Atsushi Kogasaka

Chair

Accounting Standards Board of Japan