

September 26, 2005

The ASBJ and the IASB hold second meeting on joint project for convergence

On September 23 in London, the Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) held the second joint meeting towards the final goal of convergence of their accounting standards. Professor Shizuki Saito, Chairman, Ikuo Nishikawa, Vice-chairman, and staff on behalf of the ASBJ and Sir David Tweedie, Chairman, four board members and staff on behalf of the IASB attended.

Following the last meeting in March, representatives of both boards exchanged views on the basic philosophies or Frameworks underlying their respective accounting standards, hedge accounting, and accounting for asset removal obligations for mutual understanding. They also informed each other of their deliberations on five topics for the first phase (measurement of inventories, segment reporting, related party disclosures, unification of accounting policies applied to foreign subsidiaries, and investment property) and confirmed progress toward the convergence of each standard.

The ASBJ representatives mentioned that the ASBJ would:

- Issue an exposure draft for unification of accounting policies applied to foreign subsidiaries within this year; and
- Issue a discussion document for measurement of inventories in October 2005.

The IASB representatives mentioned that the IASB would:

- Consider a staff proposal to amend related party disclosures that incorporates the ASBJ's suggestions;
- Deliberate the ASBJ's suggestions on measurement of inventories; and
- Consider the ASBJ's suggestions on investment property in the convergence project with the US Financial Accounting Standards Board (FASB).

The boards' representatives agreed to include presentation of costs of issuing additional shares, one of differences in disclosures and presentation of financial instruments (IAS 32), as an additional topic for the first phase. They also agreed that the ASBJ would initiate a preliminary project on intangible assets for future discussion with the IASB.

Both boards assessed these efforts and outcomes positively and reconfirmed that they would continue to work actively on convergence of their accounting standards.

The next meeting is expected to take place in Tokyo next March.

Regarding the joint project, Professor Shizuki Saito, Chairman of the ASBJ, said:

“Having been assessed by EU as equivalent with IFRS/IAS on the whole, Japanese GAAP will face an international competition among standards in global markets. This will become a driving force for further convergence of our standards. We will keep carrying forward this drive more steadily along with the joint project with the IASB”

Sir David Tweedie, Chairman of the IASB, said:

“These meetings are proving to be invaluable in increasing the Boards' understanding of each other's views. I am confident that our continuing discussions with the ASBJ will eventually lead both to improved standards internationally as well as the convergence of our two sets of standards”