

April 30, 2010

## **ASBJ and IASB meet to discuss convergence with and intended adoption of IFRSs in Japan**

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) have held their eleventh meeting to review preparations for the convergence with and intended adoption of IFRSs in Japan. Led by Ikuo Nishikawa, Chairman of the ASBJ, and Sir David Tweedie, Chairman of the IASB, the meeting took place on 27 and 28 April 2010 in Tokyo.

The ASBJ and the IASB have accelerated their work towards convergence of International Financial Reporting Standards (IFRSs) currently in effect and Japanese generally accepted accounting principles (GAAP) by June 2011, as described by their Memorandum of Understanding (known as the Tokyo Agreement) and consistent with requests by the Group of 20 Leaders (G20) to complete convergence of global accounting standards by this date.

In December 2009, the Japanese Financial Services Agency (FSA) revised the ordinances to allow Japanese listed companies meeting certain criteria to prepare their consolidated financial statements in accordance with IFRSs from fiscal years ended 31 March 2010. In the light of that decision, the ASBJ is working with its constituents to address interpretative and practical issues relating to the voluntary adoption of IFRSs in Japan. At the meeting with the IASB, representatives of the ASBJ proposed its solutions on those issues and representatives of the boards exchanged views. With a view to promoting the voluntary adoption of IFRSs in Japan, the boards reaffirmed that the IASB will continue to support the ASBJ's efforts.

A summary of the discussions is included in the appendix.

Representatives of both boards believe that the ASBJ's continuing participation in the IASB's standard-setting process, including the above discussions, contributes to the development of a single set of high quality global accounting standards. They also believe the IASB's and the ASBJ's ongoing work towards convergence of Japanese GAAP and IFRSs is essential for the successful adoption of IFRSs in Japan.

Commenting on the meeting, Ikuo Nishikawa, Chairman of the ASBJ said:

In this meeting, ASBJ's comments were well received as they may contribute to the progress of the MoU projects between the IASB and the FASB.

In addition, about local practical issues upon the implementation of IFRSs, we are delighted that further communications between the staff were confirmed

Sir David Tweedie, Chairman of the IASB said:

This was a highly successful meeting. The staff of the ASBJ produced some excellent papers that allowed significant progress to be made across projects covered by the 'Tokyo Agreement'.

We are on track to complete our convergence work by the June 2011 target.

The next meeting of the boards is scheduled for September 2010 in London, U.K.

**END**

## **Appendix:**

As June 2011—the target date of the convergence project with the US Financial Accounting Standards Board (FASB)—approaches, in November 2009 the IASB and the FASB reaffirmed their commitment to completion of the projects addressed in their Memorandum of Understanding (MoU) and issued a quarterly progress report in April 2010. At the same time, the ASBJ updated its project plan up to 2011 taking into account the progress of the IASB's projects, in order to smoothly carry out its convergence projects based on the Tokyo Agreement with the IASB in August 2007. At this meeting, representatives of the boards shared the update of the recent developments of their respective convergence projects and had in-depth discussions about controversial issues.

In addition, representatives of the boards also exchanged views on the current projects of the ASBJ and the IASB in which Japanese constituents have a great interest.

- Financial instruments (impairment and hedge accounting)
- Revenue recognition
- Financial statement presentation.

In the session on financial instruments, representatives of the boards discussed the new model of impairment (the expected loss model) proposed by the IASB in its exposure draft in November 2009, focusing on the analysis and comments provided by the ASBJ and concerns raised by Japanese constituents about the feasibility of the model. They also discussed the improvement of hedge accounting which the IASB and the FASB are jointly addressing, based on the preliminary comments by the ASBJ.

In the session on revenue recognition, representatives of the boards discussed the following issues on the basis of an analysis by the ASBJ: (a) identification of performance obligations

and recognition and measurement of revenue under the contracts in which two or more goods or services are transferred at different times (multiple-element arrangements and construction contracts); (b) the approach to revenue recognition based on changes in assets and liabilities and (c) treatment of product warranties.

In the session on financial statement presentation, representatives of the boards discussed the issues about the direct method for the statement of cash flows raised by the ASBJ, and the presentation of the financing session which includes the equity category as well as the debt category.

In addition, they also discussed accounting treatments for emission trading schemes, a matter of increasing interest for Japanese constituents. Representatives of the boards exchanged their views on the accounting for cap and trade schemes currently deliberated by the IASB, on the basis of a paper analysing several alternative accounting models identified by the ASBJ.

On 28 April 2010, the ASBJ held an open seminar, in which Sir David Tweedie gave an update on IFRSs and Mr Nishikawa made a presentation about recent activities regarding the convergence with and the voluntary adoption of IFRSs in Japan. About a thousand people attended the seminar, demonstrating the high level of interest in IFRSs in Japan.

## **Notes to Editors:**

### ***About the ASBJ***

The Accounting Standards Board of Japan (ASBJ) was established in July 2001 as a private sector organisation. Accounting standards developed by the ASBJ are to be authorised by the Financial Services Agency as part of generally accepted accounting principles (GAAP). The ASBJ develops accounting standards and implementation guidance that appropriately reflect the environment in which business enterprises operate. The ASBJ also communicates

with corresponding organisations abroad and contributes to the development of global accounting standards. For more information about the ASBJ, visit the Website at [https://www.asb.or.jp/asb/top\\_e.do](https://www.asb.or.jp/asb/top_e.do).

### ***About the IASB***

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB currently has 15 full-time members drawn from ten countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.