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

The International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ) have held their twelfth meeting to further progress their convergence activities, and to review preparations for the intended adoption of International Financial Reporting Standards (IFRSs) in Japan. Led by Sir David Tweedie, Chairman of the IASB and Ikuo Nishikawa, Chairman of the ASBJ, the meeting took place on 9 and 10 September 2010 in London.

The IASB and the ASBJ have accelerated their work towards the convergence of IFRSs currently in effect and Japanese generally accepted accounting principles (GAAP) by June 2011, as described in their Memorandum of Understanding, known as the Tokyo Agreement.

Japanese listed companies meeting certain criteria are permitted to prepare consolidated financial statements in accordance with IFRSs from fiscal years ended 31 March 2010. The ASBJ, supported by the IASB, is working with Japanese constituents to support interpretative and practical issues relating to the voluntary adoption of IFRSs in Japan.

Representatives of both boards stated that the ASBJ's continuing participation in the IASB's standard-setting process contributes to the development of a single set of high quality global accounting standards. They also believe that the IASB's and the ASBJ's ongoing work towards convergence of Japanese GAAP and IFRSs is an important step on the path towards Japanese adoption of IFRSs.

A summary of the discussions is included in the appendix of this document.

Commenting on the meeting, Sir David Tweedie, chairman of the IASB said:

“This was a highly successful meeting. We remain on track to complete the convergence of Japanese GAAP and IFRSs by June 2011 as described in the Tokyo Agreement.”

Ikuo Nishikawa, chairman of the ASBJ said:

“We are pleased that we had extensive discussions and exchanged our views on prioritised projects currently being addressed by the IASB. We will continue to cooperate with the IASB in developing high-quality, global accounting standards.”

The next meeting of the boards is scheduled for April 2011 in Tokyo, Japan.

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Appendix

Meeting summary

In June 2010, the IASB and the US Financial Accounting Standards Board (FASB) issued a joint statement on their convergence work. The boards later published a progress report to provide timely communications about the new strategy to achieve significant improvement and convergence of IFRSs and US GAAP. The IASB expressed in the report its intention to prioritise the major convergence project, stagger the publication of exposure drafts and related consultations, and issue a separate consultation document seeking stakeholder input about effective dates and transition methods.

At the same time, while the ASBJ has carried out its convergence projects based on the Tokyo Agreement with the IASB in August 2007, the ASBJ is enhancing the activities relating to the adoption of IFRSs in Asia and Oceania. The Asian-Oceanian Standard-Setters Group (AOSSG) was established in 2009 for the purposes of facilitating the adoption of and convergence with IFRSs in Asia and Oceania and providing opinions to the IASB. The ASBJ will host the second AOSSG meeting in Tokyo, which will take place at the end of this month with the participation of representatives from a number of jurisdictions in Asia and Oceania.

At the meeting on 9 and 10 September between the IASB and the ASBJ, representatives of the boards shared updates of the recent developments in their respective convergence projects and had in-depth discussions about following topics:

- financial instruments (classification and measurement of financial liability, impairment and hedge accounting)
- consolidation
- leases
- revenue recognition.

In the session on financial instruments, representatives of the boards reviewed the new model of impairment (the expected loss model) proposed in the exposure draft “Financial Instruments: Amortised Cost and Impairment”, taking into consideration the IASB’s recent discussions. They also discussed the proposed requirements for own credit risk of financial liability when applying fair value option in the exposure draft “Fair Value Option for Financial Liabilities” issued by the IASB in May 2010 and based on the comments submitted by the ASBJ. In addition, based on the IASB’s current tentative decisions, they discussed the improvement of hedge accounting such as mechanisms for hedge accounting, which the IASB is actively deliberating.

In the session on consolidation, with regard to the exposure draft “ED10: Consolidated Financial Statements” issued in December 2008, representatives of the boards reviewed issues relating to the potential power of an entity to control another entity with less than half of its voting rights. Issues relevant to the consideration of related parties and treatment of potential voting rights when assessing control over another entity were also discussed.

In the session on leases, representatives of the boards discussed the new lessor accounting model proposed in the exposure draft, “Leases”, jointly issued by the IASB and the FASB in August 2010. They also looked at various issues regarding the IASB’s proposals, such as the requirement to use more than one accounting model for the lessor, and consistency with the new proposed revenue recognition model.

Representatives of the boards also discussed the new revenue recognition model proposed in the joint IASB-FASB exposure draft “Revenue from Contracts with Customers” issued in June 2010. This discussion examined the identification of performance obligations under the contracts and accounting treatments of rights of return and product warranties.

Notes to editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the IFRS 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 10 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 IFRS 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.

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 its website at https://www.asb.or.jp/asb/top_e.do.