



**The Japanese Institute of
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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Exposure Draft, *Mandatory Effective Date of IFRS 9*

To the Board Members:

The Japanese Institute of Certified Public Accountants (“we” and “our”) appreciates the continued efforts of the International Accounting Standard Board (IASB) on this project, and welcomes the opportunity to comment on the Exposure Draft (ED) on *Mandatory Effective Date of IFRS 9*.

Question 1

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

Comment:

We agree with the proposal.

However, in order to allow for an appropriate period for implementation, the IASB should also consider, whether or not it may be necessary to delay the mandatory effective date again, in the event of further delays in finalization of the related projects, such as the impairment of financial assets and hedge accounting phases of the project to

replace IAS 39, *Financial Instruments: Recognition and Measurement*, and the project on insurance contracts.

We believe that these projects have been initially scheduled to be finalized by the end of 2011. We believe that the IASB should do its utmost, in the first place, to accomplish the early finalization of those projects.

Question 2

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

Comment:

We agree with the proposed requirement for the entities that have already adopted IFRSs. However, since it does not refer to the requirement for first-time adopters, we hope the IASB to revise the IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and establish an appropriate treatment with necessary attention focused on first-time adopters.

In Japan, we expect to have, in the future, a large number of first-time adopters. Amongst those first-time adopters, there are entities that seek early adoption of IFRS 9 at their first-time adoption of IFRSs, to avoid multiple changes to their accounting practice immediately after the transition to IFRSs. Also, there are entities that schedule their first-time adoption of IFRSs to match the timing of the finalization of the IFRS 9. Furthermore, as in the same way as the entities that have already adopted IFRSs, there are also other entities that plan to adopt IFRS 9 together with other standards, such as revenue recognition or leases, after the first-time adoption of IFRSs.

In the completed part of the IFRS 9, it states that, as a requirement during the transitional period, the following designations shall be made on the basis of the facts and circumstances that exist at the date of the initial application (IFRS 9 Paragraph 7.2.7).

- Designation for a financial asset and liability as measured at fair value through profit or loss.

- Designation for an investment in an equity instrument as measured at fair value through other comprehensive income.

On the other hand, for first-time adopters, it states that these designations shall be made based on the facts and circumstances that exist at the date of transition to IFRSs (IFRS 1 Paragraph D19, D19A, and D19B). Although these requirements may have been included considering the importance of the comparability in the first IFRS financial statements, we believe that they do not anticipate the application of standards which will be completed through several phases, such as IFRS 9.

Depending on the requirements for hedge accounting and impairment of financial assets that will be included in IFRS 9 in the future, or, depending on the application dates for other standards such as revenue recognition, it may be exceedingly difficult for the first-time adopters, in practice, to gather information that would be necessary by the date of the transition to IFRSs. We are concerned that this would result in too much of a burden in practice.

In order to alleviate these difficulties in practice, we request the IASB to revise IFRS 1 and establish appropriate treatment for the first-time adopters, such as the exemption on comparative information, or the designation of application dates according to the respective phases of standards.

Yours faithfully,

Keiko Kishigami

Executive Board Member—Accounting Practice (IFRS)

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