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January 11, 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Exposure Draft of Proposed Improvements to International Financial Reporting Standards

To the Board Members:

The Japanese Institute of Certified Public Accountants appreciates the effort of the International Accounting Standards Board (IASB) on the improvements to IFRSs, and welcomes the opportunity to comment on the exposure draft of proposed improvements to International Financial Reporting Standards.

Our remarks on the overall approach

We consider the 'annual improvement', which deals with a collection of relatively insignificant amendments to IFRSs in the normal due process, to be more adequate from the viewpoint of due process than the 'technical correction' process which was once adopted. However, when a number of unrelated amendments are collectively proposed in this way, constituents may fail to pay careful attention to each matter. Therefore, it should be ensured that a relatively important amendment be proposed in a separate draft.

The following is our response to the items in 'invitation to comment' with which we disagree or have questions or concerns,

QUESTION 4

We disagree with the proposal to require an entity that cannot make an unreserved statement of compliance with IFRSs to describe how its financial statements would have been different if prepared in full compliance with IFRSs. Such requirement is not what IFRSs should prescribe, because the financial statements of such an entity are not based on

IFRSs. We consider that this is an issue that should be addressed by strict application of paragraph 16 of IAS 1.

QUESTION 23

We disagree with the proposal that impairment losses should be reversed when the recoverable amount of an investment in associate increases subsequent to recognition of impairment losses. Description in BC4 is unclear about what logic has been followed in reaching conclusion in the draft.

If the entire carrying amount of the investment in associate is to be tested for impairment as a single asset, as proposed in paragraph 33, its treatment should be consistent with the requirement of IAS 39 (paragraphs 66 and 67) that prohibits reversals of impairment losses on equity investments. In addition, if the carrying amount of the investment in associate is to be analyzed into interest in net assets and goodwill, its treatment should be consistent with IAS 36 that prohibits reversals of impairment losses on goodwill, because impairment losses on investment in associate is likely to result from the goodwill portion. Accordingly, in either approach, we believe that reversals of impairment losses on investment in associate should be prohibited.

QUESTION 28(a)

We believe that the meaning of 'when the entity has access to those goods' as the timing of recognising expenditure on the supply of goods (such as catalogues for advertisement) as an expense is not quite clear. Since it is not clear as to whether the entity obtains the goods or the goods become available, there seems to be room for different interpretation.

QUESTION 30

We agree that exclusion of a contract, linked to non-financial variables specific to the party, from definition of a derivative is unnecessary from the viewpoint of excluding a contract that is an insurance contract, because it duplicates with the exclusion of an insurance contract from the scope of IAS 39. However, it needs to be ensured that unexpected items such as executory contracts would not meet the definition of a derivative, as amended.

QUESTION 35

If the fair value of an item could not be reliably determined because it is being constructed or developed, the application of paragraph 53 of IAS 40 would result in even greater inconsistency because, once paragraph 53 is applied, IAS 16 would apply until the item's disposal.

QUESTION 39

We have a question as to why only the fair value measurement in IAS 41 permits the use of a post-tax rate, given that IAS 36 requires use of pre-tax rate in determining value in use.

Yours faithfully,

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Executive Board Member—Accounting Standards
The Japanese Institute of Certified Public Accountants