

September 16, 2002

**Comments on the Exposure Draft of Proposed Improvements to
International Accounting Standards**

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IAS 2 Inventories

Question 1

Do you agree with eliminating the allowed alternative of using the last-in, first-out (LIFO) method for determining the cost of inventories under paragraphs 23 and 24 of IAS 2?

We do not agree. As using the last-in, first-out (LIFO) method is reasonable for some cases on accounting profit or loss it is not appropriate to eliminate the alternative just only for the reason given in the Exposure Draft.

Question 2

IAS 2 requires reversal of write-downs of inventories when the circumstances that previously caused inventories to be written down below cost no longer exist (paragraph 30). IAS 2 also requires the amount of any reversal of any write-down of inventories to be recognised in profit or loss (paragraph 31). Do you agree with retaining those requirements?

We do not agree. When the averaging method is adopted there are cases that we cannot measure the amount to be reversed.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Question 1

Do you agree that the allowed alternative treatment should be eliminated for voluntary changes in accounting policies and corrections of errors, meaning that

those changes and corrections should be accounted for retrospectively as if the new accounting policy had always been in use or the error had never occurred (see paragraphs 20, 21, 32 and 33)?

We do not agree. The retrospective treatment is not allowed by the Commercial Code of Japan. Alternative treatments should be retained in IFRSs thereby it would be positively adopted by companies of countries which have different legal systems.

IAS 16 Property, Plant and Equipment

Question 1

Do you agree that all exchanges of items of property, plant and equipment should be measured at fair value, except when the fair value of neither of the assets exchanged can be determined reliably (see paragraphs 21 and 21A)?

We do not agree. We believe that the current paragraph 22 of IAS16 should be retained. There are problems especially in evaluating values of properties, plants and equipments with similar nature and values which are exchanged, or no market at which the values of them are able to be measured reliably.

Question 2

Do you agree that all exchanges of intangible assets should be measured at fair value, except when the fair value of neither of the assets exchanged can be determined reliably? (See the amendments in paragraphs 34-34B of IAS 38, Intangible Assets, proposed as a consequence of the proposal described in Question 1.)

(Note that the Board has decided not to amend, at this time, the prohibition in IAS 18, Revenue, on recognising revenue from exchanges or swaps of goods or services of a similar nature and value. The Board will review that policy later in the context of a future project on the Recognition of Revenue.)

We do not agree. As we mentioned above in the answer to Question 1, the current paragraph 35 of IAS38 should be retained.

IAS 21 The Effects of Changes in Foreign Exchange Rates

Question 3

Do you agree that all entities should translate their financial statements into the presentation currency (or currencies) using the same method as is required for translating a foreign operation for inclusion in the reporting entity's financial statements (see paragraphs 37 and 40)?

We do not agree with the proposal of paragraph 37 that equity items shall be translated at the closing rate at the date of the balance sheet. The proposal tells that capital stock and retained earnings shall be translated at the closing rate, and translation differences between the closing rate of the prior balance sheet date and that of the current balance sheet date will be contained in current each items. However they should be translated at the historical rate.

Question 5

Do you agree that (a) goodwill and (b) fair value adjustments to assets and liabilities that arise on the acquisition of a foreign operation should be treated as assets and liabilities of the foreign operation and translated at the closing rate (see paragraph 45)?

We do not agree. Nature of goodwill is just the differential between the cost of the acquisition and fair values. The proposal would lead problems in recognizing mergers and acquisitions of multi-national companies.

IAS 27 Consolidated and Separate Financial Statements

Question 2

Do you agree that minority interests should be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity (see paragraph 26)?

We do not agree. While it has not had a discussion on the fundamental concept about minority interests the current treatment on presentation of them should not be changed.

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