



31 January 2011

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

Dear Sir David:

**re: Comments in Response to Request for Views on
“Effective Dates and Transition Methods”**

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the request for views on “*Effective Dates and Transition Methods*” put out by the International Accounting Standards Board (the Board).

General Comments

The CAC highly appreciates the IASB’s thoughtful gesture in seeking public opinion regarding effective dates and transition methods when a host of new innovative accounting standards are to be implemented. The CAC thinks the following basic thoughts are shared by most users; (a) new standards which improve on existing ones should be implemented as soon as is practical, (b) the early adoption period should be limited to one year so as to secure comparability, (c) it is practical to adopt the sequential approach as some standards require longer preparation time, and (d) certain consideration should be afforded first-time adopters.

Question 1 The entity responding to this Request for Views

The SAAJ is a not-for-profit organization providing investment education and examination programs for securities analysts. Its certified members number 24,000. The CAC is a standing committee of the SAAJ composed of 14 members, most of whom are users including equity and credit analysts, and portfolio managers, while a few others are academicians and public accountants. The CAC writes comment letters to global standard setters including the International Accounting Standards Board (IASB) and Accounting Standards Board of Japan (ASBJ), and exchanges opinions with organizations including the ASBJ and the Financial Services Agency.

Question 5(a) The Single Date Approach or the Sequential Approach

The CAC supports the sequential approach. Accounting standards proposed by the IASB will improve existing standards and good standards should be implemented as soon as is practical. The CAC recognizes that some standards require time consuming preparations by preparers to change accounting systems and to accumulate data for retrospective application. Therefore, the single date approach would inevitably delay the effective date, which is inconsistent with our views that good standards be implemented soon.

The single date approach has another problem, in which context Japanese experience has valuable suggestions. During the late 1990s and early 2000s, Japan implemented a series of accounting standard improvements termed the ‘accounting big bang’ which turned existing national standards into top-notch ones matching US GAAP and IAS. The big bang took the sequential approach through which users could gradually familiarize themselves with the new standards. If the single date approach had been taken, users and other stakeholders would have suffered from the burden of trying to understand a host of new standards in a short period of time. Also, the income statement and balance sheet would have dramatically changed, making it difficult to determine which new standard, among all the new ones, had caused what change. Some preparers who experienced the big bang raise concerns about the single date approach—in particular, they point out that implementing a whole new set of accounting standards in itself is risky, and that some standards require changing business procedures and customs. According to the preparers, to put all the required business procedures and custom changes into effect at the same time would be extremely difficult.

Question 5(c) Sequence and Groups under the Sequential Approach

In taking the sequential approach, sequence and groupings are equally important. The CAC thinks that the insurance project might require the longest preparation time followed by the financial instruments (impairment) project. The CAC also thinks consolidation and joint arrangement, which only relate to corporate structure, should be separately implemented from other new standards. As a result, changes in the financial statement stemming from them and changes from standards not related to corporate structure would be clearer. Many other projects are mutually related, and should be implemented together. Based upon the above discussion, following is the CAC’s recommendation of sequential implementation:

- 2012 Consolidation
 - Joint arrangement
- 2013 Fair value measurement
 - Financial instruments (classification and measurement, hedging)
 - Revenue from contracts with customers
 - Leases
 - Post employment benefits
 - Presentation of other comprehensive income items
- 2014 Financial instruments (impairment)
- 2015 Insurance

Even when some of the six projects which the CAC has proposed be implemented in 2013 are divided, careful consideration should be given to consistent implementation of mutually related projects. The CAC understands that consolidation and joint arrangement standards are expected to be released in the first quarter of 2011. As retrospective application is limited (consolidation) or not required (joint arrangement), it is proposed they are implemented in 2012.

Question 6 Early Adoption

The CAC is basically against early adoption, as it makes inter-company comparisons difficult. However, when early adoption is permitted, early adopters present precedents from which accountants accumulate experience. This will make mandatory implementation much easier. Because of this possible social cost reduction effect, the CAC proposes permitting the early adoption of each standard by one year. However, when permitting early adoption, mutually related projects as mentioned above should be adopted as a group and cherry picking not permitted.

Question 8 First-time Adopters

Notwithstanding the above proposal of early adoption, first-time adopters should be permitted a longer early adoption period. For example, in our proposal, the early adoption year for insurance is 2014 which is one year prior to mandatory adoption in 2015. For first-time adopters, 2012 or 2013 adoption should be permitted. Though this would cause a comparability problem, the CAC thinks a reduction in the burden to first-time adopters should have priority. Here, again, cherry picking referred to in Question 6 above should not be allowed for first-time adopters.

If you have any questions or need further elaboration, please do not hesitate to contact Sei-Ichi Kaneko, Executive Vice President, SAAJ (s-kaneko@saa.or.jp).

Sincerely yours,

A handwritten signature in black ink that reads "Keiko Kitamura". The script is cursive and fluid.

Keiko Kitamura

Chair

Corporate Accounting Committee