



24 December 2015

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

Re: Comment on Request for Views “2015 Agenda Consultation”

Dear Mr. Hoogervorst:

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on Request for Views “2015 Agenda Consultation” (hereinafter referred to as the RV) put out by the International Accounting Standards Board (IASB). The SAAJ is a not-for-profit organization providing investment education and examination programs for securities analysts. Its certified members number 26,000. The CAC is a standing committee of the SAAJ composed of 15 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 accounting standard setters, including the IASB and Accounting Standards Board of Japan (ASBJ), and exchanges opinions with organizations including the ASBJ and Financial Services Agency.

The CAC’s views on specific questions are explained below.

Q1 – The balance of the IASB’s project

The IASB’s work plan includes five main areas of technical projects:
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| (a) its research programme; |
| (b) its Standards-level programme; |
| (c) the <i>Conceptual Framework</i> ; |
| (d) the Disclosure Initiative; and |

(e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

The paragraph 55 of the RV describes seven consideration factors as (a)-(g), and we acknowledge that the IASB seems to regard “(a) the importance of the matter to those who use financial reports” and “(b) the urgency of the problem to be resolved” relatively high priorities. We believe that the IASB should continue to make decisions on resources allocation based on (a) as the highest prioritized consideration factor.

Meanwhile, given the timing of recent publication of Discussion Papers (hereinafter referred as DPs) and Exposure Drafts (hereinafter referred as EDs), we are really disappointed that there does seem little attention to “(c) interactions with other current or possible projects”. We also believe that the IASB should continue to be mindful of convergence of the IFRS and the U.S. GAA as an important factor to be considered, while the paragraph 55 does not mention it explicitly.

Q3- Research projects (Relative importance and urgency)

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

It is not easy to prioritize the research projects in the required matrix form of importance and urgency, but we believe that “Disclosure Initiative—Principles of Disclosure”, “Primary Financial Statements (formerly Performance Reporting)”, and “Definition of a Business” are three highly important and highly urgent projects among 17 projects on the research program in the paragraph 32 of the RV.

We, as users of financial reporting, believe lack of the explicit reference to the basic principles on disclosure is one of the most serious defects in the current IFRS. We are greatly concerned that the IASB might pay only little attention to “(c) interactions with other current or possible projects”, given the fact that the Board is issuing the EDs one after another, which propose the changes in disclosures of the specific standards before the DP on the “Principles of Disclosure” is issued.

Because the “Principles of Disclosure” and the “Primary Financial Statements” are

related to the foundations of corporate disclosure and both relate closely each other, they should be discussed at the same time. In addition, we believe it should be among the highest priorities of the “Primary Financial Statements” project to clearly define subtotal income such as operating income to represent income from core business activities as an element of profit and loss statement. We believe that it would be necessary to clearly classify differences of characteristics of income by the type of business in the “Definition of a Business” project because characteristics of income depend on the type of business.

We also urge the IASB to promote the discussions on the “Goodwill and Impairment” project further. We are standing by the other Japanese stakeholders such as the ASBJ who strongly insist reintroduction of the amortization and impairment model of goodwill in place of the current impairment-only model.

Q4- Major projects

Do you have any comments on the IASB’s current work plan for major projects)?

As we mentioned in the comment letter to Exposure Draft “Conceptual Framework for Financial Reporting” (hereinafter referred to as the “Conceptual Framework”), we respectfully recommend the IASB define net income as an element of financial statement. As soon as the revisions of the Conceptual Framework based on the current ED is completed in 2017 as described in paragraph 30 of the RV, we recommend the IASB to start the new project to define net income as an element of financial statements as the next step of the Conceptual Framework project, in conjunction with the “Primary Financial Statement” and other projects. We believe it should be great news to those investors all around the world who respect the net income most, if the IASB allocates its resources to develop the definition of net income with all its might and successfully includes it as a part of the Conceptual Framework.

Q6- Level of change

Does the IASB’s work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

Some of us think that the Board spent too much time to develop the ED after the DP was issued. They also expressed their concern that the basic goals of principle-based standards might be compromised in order to justify the existing specific standards.

Some other members believe that the development of “Insurance Contract” standards

has been too slow, causing the deferral of the effective date of the IFRS 9, a closely related standard to Insurance Contract, and resulting in unnecessary confusion.

Q8– Frequency of Agenda Consultations

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

We would accept, with some reservations, the proposal to change the frequency of Agenda Consultations to a five-year interval considering the progress pace of current Standard-level projects and the IASB’s resourcing and other limitations. In this respect, if the interval changes, we believe it would be more efficient for the IASB agenda consultations to coordinate the frequency and timing of its reviews of strategy and effectiveness and the IFRS Foundation’s reviews of strategy and effectiveness.

We would note, however, there are strong minority opinions that a five-year interval would be too long considering rapidly changing of economic and business environment, the view which is shared even by those who support the IASB’s proposal.

Moreover, we propose that the IASB consider establishing an effective mechanism to monitor the progress in, as well as to identify the impediments to the implementation of its agenda and the work plan of the IASB to reflect the recommendations from the agenda consultations including reviewing the positioning, functions, roles and others of the Accounting Standards Advisory Forum (ASAF).

Sincerely yours,



Keiko Kitamura

Chair

Corporate Accounting Committee