

International Financial Reporting Standards Regional Policy Forum Japan 2007 Communiqué

The Accounting Standards Board of Japan (ASBJ) hosted an International Financial Reporting Standards (IFRS) Regional Policy Forum in Tokyo on 29 March 2007.

The delegates, from 14 jurisdictions across the Asia-Pacific region, included senior representatives of accounting standard setting and oversight bodies, professional accounting bodies and government officials. Representatives from the International Accounting Standards Board (IASB), including the Chairman, Sir David Tweedie, were also in attendance.

The use of IFRS continues to grow both across the Asia/Pacific region and globally. IFRS is now required or permitted in over 100 countries worldwide and work is also progressing on the convergence of IFRS with US Generally Accepted Accounting Principles. IFRS has also matured since the standards were first released and companies in a range of countries have reported using IFRS for a number of financial years. A further development relates to the recent release by the IASB of an Exposure Draft of a new accounting standard, modelled on the full suite of IFRS, specifically for Small and Medium Entities (SMEs).

In welcoming delegates to the forum, Professor Shizuki Saito, Chairman of the ASBJ noted that the global financial reporting landscape continues to undergo substantial change. "The move towards common global accounting standards represents a significant challenge for all countries. The forum has enabled delegates from within the Asia/Pacific region to discuss these issues with both a regional and global focus" Professor Saito said.

This is the second IFRS Regional Policy Forum and follows the inaugural forum co-hosted by Australia and New Zealand which was held in Sydney, Australia in October 2005.

Forum Sessions

The forum was comprised of three main sessions:

- interpretation of IFRS within the Asia/Pacific region;
- financial reporting by SMEs; and
- issues associated with referring to IFRS in describing the accounting framework used in various jurisdictions.

These sessions highlighted that while there remained challenges associated with implementing IFRS within the region, the benefits derived from its successful introduction were significant. Sir David Tweedie, Chairman of the IASB advised delegates that the implementation of IFRS was proceeding well. “The IASB is very pleased with the introduction of IFRS both within the region and globally. Initiatives, such as the development of the proposed accounting standard tailored to SMEs, will ensure that global accounting standards continue to deliver benefits to both users and preparers” Sir David said.

In addition to the sessions above, Mr Ikuo Nishikawa, Vice Chairman of the ASBJ provided a presentation regarding the recent developments of Japanese accounting standards towards international convergence. “Japan seeks international convergence without adopting IFRS. The difference between convergence and adoption is a difference of process to the goal of having a single set of high-quality accounting standards not a difference of the goal itself. We believe that understanding the challenges faced by different jurisdictions is meaningful” Mr Nishikawa said.

Other issues discussed at the forum included:

- the importance of educational activities aimed at promoting greater understanding of principles-based standards;
- recent developments of Japanese accounting standards towards international convergence; and
- the value of all stakeholders, including standard setters, professional accounting bodies, policy setters and regulators being engaged in regular dialogue of financial reporting issues.

Outcomes

1. It was agreed that challenges exist in the interpretation of IFRS across the region. Delegates discussed the drivers behind the need for interpretations and possible ways in which these could be addressed without individual jurisdictions needing to issue interpretations in addition to those issued by International Financial Reporting Interpretations Committee.

2. Delegates were invited to provide comments to the IASB on the SME Exposure Draft. In particular, the IASB requested advice on whether the proposed standard would achieve the right balance between the needs of users and preparers. Delegates provided feedback to the IASB on particular challenges faced in individual jurisdictions and noted that the proposed standard had also inspired many jurisdictions to examine their reporting framework for SMEs.
3. Delegates acknowledged the issues associated with the re-badging of IFRS by individual jurisdictions and the importance of having IFRS compliant financial statements being recognised as such internationally.
4. It was acknowledged that the forum provided a valuable opportunity for jurisdictions within the region to discuss issues of mutual concern. Delegates strongly supported the forum becoming a regular event.

Commenting on the success of the forum, Mr Jim Murphy, Executive Director, Australian Treasury thanked the ASBJ for hosting the event. “The Tokyo IFRS Regional Policy Forum has been an outstanding success. The forum provided a valuable opportunity for policy setters within the region to exchange ideas and gain a better shared understanding of the accounting and financial reporting issues affecting the region moving forward. I hope that the forum will become a regular event” Mr Murphy said.