



15 November 2014

The Accounting Standards Board of Japan

The Securities Analysts Association of Japan
Accounting standards research committee

Re: Should Goodwill Still Not Be Amortised?- Accounting and Disclosure for Goodwill

On October 31, 2014, the Securities Analysts Association of Japan (SAAJ) submitted its comment letter on the Accounting Standards Board of Japan (ASBJ)'s Exposure Draft on "Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications."

In this comment letter, the SAAJ's current views on amortisation of goodwill are shown as a response to a question in the ASBJ's Exposure Draft, along with a summary of the result of the SAAJ's questionnaire to its members.

Accordingly, the SAAJ submits the same comment letter as an input to Discussion Paper ('DP') *Should Goodwill Still Not Be Amortised? - Accounting and Disclosure for Goodwill*, although it is not a direct response to the questions in the DP.

The appendix is excerpted from the SAAJ's comment letter on JMIS.

- (a) The SAAJ's comment regarding amortisation of goodwill
- (b) Summary of the result of the SAAJ's questionnaire to its members



31 October 2014

(A) The SAAJ's comment on the ASBJ's Exposure Draft on JMIS

Question 4 ASBJ Modification Accounting Standard Exposure Draft No. 1
Accounting for Goodwill

ASBJ Modification Accounting Standard Exposure Draft No. 1 *Accounting for Goodwill* proposed to make 'deletions or modifications' to the requirement relating to non-amortisation of goodwill.

Do you agree with the 'deletions or modifications' proposed in the Exposure Draft and the reason set out in the Basis for Conclusion? If not, please explain why.

With regard to the issues relating to identification of intangible assets acquired in a business combination, the Exposure Draft proposed not to make 'deletions or modifications,' partly in order to minimise 'deletions or modifications' to the extent possible.

Do you agree with this proposal? If not, please explain why.

We agree, in principle, with the proposed 'deletions or modifications' to the requirement relating to non-amortisation of goodwill. Japanese constituents, including the ASBJ, have had long-standing arguments for amortisation of goodwill. The result of our questionnaire, which asked about the views on amortisation of goodwill, also shows that 64% of respondents answered "agree."

However, in our discussion, some members stated that they disagreed with different accounting treatments for goodwill and for intangible assets with indefinite useful lives. They believed that the same accounting requirements should apply to both goodwill and intangible assets with indefinite useful lives so as to eliminate the risk of arbitrary classification, given that they often arise simultaneously in acquisitions of business and their distinction is highly ambiguous.

Arguments for and against amortisation of goodwill are based on their respective rationales, and it would be difficult to determine which is logically correct. In the process of sharing Japanese stakeholders' views on goodwill both domestically and internationally, it would be necessary to further the discussions on 'what accounting treatment should be required in IFRSs', including the relationship between accounting requirements of goodwill and those of intangible assets with indefinite useful lives.



31 October 2014

(B) Summary of the result of the SAAJ's questionnaire to its members

Q2 : JMIS Exposure Draft No. 1 *Accounting for Goodwill* proposed to make 'deletions or modifications' to the requirement in IFRS relating to non-amortization, in order to require amortise goodwill, as does Japanese GAAP.

Do you agree with the proposal? (**Question 4** of JMIS Exposure Draft)

	Number of respondents	Percentage
(a) Agree	27	64.3%
(b) Disagree	10	23.8%
(c) Neither	5	11.9%
Total	42	100.0%