

Japanese
ACCOUNTING FORUM 2018

No. 26

JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association

Liaison Office: c/o International Business Institute, Co., Ltd

Tsukasa Building 3rd. F. , 518 Waseda Tsurumaki-cho, Shinjuku-ku,
Tokyo 162-0041, Japan

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Preface

Japanese ACCOUNTING FORUM of Japan Accounting Association (JAA) is published annually to publicize academic activities of JAA in English. The first issue of *Japanese ACCOUNTING FORUM* was published in 1993. This edition for 2018 is the 26th issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 76th Annual Conference of JAA which was held at ANA Crowne Plaza Hotel Hiroshima & Higashi-Senda Campus in Hiroshima University on September 22-24, 2017. It also includes the reports of regional activities of JAA during the 2017 academic year.

I sincerely hope that *Japanese ACCOUNTING FORUM* serves the readers to better understand the activities of JAA.

Katsuhiko Kokubu

Chairman of the International Committee and
Managing Editor of *Japanese ACCOUNTING FORUM*,
Japan Accounting Association

Contact: Professor Katsuhiko Kokubu
Graduate School of Business Administration
Kobe University
2-1, Rokkodai-cho, Nada-ku,
Kobe 657-8501, JAPAN
kokubu@kobe-u.ac.jp

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ACCOUNTING FORUM

No. 26, 2018

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2017 Annual Conference of JAA

Report

2017 Annual Conference

Chairman of 2017
Annual Conference
Ichirou Hoshino
Hiroshima University

The 76th conference of Japan Accounting Association (JAA) was held at Hiroshima University first time. This conference was held at ANA Crowne Plaza Hotel Hiroshima & Higashi-Senda Campus in Hiroshima University on September 22-24, 2017.

After consideration with the preparatory committee, the main theme of this year's conference was set as "Changes in the Economic Environment and Issues of Accounting Research." In this conference, we set up four sub-themes based on these unifying themes. It is "Accounting Information as Large-Scale Data," "Accounting for Financial Instruments and Accounting by Financial Institutions," "Fraudulent Accounting and Accounting Scandal" and "The Role of Not-for-Profit Accounting in Medical Welfare."

Even though "Change in the Economic Environment" is considered to have various elements and aspects, in the unification topic of the convention this time, it is thought that the preparation committee of the 76th convention meeting regards these four. We planned to investigate the changes in the economic environment related to sub-themes and the problems of accounting research and accounting system. We also keep in mind that discussions in a unified theme discussion will be intertwined.

At the special lecture meeting, we ask the speakers related to one or more of these four sub-themes. The speakers are Ms. Aiko Sekine (President of the Japanese Institute of Certified Public Accountants) and Mr. Shigeru Tsuyoshiya (Chief Director of the Social Welfare Organization Saiseikai Imperial Gift Foundation).

With regard to international sessions, in cooperation with the International Exchange Committee of this academic society, we have established an English report by members of the Korea Accounting Academy Association and members of the

Taiwan Accounting Academy Association as well as English reports by members of this society as usual during the past several years. Furthermore, based on the fact that there are English reports by graduate students, we established the “International Student Session.” We hope that it will help internationalization of the Society.

In the IFRS session, we decided to develop a symposium-style discussion by four researchers on the “IFRS endorsement.”

Not limited to this society, in academic societies and research activities, it is vital to have free and open-minded or open-minded discussions without denying the diversity of research topics and research approaches. We believe that denial of diversity and being dogmatic are suicidal acts in the academic world. We believe that free and open discussion and exchanges will be aggressively developed at this conference and this time at the contest, without falling into such a collapse.

Member of the preparatory committee of the 76th conference of Japan Accounting Association.

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Ichirou Hoshino

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**2017 Annual Conference of JAA
Plenary Session: Changes in the Economic Environment and
Issues of Accounting Research**

Session 1: Accounting Information as Large-Scale Data

Large-Scale Accounting Data and Capital Market Research

Kazuhisa Otogawa

Kobe University

I report the empirical results of our joint research with Professor Toshio Moriwaki. We specify the accurate time stamps when disclosure documents such as Summary of Financial Results (*Kessan-Tannsin*) and Annual Securities Report are released through the Internet, and then examine the stock market reaction around the announcement time at one minute intervals. We find that there are large price changes and trading volume increases immediately after the Summary of Financial Results is released through the TDNet, but observe no price changes and volume increases just before and after the Annual Securities Report is announced through the EDINET. We next compare the stock market reaction when the Summary of Financial Results is released during trading and non-trading hours. Stock price changes and volume increases to earnings releases during trading hours are larger than ones during non-trading hours. We also document that the stock market reaction to the release of Summary of Financial Results is faster and larger in the period when the Tokyo Stock Exchange works the new trading system called as *Arrowhead* to dramatically enhance order processing capabilities. As our research is ongoing, we need to make some additional tests to draw a strong conclusion. Taking this limitation into account, these results suggest that under the environment that accounting information is disseminated instantaneously via the Internet and high frequency trades is prevailing in the stock market, individual investors are disadvantageous because they have fund and time constraints. To overcome it, individual investors can make their investment decisions from the long term viewpoints, and/or ask professionals such as fund managers of mutual funds for investment advices. Therefore, I indicate that very important research issues in the future capital market research are (i) fundamental analyses, which explore the usage of accounting information useful for long-term investments, and (ii) financial reporting of mutual funds, which reduces the information asymmetry between fund managers and individual investors.

Large-scale Accounting Data and Cross-country Research

Masahiro Enomoto

Kobe University

A growing body of literature has used large-scale international databases to focus on cross-country differences in financial reporting. Earnings quality displays the most notable differences and many researchers pay particular attention to it. Numerous studies have demonstrated the determinants of earnings quality at individual country level. Factors that affect earnings quality, such as the relationship between managers, debtholders, and stockholders, and corporate governance, vary according to the institutional and cultural environment in each country. However, in the context of an individual country, these factors are ignored because they effect all firms operating within that country. Therefore, international comparison analysis is useful to explore the factors affecting earnings quality at individual country level. This study reviews the earnings quality research using an international database and discusses the development of future research in this area.

I summarize the previous literature in the following three areas: (1) the relationship between earnings quality and the institutional and cultural environment in countries, (2) the improvement or deterioration of earnings quality by adoption of IFRS, and (3) the influence of each country's institutional factors on the relationship between earnings quality and IFRS adoption.

In summary, the previous literature shows that in general, firms in common law countries, and countries with stronger investor protection and higher financial development tend to have higher earnings quality. Second, whether IFRS adoption improves earnings quality or not has been inconclusive. Third, previous studies report that institutional factors, especially investor protection, affect the relationships between earnings quality and IFRS adoption.

I propose future research in an international setting from four viewpoints; (1) interaction within a single and cross-country setting, (2) effect of changes in earnings quality through IFRS adoption on the contracting role of accounting, (3) cross-country research on non-listed firms, and (4) increase of data availability from international databases.

There are still many challenging topics left in cross-country research. The availability of international data limits the development of our analysis. I believe that an increased availability of international financial databases will facilitate more opportunities for international comparison studies.

Large-Scale Accounting Data and Management Compensation Research

Shota Otomasa
Kansai University

This study examines the role of accounting information in determining management cash compensation and provides much evidence of empirical analyses that accounting earnings is one of the chief performance measures in management compensation contracts. Then, I explore new areas in accounting research, as it is likely to be filled with useful disclosure from corporate governance information including management compensation.

Managerial pay has become a controversial public issue in recent years. Contract-based accounting research suggests that the key to aligning management compensation with shareholder interest is to increase the sensitivity of managerial pay to firm performance. Managerial pay practices play a role in improving corporate governance and maximizing shareholder wealth, while Japanese listed firms are criticized as being often paid a considerably high degree of fixed compensation such as salary relative to variable compensation.

However, shareholders are conscious of improving compensation practices by linking pay more directly with performance outcomes. Annual shareholders' meetings in Japan have to pass a resolution on the executive cash compensation payable to all board members if there are no prescriptions regarding cash compensation in the articles of incorporation. The meeting places an upper threshold on the total amount of the cash compensation and delegates the distribution to each executive below the cap to the board. Imposing board member compensation ceilings is common in Japan. Under Japanese compensation practice, most previous studies on Japanese executive compensation have found a positive relationship between management compensation and accounting performance.

In addition to cash compensation, stock and option grants with performance-based vesting provisions are likely to be prevalent since the introduction of Japan's Corporate Governance Code, which seeks to motivate managers and enhance the firm's performance. Although the use of stock-based compensation plan will provide strong incentives for managers to lengthen their time horizons, these studies are still in the early stage of development in Japan.

Session 2: Accounting for Financial Instruments and Accounting by Financial Institutions

Application of Impairment and Hedge Accounting of IFRS 9 to the Financial Institutions

Tatsumi Yamada

KPMG AZSA LLC and Chuo University

The revised IFRS 9 *Financial Instruments* is due to be effective 1 January 2018, which will impact activities of major financial institutions (global-systemically-important-banks: G-SIBs) all over the world. The revised Impairment and Hedge Accounting standards among other requirements in IFRS 9 will require enormous changes in their internal control systems to ensure an appropriate implementation. At the conference, focuses were given to the explanation of the new standards and other pronouncements released by the Global Public Policy Committee (GPPC) of the Big Six accounting firms.

Impairment Standards

The new model which is called the ‘expected credit loss model’ takes a relative approach instead of the ‘incurred loss model’ which takes an absolute approach in IAS 39 *Financial Instruments: Recognition and Measurement*. Under the new model, at the initial recognition, an entity is required to measure a loss allowance of financial assets which are measured at amortized costs at an amount equal to 12 months’ expected credit losses (ECL). At each reporting date, an entity is also required to measure the loss allowance at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition (the relative approach). As the new approach is so different from the current practice based on the absolute approach, well-in-advance preparation is needed. In response to the request by the Financial Stability Board, the GPPC released the two documents in 2016 and 2017, which give recommendations to the chairs of audit committees of G-SIBs to make sure they should take responsibilities for appropriate implementation of these standards by the end of 2017.

Hedge Accounting Standards (HAS)

The revision of the HAS in IFRS 9 was complete in 2013 except for the macro hedging.

The features of the revision is to make HAS easier for an entity, which means that HAS in IAS 39 was more stringent in the requirements to be qualified as eligible for HAS such as the hedging relationship should be within 30-125% range to be an

effective hedge. The requirements in IFRS 9 HAS give more freedom to the entity. The entity can make up its own effectiveness criteria for its hedge accounting, for example. New standards regarding the macro hedge are also expected to accept current practices of G-SIBs more broadly.

Current Situation and Future Direction of Bank Management Accounting: Effects of Accounting Standards and Financial Regulation

Masayuki Tanimori
Senshu University

Under current Bank Management Accounting, risk management control is insufficient, and it is a feedback function based on historical financial accounting information. As a result of examining the influence of ECL (Expected Credit Loss) and RAF (Risk Appetite Framework), it was found that Bank Management Accounting goes in two directions as follows.

The first direction is to apply the target level of risk that should be aggressively taken for customer, region or profit in Bank Management Accounting. In the integrated risk management that is the basis of the current Bank Management Accounting, there is no target level of risk even if there is a risk limit. That is, in current Bank Management Accounting, risk is only an object to be avoided, and it is not a risk (as a profit opportunity) to raise profit. On the other hand, RAF requires not only risk avoidance but also risk appetite (risk appetite: target level of risk) for each bank to tackle work on the basis of similar problem awareness. Therefore, by incorporating RAF into the framework of Bank Management Accounting, risk management control can finally be realized.

The second direction is to apply the feedforward function in Bank Management Accounting. Current Bank Management Accounting calculates various decision information and uses it for management, and it is also used for segment disclosure information and impairment accounting from the viewpoint of management approach. Therefore, Bank Management Accounting is management control by feedback function based on actual information. In the future, if feedforward becomes possible in the same way as ECL as well as feedback, it will be possible to take a precautionary measure, and it is possible to more certainly achieve the target even under conditions of high uncertainty.

Finally, it is expected that the banking business will change dramatically depending on FinTech (a function that integrated financial and IT technologies), but Bank Management Accounting proactively incorporates new technologies such as IoT and AI, it is expected to evolve to have risk management control and feedforward function.

The Current Issues on Financial Instruments Accounting from the View Point of Risk Management and Financial Regulations

Yasuhide Yoshida

Chukyo University

Financial instruments accounting is high affinity with risk management. In general, risk management of the banking is closely related to financial regulation such as Basel Capital requirement. Relationships between framework of banking accounting, risk management and regulation are complement and mutual dependence. But, each inherent purposes are different, it is difficult that many financial instruments accounting issues to be resolved by single framework. Therefore, study of financial instruments accounting need to adopt comprehensive approach.

I point out three typical financial instrument accounting issues to be resolved by comprehensive approach.

First, Macro hedge is the issue caused by gap between accounting and risk management. Portfolio revaluation approach on IASB discussion paper in 2014 introduced a way of thinking of risk management to accounting framework comprehensively. Introduction of risk management information in macro hedge accounting is adoption of management approach, and the advantage to involve the fault at the same time, influential consideration by a trade-off relation is needed.

Second, the financial regulation to have relation that it is close to risk management of the banking may have an influence on the development of financial instruments accounting. The impairment rule of IFRS9 is conscious of the banking, such as 90 days threshold of default agree with Basel regulation. Bias to the banking in financial instruments accounting may be influenced non-banking industry accounting. Therefore, Standard setting not to be unbalanced in of the specific industry is needed for development of financial instruments accounting.

Finally, the estimates fair value of financial products without market price and measurement of expected credit loss are used risk management information. The reflection of information inside the company contributes usefulness of decision making, but the reliability is a problem from subjectivity of the management. One of current resolution is expansion of the disclosure for risk management system with careful consideration to auditing.

Session 3: Fraudulent Accounting and Accounting Scandal

Exploring a Framework for Studying Accounting Frauds: From the Viewpoint of Management Accounting

Kenji Yasukata

Kindai University

Many accounting frauds and scandals have been reported. The purpose of my session is to discuss and explore the framework with which we, academic researchers, can study accounting frauds from the management accounting perspective. Looking into the reports regarding accounting frauds, we realize the fact that they took place at divisions or departments in organizations, suggesting that those who are responsible for the budget targets and evaluated based on achievement of the targets are involved in the accounting frauds. From the viewpoint of management accounting, management control systems, such as budgeting systems, performance evaluation systems, and compensations systems, induce organizational behavior; that is, organizational behavior is a consequence of those systems designed to control employees' decisions and behavior. Accounting frauds, therefore, can be interpreted as a negative side effect of management control systems.

However, this side effect has been out of the scope of management accounting research, even though management accounting literature potentially provides a lot of insights into studying accounting frauds. Recent research, for instance, pays attention to the situations where employees are encouraged to report honestly. I believe that management accounting research plays an important role in studying accounting frauds.

Corporate Fraud and CPA Audit

Sugako Ijima

Kurume University

The purpose of this paper is to study the expectation gap of CPA audit in Japan, and show the key to filling the gap by analyzing disclosures of corporate fraud by Japanese companies.

Legally and academically, corporate fraud is clearly classified into “fraud” or “error” while company practices in Japan use the term “inappropriate accounting” in addition to these two terms. This study investigates the timely disclosure of firms on the Tokyo Stock Exchange from 2007 through 2016 by extracting disclosures that include the terms—error, fraud, or inappropriate accounting. As a result, 471 companies used the term “error,” 352 companies used the term “inappropriate accounting,” 69 companies used the term “fraud,” and 17 companies used both the terms “inappropriate accounting” and “fraud.” In timely disclosures, companies tended not to use the term “fraud,” avoiding the word as much as possible without fully defining the terms “error,” “fraud,” and “inappropriate accounting.”

CPAs in Japan conduct audit in accordance with “Generally Accepted Auditing Standards (GAAS).” GAAS requires CPAs to obtain reasonable assurance that financial statements contain no material misstatements, but does not require them to identify the underlying causes of material misstatements.

In Japan, the understanding of corporate fraud is different in terms of legal and academic classifications, company practices, and CPA audit. This gap in understanding signals an “expectation gap of CPA audit” in Japan.

To fill the gap, there should be a method to revise GAAS that requires CPA audit to accurately reflect the cause of material misstatements. In practice, users of financial statements need useful information without material misstatements, and do not need to know the cause of misstatements. This is because, even if the cause of the material misstatements is “error,” “fraud,” or “inappropriate accounting,” there is no impact on the presentation of the financial statements. In some cases, there is even a risk that a revision to the GAAS will lead to excessive audit and change the purpose of CPA audit.

Fraud of Public Sector: Current Situation and Challenges based on Annual Audit Reports of BOA

Nobuo Azuma

Board of Audit of Japan

According to INTOSAI's ISSAI 1003, fraud is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. Auditors of public sector are required to take up fraud even when it might not cause material misstatement in financial statements.

I have selected audit cases recognized as fraud from the past ten years' annual audit reports of the Board of Audit of Japan (BOA). As a result, there are audit cases whose volume is 1,183 cases and value is 92,797 million yen. To classify these audit cases by entity of fraud, the top in terms of volume is beneficiaries of subsidies of the State government that share 563 cases (47.6%), and the top in terms of value is contractors of the State government that share 45,418 million yen (48.9%). To analyze these audit cases by trend, peak in terms of volume is 241 cases in 2009 and peak in terms of value is 46,130 million yen in 2012, and both of them are decreasing afterward.

Though fraud of public sector is now the lowest level both in terms of volume and value, we have to eliminate fraud risk factors because we can't affirm that this trend will continue for a while. For example, we could set unified internal control standards of the State government based on COSO's framework and provide provisions corresponded to 5 components of internal control abided by all officials in accounting regulations. Also, we could set unified internal auditing standards of the State government reflected concept of COSO's framework and provide provisions to oblige the ministries to set up internal auditing institution independent to other sections in accounting regulations.

BOA has not only detected fraud but also demanded practical prevention measures of recurrence of fraud from the ministries since 2005 under the policy that BOA should concentrate on audit of basic accounting procedures. On the other hand, scholars of accounting have tended to take up fraud from the context of audit of financial statements, internal control and internal auditing of private sector, and have not paid attention to fraud of public sector. As a result, it is no exaggeration to say that there is no systematic academic research on fraud of public sector. Scholars are expected to contribute to prevention of recurrence of fraud of public sector from the aspect of accounting theory because there are still fraud risk factors in public sector owing to changes of economic environment.

Session 4: The Role of Not-for-Profit Accounting in Medical Welfare

Disclosure of Financial Accounting Information of Medical Welfare Businesses -Possibility of Utilizing Common Framework-

Toshie Ishizu

Meiji University

The expansion of medical welfare businesses is one of the major causes of the current governmental financial crunch in Japan, where the publicly funded national health insurance system covering all citizens faces the problem of an aging population. The appropriate disclosure of financial information is important for mutual understanding between service providers and those paying tax and social insurance premiums.

Recently, a conflict arose between society and the providers of social nursing homes regarding to the latter's excessive accumulation of internal reserves. Following this incident, the government introduced a new system, making it mandatory for them to utilize certain portions of their accumulated reserves. Using this system as a case study, this paper proposes separating their internal reserves into two categories: (1) a portion that is certain to be spent on social welfare activities and (2) a portion that is simply accumulated, without any specific purpose.

First, we compare the accounting conceptual frameworks (common frameworks) in the SFAC No.4 by the U.S. Financial Accounting Standards Board (FASB) and in the Research Report No.25 by the Japanese Institute of Certified Public Accountants (JICPA). We mention the following two aspects: one is that, in Japan, those paying taxes and social insurance premiums are key information users. The other is that social welfare businesses receive beneficial tax treatment. Therefore, a full explanation of stewardship should be an important function of financial information disclosure. We go on to indicate that, if mandatorily collected taxes and social insurance premiums are kept as internal reserves, the reason for their non-utilization and the manner in which they will be used should be clearly explained. Further, we put forth the argument that for this to be achieved, internal reserves should be separated into the abovementioned two categories and disclosure as such. As a specific means of separating disclosures, we propose that the "Net assets" should be divided into "restricted assets" and "unrestricted assets," as indicated in both two conceptual frameworks. We also propose that the portion mentioned in (1) above should be entered as restricted assets.

Notably, Japanese not-for-profit organizations have different accounting standards for different types of organizations. If these ideas related to the common frameworks are introduced gradually, to the extent that their usefulness is recognized, we believe that this would increase transparency and comparability for the benefit of information users.

Current Development of Managerial Accounting in Health and Welfare Sector under Changing Business Environment

Ko Arai

Hitotsubashi University

This study reveals, 1) how changing business environment demands utilization of managerial accounting in health and welfare sector, 2) to what extent managerial accounting are actually used, and 3) what kinds of problems are seen to use it effectively. In addition, based on these backgrounds and current utilization practices in healthcare organizations, this study shows topics, which should be tackled in managerial accounting research.

Fundamental change of business environment is deterioration of nation's fiscal condition. This problem stems from decreasing tax revenues due to long-term stagnation in Japanese economy and increasing medical expenses due to super-aged society and expensive medical technologies. This nation's financial disaster is common background of all following environmental changes, which directly require application of managerial accounting in health and welfare sector; i) continuously restrained medical-fees, ii) development of Diagnosis Procedure Combinations and new reimbursement system based on DPC, iii) continuous innovation in medical technology, iv) increasing people's interests in medical qualities under fiscal crisis, v) requirement for strategic management regarding choice of capabilities each healthcare organization have by themselves and cooperation with other organizations having different capabilities, vi) transition of power from top management to middle managers responsible for each business line due to diversification of business lines in a medical corporation.

Profitability control by responsibility centers is undertaken in many healthcare organizations, especially in private one. However, some problems are seen, such as lack of hospital director leadership and inadequate capability of a management staff regarding managerial accounting.

Finally, this study shows following research topics related to managerial accounting in healthcare organizations; i) how to encourage further utilization of managerial accounting, ii) how to improve effectiveness of currently used managerial accounting, iii) assessment of effectiveness on financial and non-financial outcomes, iv) how to educate effectively top management & middle managers with limited times about managerial accounting, who are medical staff in most cases and have never been educated even about basics of business administrations.

Relationships between Accounting for Medical and Welfare Services and Public Sector Accounting: From a Perspective of Macro Policy

Kiyoshi Yamamoto

The University of Tokyo

Japanese society is now challenged by decreasing population and fiscal stress. A major concern is to harmonize economic growth and assured life for the people. Both service fields of nursing care and welfare for the aged have to be appropriately planned and implemented efficiently and effectively. Japan's welfare services have a distinguished character from other developed nations in dividing the finance through public money into the provision by the private sector, most of the non-profit sector. It means that non-profit sector in Japan has played a greater role in social life and public finance. Therefore to explore the accounting role in measuring the performance then to make recommendation for the improving is quite important. From this perspective, this reporting examines the structures and its issues for non-profit sector accounting focusing on medical services, which is the largest part of social welfare expenditures in the general budget. Medical services provided by medical institutions are basically operated through the public health insurance system which is financed by the insurers, the government and personal payments. Medical institutions like non-profit hospitals and public hospitals including general practitioners are operated in a quasi-market of public health service on a legal price. Consequently insurers other than medical institutions and the government have to be included as an accounting entity for the target of controlling medical services and public finance. Insurers are the interface between the medical institutions, the government and the general public as a person covered by the public health insurance. Of course accounting harmonization among the medical institutions, the government and insurers shall be needed in addition to public and private medical institutions.

**2017 Annual Conference of JAA
Special Committee**

**Comprehensive Study on the Design of Accounting System
(Interim Report)**

Chair: **Shinya Saito**

Yokohama National University

Accounting information is the reflection of economic events of entities. However, it could affect a company's behavior. Therefore, in order to design accounting systems, such as accounting regulation and accounting standards, it is necessary to fully take the affections side into consideration. However, there is not sufficient accumulation of the research on the affects, at present. Moreover, since it is a premise that social systems are accepted in society, stability and fixed durability are called for. Therefore, in order to design accounting systems, it is necessary to fully take the basis of theoretical consistency into consideration.

The purpose of this research is to consider comprehensively the design of the accounting systems. Then, this research will specify the factors to be considered at designing the accounting systems, and aim at contributing to the review after the enforcement.

This interim report has six parts. In the first part, after the explanation of the meaning to set up the theme, the basic subjects and the factors which draw the legitimacy of accounting standards are investigated from the viewpoint of a social consent. In Japan, there are the problems, such as unbalance of participation and complication of procedure, while the transparency of a deliberation process is high. In second part, from the viewpoint of accounting regulation, some problems are pointed out.; the improve of information by segment and quarterly report disclosure by Financial Instruments and Exchange Law, necessity of processing a subsidiary and associated company stocks by equity method in individual financial statements, and the influence of the distribution regulation change, etc. In third part, the accounting standards are investigated from the viewpoint of the normative consistency. The standards which are concretely considered are revenue recognition, financial instruments, asset retirement obligation, business combination and insurance products. In the fourth part, the verification results of empirical researches are mentioned. In Japan, there are the tendency which net deferred tax asset is increasing, a significant relation between a deferred income tax and stock prices. And there is loss evasive behavior in relation to the expression of comprehensive

income. In fifth part, using a transaction cost and network externality, the preliminary examination about an accounting-standards selection problem in Japan is shown. Finally, in sixth part, the preliminary consideration about the both post-implementation review of ASBJ and IASB are shown.

Chair:

Shinya Saito (Yokohama National University)

Members:

Kazuki Ikushima (Iwate Prefectural University)

Takefumi Ueno (University of Shizuoka)

Yasuhiro Ohta (Keio University)

Satoshi Ohtaka (Yokohama National University)

Shigeo Ohtsuka (Chiba University)

Katsuyuki Kanda (Okayama University)

Akihisa Kimura (Yokohama National University)

Kouji Kurata (Rikkyo University)

Kenji Kometani (Tohoku University)

Nobuhiko Sato (Kumamoto Gakuen University)

Masatsugu Sanada (Shujitsu University)

Tomonari Shinoda (Hokkaido University)

Kazumi Suzuki (Kobe University)

Tomohiro Suzuki (Asia University)

Takefumi Tamura (Chuo University)

Akihiro Noguchi (Nagoya University)

Miho Furuta (Konan University)

Masao Yanaga (Tsukuba University)

Yasuhiro Yamada (Rikkyo University)

Yan Lee (Nanzan University)

Special Committee

Comprehensive Research on Strategic Management and Management Accounting (Final Report)

Chair: **Masanobu Kosuga**

Kwansei Gakuin University

This committee 2015-2017 seeks to investigate the actual situation of the strategic management practices in Japanese firms from a viewpoint of the accounting function in order to enhance our understandings on them. The research includes quotes from CEO, CFO, and other professionals working in business about their experience in the strategic management processes within Japanese enterprises. The purpose of the final report is to elucidate the following issues:

1. The contents, process, and context of the strategic management in Japanese firms.
2. The extent to which management accounting system and/or management accounting information are utilized to support strategic decision making and strategic management process in Japanese firms.
3. The management accounting concepts, tools, and systems that are used by the Japanese firms in their strategic context.

The final report consists of twelve chapters. They are as follows:

Chapter 1: Management accounting for strategic management in Japan

Chapter 2: Theoretical framework of strategic management and accounting

Chapter 3: Creating values based on stakeholders approach and strategic management

Chapter 4: Midterm business planning and management accounting

Chapter 5: Processes of midterm business planning

Chapter 6: Capital budgeting and strategic management

Chapter 7: R&D and several strategies for developing new products

Chapter 8: Strategic management of advertising costs

Chapter 9: Brand management and management accounting

Chapter 10: Globalization of Japanese business and management control systems for foreign subsidiary companies

Chapter 11: Global strategy and performance evaluation system

Chapter 12: Strategic management and decision making practices on IT investment

Japanese firms as the subjects of our research were Kawasaki Heavy Industries, Ltd., OMRON Co., Nissan Motor Co., Shionogi & Co, Ltd., NTT Communications, Sekisui House, Ltd., NSK, Ltd., NEC Co., JFE Steel Co., Ajinomoto Co. Ltd., Mitsubishi Chemical Holdings Co., Mitsubishi Tanabe Pharma Co., Daiichi Sankyo Co. Ltd., Hitachi, Ltd., Oki Electric Industry Co. Ltd., Suzuki Motor Co., Honda Motor Co. Ltd., Toyota Motor Co. and so on.

In our conclusions, it has been suggested that Japanese management accountants should take more proactive roles in the strategic management process embodied as a midterm business planning process. In many Japanese companies, their midterm business plans are generally tied up with not only the short-term profit planning and budgeting systems, but also their financial disclosure on their performance forecasting. One of the objectives of this research was to identify the extent to which this has happened in Japanese firms.

Chair:

Masanobu Kosuga (Kwansei Gakuin University)

Members:

Takashi Arae (Nihon University)

Akihiko Uchiyama (Chiba University)

Hiroto Kataoka (Meiji University)

Hiroyuki Nakamura (Yokohama National University)

Shogo Kimura (Nagoya University)

Tomoaki Sonoda (Keio University)

Asako Kimura (Kansai University)

Masahiko Sakai (Otaru University of Commerce)

Masaru Nakagawa (Doshisha University)

Yoko Asakura (Kansai Gaidai University)

Shuji Mizoguchi (Yokohama National University)

2017 Annual Conference of JAA Study Group

Many-Sided and Synthetic Research of the Accounting in China: Based on the Historical and Comparison Institutional Analysis (Interim Report)

Chair: **Ichiro Mizuno**
Kansai University

Accounting reform of the present-day China (the People's Republic of China) began from the "accounting standards for business enterprises" and the "general rules of business finance" in July, 1993. Accounting reform in China brought about a big change which is called to "the big storm of accounting." Internationalization of accounting system in China was also advanced quickly. Also in accounting domains (such as financial accounting, managerial accounting, audit, and internal control etc.), the international accountancy practice and the result of accounting research have been taken in.

In this research, we catch the accounting in China from many sides, being based on the methodology of comparative system analysis, and by historical and clarifying synthetically about the feature of the present-day accounting in China.

The 1st subject is tackling historical research of the accounting theory, accounting system, accounting practice, and accounting cultures which have formed the present-day accounting in China. When we understand the accounting system of China, it is important to research modernization of China from end-stage of Qing era, development of a national corporation, and generation of an accounting profession, to consider the historical path dependency and institutional complementarity of China with a period of the practice of the old socialism accounting system after the revolution in 1949. As a tentative report for this subject, we made a presentation of "History and development of the enterprise accounting in China," "Western double-entry-bookkeeping: Propagation to modern China," and "Accounting in present-day China and the comparative system analysis."

The 2nd subject is clarifying the status and feature of the present-day accounting in China through the research of domains (such as institutional accounting, cost accounting, managerial accounting, internal control, audit, integrated report, environmental accounting, small-and-medium-size-firms accounting, etc.) which each member has so far tackled. As a tentative report for this subject, we made a presentation of "Consideration about the accounting

conceptual framework of China,” “Aspect and subject of an internal control system in China,” and “Introduction of the amoeba management in China.”

The 3rd subject is tackling accounting research situation (a main research magazine and its appraisal) of China, the status and feature of accounting education (main texts and contents of the specialist graduate schools, such as a graduate school and MPAcc, a syllabus, a curriculum, etc.) of China. Additionally, it is also important to clarify the certified public accountant system (examination system, auditing profession, and continuous education of accountant, etc.) of China, the cultivation system of the accountant of a business concern (the beginners' class, the middle class, high-class accountant). As a tentative report for this subject, we made a presentation of “Accounting education and researcher training in China.”

Moreover, although it was not able to report at the academic conference, we officially published as a full paper of a tentative report “Status and subject of the Taiwan accounting system.” This paper is results which explored the status and feature from historical development of the accounting system of Taiwan where socioeconomic systems differ, though it is the same Chinese-speaking countries.

Chair:

Ichiro Mizuno (Kansai University)

Members:

Zhiqiang Bu (Osaka City University)

Ling Feng (Tokyo University of Science)

Yan Li (Takushoku University)

Qingyun Lin (Nagoya University of Foreign Studies)

Shoji Oka (Kansai University)

Masakatsu Oshima (Asia University)

Lanlan Shao (Sapporo Gakuin University)

Meiling Sun (University of Marketing and Distribution Sciences)

Jing Tao (Okayama Shoka University)

Zhi Wang (Sophia University)

Yu Wang (Kwansei Gakuin University)

Wei Wei (Kyushu Sangyo University)

Yang Xu (Nagasaki University)

Xuebing Qiao (Takushoku University, part-time lecturer)

Bowei Zhong (Asia University, part-time lecturer)

Study Group

The Impact of Integrated Reporting on Management Accounting (Final Report)

Chair: **Yoshihiro Ito**
Waseda University

In this research, while considering the viewpoint of management accounting, we examined the multifaceted impact of integrated reporting on corporate accounting beyond the boundaries of accounting domain, and the direction in which accounting research should proceed in the future. The study group recognizes that integrated reporting has the potential to prompt a major change in the social role of the accounting system. Through this research, we would like to identify the trends in accounting research over the next several decades. In the final report, we conducted research on the following themes to achieve our research objectives.

1. The impact of integrated reporting on management accounting research and practice
2. A survey of integrated reporting in Japan
3. Integrated reporting as a management strategy
4. The case study on the impact of integrated reporting on company practice
5. Voluntary disclosure of negative information in integrated reporting
6. Assurance in integrated reporting

Through the above research, we were able to partially clarify the issues involved in the disclosure of integrated reports and mandatory integration reporting. At the stage of the final report, although we were able to achieve certain results, we must say that both studies are still in progress. In the final report, we were able to clarify the following points.

First, we conducted a questionnaire survey to clarify the actual situation of integrated report in Japan. The survey was conducted for 1408 companies listed in “CSR Company Overview 2017,” and the final number of responses was 140 companies (Ratio of valid response rate: 9.9%). Among them, 44 companies (about 31.4%) disclosed integrated report. Through this survey, we could clarify that the implementation of the integrated report has positive influences such as enabling stakeholders to understand strategy and increasing opportunities for inter-department communication.

Second, in addition to the questionnaire survey, we examined the possibility that the integrated report will transform management control systems through case study based on interviews. It became clear that the implementation of the integrated report not only helps stakeholders outside the organization to understand the strategy, but also has the effect of promoting the penetration and understanding of the strategy inside the organization.

We regard this theme as a top priority research topic. Furthermore, we believe it is impossible to systematically integrate non-financial and financial information without a management accounting approach. In this regard, we have proposed the use of CSR scorecard and sustainability scorecards based on the balanced scorecard approach, and have been searching for a concrete and practical framework. In the future, we intend to further examine the theme of integrated reporting for robust development.

The effect of integrated reporting on the organization's management control is hardly known. To clarify this point, we will conduct research continuously using both quantitative research based on questionnaire survey data and qualitative research such as a case study. Furthermore, we will empirically analyze the stock market reaction to first disclosed companies and the stock price relevance of the quality of the published integrated report.

Through these studies, we will determine whether integrated reporting is an important theme that has the potential to transform the role of the accounting system or just a discussion attributable to a transient boom. Companies that implement integrated reports have increased rapidly from around 2015. Therefore, we will continue to investigate in the future to clarify how the integrated report affects management accounting and organizational management.

Chair:

Yoshihiro Ito (Waseda University)

Members:

Hiroshi Obata (Hitotsubashi University)

Akira Omori (Yokohama National University)

Tomoki Oshika (Waseda University)

Haruo Hara (Sapporo Gakuin University)

Takehiro Metoki (Musashi University)

Aki Yamauchi (Waseda University)

Koji Yamamoto (Osaka Gakuin University)

Eri Yokota (Keio University)

Study Group

Expansion of Disclosed Information and the Diversification of Audit Framework (Final Report)

Chair: **Yoshinao Matsumoto**
Kansai University

Research purpose:

The 2014 Revised Audit Standard by the Business Accounting Council and practice guidelines by the Japanese Institute of Certified Public Accountants introduced the framework of multiple audit opinions and various audit subjects. In this research, we consider an influence of the revised Standard's purpose and contents on an audit theory and practice in the light of international and time series aspects. Besides, based on such revision, we study what kind of future expansion of disclosed information by companies. We finally present the institutional possibility of the reliable disclosure system that there should be in future our country.

Research summary (final report):

The revised Audit Standard acknowledged an assurance of the reliability by audit services on a single financial statement and a specific item of financial statement in addition to a complete set of financial statements. Prior to Japanese Audit Standard revision, the International Audit and Assurance Standards Board (IAASB) introduced the International Standard on Auditing (ISA) 800 "Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" and 805 "Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement" since the accounting year beginning of December 15, 2009. These standards approved the diversification of audit subjects and the multiple application of the audit opinion framework in the foreign countries. Until such standards, an audit was conducted for the complete set of financial statements and auditors expressed a conclusion about the fairness.

We firstly examined how audit practices in Japan address such revised audit standards based on the actual survey. Secondly, we verified the economic effect of voluntary audit by empirical research using archival data.

As the accrual survey with questionnaire, which was assisted by the Japanese Institute of CPAs (JICPA), we acquired the answers which include (1) nature of

audited/ attested financial information, (2) accounting standards, (3) contents of audit/ attestation contract, (4) conclusion, (5) distribution restriction of report, (6) characteristics of client, and (7) particular attention in practice. We could extract and analyze the real characteristics of audit/ attestation practice on financial information in Japan on the basis of this survey.

In the empirical analysis, we conducted extensive surveys of prior research on how motivated clients purchase voluntary audit or attestation services. Additionally, we compared the economic effects of voluntary review service as a market self-regulation for the listed companies of the Tokyo Stock Exchange's Mothers with of mandatory review service introduced by the 2006 Financial Instruments and Exchange Act. As a result, we proved the positive economic effect of voluntary review services.

Our final report including the results of the actual survey and the empirical analysis suggests that any assurance on the reliability of financial information is essential for the market by audit or attestation services.

Chair:

Yoshinao Matsumoto (Kansai University)

Members:

Nobuhiro Asano (Osaka City University),

Sugako Ijima (Kurume University)

Yoshiaki Ozawa (St. Andrew's University),

Naoki Kasai (Shiga University)

Akinobu Shuto (University of Tokyo),

Takatoshi Hayashi (Kwansei Gakuin University)

Hidenori Horiko (Kwansei Gakuin University),

Yoshihiro Machida (Aoyama Gakuin University)

Tomomi Takada (Kobe University)

2017 Annual Conference of JAA

**International Session A Construct Validation Study on
Environmental Management Control System: An International
Perspective**

Katsuhiko Kokubu, Kobe University

Thomas Guenther, Technische Universität Dresden

Qi Wu, Kobe University

Kimitaka Nishitani, Kobe University

Edel Guenther, Technische Universität Dresden

Jan Endrikat, Technische Universität Dresden **Career Concerns,
Financial Reporting Quality, and Efficiencies**

Suil Pae, Sungyunkwan University

**Firms' Use of Social Media and Market Reactions to Earnings
Announcements-Evidence from Twitter**

Ju-Chun Yen, National Central University

Shu-Hsing Li, National Taiwan University

Kuo-Tay Chen, National Taiwan University

**The Continuing Audit Period, Client Size, and Audit Quality
Turning Point**

Yeonhee Park, Kongju National University

Inman Song, Sungkyunkwan University & SUNY Korea

Wan Suk Ko, Hankuk University of Foreign Studies

**Voluntary IFRS adoption and accounting quality: evidence from
Japan**

Junjian Gu, Nagoya University

**Auditor Impression Management: Evidence from Governmental
Audit Proposals**

Yu-Tzu Chang, National Chengchi University

Dan Stone, University of Kentucky

**2017 Annual Conference of JAA
Doctoral Colloquium Session**

**The real effects of accounting earnings attributes: Evidence from
Japan**

Ryosuke Fujitani, Hitotsubashi University

**How Does the Japanese Audit Market Transition from Big 4 to Big 3
Period Affect Audit Pricing Competitiveness?**

Frendy, Nagoya University

2017 Annual Conference of JAA Regional Reports

Hokkaido Region

Hiroshi Yoshimi
Hokkaido University

The regional meetings were held in 2017 as follows.

1. The 91st Regional Meeting at Kushiro Public University of Economics on 27 May, 2017.

- (1) “Actual Conditions Survey of the Management Accounting Practice in the Small and Medium-sized Enterprises in the Tomakomai Area: about the non-manufacturing industry,” Kazuhiro Kawashima, Tomakomai Komazawa University.
- (2) “Usefulness and Complexity of Financial Reporting,” Yuji Yoneyama, Hokkaido University.
- (3) “The General Features in Japanese Companies Applying IFRS Arbitrarily,” Koichiro Matsumoto, Hokusei Gakuen University.

2. The 92nd Regional Meeting at Sapporo Citizens Hall on 2 December 2017.

- (1) “Dealings in Subsidiary Companies and Accounting Fraud,” Hiroshi Owada, Houjinkai.
- (2) “A Study on IFRS for SMEs and Accounting Standards for Small-and Medium-Sized Entities,” Yoshiyuki Nakanishi, Hokkai School of Commerce.
- (3) “The Double Account System of the New York, Ontario and Western Railway Company,” Mitsunori Kasukabe, Hokkaido University.
- (4) “A Proposal that an Exemption of Taxpayer and Tax Liability in the Consumption Tax Law,” Shigeyuki Nakashima, Professor Emeritus, Hokkai School of Commerce.

Tohoku Region

Shuhei Kinugawa
Fukushima University

The regional meetings were held as follows;

1. The 92h Meeting, July 29, 2017 at Hirosaki University

- (1) “Re-examination of Quality Cost in 1960s,” Masatoshi Kosugi, Hirosaki University.
Discussant: Keikichi Kato, Hirosaki University.
- (2) “Economic Situation of SMEs in the Tohoku Region after the Great East Japan Earthquake: Based on the Analysis of the Data of Questionnaire Survey 2016 and the Previous Ones,” Tomohiro Kaneko, Toyo University.
Discussant: Kazuki Ikushima, Iwate Prefectural University.
- (3) “Characteristics of Board of Directors and Conservative Accounting Report,” Yoshitaka Ohashi, Aizu University.
Discussant: Shuhei Kinugawa, Fukushima University.
- (4) “Book-keeping and Accounting in the Project-Based Learning associated with the Regional Firms,” Shuko Naito, Hirosaki University.
Discussant: Masateru Narikawa, Tohoku Institute of Technology.

2. The 93th Meeting, March 25, 2018 at Fukushima Gakuin University

- (1) “The Relationship Between Internal Control Quality and Audit Pricing in Japan,” Gaku Ueno, Tohoku University.
- (2) “Revenue Recognition in Agricultural Activity Accounting: A Look at Natural Farming,” Shuko Naito, Hirosaki University.
- (3) “A study of acquisition cost and net worth calculation in Asset Retirement Obligations,” Kazuki Ikushima, Iwate Prefectural University.

Kanto Region

Koji Kurata
Rikkyo University

The 65th Kanto regional meeting was held at Rikkyo University, Ikebukuro campus on November 11, 2017. The main theme of the meeting was “Extensions in Accounting Research.”

The program of the meeting was as follows.

Chairperson: Manabu Sakaue (Hosei University)

Panel Discussion:

1. Manabu Sakaue (Hosei University)
“Chairperson’s Synopsis: Extensions in Accounting Research.”
2. Makoto Nakano (Hitotsubashi University)
“Extension of Accounting Research into Macro Economy.”
3. Masaki Yoneyama (University of Tokyo)
“Extension of Field in Research Focused on Accounting Standards.”
4. Noriyuki Konishi (Aoyama Gakuin University)
“Extension of Accounting Research into KPI Disclosures.”

Chubu Region

Yoshiteru Minagawa
Nagoya Gakuin University

The regional meetings were held as follows;

1. The 139th Regional Meeting at Nagoya Bunri University on May 13, 2017.
 - (1) “The Old Style Original Bookkeeping of China in Pre-Modern,” Takaharu Tanaka, Mie Prefectural School.
 - (2) ”A Discussion on Effective Cost Management in Airline Business,” Qingyun Lin, Nagoya University of Foreign Studies.
 - (3) “Another Form of Income Statement implied by Sganzi (1908),” Tsukasa Nishidate, Aichi Gakuin University.
 - (4) “The Current Issues on Financial Instruments Accounting From View Point of Risk Management and Financial Regulations: Based on Banking Industry,” Yasuhide Yoshida, Chukyo University.

2. The 140th Regional Meeting at Nagoya Gakuin University at December 16, 2017.
 - (1) “Revisit the Asset/Liability View and the Revenue/Expense View: The Relationship of Its Definitions and Measurement Attributes,” Hiroshi Shuto, Graduate School of Economics, Nagoya University.
Commentator: Yukinori Ikeda, Aichi University.
 - (2) “The Anticipated Practical Agendas of the New Revenue Recognition Criteria to Be Implemented in Japan: From the Financial Statements Preparer’s View,” Ikuhiro Sato, Yamaha Motor Co., Ltd.
Commentator: Tatsuhiko Tashiro, Meijo University.
 - (3) “Case Study of Local Public Sector Accounting Reforms in France,” Nanae Soba, Nagoya Gakuin University.
 - (4) “Usefulness of Segmental Financial Statements: Analysis of Aichi prefecture’s Statements from 2013 to 2015,” Risa Yoshimoto, Aichi University.
 - (5) “Financial Analysis on Private Universities in Aichi, Gifu, and Mie Prefectures,” Morihiko Umeda, Chukyo University.
 - (6) “Public Sector Accounting of the Municipalities in Three Tokai Prefectures,” Hirofumi Nishihara, Deloitte Touche Tohmatsu LLC.

Kansai Region

Toru Kotani

Osaka University of Economics

The 67th Kansai regional Meeting was held at Osaka University of Economics on 16 December 2017. The program is as follow.

Conference Presentation in the afternoon

Moderator: Naohiro Urasaki, Kindai University

- (1) “The legitimacy of accounting standard setting body revisited: From an organizational institutionalism perspective,”
Masatsugu Sanada, Shujitsu University
- (2) “Comparative Institutional Analysis of Changes from Cost Accounting to Fair Value Accounting,”
Kohei Miyamoto, Kobe Gakuin University

Plenary Session

“Development status of accounting standards for revenue recognition,”
Atsushi Kogasaka, ASBJ

Panel Discussion:

Chair: Toru Kotani, Osaka University of Economics

- (1) “Issues and Prospects on the ASBJ’s Exposure Draft of Accounting Standard for Revenue Recognition — From the View Point of Preparers —” ,
Hiroshi Yamada, Osaka University of Economics
- (2) “Issues and Prospects on the ASBJ’s Exposure Draft of Accounting Standard for Revenue Recognition — From the View Point of Auditors —” ,
Yoshiaki Ozawa, St. Andrew's University
- (3) “Issues and Prospects on the ASBJ’s Exposure Draft of Accounting Standard for Revenue Recognition — In the Context of Corporate Taxation —” ,
Kazumi Suzuki, Kobe University

Kyushu Region

Keiichi Oishi
Kyushu University

The Japanese Accounting Association (JAA) Kyushu regional conferences are regularly held twice a year – in July and March. This academic year, the summer conference was held at Kyushu University, and the early spring conference was held at Okinawa Kokusai University.

1. The 100th meeting at Kyushu University, on 29th July, 2017.
 - (1) “Accounting for the Amount of Financial Liabilities due to the Changes in Own Credit Risk,” Zhao Chen (Doctoral Course, Graduate School of Economics, Kyushu University).
 - (2) “A study of Corporate Social Responsibility Strategic Control in France,” Mika Kuroiwa (Doctoral Course, Graduate School of Economics, Kyushu University).
 - (3) “What Determines the Shape of a Distribution of ROA?”, Manabu Kotani (Kumamoto Gakuen University).
 - (4) “A Case Study on Maintenance Process of Management Accounting,” Kosuma Shinohara (Fukuoka University), Kazunori Fukushima (Chuo University), and Hiroshi Adachi (Prefectural University of Hiroshima).
 - (5) “Tax Accounting and Tax Law Cases,” Hideo Suenaga (Kumamoto Gakuen University).

2. The 101st meeting at Okinawa Kokusai University, on 23rd March, 2018.
 - (1) “An Industry-Academia-Government Collaboration System to Improve Cost Accounting Skills for Local Industrial Park Personnel,” Kousuke Miyaji (University of Nagasaki).
 - (2) “The Position of Gains and Losses under the Conceptual Framework,” Shu Inoue (Fukuoka University).
 - (3) “The Effect of Change in Auditing Standards concerning Going Concern Issues: An Application of Difference-in-Differences Analysis,” Yoshiteru Sakane (Kyushu Institute of Information Sciences).
 - (4) “The Policies of Accounting Standards Choice by European Companies,” Tomomi Shiosaki (Kyushu University).