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JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association

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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 2019 is the 27th issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 77th Annual Conference of JAA which was held at PACIFICO Yokohama & Yokohama Campus in Kanagawa University on September 4-6, 2018. It also includes the reports of regional activities of JAA during the 2018 academic year.

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

Akihiro Noguchi

Chairman of the International Committee and
Managing Editor of *Japanese ACCOUNTING FORUM*,
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Japanese
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No. 27, 2019

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2018 Annual Conference of JAA

Report

2018 Annual Conference

Chairperson of the Organizing Committee
of the 77th Annual Conference of JAA

Katsuyoshi Okamura

Kanagawa University, Yokohama

The 77th annual conference of Japan Accounting Association (JAA) was held at Kanagawa University in Yokohama for the first time. This conference was held at Pacifico Yokohama Annex Hall and Yokohama Campus in Kanagawa University on September 4-6, 2018.

The main theme of the 77th annual conference was set as “Reconstruction of Accounting Theory in the 21st Century,” based on the proposal of the organizing committee of this annual conference. With changes in economic and industrial structures reflecting the effective technological development or innovation, such as the utilization of “big-data,” “internet of things(IoT)” and “artificial intelligence(AI),” the environment around accounting system and practices has also changed. Therefore, the reconstruction of accounting theory adapted to the changing environment will be required. This is the reason why such main theme was set up.

In this annual conference, we set up four sub-themes based on such a unified theme: “To aim at publicizing the Japanese original study to the world,” “Restoration of historical perspective,” “Accounting in the Era of AI” and “Research on Accounting for SMEs in Japan” It is necessary to reconfirm the existing state of accounting research, and provide any structure that enables generation of any accounting theory adapted to the changing environment, before we will work on it the aim to reconstruct any accounting theory. In each sub-theme session, we had a lively discussion about the topics of presentation by some presenters.

The organizing committee planned to hold the special lecture meeting, and this committee asked Professor Emeritus Shizuki Saito of The University of Tokyo to give a special lecture. His lecture was named “First annual Yuji Ijiri Memorial Lecture on the Foundations of Accounting” after Yuji Ijiri, a famous accounting scholar. That was meaningful and valuable lecture, as his lecture had a relation to the main theme of the 77th annual conference

With regard to international sessions, in cooperation with the International Committee of this academic society, we have established an English presentation by members of the Korean Accounting Association and members of the Taiwan Accounting Association as well as English presentations by members of this society as usual during the past several years. Furthermore, based on the fact that there are English presentations by graduate students, we established the “English Session.” We hope that it will help internationalization of the Society. In the ASBJ (Accounting Standards Board of Japan) session, two board members made a presentation about “The activities of ASBJ: Revenue Recognition and Virtual Currencies,” and we had a lively discussion about their topics.

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.

Members of the Organizing Committee of the 77th annual conference of Japan Accounting Association.

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**2018 Annual Conference of JAA
Plenary Session: Changes in the Economic Environment and
Issues of Accounting Research**

**Session 1: To aim at publicizing the Japanese original study
to the world**

Observing Apparatus for Accounting Research

Norio Sawabe

Kyoto University

Sound empirical accounting research should be based upon empirical evidences. Observing accounting phenomena is the foundation of any empirical accounting research. Although accounting research is characterised by various types of reflexivity among researchers, practitioners, theories and practices, it is argued that developing observing apparatus for accounting research is an important agenda for accounting academia.

Primary observation are often conducted outside of the realm of accounting research. For example, most of archival data that are used in accounting research is collections of observations recorded in one form or another by non-academics. Accounting researchers select archival data and analyse them to obtain theoretical insights. It is less costly for accounting researchers if relevant empirical evidences are collected by others and readily available to them. However, the nature of the available archival data limit the scope of empirical research in this case.

Empirical evidences could be obtained from observing accounting phenomena by researchers themselves. For example, management accounting researchers often conduct in depth case studies to obtain empirical evidences that are not available to them otherwise. Accounting researchers decide what to see in “reality” in this case. Motivations and theoretical lens of the researcher influences the way accounting phenomena is observed and recorded. However, it is very costly for accounting researchers to collect empirical evidences by themselves in this way.

Good observers should be able to see what they want to see theoretically in reality. It requires both familiarity to theoretical knowledge and proximity to accounting phenomena that are taking place in reality. Armchair researchers who are theoretically knowledgeable are more likely to be far away from reality. Managers who live in practical realm are more likely to be foreign to theoretical knowledge.

Developing observing apparatus for accounting research is a way to overcome the dilemma between theoretical familiarity and proximity to reality. It is contended, from a social constructionist point of view, that societal observing apparatus could

be developed by collaborating with highly reflexive accounting professionals and managers so that they act as eyes and hands of accounting research, which in turn facilitates their own practical interests.

Large-scale Accounting Data and Cross-country Research

Takashi Yaekura

Waseda University

In this presentation, we report on the problems of papers in which internal validity is highly dubious, which we have been addressing in recent years, and revalidation using SEM, so that Japanese researchers can contribute to normalization of academic societies.

The society in which accounting is the subject of analysis is a complex system and it is difficult or impossible to describe a causal relation strictly. However, it is socially meaningful to approximately grasp the cause and effect relation as much as the benefit exceeds the cost.

However, in the social science, complex systems are targeted for pseudo-experiments, so researchers must pay close attention to the execution of their research in order to ensure internal validity. Chain of causality, simultaneous determination, endogeneity are the problems that can pose a threat to internal validity especially in social science research.

Through reanalysis of important and widely recognized papers, we often found that these problems are not solved, and we encountered cases where only the conclusions of these suspect papers are employed the followers.

Also, the problem of construct validity is serious. It is often impossible to directly observe the concepts to be analyzed in social science. Therefore, researchers use some surrogate variables. However, there are cases that proxy variables are invariably incorporated into subsequent papers without sufficiently verifying what extent the proxy variables are representative of a concept.

In recent years, a few researchers in the U.S. have published articles that alarm bells about the above problems. However, these papers are ignored. Also, most authors of these papers are well-established seniors. These observations include reasons for the career system of researchers in the U.S. It is not expected that young and middle-rankers will show doubts about existing research.

In Japan, the pressure on quantities of research outputs for scholars in the research universities is in a weaker situation than in the United States. With this situation as a strangle, we can do a kind of research that we cannot do in the United States, and we can be responsible for disseminating the results to overseas.

Accounting research focusing on accounting regulations peculiar to Japan

Kazumi Suzuki

Kobe University

Japanese business accounting has developed under three different legal systems: the Commercial Code or the Companies Act, the Corporation Tax Act and other tax laws, and the Securities Exchange Act or the Financial Instruments and Exchange Act, each of which has been related to and influenced by another. It is important to use data accumulated in such historical development process in Japan in order to conduct a seminal piece of research. I discuss how research interest can include the relations among these systems in each stage of the development, how publications of such studies can help design an accounting system and form accounting practices in other countries, and what we should take into consideration in such studies.

The internal structure of Japanese business accounting changed around the middle of 1990s. The accounting aspects in the Commercial Code, tax laws or the Securities Exchange Act had been mutually associated with another and some endeavors to harmonize these accounting regulations had continued until the mid-1990s. After the mid-1990s, however, differences among those accounting aspects have been getting to increase. In addition, the internal structure of the business accounting has changed both before and after the mid-1990s.

We can examine a role of business accounting and earnings quality under the various internal structures by using accumulated data in the different internal structures. Such study might be creative research because we can conduct it only in Japan. It would be a pseudo-experiment, in particular, for emerging countries which need to set up business accounting system and to form sound accounting practices. For example, making accounting practices sound through the mutual complementarity between the different accounting systems can give us opportunities of creative research. Time series changes of information contents on consolidated to individual multiple and book-tax differences due to the changes of relations between the different accounting regulations can also provide opportunities of creative research.

We have to include significant factors in the internal structure of business accounting for the test period into an empirical model as primary or control variable(s) explicitly to conduct such creative research. It is, however, difficult to observe all possible factors and include them into the model. It is necessary to contrive to remove influences of unobservable changes of the internal structures which affect unique characteristics of individual firms from the model.

Session 2: Restoration of Historical Perspective in Accounting Research

Effects of the Political Factors on the Establishment of Accounting Institutions

Tokuei Sugimoto

Kwansei Gakuin University

As I analyze the history of the events related to the financial crisis and the accounting system since 1990s in Japan, it can be summarized into the three events that led to a change in the accounting environment: (1) the Financial Big Bang of 1996-2001 (including the Accounting Big Bang), (2) the Asian Financial Crisis of 1997-1998, and (3) the 2008 Financial Crisis. By examining how these events influenced the establishment of accounting institutions and its institutional reform, among other things, I find that “political factors” commonly exist in them.

The Financial Big Bang developed under the direction of Prime Minister Ryutaro Hashimoto was triggered by the so-called “Helmut Kohl shock.” This work was by the brilliant tacticians, a total of three politicians and bureaucrats of the Ministry of Finance, including Mr. Yen and Mr. Big Ban.

For emerging and advanced market economies in Korea, IMF assistance has been provided through Stand-By Arrangements, and IMF (and the World Bank) and Korea’s government agreed on a program of economic policies. The establishment of the independent, private-sector entity to develop accounting standards in Korea was due to this program. During this period, the movement towards the establishment of the same entity in Japan also was led by politicians. Indeed, this was based on the recommendations made by the Subcommittee on Business Accounting, which was newly established within the Liberal Democratic Party.

The declaration of the G 20 Washington Summit in 2008 contains the word of “creating a single high-quality global standard.” Japan and the United States have been required to have a commitment to creating this standard. I show that those efforts are heavily influenced by the policies of the political party in power through elections and the presidential appointments.

The deglobalization has a great impact on financial reporting system. We need to understand the environmental changes caused by political factors at home and abroad, and then we must work on the establishment of accounting institutions in the future.

The Development of Direct Costing in Japan

Masaru Takahashi

Yokohama National University

This report argued about the reception and development of Direct Costing in Japan.

It is 1936 that Direct Costing appeared by the literature in the United States for the first time. It was “What Did We Earn Last Month?” by Jonathan Harris. The after 1950s, Direct Costing was imported from United State to Japan, but this import was not a carbon copy of the style of the United States. Direct Costing was introduced to Japanese what's what.

After World War II, Direct Costing attracted attention by two reasons. These were the lack of materials and the revival of the competition market. Companies needed a tool for the decision of products mix and the profit planning under this condition. Direct Costing that calculated the contribution margin in the income statement satisfied these needs. It was able to assign rare resources to products for maximizing profit by the contribution margin analysis. If companies used Direct Costing, it was very easy to do this analysis for them. At that time the cost of information was very expensive, so Direct Costing was very convenient for the companies to do this analysis.

Many companies that used Direct Costing handled the direct labor cost for product costs at that time in the United States because this cost was variable cost. On the other hand, many companies thought the direct labor cost to be fixed cost and treated it as a period cost in Japan. The payment style of the wage in Japan was living wages and the seniority wage system, so the direct labor cost was fixed cost from cost behavior. These companies focused on the profit planning function of Direct Costing.

On the other hand, some companies assumed the direct labor cost as product costs. Because direct labor cost was direct cost, they assumed it product cost to aim for the basic unit control. They put an important point for the cost control function of Direct Costing. In United States Direct Costing was often called “Variable Costing”, but this was literally “Direct Costing”, not “Variable Costing”.

Direct Costing spread by business widely, it came to attract attention again in the 2000s. Direct Costing came to be used to visualize fixed costs that continued increasing particularly personnel expenses, and to manage it. The total sum of fixed costs did not understand when they allocated them to products, and it caused increase in fixed costs. Because they did not allocate fixed costs to products in Direct Costing, so it was very easy to manage fixed costs as total. In this way, it becomes “*Relevance Regained*” to apply Direct Costing.

Development of Audit System by Japanese Professional Accountants

Yoshinao Matsumoto

Kansai University

As in general, the disclosure of accounting information is required for settlement of interests or usefulness for decision making, the audit on such information is also required to support the settlement of interests or to support the useful decision making. The representative voluntary audit in the Edo and the Meiji periods was conducted to protect the property and the profit of each head family which was the founder or an owner, especially among Zaibatsu companies. Such an audit protected the principal's interests and was an approach to support the principal to discharge the stewardship responsibility of the agent. In such case, the audit function was accomplished by the head family or the relatives. This is considered to be an audit based on settlement of interests.

The audit based on settlement of interests was introduced into the Commercial Law audit afterwards and was realized in 1899 drafted Commercial Law by H. Roesler and 1890 amended Commercial Law. It was assumed that this audit was accomplished by a representative of the shareholder as a principal.

On the other hand, for the credit audit for the indirect finance that generated in the U.S. in the early 20th century, the professional accountant participated as an auditor in the relation between the business management and the financial institution without any contract. It is the beginning of the audit based on the decision support. Thereafter, with the economic crisis, the U.S. Securities Act of 1933 and Securities Exchange Act of 1934 were established and the mandatory audit by the professional accountant was introduced.

In Japan, the Securities and Exchange Act modelled after the U.S. Acts was established in order for induction of foreign credit and securities democratization after the World War II and simultaneously the professional accountant system for the legal audit was introduced in 1948. Finally, the mandatory audit by professional accountants was created in Japan.

The purpose of the Japanese Securities and Exchange Law is to take measures so that general investors will not suffer unexpected damage due to fairly financial disclosure. This is an audit aimed at supporting investor decision making in an environment without contractual relationship which was established in the U.S.

Session 3: Accounting in the Era of AI

The impact of artificial intelligence in Accounting and Auditing practices

Ryuichi Yaguchi

Ernst & Young ShinNihon LLC

Regarding the accounting domain, I reported on the extent to which AI is prevalent, taking into account the characteristics of the current accounting system and journal data. I also mentioned what possibilities are possible in the future, coupled with the development of IT technology in the surrounding area. I pointed out that AI is beginning to be used in various aspects of the audit area and the possibility of accelerating auditing in cooperation with peripheral systems supporting auditing.

In the area of accounting, in particular in the area of corporate accounting, a considerable degree of automation is progressing at the present time, and technologies such as AI are being used in account items related to estimates and account areas requiring judgment. Scenes, where human judgment is required will be further limited in the future. It is also expected that auditing methods by AI developed in the field of auditing will be incorporated into the accounting system as an automated internal control function. As a result, the reliability of accounting information is expected to be further improved while minimizing human intervention. Under circumstances in which accounting automation is advanced, it is sufficient for some experts and practitioners to have detailed accounting knowledge, and other general people need only accounting knowledge on usage it might be. This leads to the question “Who needs accounting knowledge?”

In the area of audit, AI is beginning to be utilized. Fraud accounting prediction models and accounting journal anomaly detection algorithms are used in the risk assessment step at the planning stage of the audit and following substantive procedures. In addition, with the progress of automation of auditing by utilizing RPA (Robotic Process Automation) technology, an environment where people are concentrating on work requiring judgment is realizing. In the future, audit methods utilizing data will spread and automation of audits will accelerate.

Effect of artificial intelligence (AI) on accounting research

Akinobu Shuto

The University of Tokyo

The purpose of this paper is to discuss the effect of information analytical techniques such as artificial intelligence (AI) and big data on accounting research. In view of this, we conduct a discussion from two viewpoints: the effect of AI on (i) the *analytical method* of accounting research and (ii) the *subject* of accounting research.

To explore the effect of AI on the analytical method, I picked up papers published in top-tier journals that included the keywords “machine learning” and “artificial intelligence,” and surveyed them. As a results, I find that machine learning is used in two areas in accounting research. First, it is used to construct prediction models, such as bankruptcy and accounting fraud. Second, it is used to classify a tone in textual analysis for non-financial data such as MD&A.

To depict the effect of AI on the subject of accounting research, I introduce the findings of prior studies and case examples such as high-frequency trading in stock markets, bank loans through cloud accounting software, and continuous auditing.

Finally, we discuss the competitive advantage of machine learning over traditional methods. While we conclude that conventional approaches, especially the econometrics methods based on causal inference, will be dominant in accounting research, we present three cases where machine learning is useful: (i) textual analysis through machine learning, so as to increase the quantity, range, and dimension of the subject of accounting research; (ii) development of the accounting theory based on the exploratory findings from machine learning, and (iii) when the economic significance of the subject is greater. I also point out that it is important to understand how the use of AI by the subject changes its behaviors and the function of accounting information.

AI and Data Science in Accounting Education

Toshiya Murakami

Kanazawa Institute of Technology

After the first wave in the '60s and the second wave in the '80s, the Artificial Intelligence (AI) now became the third wave which accelerated by the machine learning technology, especially for the deep learning. In this report, I summarize the past trials in accounting education which challenge to introduce AI related technologies into accounting curriculums since the '80s. Because the AI has vast topics from a virtual human brain to a merely smart data processing tool, I focused the main AI topic in the data processing technology like deep learning. Among the many topics in AI related area, the data processing technologies using AI, including machine learning or the data mining are most advanced especially in many firms and real business. These data processing technologies are utilized for analysis of so-called big-data for the managerial decision making.

Big-Data has become one of the major business-oriented arguments since around 2011. Imaginarily high expectation to Big-Data from firms and other organizations allow the data science and the data scientists to gain prominence. On the other hand, it's become a generic skill for students to learn data scientific data processing techniques in accounting education. It's not quite a new discussion to introduce AI into accounting education. That was almost thirty years ago when AI became the second wave and discussion of AI and accounting education began. In the '80s, one of the most successful areas of AI technologies is the Expert System. We can find many types of research in some accounting journals written by faculties who recognized the value and necessity of the integration of AI and accounting education. There already was some discussion which argued how AI should be integrated into the accounting curriculum. This could still be the main issue in the world of today when we plan to integrate emerging AI techniques in our accounting courses.

Moreover, more the social concern on emerging technologies like AI and Data Science is increasing, more excellent and talented human resources are attracted in this area and firms which invest these technologies. Accounting is no exception. Actually, some practical examples of introductory accounting education using data science show that the essence of data science increased the value of experience in accounting education for excellent students. It is so useful for realizing the sustainable circulation in which students learning accounting earn more income or wellbeing and call the more excellent student, to introduce the emerging technologies including AI in accounting education.

Session 4: Research on Accounting for SMEs in Japan

History of Research in Accounting for SMEs in Japan

Yasuhiro Shimizu

Kobe University

Reika Tsumura

Onomichi City University

The purpose of this study is to understand how accounting for SMEs has been discussed over time in Japan. By surveying existing documents and accounting literature, we show that accounting for SMEs has been a peripheral area of accounting in general and had not been treated as an independent, special topic. We first show the development of regulations or institutions regarding accounting for SMEs, followed by the trends of accounting literature regarding SMEs after WWII.

In the Meiji Era, Japanese government didn't pay attention toward accounting for SMEs. However, with entering the Showa era, the government began to provide guidance on accounting for SMEs as a part of national economic programs. With the industrial rationalization movement, unified system of bookkeeping for SMEs was promoted. The period shortly after WWII saw an acceleration. With the introduction of blue-form return system for income taxation, the government disseminated bookkeeping method available for SMEs. After the system became well fixed, special attention for accounting for SMEs by the government almost disappeared, partly because of the establishment of a single set of accounting standards, which was applicable to business of whatever size.

Based on the history of accounting for SMEs in general, we then surveyed accounting literature after WWII. We searched books and articles by using National Diet Library Search, and found total of 1,457 documents published in the period from 1949 through 2018. Morpheme analysis on article titles was performed and we prepared the list of frequent keywords of every 10 years. We found that, for several decades after WWII, literature centered around taxation, accounting books, and costing, and, thereafter, number of articles regarding new laws or accounting standards soared when big changes in accounting regulation happened. Accounting for SMEs were closely related to accounting regulation in general, and, as already mentioned, there had been no special focus on accounting for SME until recently.

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.

The use of financial information issued by SMEs in national accounts: a French perspective

Clémence Garcia

Gakushuin University

This research introduces the use of accounting information regarding SMEs by the national statistics bureau (INSEE) and various public authorities in France. The reported efficiency and reliability of such uses (OECD, 2004) are supported by two specific features of the French accounting system: its reporting format and the connection of financial and tax reporting.

As far as the reporting format is concerned, it is widely known that the French accounting standards, the *Plan Comptable Général*, were introduced after World War 2 for the purpose of economic planning. For that reason, macro-economic theories, relying on concepts like Gross Domestic Product and Added Value, have played a major role in shaping the French income statement format. Added value and other usual economic indicators are reported directly on the income statement; on top of that accounts numbering facilitates potential reclassifications for non-accounting specialists. This system was designed by the Plan commission in the postwar period for the sake of statisticians who could use accounting information of SMEs in econometrics.

The second feature is that the national statistics bureau can access information sources from other administrations, for example the tax administration. The consequence is that even the data of individual entrepreneurs and SMEs that are not legally required to make their accounts publicly available can be collected. International comparisons like the OECD report on SMEs statistics (2004) pointed out this particularity of the French statistics and concluded that the use of several data sources improved the quality and exhaustiveness of data.

Last, because the national statistics bureau also shares information with the ministries, the Public Investment Bank and some independent bodies, SMEs information is widely disseminated through regulating bodies. In practice, it is used to forecast the impact of some regulatory changes, or to plan investment needs in some industries, or to assess the impact of some fiscal reforms.

To conclude, the use of SMEs information in France is rich and diverse thanks to the collection of appropriate information from various sources that ensure reliability and efficiency of economic measures.

Accounting Information in SMEs and Corporate Management

Nobuyuki Mochizuki

Prefectural University of Kumamoto

Research on management accounting has mainly focused on large companies, and applicability in large companies has been sought as a research result. On the other hand, research for SMEs has not attracted much attention and is still little.

We recognize that SMEs account for a large share of companies in Japan and need to raise some problems in SMEs; 1) how to use an accounting information in SMEs, 2) a difference in importance of performance indicators between large and small companies, 3) effects of difference in management environment on management accounting of SMEs. Therefore, I conducted interview on companies in Kumamoto to clarify the actual situation.

Result of interview, I clarified three points. First, SMEs give priority to cash management rather than sales and some profit rates. In addition, many SMEs prepare a statement of cash receipts and disbursement featuring not only daily cash flow but also capital investment. Second, for performance measurement, they provide motivation from a various perspective; kaizen activity, increasing in salary, advance in office, upskilling, and so on. Any accounting information is used for performance measurement. It means that management control system functions properly. Third, subsidies and tax benefits link to management accounting. Cash management and performance measurement results affect to apply some subsidies or tax benefits. Therefore, many factors like performance evaluation, subsidy, cash statement, have major impacts of management accounting information.

A kind of accounting information to use for management is not different between large and small companies. The difference between SMEs is existence of technology advantage. SMEs having technology advantage exercise cash management using a statement of cash receipts and disbursement and budgetary management with predicting the future. In fact, there SMEs proactively use management accounting tools; to prepare a monthly financial statement for segment, cash management, and so on. We need to investigate an impact of top management's mind and organizational climate in SMEs.

**2018 Annual Conference of JAA
Special Committee**

**Roles of Management Accounting Systems to Facilitate the
Exploitation and Exploration of Knowledge
(Interim Report)**

Chair: **Hiroshi Miya**
Kobe University

The growing literature deals with the relation between managerial accounting and the exploitation and exploration of knowledge. Traditionally, managerial accounting research deal with the problem like how the accounting information (that include both financial and nonfinancial information) is used to improve current practice: to use the resources firm owned more efficiently. These research regard the accounting information as a means of the exploitation of knowledge. Recently, some research focuses on the problem like, whether some managerial accounting practice hinders innovation or facilitate innovation. These research regards accounting information as a means to seek a new opportunity for firms, that is to say, the exploration of knowledge. It is also regarded as the important question that how managerial accounting affect the organizational ambidexterity (the ability to pursue both exploitation and exploration simultaneously).

Within this context, this special committee empirically investigates the relation between managerial accounting and the exploitation and exploration of knowledge (including organizational ambidexterity) using a variety of methodologies. We set four levels of organization that consist of individual level, group level, firm level, and inter-firm level and investigate the problem in each level. We had already started many projects, and we presented two of them in the interim report.

The first project explores the characteristics of the management control systems that facilitate ambidexterity. Based on survey data, the findings indicate that the PDCA (Plan-Do-Check-Action) cycle is positively associated with radical innovation and that is contrary to prior literature. This finding suggests the possibility that the PDCA cycle facilitates radical innovation of firms.

The second project focuses on the gap between the established knowledge of accounting and practice. Especially, this project points out that there is the gap between the theoretical prediction and actual behavior of firms about the proportion of variable cost under a particular circumstance. According to textbooks of management accounting, a firm should raise the proportion of variable cost on the occasion of high uncertainty to deal with the variance of demand. According to the empirical analysis using archival data in this project, however, the phenomenon that the fixed cost of firms tends to increase in the proportion of the degree of uncertainty (in other words, the variable cost of firms tend to decrease in the proportion of the degree of uncertainty).

Chair: Hiroshi Miya (Kobe University)

Member: Kohei Arai (Gunma University)

Keisuke Oura (Ritsumeikan University)

Takaharu Kawai (Doshisha University)

Yuichi Kubota (Nanzan University)

Junya Sakaguchi (Nagoya University)

Tomohiro Sakuma (Matsuyama University)

Ikuko Sasaki (Tohoku Gakuin University)

Yoshitaka Shirinashihama (Yamagata University)

Takeyoshi Senso (Chuo university)

Satoshi Taguchi (Doshisha University)

Kazunori Fukushima (Chuo University)

Kenji Yasukata (Kindai University)

Meiling Liu (Kagoshima University)

Special Committee

Comprehensive Study on the Design of Accounting System (Final 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 enough 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 final report has six parts.

In the first part (Bases of designing accounting system), after the explanation of the meaning to set up the theme, conditions as restriction on designing accounting system are considered. In Japan, there are the problems, such as unbalance of participation and complication of procedure, while the transparency of a deliberation process is high. And the basic subjects and the factors which draw the legitimacy of accounting standards are investigated from the viewpoint of a social consent. In relation to legitimacy of accounting standards, the problem is where the standards-setting body should be place in the society. In addition, in a case of cost auditing on defense equipment, using accounting information for control is considered by model approach. In second part(problems on accounting regulations and accounting systems), from the viewpoint of accounting regulation, some problems are pointed out. First, it is pointed out, that information content with relation to segment information, quarterly report and disclosure items by Financial Instruments and Exchange Law, should be enriched. Second, in company law, necessity of devise to deal with IFRS, dividend limitation on consolidated base and making GAAP for private companies clear. And as existing problems in company law, dividend from payed-in capital and treatment for treasury stock, et al. Third, it is pointed out, that changes of so-called “triangle structure“ has effects on company’s behavior. In addition, influences by tax law, especially in relation to

revenue recognition and depreciation, are investigated. In third part(normative approach on accounting standards), the accounting standards are investigated from the viewpoint of the normative consistency. The standards which are concretely considered are revenue recognition, financial instruments, paid stock option under certain conditions, asset retirement obligation, business combination and insurance products. In the fourth part(empirical approach on accounting information), 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 companies that introduced defined contribution retirement benefit system, increased expenditure for R&D and human resources, as a result, the financial performance was gone up. Moreover, there is loss evasive behavior in relation to the expression of comprehensive income. In addition, it is investigated, how thought of IFRS influenced management accounting. In fifth part (choosing accounting standards), it is pointed out, that principle-based standards reduce transaction cost. Then, the present situation and problems on separation between consolidated and individual financial statements are considered. And the condition that companies apply voluntary IFRS, investigated by game theory. Finally, in sixth part (the structure and problems on designing accounting system), the results of our research are summarized.

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)

2018 Annual Conference of JAA Study Group

Research on accounting issues concerning revenue from contracts with customers in Japan (Interim Report)

Chair: **Takashi Sasaki**
Hitotsubashi University

On March 30, 2018, Accounting Standards Board of Japan Statement No. 29, “Accounting Standard for Revenue Recognition” (hereinafter referred to as “No. 29”) was issued by the Accounting Standards Board of Japan. This standard, forced to be applied to listed companies from the fiscal year starting after April 2021, has contents corresponding to International Financial Reporting Standard No.15 “Revenue from contracts with customers” (published by the International Accounting Standards Board in 2014) and Topic No.606 (published by the Financial Accounting Standards Board in 2014).

The research purpose of this study group is to present problems and their solutions that may arise in accounting for new revenue recognition criteria, i.e. preparation of financial statements, auditing, taxation and other areas. In order to achieve this purpose, we conduct historical research, theoretical research and empirical research.

In this interim report, firstly, from the viewpoint of historical research, the concept of “realization” which is a criterion of traditional revenue recognition is considered.

Secondly, from the viewpoint of theoretical research, based on the accounting theory of the United States and Germany that have had a strong influence on Japanese accounting, we analyze the basic concept of the new revenue recognition criterion. In addition, through the theoretical examination of No. 29, the new revenue recognition criterion not only affects the revenue but also has a major impact on the concept of the corresponding expenses, and in some cases, changes the concept of “Matching Principle”. This is thought to have a significant effect on accounting theory and practice.

Thirdly, from the viewpoint of empirical research, the following three points were preliminarily verified. (1) Value relevance of revenue information, (2) discretionary revenue adjustment behavior by management, (3) impact on Japanese companies by application of No. 29. Through preliminary analysis and investigation, several empirical issues were presented.

In the next year, we will expand and develop the above research subjects. In

addition to this, we think that it is necessary to observe directly the actual situation which is not clarified only by the literature and published materials of the standard setter entity.

Therefore, we will conduct an interview and questionnaire survey for listed companies and audit firms, and reexamine the practical problems and their solutions associated with No. 29 application.

In other words, assuming forced application of “No. 29”, in order to achieve the research purpose, we will (1) refine the research contents so far and (2) conduct a wider and more diverse analysis. As a result, the final report will be more fulfilling.

Chair: Takashi Sasaki (Hitotsubashi University)

Members: Yoshiyuki Kaneko (Teikyo University)

Kenji Kometani (Tohoku University)

Ryosuke Nakamura (University of Tsukuba)

Kazuhiro Nishiyama (Teikyo University)

Satoru Otaka (Yokohama National University)

Michihiro Ozawa (Rikkyo University)

Makoto Tsukahara (Teikyo University)

Yasuhiro Yamada (Rikkyo University)

Tomoya Yoshida (Chuo University)

Study Group

Many-sided and synthetic research of the accounting in China: based on the historical and comparison institutional analysis (Final 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 tackled historical research of the accounting theory, accounting system, accounting practice, and accounting cultures which have formed the present-day accounting in China. The 2nd subject clarified the status and feature of the present-day accounting in China. The 3rd subject tackled accounting research of China, the status and feature of accounting education of China. In addition, it was also important to clarify the certified public accountant system of China, the cultivation system of the accountant of Chinese companies.

The final report of this study group consisted of the following:

- Chapter 1 History and Development of Business Accounting in China.
- Chapter 2 Western Double Entry Bookkeeping: Propagation to Modern China.
- Chapter 3 Present-day Chinese Accounting and Comparative Institutional Analysis.
- Chapter 4 History of Taiwan Accounting System, and Development.
- Chapter 5 Conceptual Framework of Accounting Theory in China.
- Chapter 6 Accounting System Reform in China.
- Chapter 7 Influence of Chinese Accounting System and IFRS.
- Chapter 8 Maintenance and Subject of Internal Control System in China.
- Chapter 9 History and Present Condition of Accounting Education in China.
- Chapter 10 About Accounting Education and Researcher Training in China.

- Chapter 11 Feature of Accounting Education in China.
- Chapter 12 Development of Management Accounting in Chinese Companies:
Focusing on Haier's Interview
- Chapter 13 Introduction and application of Western management accounting in
China.
- Chapter 14 Present Condition and Subject of Cost Accounting in China.
- Chapter 15 Introduction and evolution of Japanese management accounting in
Chinese companies.
- Chapter 16 Evolution of Market Competition Mechanism Observed by
Management Accounting of Chinese Companies.
- Chapter 17 Environment management accounting of Chinese companies.

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)

**2018 Annual Conference of JAA
International Session**

Off-Auction Repurchase Announcement Timing

Hironori Kawase, Kyushu Sangyo University

**Foreign Investors and Implied Cost of Equity Capital: Evidence
from Korean Stock Market**

Chang Seop Rhee, Sejong University

Hong-min Chun, Chungbuk National University

**The Impact of Business Strategy, Managerial Incentives, and
Tenure on Firm CSR Engagement**

Chih-Wei Peng, National Changhua University of Education

**Asymmetric Cost Behavior of Mutual Savings Banks: Evidence
from Korea**

Byung-Gi Kim, Ph. D. in Business Administration Financial Supervisory
Service

Wan Suk Ko, Hankuk University of Foreign Studies

Yong-Sik Hong, Hansung University

Survey Research on Earnings Quality: Evidence from Japan

Masumi Nakashima, Kanazawa Gakuin University

The Effect of Institutional Ownership on Innovation: New Evidence

Chunlai Ye, Texas A & M International University

Lin-Hui Yu, National Taiwan University

**2018 Annual Conference of JAA
English Session**

A Meta-Analysis of Determinants on Management Forecast Error

Xiaobai Zhang, Nagoya University

An Analysis of the Features Predicting Bankruptcy of Newly Formed Japanese Small and Medium-Sized Firms Using Machine Learning Techniques

Hong Xu, Nagoya University

Corporate Level Determinants of Integrated Reporting: Evidence from Japan

Taslima Akhter, Kwansai Gakuin University

Do in Rome as Roman's? The Effect of CEO's Overseas Background on Financial Reporting Quality

Junjian Gu, Tsukuba University

2018 Annual Conference of JAA Regional Reports

Hokkaido Region

Satoshi Imamura
Hokkai-Gakuen University

The regional meetings were held in 2018 as follows.

1. The 93rd Regional Meeting at Sapporo Convention Center on 26 May 2018.
 - (1) “A Comparison of Auditing Standards and GAAS,” Jun Hiyama, Sapporo Gakuin University.
 - (2) “The Trends of Education of Japanese-style Bookkeeping in China,” Masaaki Ohara, Hokusei Gakuen University.

2. The 94th Regional Meeting at Hokkai-Gakuen University on 1 December 2018.
 - (1) “A Survey of Management System Practices in Hospitals,” Hiroyuki Sekiya, Hokkai-Gakuen University.
 - (2) “Current Status and Issues of University Accounting Education for Small- and Medium-sized Entities,” Yoshiyuki Nakanishi, Hokkai School of Commerce.
 - (3) “Relationship of the Ultra-high Retirement Pay and the Corporate Governance,” Jo Sakurada, Hokkaido University and Tomotaka Yanagida, Doctoral Course, Hokkaido University.
 - (4) “Reform of the Independent Auditor’s Report in France,” Akira Kanie, Hokkaido University.

Tohoku Region

Masateru Narikawa
Tohoku Institute of Technology

The regional meetings were held as follows;

1. The 94th Meeting, October 27, 2018 at Yamagata University

- (1) “Accounting Issues on Recognition and Measurement of Revenue,”
Tomohisa Hirano, Fukushima University.
- (2) “A Study on Revenue Recognition: Clarification of Related Issues,”
Tomohiro Abe, National Institute of Technology, Fukushima College.
- (3) “Ownership Structure and Timely Loss Recognition,” Yoshitaka Ohashi,
The University of Aizu.

2. The 95th Meeting, March 16, 2019 at Tohoku University

- (1) “Examination of Cost and Profit Calculation in Asset Retirement
Obligations,” Kazuki Ikushima, Iwate Prefectural University.
Discussant: Shuhei Kinugawa, The University of Nagano.
- (2) “A Study on the Relationship between Revenue Recognition and Income,”
Tomohiro Abe, National Institute of Technology, Fukushima College.
Discussant: Masateru Narikawa, Tohoku Institute of Technology.
- (3) “Accounting in Agriculture: Profit Analysis of Listed Firms,” Shuko Naito,
Hirosaki University.
Discussant: Fumihiko Nakamura, The University of Nagano.

Kanto Region

Masato Kikuya
Hosei University

The 66th Kanto regional meeting was held at Hosei University, Ichigaya campus on November 17, 2018. The main theme of the meeting was “Comprehensive Examination on Accounting Standard for Revenue Recognition”.

The program of the meeting was as follows.

Chairperson: Takashi Sasaki (Hitotsubashi University)

Panel Discussion:

1. Toshifumi Matsumoto (Waseda University)
“Theoretical Framework of New Accounting Standard for Revenue Recognition”
2. Katsunori Kawano (Nihon Universtiy)
“Influence of New Accounting Standard for Revenue Recognition upon Management Accounting”
3. Toshinobu Yoda (Toyo University)
“Influence of New Accounting Standard for Revenue Recognition upon Tax Accounting”
4. Makito Kishi (Hosei University)
“Evaluation of Audit Evidence on Revenue Recognition”

Chubu Region

Sadaharu Takeshima
Kanazawa University

The regional meetings were held as follows;

1. The 141st Regional Meeting at Nagoya University of Foreign Studies on May 12, 2018.
 - (1) “Analysis of Issues related to Accounting for Mining of Virtual Currency,” Yukinori Ikeda, Aichi University.
Commentator: Akihiro Noguchi, Nagoya University
 - (2) “A Study on Corporate Behavior for Disaster Risk,” Sinnosuke Hara, Nagoya University of Foreign Studies
 - (3) “Expansion of Forward- looking Information in Financial Instruments and Related Issues of Assurance,” Yasuhide Yoshida, Chukyo University.

2. The 142nd Regional Meeting at Kanazawa University on December 8, 2018.
 - (1) “Industry Characteristics of Financial Data and These Control with Dummy Variables,” Kazuhiro Manabe, Nagoya University of Foreign Studies.
Commentator: Jiro Takahashi, Nagoya City University.
 - (2) “Accounting for Contingent Consideration in the Japanese Accounting Standard for Business Combinations,” Tomomi Hori, JICPA Tokai Association.
 - (3) “Contemporary Significance of Events Theory,” Sadaharu Takeshima, Kanazawa University.
 - (4) “Blockchain and Accounting,” Akihiro Noguchi, Nagoya University.

Kansai Region

Takahito Kondo
Kyoto Sangyo University

The 68th Kansai regional Meeting was held at Kyoto Sangyo University on 8th December 2018. The program was as follows (presentation titles are omitted).

CONCURRENT SESSIONS

SESSION 1(A)

Moderator: Kimikazu Ito (Konan University)

- (1) Hiroshi Taki (Ritsumeikan University)
- (2) Toshiya Tsuchida (University of Hyogo), Hiroaki Ishida (University of Hyogo)

SESSION 2(A)

Moderator: Takaharu Kawai (Doshisha University)

- (1) Mao Mukai (Kwansei Gakuin University)
- (2) Shinya Matsushita (Matsuyama University), Yu Ishimitsu (Kyoto Sangyo University), Nobuyuki Mochizuki (The Prefectural University of Kumamoto)
- (3) Takeshi Nishi (Senshu University), Takahito Kondo (Kyoto Sangyo University)

SESSION 1(B)

Moderator: Shota Otomasa (Kansai University)

- (1) Tomohiro Shigemoto (Kagawa University)
- (2) Jonghoon Kim (Hitostubashi University), Keishi Fujiyama (Kobe University), Yuya Koga (Tohoku Gakuin University)

SESSION 2(B)

Moderator: Naohiro Urasaki (Kindai University)

- (1) Masatoshi Kurusu (University of Marketing and Distribution Science)
- (2) Takanori Hisai (St. Andrew's University)
- (3) Peng Tan (Chubu University), Masako Saito (Osaka Sangyo University)

KEYNOTE SPEECH

Moderator: Hisakatsu Sakurai (Kwansei Gakuin University)

Speaker: Tsunehiro Tsumori (Kyushu Institute of Information Sciences, Kyushu University Professor Emeritus)

PLENARY SESSION

Chair: Kazumi Suzuki (Kobe University)

Panelists: Hiromi Wakabayashi (Konan University), Eri Kanamori (Ritsumeikan University), Masataka Ito (Kyoto Sangyo University)

Kyushu Region

Keiichi Oishi
Kyushu University

The Japan Accounting Association (JAA) Kyushu regional conferences are regularly held twice a year – in July and March. In this academic year, the summer conference was held at Saga University, and the early spring conference was held at Fukuoka University.

1. The 102nd meeting at Saga University, on 29 July, 2018.

- (1) “A theory and practice of a study of Throughput Accounting”, Tamiya Mizushima (Nakamura Gakuen University).
- (2) “An Empirical Study on the Relationship between Control Risk and Size of Accounting Firm”, Sugako Ijima (Kurume University).
- (3) “Accounting Structure of IASB's Conceptual Framework”, Isamu Iwasaki (Kyushu University).

2. The 103rd meeting at Fukuoka University, on 23 March, 2019.

- (1) “The Present Conditions and Problem of the Value Creation Process on Intangibles—the Combination of Integrated Reporting and Strategic Map”, Li Huishuang (Doctoral Course, Fukuoka University).
- (2) “Research on the limits of material flow cost accounting”, Ling Zhu (Doctoral Course, Nagasaki University) and Yang Xu (Nagasaki University).
- (3) “Earnings Management using Other Comprehensive Income Recycling”, Shu Inoue (Fukuoka University).
- (4) “The changes in accounting on modern Japan— From Western book-keeping to Japanized accounting—”, Saori Yano (Nishi-Nippon Junior College).
- (5) “Caution Against a Gain from a Bargain Purchas”, Kentaro Kaneta (Kurume University).