

*Japanese*

**ACCOUNTING FORUM**

**2011**

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JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association.

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*Japanese ACCOUNTING FORUM 2011*

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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 2011 is the 19<sup>th</sup> issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 69<sup>th</sup> Annual Conference of JAA which was hosted by Toyo University in Tokyo on September 8-10, 2010. It also includes the reports of regional activities of JAA during the 2010 academic year.

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

**Yoshihiro Tokuga**

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

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No. 19, 2011

**CONTENTS**

<b>Preface</b>	Yoshihiro Tokuga (1)
<b>Report</b> 2010 Annual Conference	Mikio Akiyama (9)
<b>Plenary Sessions</b>	
<b>Plenary Session 1: Internationalization of Accounting and Rules for Rule Making</b>	
Setting and Enforcement of Global Accounting Standards	Keiichi Oishi (11)
What Normative Research in Japan should be?	Katsunobu Mandai (12)
Evaluation of Financial Accounting Standards Based on Empirical Researches	Hisakatsu Sakurai (13)
Globalization of Accounting Standards and Meta-Rule of Accounting Standards	Eiko Tsujiyama (14)
<b>Plenary Session 2: Revolution in Research and Education of Management Accounting</b>	
The Trend of Management Accounting Research in Changing Environment	Fumiko Hiki (16)

Global Environmental Issues and Change of Management Accounting Research  
Katsuhiko Kokubu (17)

Educational Dilemma of Management Accounting in Accounting School  
Masaaki Aoki (18)

Present Situation and Problem of Management Accounting Education in Private  
Graduate School of Accountancy  
Yoshitaka Kobayashi (19)

**Plenary Session 3: Revolution in Auditing in a Changing Environment for  
Business Management**

The Manifestation and Regulation of the Professional Skepticism  
Yoshinao Matsumoto (20)

Ethical Behavior and Skepticism in the Current Audit Practice  
Aiko Sekine (21)

Auditor's Professional Skepticism and Its Developments  
Akira Nin (22)

Complicated Professional Judgment and Professional Skepticism  
Shinji Hatta (23)

**Special Committees**

Study of Decision-Making for Environmental Management and Accounting  
System  
Katsuhiko Kokubu (24)

A Study on Usefulness of Fair Value Measurements  
Keiko Kitamura (25)



## **Subject Research Committee**

An Inventory of Financial Accounting Research in Japan  
— Changing International Research Trends —

Yoshihiro Tokuga (26)

## **Study Groups**

Institutional Basis of Accounting Standards and Current Nature of GAAP

Hideki Fujii (27)

Research on Intangibles from the Perspectives of Management Accounting  
— Focused on Corporate Reputation —

Michiharu Sakurai (28)

## **Regional Reports**

Hokkaido Region

Koichiro Matsumoto (30)

Tohoku Region

Hiroshi Fujinaga (30)

Kanto Region

Yoshio Nishino (31)

Chubu Region

Akihiro Noguchi (31)

Kansai Region

Atsuo Mukoyama (32)

Kyushu Region

Keiichi Oishi (33)

## **2010 Annual Conference of JAA**

### **Report**

#### **2010 Annual Conference**

Chairman of 2010  
Annual Conference  
**Mikio Akiyama**  
Toyo University

#### Program

The 69th Annual Conference (2010) of the Japan Accounting Association (JAA) was hosted by Toyo University on September 8th to 10th, 2010 in Bunkyo-ku, Tokyo. The main theme of the conference was “Changes in Business Management Environment and Revolution in Accounting”.

On September 8th, meeting of the Council and General Assembly of Membership were held. Soon after the end of those events, reports by two Special Committees, two Study Groups and One Subject research Committee were presented. In the evening of the day, the reception was held at Tokyo Dome Hotel.

Through September 9th to 10th, three plenary sessions were held under the main theme described above in the area of financial accounting, management accounting and auditing. In addition to these plenary sessions, 106 concurrent sessions including 12 sessions for graduate students were held. And 4 international sessions by Korean Accounting Association (KAA) members and Taiwan Accounting Association (TAA) members were also held. It was the first time for JAA to have international session at the Annual Conference based on the Memorandum of Understanding (MOU) with KAA and TAA.

In the afternoon of September 9th, special speech titled “Japanese Culture in the World” by distinguished speaker, Donald Keene, Emeritus Professor of Columbia University and academic adviser to Toyo University was offered. On September 10th, at the end of the Conference, ASBJ session titled “Tasks and Perspectives on the Development of Japanese Accounting Standards in View of the Adoption of IFRS” was held.

Total registrants to the conference were about one thousand and more than two thousand and five hundred in total for three days attended academic programs and others.

The Schedules for 2010 Annual Conference was as follows;

Date and Time		Events
Sept.7	12:00 - 13:00	Committee for New Membership
	13:00 - 15:00	Screening Committee for Awards
	15:00 - 17:30	Meeting of Board of Directors
Sept.8	10:00 - 12:00	Meeting of Council
	12:00 - 14:30	General Assembly of Membership
	14:40 - 15:20	Special Committee Reports
	15:30 - 16:10	Study Group Reports
	16:20 - 17:00	Subject Research Committee Report
	18:30 - 20:30	Reception [at Tokyo Dome Hotel]
Sept.9	9:50 - 11:30	International Session
	9:50 - 12:00	Concurrent Sessions
	13:00 - 13:40	Special Speech by Dr. Donald Keene
	14:00 - 16:10	Plenary Sessions 1.Internationalization of Accounting and Rules for Rule Making 2.Revolution in Research and Education of Management Accounting 3.Revolution in Auditing in a Changing Environment for Business Management
Sept.10	9:50 - 11:30	International Session
	9:50 - 12:00	Concurrent Sessions
	13:00 - 15:00	Plenary Panel Discussions
	15:30 - 17:30	ASBJ Session

## **2010 Annual Conference of JAA**

### **Plenary Session 1: Internationalization of Accounting and Rules for Rule Making**

#### **Setting and Enforcement of Global Accounting Standards**

**Keiichi Oishi**

Kyushu University

Accounting standards have the nature of de facto rules which are spontaneously formed through contractual practices in the capital market, but some complementary standardization by non-contracting parties on behalf of market participants is needed due to the “collective action” problems. Although this complementary standardization could be done as either self-regulation or government regulation, costs and benefits of formulating rules are different between the private sector and the state. Therefore, based on such a cost-benefit consideration, the state should decide whether to formulate its own rules or to delegate to the private sector. Even if the state decides to “outsource” the formulation of rules, it will try to carry out its policy through enforcement. This “outsourcing of norm formulation” hypothesis has some relevance at the national level.

On the other hand, global regulation relies on the network regulation, which is based on the agreement among sovereign states and international regulatory bodies, and which is also dependent on non-governmental entities. IASB is now on the “nodal point” of such networks, and the formulation of accounting standards is outsourced to IASB from the states, regions, and regulatory bodies. In addition, the “modernization of government” (e.g. NPM) which has been promoted around the world has increased the importance of accounting-based control for governments. As a result, the states have begun to require the accounting standards to contribute to national governance as well as global governance, and these changes have brought new tensions at the national, regional, and global levels. A good example is the trouble over the setting, enforcement, and endorsement of the PFI accounting standards in the UK and EU.

In this changing environment, IASB must carry out the difficult task of developing a “single set of high quality” global standards credible to market participants while balancing various (sometimes conflicting) requests from international regulatory networks, regional authorities, and sovereign states.

## **What Normative Research in Japan should be?**

**Katsunobu Mandai**

Hitotsubashi University

Normative accounting research in the U.S. had started from 1930's and been the mainstream in accounting research for a long time. But empirical research which has started from 1970's is the mainstream now. On the other hand normative research in Japan is the mainstream now. We will discuss what normative research in Japan should be in order to continue to be the mainstream in accounting research.

Accounting research should satisfy three required conditions to contribute to evolving a paradigm, i.e. (1) accounting research should be done in accordance with a common paradigm, (2) a conclusion found by research should be agreed with by others, (3) accounting research should be related to an empirical world. If accounting research is done in accordance with a common paradigm, we can discuss its merits in terms of its simplicity and systemic. Therefore superior one will survive and evolve the paradigm. If a conclusion is agreed with by other researchers, it will be stored as our common knowledge. We should form a theory which explains cause and effect between an empirical world and basic accounting concepts or accounting standards.

In evaluating consistency of accounting standards, we should analyze those including basic accounting concepts in order to judge a paradigm shift has occurred or not.

## **Evaluation of Financial Accounting Standards Based on Empirical Researches**

**Hisakatsu Sakurai**

Kobe University

This presentation analyzes the advantages and limitations of the attempts that try to evaluate the financial accounting standards based on the findings of empirical accounting researches. From this point of view, researches are divided into the following three categories. First group of researches investigate whether if the accounting standard enhances the level of qualitative characteristics of accounting income information such as value relevance, timeliness of recognition, time series properties, and close relation to cash flow. Second type of researches provides the evidence of economic consequences brought by accounting standards that should be evaluated through due process of standard setting. Third group of researches evaluates the accounting standard positively if the accounting information invented by the standard promotes the capital market function by mitigating the perception of information asymmetries among market participants. Evaluation based on empirical researches has the advantages of both persuasiveness of judgment supported by evidence and possibility of scientific settlement among inconsistent evidence. These advantages, however, are limited to ex post evaluation, and do not extend to ex ante evaluation of the standard under consideration. Besides, empirical researches cannot bring the conflicting interests among stakeholders automatically into unity without negotiation through due process.

# **Globalization of Accounting Standards and Meta-Rule of Accounting Standards**

**Eiko Tsujiyama**

Waseda University

The IASB (International Accounting Standards Board), established in 2001 has worked very enthusiastically to converge national accounting standards and International Accounting Standards. Consequently, in 2010 the IASB revised article 2(d) of its constitution from “to bring about convergence of national accounting standards and International Accounting Standards ...” to “to promote and facilitate adoption of IFRSs (International Financial Reporting Standards) ...”

Ironically at the same time, however, a doubt was cast by the world on the compatibility between the standardization of accounting standards and the adequacy of quality of such accounting standards in terms of information needs. The IASB and its predecessor, the IASC (International Accounting Standards Committee) aimed to set accounting standards exerting importance on stocks and fair value. Due to the conflict between this new paradigm and the conventional model, the nine joint projects, which the IASB and the FASB (Financial Accounting Standards Board) aimed to complete by 2011, are in difficulties. In 2011, U.S. is to judge whether to adopt IFRS for U.S. corporations. Therefore, the IASB is encountering a dilemma whether to continue the same stance based on the new paradigm from now on or to compromise with the conventional model that is easily understood by the market. Corresponding to the above mentioned issue, the IASB is now at a major crossroad with encountering the doubt about the necessity for convergence/adoption.

The financial accounting session themed “globalization and the standards of standard setting” was held under the 69th JAA (Japanese Accounting Association) annual conference that carried a main conference theme as “change of management environment and accounting reforms.”

The issues assigned to my presentation at this session were that to review the activities of the IASB and the IASC, and to examine which can or cannot be changed in accounting under the globalization of economies. I attempted to approach these issues through examining the contents of individual projects that are perused by the IASB and the FASB under the slogan of convergence of accounting standards.

The content of this presentation includes:

1. Meta-rule of accounting standards

2. Globalization of accounting standards and the new accounting paradigm of IFRS
3. Precedence of value or profit
4. The significance of accrual accounting
5. Revenue recognition project
6. Fair value measurement project
7. Concluding remarks



## **2010 Annual Conference of JAA**

### **Plenary Session 2: Revolution in Research and Education of Management Accounting**

#### **The Trend of Management Accounting Research in Changing Environment**

**Fumiko Hiki**

Hitotsubashi University

This paper firstly discussed the trend of management accounting research in Japan in the 21st century in connection with changing environment. In recent years, against the back drop of the revised legal systems and the worsening global environmental problems, researches on healthcare organizations, public sectors, and service industries have increased. One of the characteristics in research methodology adopted by these management accounting researches is that, while there is a tendency of decline in the number of normative or descriptive research, the number of case study or action research is increasing.

Secondly, I investigated what kind of the innovative changes were coming up in management accounting research. The change of management accounting research which can be seen in the trend of it is, firstly, re-attention of and systematic research on Japanese management accounting. Quantitative methodology in addition to qualitative methodology was applied to researches on these topics, and several researchers began to conduct some action research. The adoption of these research methodologies can be considered as the second transformation. Thirdly, practicing professionals became making a presentation at the annual conference of Japan Accounting Association.

Finally, I discussed what sort of change would be required.

# **Global Environmental Issues and Change of Management Accounting Research**

**Katsuhiko Kokubu**

Kobe University

In this presentation, first the environmental issues are examined based on Niklas Luhmann's social theory. Through the analysis, it is pointed out that transforming environmental issues into economic performance by environmental management accounting is essentially important in order to internalize environmental aspects within functionally differentiated systems. However, the existing environmental management accounting is not enough strong to stimulate economic organizations to conduct environment conservation. In order to overcome this problem, it is necessary to change management accounting research and education through introducing the perspective of publicness. In conclusion, it is proposed to construct the discussion arena for environmental and economic issues by environmental management accounting information.

If accounting researchers are responsible for global environmental issues, we should not avoid discussing negative aspects of accounting system on environmental destruction. If there were little relationship between accounting system and environmental problems, accounting researchers would not have much chance to contribute these issues. However, if the economic system, which is supported by accounting system, were one of the core causes for environmental destruction, accounting researchers should have to explore the path to overcome. Based on the system theory by Luhmann and the publicness theories, I suggested the new viewpoint for management accounting research for constructing a new area for the environment. The social system theory indicates the limitations of environmental management accounting, but the publicness theories suggest some possibilities to overcome them by constructing discussion area through environmental management accounting information.

## **Educational Dilemma of Management Accounting in Accounting School**

**Masaaki Aoki**  
Tohoku University

The principal objective of accounting school is to educate students who want to be professional accountants in the future. The curriculum of accounting school is drawn up so as to give students necessary knowledge to be professional accountants. Especially, social and students' needs, which are likely to be disregarded in traditional graduate school, are important for accounting school education. Society and students demand us a new educational service. It brings about the educational dilemma we have not met yet.

I summarize the discussion of my presentation. First, I clarify the characteristics of accounting school education by focusing on the difference between the traditional graduate school and accounting school education. Next, I examine the cause of the above dilemma and show that this dilemma may give rise to the serious problems in management accounting education. I suggest my idea to resolve the educational dilemma. There are two key points in my proposal, namely, a) adaptation to the environmental changes surrounding us and b) utilization of the subjects peculiar to accounting school curriculum (Case Study). Finally, I mention the bright prospect of the accounting school.

The accounting school has many accounting subjects in its curriculum. Accounting school students can learn practical knowledge and balanced knowledge about financial accounting, management accounting, and audit. It implies that we can bring up new types of researchers who are familiar with all the field of accounting and practice. I believe that accounting school will contribute not only to the education of professional accountants but also to the education of accounting researchers.

## **Present Situation and Problem of Management Accounting Education in Private Graduate School of Accountancy**

**Yoshitaka Kobayashi**

Waseda University

The purpose of the graduate school of accountancy is to educate a talented person who can play an active part in various fields with deep accounting knowledge. But in reality most of the applicants are those who plan to take a CPA (Certified public accountant) examination. And demand market for the education of graduate school of accountancy is very small by several reasons. Most of the graduate schools of accountancy have trouble filling the quota of entrance.

Private graduate school of accountancy is required to cover the cost of the education by single school or in certain group of schools. In the case of Waseda, single school profitability is required. Since main revenue sources are payments from students, the numbers of quota and school fees turn out to be big.

From the constraints of revenues, the increase of number of professors and the expansion of courses are difficult. In order to enrich the courses under these constraints, we sought the way to cooperate with firms including the donated courses.

In Waseda, we classify the courses into the fundamental, core, business and application. Though most students plan to take CPA examination, many students register in courses in business and application which do not have direct connections with CPA examination.

## **2010 Annual Conference of JAA**

### **Plenary Session 3: Revolution in Auditing in a Changing Environment for Business Management**

#### **The Manifestation and Regulation of the Professional Skepticism**

**Yoshinao Matsumoto**

Kansai University

2002 revised Japanese Auditing Standard prescribed the “professional skepticism” in addition to the “due care” as the duty of an auditor and provided that the detection of material misrepresentation was synonymous with the expression of conclusion about the fairness as a purpose of the financial statement audit. The professional skepticism that was one of the mental attitudes of the auditor came to be emphasized with relation to a purpose of the detection of misrepresentation. In this paper, we studied (1) how the auditor should demonstrate the due professional care and the professional skepticism in an audit process, and (2) how to judge whether the skepticism was demonstrated and how to regulate such skepticism.

The due professional care is defined as a level of the care that naturally an auditor should pay as a professional of audits. An auditor should pay such care in the audit process as an average or careful professional auditor, and it is a level of the prospective care in general. As the exertion of such due care by the auditor is oriented toward that the level of every audit becomes above the standard, it would function as a standard of the responsibility judgment if the legal responsibility of the auditor becomes the issue subsequently.

And this due care requires an auditor to exert the professional skepticism, which means that an auditor continues always having doubt whether information and the evidence obtained suggest generation of material misrepresentation with the fraud. Therefore, the auditor is required the following two phases.

- (1) In all audit processes which the auditor accomplishes as a professional, the due professional care is required as a general duty for the professional auditor.
- (2) At the phases of choice and application of each audit procedure, which includes critical evaluation of audit evidences, the auditor never forget doubt as a part of the mental attitude (questioning mind).

## **Ethical Behavior and Skepticism in the Current Audit Practice**

**Aiko Sekine**

Certified Public Accountant

In our country, ethical behavior in the audit practice is stipulated in the JICPA Code of Ethics, and independence from the audit client is also stipulated. Independence comprises “independence of mind” and “independence in appearance.” Independence of mind is defined as the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

Maintaining professional skepticism has also been stipulated in the auditing standards. It emphasizes maintaining professional skepticism in relation to material misstatement, especially due to fraud, and related practical guidelines exist.

However, there seems to be some fraud when skepticism is not necessarily sufficiently maintained. It is considered that there might be some difficult issues with regard to maintaining professional skepticism in order to address fraud in the audit practice. At the same time, it is considered that, due to such difficult issues, auditors should maintain professional skepticism, and how to address fraud is considered as a practical issue which auditors should deal with.

In order to deal with this issue, it is obviously important to follow the provisions described above, but, at the same time, the auditors should really understand the meaning of the provisions and having an independent mind is important. However, it is also important to understand that those are not all inclusive and that there would still be threats.

## Auditor's Professional Skepticism and Its Developments

**Akira Nin**

The University of Kitakyusyu

At the inception of 21st century, expectations on the audit practices become more demanding (e.g., POB *O'Malley Panel*, 2000), and then the auditor would have to *ex ante* assume dishonesty in the auditees' mindsets. A brainstorm seeking US SAS No. 99 (2002) includes the forensic and fraud preventive contexts, *inter alia*, "regardless of any past experience and regardless of the auditor's belief about management's," the context in question would reflect the "inward-directed" mindsets metaphysically argued by Bell et al. (UIUC & KPMG, 2005). Professional Skepticism (PS) on the presumptively doubting auditor's attitude would admittedly trigger the knowledge degradation or destruction process. Auditor's judgment would be made dichotomously between "belief resetting (to null)" by the exertion of PS, and "anchoring (Tversky & Kahneman, 1974)" risk i.e., wrong, unintended accumulation of belief. Even though we revert to the auditing classic of Mautz and Sharaf (AAA, 1961), the core of PS cannot be thoroughly clarified. And we should tell the auditor's skeptical points of view from that of philosophers'. Concerning the inherent fragility on auditor's judgments with latent factors, the profession should ensure the value to stand on the safe side, i.e., effectiveness ( $\beta$  risk averse) over efficiency ( $\alpha$  risk averse). In such rigorous, modern audit environment, the author would anticipate the natural increase of costs by introducing stern PS, commensurate with the "heightened assessment of the risk that (auditee) assertion is correct" as argued recently in risk bound way, in several researchers' theses, typically (e.g. Nelson, *AJPT* 2009).

## **Complicated Professional Judgment and Professional Skepticism**

**Shinji Hatta**

Aoyama Gakuin University

I reported next four themes mainly. The first theme is “Re-examination of auditing systems with innovative changes of business accounting”. I examined the situation that the radical revision of accounting standards and auditing standards cannot be avoided because of major bankruptcies in the mid-1990s. The second theme is “Complicated Professional judgment with innovative changes of auditing environment”. I pointed out the situations that auditors require new and tremendously technical and advanced responses because of tremendously innovative changes of auditing environment. For example, the auditors’ responsibility of detection of fraud is enhanced and auditors should give substantive judgment. The third theme is “Maintaining the quality of auditing service and auditors’ responsibility”. I pointed out the situation that auditors who ensure auditor independence strictly require professional skepticism in all phases because of maintaining the quality of auditing above a certain level. The last theme is “The nature of auditors’ professional skepticism”. I summarized the discussion in the United States of America and I pointed out the situation that auditors require professional skepticism moreover because of the expectation that auditors will enhance the ability of detection of fraud.

Finally, I pointed out the situation that re-examination of auditors’ role is near at hand and made a proposal that a study or an approach about the clarification of the auditors’ role matching the present situation is urgent issue. In this way, I believe that the public confidence about accounting and auditing system will be grown.



## **2010 Annual Conference of JAA**

### **Special Committee**

#### **Study of Decision-Making for Environmental Management and Accounting System**

Chair: **Katsuhiko Kokubu**

Kobe University

The objective of this committee is to study how the way of decision making for environmental management is promoted and improved by accounting systems to combine the environment with economy. Environmental management decision-making is carried out by companies, but at the same time external stakeholders support those environmental conscious companies through their own decision-making. Therefore, the co-operation between these two groups is essentially important. This committee placed importance on both of these perspectives, and carried out in-depth and separate studies of “accounting systems supporting environmental management decision-making of companies” (Part I) and “accounting systems supporting environmental management decision-making in the society” (Part II). The studies in the report are categorized into three groups depending on the progress of its research area, 'basic research', and 'advanced research', 'developing new technique'. In Part I, the chapters on design for environment (Ch.3) and environmental performance measurement (Ch.5) are constructed as 'basic research', and environmental conscious production (Ch.1), environmental capital investment appraisal (Ch.4) and green supply chain management (Ch.6) are conducted as 'advanced research'. In the studies of environmental conscious operation improvements (Ch.2) and environmental externalities management (Ch.7), 'developing new technique' is pursued. In Part II, the chapters on non financial disclosure (Ch.8), influence of soil contamination information on stock price (Ch.11) and management supporting deputation for soil contamination (Ch.12) are constructed as 'basic research'. Emission trading and carbon management (Ch.10) and CSR management (Ch.13) are conducted as 'advanced research'. In the studies on eco-indicator for investors (Ch. 9) and environmental accounting for regional development (Ch.14) 'developing new technique' is pursued.

## **Special Committee**

### **A Study on Usefulness of Fair Value Measurements**

Chair: **Keiko Kitamura**  
Chuo University

Fair value accounting is one of the most controversial issues in the current accounting standards. This report discusses the history of accounting standards and the fair value measurements in several countries.

In U.S., “fair value” changed as the concept drifted from the utility rate-setting context (the case of *Smyth v. Ames*, 1898) to that of financial reporting (ARB43, 1953). Under ARB43, fair value measurements were used for accounting standards for non-monetary transactions, etc.

In 2006, FASB issued SFAS 157 and defined fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IASB defined fair value as an exit price, too. In other countries, for example, UK, EU and Japan, the concept of the fair value was introduced when they established accounting standards for financial instruments or converged with IFRS.

Nowadays, fair value should be used to measure not only financial assets but operating assets. In addition, the introduction of fair value measurements makes important changes in income statement presentation and disclosures.

The next question is what discount rate should be used to calculate present value as an alternative of exit price. So far, we have seen that implied cost of capital is more appropriate than other methods.

In the 2011 final report, we will discuss the limitation of fair value measurements from the empirical point of view.

## Subject Research Committee

### **An Inventory of Financial Accounting Research in Japan — Changing International Research Trends —**

Chair: **Yoshihiro Tokuga**  
Kyoto University

The Subject Research Committee of the Japan Accounting Association was organized in September, 2008. We have set two main tasks as our goals: One is to do an inventory of the financial accounting research available in Japan and from this to chart its historical changes and characteristics. The other is to go a step further by identifying strong and weak areas that will be useful in guiding and helping Japanese financial accounting research progress to the international standards, though we also feel that international standards should not be the only criteria used to judge quality. We hope to keep the good characteristics of Japanese research, while improving our international competitiveness.

Concerning the first task, we classified 2,353 research papers published in the Journal "*Accounting*" since 1978, for a period of 30 years, into six categories as follows: 1. Analytical Research and Methodology, 2. Empirical Research, 3. Normative and Descriptive Research, 4. Historical Studies, 5. Case Studies, and 6. Miscellaneous. We did a pilot study the first year and extend it to all papers the next year. We focused on normative and descriptive research this year because they would seem to be the mainstream of research in Japan, judging from the continuously overwhelming number of papers we categorized into this area. Moreover, we classified and analyzed the sample papers with a focus on their "scientific nature" and "evolvability" and sub-classified them based on their research topic. We also extend our analysis to all papers in *Accounting Progress* to avoid journal bias regarding empirical research.

To accomplish the second task, we clarified the problems that were found in our analysis of Normative and Descriptive Research and Empirical Research, and made a proposal for improvement. On the one hand, it has been difficult to modify or evolve the dominant hypothesis because there was no verifiable way of discussing empirical facts, related to Normative and Descriptive Research in Japan, though we believe Japan has had a big advantage internationally in this research area. On the other hand, we found a major problem in that there have been quite a lot of papers with unclear subjects, related to Empirical Research, which we believe places Japan at an international disadvantage.

To improve the current situation, we propose that refereed journals in Japan

should adopt a minimum “scientific nature” as a screening criterion and that educational systems be established that contribute to the advance of research that follows accepted scientific procedures. If we become more aware of the fact that Normative and Descriptive Research is able to provide “scientific explanations”, we can establish a complementary relationship between Normative and Descriptive research and Empirical Research. By building on these ideas, financial accounting research in Japan, including empirical research, will hold a strong position in comparison with the current international standards, which are biased toward empirical research.

## **Study Group**

### **Institutional Basis of Accounting Standards and Current Nature of GAAP**

Chair: **Hideki Fujii**  
Kyoto University

In 2010, we completed our research program, especially by adding to our interim report 2009 two chapters; i.e. chapter 7, Current Issues in Fair Value Measurement, and chapter 8, Toward the Comparative Institutional Analysis of Internal Auditing. Through our two-year study, we could get a whole picture and better understanding of institutional change in current accounting; e.g. the convergence of accounting standards led by the FASB and the IASB, and installing new internal auditing by the SOX Act in the U.S. and the J-SOX in Japan.

In the last chapter of our final report, by summarizing discussions of the Group members, we present hypothetic explanation for dynamism of institutional change in accounting. We could suppose two factors that drive the change; (1) objective-rational behavior (ORB) of market players such as investors, managers and accountants, who have in common self-interested orientation, and (2) value-rational behavior (VRB) of system designers such as standard setters, regulators and law makers, who act to realize institutionally their ideals and beliefs at the cost of economic rationality if necessary. The basic idea of the discussion is based on M.Weber [1922], “Sozilologische Grundbegriffe,” in *Wirtschaft und Gesellschaft*, Tübingen, J.C.B.Mohr.

In a stable and peaceful period, it would be ORB that would determine accounting system and its function in economic society. The institutional change

here would consist of relatively small and/or minor adjustments of accounting system, e.g. revision of accounting standards. But, once the economic society would suffer catastrophic disaster such as Enron/WorldCom and Lehman Shocks, VRB would intervene directly into economic life of market players, and introduce big bang change in accounting institution to save the market economy itself. The conflict between these two factors would generate dynamic, and sometimes inconsistent, development of accounting system and characteristic change in GAAP (from descriptive to normative) currently observed on the global dimension.

## **Study Group**

### **Research on Intangibles from the Perspectives of Management Accounting — Focused on Corporate Reputation —**

Chair: **Michiharu Sakurai**  
Josai International University

A study group titled Research on Intangibles from the Perspectives of Management Accounting was established at the annual meeting of JAA held on September 2008. This paper is a short summary of its final report, *Research of Management Accounting on Intangibles, focused on Corporate Reputation*. The report was published on September 2010. Members of the committee are listed at the bottom of this paper.

This report is the final one which the study group has presented at the annual meeting of Japan Accounting Association on intangibles from the perspectives of management accounting. The contents of this report consist of four parts; introduction (Part 1), intangibles (Part 2), corporate reputation (Part 3) and finally, analysis of questionnaire (Part 4).

Part 1: Research methodologies of intangibles and reputation management were discussed from the perspectives of management accounting. Firstly, the report argues that value drivers of excess profitability are not intellectual assets but intangibles. Secondly, it proposes that intangibles are divided into two parts; intellectual intangibles and reputation-related intangibles.

Part 2: The report discussed intellectual assets, not brand equity but under the title of

study of intangibles. It discussed how to manage intangibles from strategic point of view. It also discussed the role of corporate social responsibility (CSR) and measurement of its economic effect. It reviewed the way of managing human, customer, and organizational assets. At last, it analyzed the results of empirical research on intellectual assets.

Part 3: The report discussed the contents of reputation-related intangibles. There are many issues which reputation management brings forward, but this report reviews management accounting issues from multi-stakeholder perspectives. In addition, it studied the differences between shareholder capitalism and stakeholder capitalism. From these studies, it clarifies ways of reputation management and impact on financial performance. It also clarified characteristics of reputation management in terms of brand management. Furthermore, it made research on the ways of brand value -budget management. Finally, it discussed both reputation management in public sectors and public accountability from the perspective of budget-outcome relationship.

Part 4: The report clarified the result of questionnaire study. In sum, the study group discussed intangibles which includes not only human, information and organizational assets that interim report of this study group discussed but also brand management, reputation management, intellectual assets, corporate communication, and customer assets management from the perspectives of management accounting.

Chairman of the Committee; Michiharu Sakurai (Josai International University)

Committee members; Akimichi Aoki (Senshu University), Takayuki Asada (Osaka University), Takashi Arae (Nihon University), Katsuhiko Itoh(Seikei University), Kazunori Itoh (Senshu University), Yoshihiro Itoh (Waseda University), Hironao Iwata (Senshu University), Akihiko Uchiyama (Chiba University), Asako Kimura (Kansai University), Masakazu Kozakai (Tamagawa University), Tomoaki Saonoda (Keio University), Yoshiomi Someya (Josai International University), Masahumi Fujino(Nihon University), Akiko Iwabuchi (Tokyo Management College)

Discussants; Junya Ohnishi (MOF), Kyoko Kanesaka (Dentsu), Norio Sawabe (Kyoto University), Hidetoshi Takaba (Syuwa accounting firm), Shoichiro Hosomi (Tokyo Metropolitan University), Kazuhiro Mawatari (Dentsu)

## 2010 Annual Conference of JAA

### Regional Reports

#### Hokkaido Region

**Koichiro Matsumoto**

Hokusei Gakuen University

The regional meetings were held in 2010 as follows.

**1. The 77th Regional Meeting at Hokusei Gakuenn University on May 22, 2010.**

- (1) “A Study on Accounting for Sale-Leaseback Transactions,” Takaya Kudo, Hokkai-Gakuen University.
- (2) “Environmental Accounting for Logistics,” Tadashi Nagaoka, Sapporo Gakuin University.
- (3) “Uncertainty in an Auditor's Judgment: Focusing on Going-Concern Problems,” Akira Sakayanagi, Otaru University of Commerce.

**2. The 78th Regional Meeting at Sapporo TV Tower on December 11, 2010.**

- (1) “Overreaction and Underreaction to Reductions of Contributed Capital: Twists Due to Accountings for Business Combination, Preferred Stock, and Treasury Stock,” Go Ishikawa, Otaru University of Commerce.
- (2) “Two Different Views of the Liability,” Junji Kubo, Hokkaido University.
- (3) “Some Impacts of Global Convergence of Accounting Standards on The Tax System in Japan,” Shinichiro Ishizaka, Hokkaido College, Senshu University.

#### Tohoku Region

**Hiroshi Fujinaga**

Aomori Public College

The Tohoku Region of Japan Accounting Association covers the north eastern (Tohoku) area of the main land.

In 2010, following two meetings were held.

### **1. The 78th Meeting at Tohoku Gakuin University on May 29, 2010.**

- (1) “Significance and Issues of the Global Tax Planning as the Strategy ”, Daigo Matsumoto, Graduate student, Aomori Public College
- (2) “Process of Adoption in Accounting for Asset Retirement Obligations and Issues in Japan”, Tomoko Okano, Ishinomaki Senshu University.

### **2. The 79th Meeting at Sendai Garden Palace on November 20, 2010.**

- (1) Study of Medical Balanced Scorecard in the Management of a Hospital”, Yoshimi Iwasa, Graduate student, Aomori Public College
- (2) “Conservatism in Accounting for Inventory”, Hisashi Takase, Iwate University.

## **Kanto Region**

**Yoshio Nishino**

Kanto Gakuin University

The 58th regional meeting was held at Kanto Gakuin University on December 4, 2010. The main theme of the meeting was “The Status Quo and Problems of the Accounting Standards of Nonbusiness Organizations”. Discussions were coordinated by Shinya Saito, Yokohama National University.

The following reports and panel discussions were presented.

- (1) “The Status Quo and Problems of the Accounting Standard of Public Interest Corporation”, Katsuyoshi Okamura, Kanagagawa University.
- (2) “The Status Quo and Problems of the Accounting Standard of Private School”, Satoru Katayama, Waseda University.
- (3) “The Status Quo and Problems of the Accounting Standard of “NPO” (Specified Non-Profit Juridical Person) ”, Hiroshi Eda, CPA.
- (4) “The Status Quo and Problems of the Accounting Standard of Consumer Cooperative”, Tetsuya Fukuda, Kanto Gakuin University.

## **Chubu Region**

**Akihiro Noguchi**

Nagoya University

The regional meetings were held as follows;



### **1. The 123rd Regional Meeting at Nagoya University on April 3, 2010.**

- (1) “Safety Management in Health Care Services and Quality Costs: Focusing on Ex ante Input Costs for Prevention and Appraisal”, Toru Hashiguchi, Nihon Fukushi University.
- (2) “How Japanese Business dealing with the application of the IFRSs”, Ikuhiro Sato, Yamaha.

### **2. The 124th Regional Meeting at Tokai Gakuen University on July 10, 2010.**

- (1) “Current Issues and the Future of XBRL Chain”, Tetsuo Tabata, Tokai Gakuen University, and Katsuhiko Yuura, Hitachi.
- (2) “Accounting Treatment and Value Relevance of R&D Costs towards the Convergence to Selective Capitalization”, Tomohiro Noguchi, Aichi Gakuin University.
- (3) “A Further Inquiry into the Headstream of the Japanesque Bookkeeping: Searching in East Asia”, Takaharu Tanaka, Mie Prefectural Tamaki Wakaba School.
- (4) “An Analysis on Economic Rationality of Conservatism”, Kazuhiro Manabe, Fukui University of Technology, and Nishiumi Satoru, Aichi Gakuin University.

### **3. The 125th Regional Meeting at Nagoya Gakuin University (Shiratori Campus) on December 4, 2010.**

Theme: Accounting and Auditing Issues on the Globalization of the Society and the Economy

Moderator: Kenji Kishida, Nagoya Gakuin University.

- (1) “Analysis of the Introduction of Accounting for Asset Retirement Liabilities”, Yukinori Ueda, Nagoya Gakuin University.
- (2) “Effect of the Convergence toward IFRSs for Financial Information of the Japanese Business”, Ichiro Mukai, Aichi Gakuin University.
- (3) “Analysis of the Introduction of IFRS”, Toshihiko Shiraki, Nanzan University.
- (4) “Effect of the Application of the IFRS on Accounting and Auditing Practices”, Tsuyoshi Takeyama, Tokai Chapter of the JICPA.

## **Kansai Region**

**Atsuo Mukoyama**  
Osaka City University

The 60th Kansai regional meeting was held at Osaka City University on December 18th, 2010. The main theme of the meeting was “Landing point of

Japanese Accounting Regulation -Harmonization of Accounting from Managements' aspects and Accounting from Investors' aspects-".

The discussions were chaired and coordinated by Kenji Shiba, Kansai University. The panel discussions were held as follows.

- (1) "Mutual Influence between Investment Style and Accounting System", Satoshi Tomita, Kansai University.
- (2) "Conflict of interests between shareholders and managements: An inspection from a financial theory and a practical business", Hisao Miyagawa, Osaka City University.
- (3) "Role of an Enterprise, Role of Accounting", Kenji Shiraishi, Doshisha University.
- (4) "A Simultaneous Determination Theory of Corporate Decisions and Asset Pricing and Accounting Information", Hiroji Takao, Osaka University.

In the morning we had six presentations in the two rooms as follows.

- (1) "A Study of Legitimacy of Global Accounting Standards -A New Analytical Framework", Masatsugu Sanada, Kyoto University (PhD. Candidate).
- (2) "Restructuring Scheme of A Timber Farming Company by using of Carbon Offset Credits", Akira Kajiwara, Otemon Gakuin University.
- (3) "A Study on Judgment of External Auditor for Japan Airlines Corporation", Takumi Adachi, Onomichi University.
- (4) "The role of management accounting in strategizing -A case study from developing new business domain-", Li Yan, Ritsumeikan University (PhD. Candidate).
- (5) "Comparison of theoretical reduced manufacturing costs for each method of standardizing parts", Kousuke Shiomi, Hiroshima University (PhD. Candidate).
- (6) "Values and Limitations of the Accounting Standards of "Special Accounts" in Japanese Central Governments", Toru Muneoka, Kansai University.

## **Kyushu Region**

**Keiichi Oishi**  
Kyushu University

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

### **1. The 86th meeting at Kumamoto Gakuen University, on August 7, 2010.**

- (1) “Disclosure and Value Relevance of Other Comprehensive Income Information: Comparison between Japan, U.S. and Europe”, Yuki Yamanishi, Prefectural University of Kumamoto.
- (2) “An empirical analysis of the influence that management control system and corporate culture affect organizational member's psychological factor in Japan”, Tsutomu Tobita, Kumamoto Gakuen University.
- (3) “On the US's Global Accounting Strategy”, Isamu Iwasaki, Kyushu University.

**2. The 87th meeting at Kyushu Sangyo University, on March 26, 2011.**

- (1) “Trend of Elite Accountants’ Education in China”, Bunchu Ri, Fukuoka Institute of Technology, and Kunio Chiyoda, Kumamoto Gakuen University.
- (2) “The Position of Time Study in Management Accounting Research”, Tamiya Mizushima, Nakamura Gakuen University.
- (3) “The latest Movement of Accounting Standard for Provisions in IASB”, Toshifumi Yamashita, Saga University.