

Japanese

ACCOUNTING FORUM

2012

No. 20

JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association.

Liaison Office: Hayashi Building, 1-10 Kanda Nishiki-cho, Chiyoda-ku,
Tokyo 101-0054, Japan

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Japanese ACCOUNTING FORUM 2012

JAPAN ACCOUNTING ASSOCIATION

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 2012 is the 20th issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 70th Annual Conference of JAA which was hosted by Kurume University in Fukuoka on September 17-19, 2011. It also includes the reports of regional activities of JAA during the 2011 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*,
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JAPAN ACCOUNTING ASSOCIATION

Japanese
ACCOUNTING FORUM

No. 20, 2012

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2011 Annual Conference of JAA

Report

2011 Annual Conference

Chairman of 2011
Annual Conference
Koji Ishiuchi
Kurume University

Program

The 70th Annual Conference (2011) of Japan Accounting Association (JAA) hosted by Kurume University was held from September the 17th to 19th. The main theme of this year's conference was "Change and Future of Accounting Standards."

On the first day (September the 17th), we had presentations by two Special Committees, one Subject Research Committee and two Study Groups after the Council and General Assembly of Membership. Then a welcome reception was held at Suikoen Hotel in Kurume city.

On the second day (September the 18th), we had 58 presentations about various topics in concurrent sessions and three plenary sessions based on the financial accounting, the management accounting and the auditing respectively. We also had some presentations by Korean and Taiwanese researchers in an international session. Furthermore, memorial lectures by three leaders from each accounting area were held. They were open to public. The lecturers were Professor Kazuo Hiramatsu who is the president of JAA, Professor Michiharu Sakurai who is the past president of Japan Cost Accounting Association and Professor Yoshimasa Tomosugi who is the president of Japan Auditing Association.

On the third day (September the 19th), there were heated discussions in the three plenary sessions after 46 presentations in the concurrent sessions. We also had an International Symposium about IFRS adoption in Korea, Taiwan and Japan. The debaters were Professor Jongsoo Han from Korean Accounting Association (KAA), Professor Fujiing Shiue from Taiwan Accounting Association (TAA) and Professor Kazuo Hiramatsu from JAA.

Over 800 members attended this year's conference. There were plenty of meaningful discussions during the period. I would like to express here our special thanks to all related personals and parties as a chairman of the host University.

The schedules for 2011 Annual Conference was as follows :

Date and Time	Events
Sept. 16 13:00 – 15:00 15:00 – 17:30	Screening Committee for Awards Meeting of Board of Directors
Sept.17 10:00 – 12:00 13:00 – 14:30 14:35 – 15:50 15:55 – 16:30 16:45 – 18:00	Meeting of Council General Assembly of Membership Special Committee Reports Subject Research Committee Report Study Group Reports
Sept.18 9:50 – 12:00 9:50 – 12:00 13:00 – 15:10 15:30 – 17:55	Concurrent Sessions International Session Plenary Sessions 1. From Accounting Standards to Financial Reporting Standards 2. From Cost Accounting Standards to Cost-Revenue Accounting Standards 3. From Auditing Standards to Assurance Service Standards Memorial Lectures
Sept.19 9:50 – 12:00 10:00 – 12:00 13:00 – 15:00	Concurrent Sessions International Symposium Plenary Panel Discussions

2011 Annual Conference of JAA

Plenary Session 1: From Accounting Standards to Financial Reporting Standards

The Intent and Functions of Accounting Standards

Yuji Yoneyama

Hokkaido University

“Accounting principles for business enterprise” as accounting standards in Japan was based on the same disclosure philosophy as the United States. It specified the contents of the financial reporting in the disclosure and audit system of the Securities Exchange Act. It was important to reflect its thinking on laws of financial accounting, and to reform the education of accounting at postwar time for “recovery of Japanese industry” and “modernization of the corporate accounting system.”

“Accounting principles for business enterprise” was set up by public sector initiative. Since CPAs did not exist yet, accounting standards setting by private sector like U.S. was not adopted. It was thought that it was necessary to specify the authority of accounting standards by law directly.

It was one of the important duties of “accounting principles for business enterprise” to reflect its thinking on the accounting regulations of the commercial law or tax law. However, since the commercial law was a statute, “accounting principles for business enterprise” also had to be changed. This situation became a factor which restrains the financial reporting in Japan.

By offering basic concepts, “accounting principles for business enterprise” has attained the spread of modernistic accounting practices, and the reform of the education of accounting, while passing through the change process in both sides. The basic purpose of the financial reporting in the disclosure system of the Securities Exchange Act is the same as before. However, the contents of information changed a lot. So, the duty of adjustment between domestic laws of financial accounting has ended substantially.

Some Challenges Surrounding Accounting Institutions in Japan

Yoshihiro Tokuga

Kyoto University

The main agenda I have is to highlight the current issues relating to accounting norms in Japan and to offer possible solutions to them. There are several inconsistent accounting norms in Japan that have a similar level of legitimacy towards the same accounting transactions and/or events within the same company. In other words, companies are sometimes torn between which norm they should conform to.

The purpose of my presentation is to offer the solution to eliminate or to prioritize this complicated and overlapped situation of accounting norms. This conflicting situation was mainly caused by two issues ①that Business Accounting Principle has a functionally multifaceted nature, and ②that all companies regardless of whether they are publicly held and closed must follow it, though its application is limited to the individual financial statements.

Roughly speaking, there are two solutions: one is to repeal BAP, the other is to amend BAP and/or other accounting norms and delete the duplicated functions and coverage. If we adopt the former solution, we will newly have to establish new accounting principles and conceptual framework because a vacuum in accounting norms for the closed SMEs will arise. Therefore, I would like to offer the following solutions: ① BAP will be amended and reset as accounting standards and conceptual framework for only the closed (unlisted) companies, and ②the coverage of the Financial Instruments and Exchange Act will be limited to the consolidated F/Ss of the publicly held companies.

Prospects for the Financial Reporting Standards in Japan

Masaki Yoneyama

Waseda University

The main point at issue in this presentation is under which condition the disclosure of new non-financial information is supported in financial statements. Three points are discussed in order to achieve the goal. That is: (a) what factors affects the inclusion (or exclusion) of new non-financial information as one of the items under regulation? (b) Is the actual regulation on disclosure consistent with what theory tells us? (c) Do we have enough information in order to forecast (following the theory described above) what non-financial information will be included in our disclosure regulation?

The result is that (a) (1) how we interpret the purpose of Financial Instruments and Exchange Act, (2) how we split the role of forecasting future cash flow between managers and investors, (3) how companies lack enough ability to disclose necessary information to investors and (4) how we assume the behavior of investors under the condition that we have no regulation on disclosure, those four factors decide the treatment of a certain non-financial information in the disclosure regulation, and (b) the actual regulation in Japan is basically consistent with what the theory above tells us. But (c) as we lack important information, it is still hard for us to forecast what non-financial information will be included in our disclosure regulation.

2011 Annual Conference of JAA

Plenary Session 2: From Cost Accounting Standards to Cost-Revenue Accounting Standards

Cost Accounting Standards -Meaning and Role-

Kenji Okano

Matsuyama University

1. Meaning of Cost Accounting Standards

“The Cost Accounting Standards, Japan (CASJ)” of Japan was enacted by Kigyō Kaikei Shingikai at 1962. This “CASJ” is promulgated from Generally Accepted Cost Accounting Practices in Japan. And “CASJ” forms a link in the chain of “Kigyō Accounting Principles of Japan.” At first, we shall discuss a history of Cost Accounting Standards in Japan to recognize an origin and a meaning of Cost Accounting Standards.

A lesson learned from research on history is that there were two views on “Cost Accounting Standards.” One view is that “Cost Accounting Standards” is the same as “Cost Standards.” This view is a view of American Accounting Association. Another view is that “The Cost Accounting Standards, Japan (CASJ)” means “Cost Accounting Standards.” This is a view of Japanese Professors in charge of Kigyō Kaikei Shingikai. According to those researches, we can understand generally Cost Accounting Standards as follow.

“Cost Accounting Standards” is a statement in recognizing, accumulating and reporting objectives established by one authoritative organization.

2. Role of Cost Accounting Standards

As to Role of Cost Accounting Standards, “CASJ” states that “This Standards explain a fundamental framework of effective cost accounting practices that are promulgated and implemented by corporations.” Also, “This Standards is a link in the chain of Kigyō Accounting Principles and especially prescribes about costs.” Another Role of “CASJ” is supporting modernization, enlightenment and diffusion of Cost Accounting Practices in many corporations.

3. A point of View on modern cost accounting theory and practices, we need to study new “Cost Accounting Standards” or “Cost and Revenue Accounting Standards.” Moreover, we expect a research on “Cost and Revenue Accounting Standards” of separate industries.

Issues of Cost Accounting Standards

Fumiyasu Takahashi

Nihon University

The present day “Cost Accounting Standards” (CAS) was enacted back in 1962 and has been applied since then without any revisions. CAS as a practice model has lost their efficiency to a remarkable degree and should be revised as soon as possible. But we cannot see any chance of their revisions. One reason for this is that we do not have sufficient empirical research on the gaps between CAS and cost accounting practices, nor have possible solutions to the problem been studied. This paper discusses the issues of cost accounting standards based on the results of empirical studies.

I conducted surveys in which I set up two models necessary for the construction of the fundamental framework of cost accounting standards. Model I examines the gaps by explicating systematically the structure of cost accounting in Japan. This model highlights the reality of CAS by examining how the proposition “Different Costs for Different Purposes” a basic principle of cost accounting has been practiced in Japanese companies. Model II describes the function of cost accounting standards, and highlights how cost accounting standards, for the purposes of both financial accounting and management accounting, should be revised and systematized.

The surveys showed that cost accounting practices in Japan were still lagging under the influence of the present CAS, and enormous gaps had arisen between the two models. In other words, as for Model I, there were many companies which use the idea of “the same cost by the same method at the single cost system for different purposes.” As for Model II, there were still strong opinions to revise the present CAS. It must be said that work to fill these gaps is the most urgent issue so that “Relevant Lost” of CAS is to be recovered.

The Prospect of Cost and Revenue Accounting Standards

Shoichi Tsumuraya

Hitotsubashi University

This presentation focuses on the prospect of Cost and Revenue Accounting Standards, especially on disclosure of internal information (costing information) by public companies.

For most Japanese public companies, they already disclose their own internal information through IR (Investor Relations) tools. For example, we can see segment financial statements (B/S, P/L, C/F), monthly earnings forecasts and costing information (price and physical variance) in companies annual reports. I gathered relevant data from a survey by the Japan Investor Relations Association (JIRA). The results show that more than 70% of the companies disclose more disaggregated segment information than mandatory segment information disclosure.

Another point of presentation is earnings forecast information. The JIRA survey shows that many companies make their earnings forecast based on their in-company budget. It means that most Japanese companies disclose their budget figures indirectly through disclosures of earnings forecast information. Prior research has found a relation between earnings forecast information and stock-price. In-company budget information has a possibility of having affected the capital market (stock-price), through earnings forecast information.

Main concern related to disclosure of internal information is the proprietary cost problem. But I couldn't find a significant evidence of the proprietary cost. Further discussion and research on internal information reporting lead to the prospect of Cost and Revenue Accounting Standards.

2011 Annual Conference of JAA

Plenary Session 3: From Auditing Standards to Assurance Service Standards

Significance and Role of Japanese Auditing Standards

Tatsumine Ito

Seinan Gakuin University

The financial statements audit by professional auditors features to comply with Generally Accepted Auditing Standards (GAAS) and its framework is set forth in GAAS. Japanese Auditing Standards are set and made public by the Business Accounting Council.

The framework of the financial statements audit doesn't fix on. Because the framework varies with changes in social and economic view, the contents of GAAP always constant cannot be. Current Japanese Auditing Standards are what trace to change, we are in will be needless to say the significance of Japanese Auditing Standards transformation is occurring for also verified whether you will catch the development process of the framework of the financial statements audit.

We also discuss the "sublimation" of Japanese Auditing Standards. It is a frequently-used term in the recent revisions of Japanese Auditing Standards. I deal with the following questions: (1) what is the definition of the "sublimation" of Japanese Auditing Standards?, and (2) how Japanese Auditing Standards are affected by the notion of the "sublimation" of Japanese Auditing Standards.

Challenges Inherent in Auditing Standards

Takashi Kojima

Chuo University

I discussed the problems of International Standards on Auditing (ISAs) before revision under the Clarity project and the Clarified ISAs, the Auditing Standards (ASs) codified by the Business Accounting Council and Auditing Standards Committee Statements (ASCSs) issued by the Japanese Institute of Certified Public Accountants (JICPA).

We should evaluate the effectiveness of the Clarified ISAs concerning auditing accounting estimates, related parties, using the work of an auditor's expert and group audit which have been effective on or after December 15, 2009.

Japanese auditors must comply with the AS under the Financial Instruments and Exchange Act. We should reconsider the AS revised on March 26, 2010 because it has operational issues, including the definitions of audit risk and its components.

The JICPA should propose modifying the problems of the AS in light of translating ISAs. ISAs should be translated more accurately into Japanese when the JICPA draw up ASCSs. ASCS No. 41, "Group Audit" based on the Clarified ISA600 should be applied to auditing practices in an effective manner on or after April 1, 2012.

The Current State of Financial Statement Audits and Prospects for Standards on Assurance Engagements

Takatoshi Hayashi

Kwansei Gakuin University

In recent years the revision of the auditor's reporting model is discussed actively and continuously in the international accounting community. There are two background factors that affect financial statement audits. One factor is the change in quality and quantity of financial statement information, such as increasing uncertainty and subjectivity involved in accounting estimates, increasing demand for management judgments under principle-based accounting, or extension of note disclosure. The other factor is the need to reduce the expectation gap. Financial statement users have expressed concern that the standard audit report provides little information to evaluate the quality of the audit itself.

The concept release of the Public Company Accounting Oversight Board issued in June 2011, for example, presented four alternatives for changes to the auditor's report, which are: developing Auditor's Discussion and Analysis in order to complement the auditor's report, required and expanded use of emphasis paragraphs, auditor assurance on other information outside the financial statements, and clarification of language in the standard auditor's report. The revision of the auditor's reporting model has two aspects, that is, improvement of communication between users of financial statements and auditors as to nature and level of assurance and extension of the role of auditor.

The argument about these issues suggests the need for setting standards on assurance engagements according to content and level of assurance provided.

2011 Annual Conference of JAA

Special Committee

Objective and Limitations of Fair Value Measurements

Chair: **Keiko Kitamura**

Chuo University

What is fair value? Is that one of the measurement attributes like historical cost, net realizable value, replacement cost and discounted present value or is that a overall concept in which fair value means different value from other measurement attributes? The basic standpoint of this report does not regard fair value as measurement attributes. Hence, fair value could be regarded as the alternative to historical cost or replacement cost. On the other hand, as required in recent Asset Liability View on income, NRV or DCF could be used as fair value.

Measurement in accounting differs from Measurement in physics or Math in that the former is made based on a certain presume or assumption in society. Of course, fair value measurement is also same. There is a certain presume on measuring fair value and fair value is also a price determined based on that presume. Therefore, we have to find out information usefulness come from fair value measurement by not only theoretical study but also empirical research.

This report includes 4 parts.

Part1: A comprehensive discussion of fair value measurements,

Part2: Fair value extension in nations and bodies

Part3: Fair value extension in individual standards

Part4: An empirical research on fair value measurements

The aim of this report is to discuss what fair value means and address the limitation of it.

Fair value is not the measurement attribute, but agreeable measurement amounts for both seller and buyer in certain presume. Therefore, fair value is more curious than measurement attributes.

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Special Committee

International Convergence of Accounting Standards and Underlying Concepts of Financial Reporting

Chair: **Hideki Fujii**
Kyoto University

Our study aims at reconsidering on a current nature and a possible future development of the international convergence of accounting standards, with special reference to underlying concepts introduced and/or redefined in the improved conceptual framework of the IASB and FASB published in 2010. Our interim report wraps up the first year results of our research project from 2011 to 2012, and consists of 10 chapters. Their general outlines are as follows.

After showing our research interests in the 1st chapter, we discuss continuity and discontinuity in basic thoughts of financial accounting in Japan, through a comparative study of the Japanese Financial Accounting Standards for Business Enterprises as amended in 1982 and the Japanese Conceptual Framework for Financial Reporting 2006 in the 2nd chapter, and a theoretical analysis of the implications of transit from revenue and expense view to asset and liability view for double-entry accounting system in the 3rd chapter.

In the 4th through 9th chapters, we reconsider on the main topics coped with in the joint projects that have been conducted by the IASB and FASB since Norwalk Agreement 2002; e.g., the objectives of financial reporting, the qualitative characteristics of decision-useful accounting information, definition and recognition of elements of financial statements, measurement, reporting entity, and income presentation in financial statements.

We tentatively conclude, in the last chapter, that we can observe a relatively clear change in philosophical aspects of disclosure; i.e., increasing influences of the decision-usefulness approach in the objectives of financial reporting, and dominating role of the asset and liability view of accounting in qualitative characteristics of financial information. But, it is not yet obvious that these changes would bring about expected development of a substantial function of accounting; i.e., recognition, measurement, and especially income determination.

2011 Annual Conference of JAA

Subject Research Committee

Fair Value Accounting in Historical Perspective -An Inquiry into the Original Functions of Accounting-

Chair: **Izumi Watanabe**
Osaka University of Economics

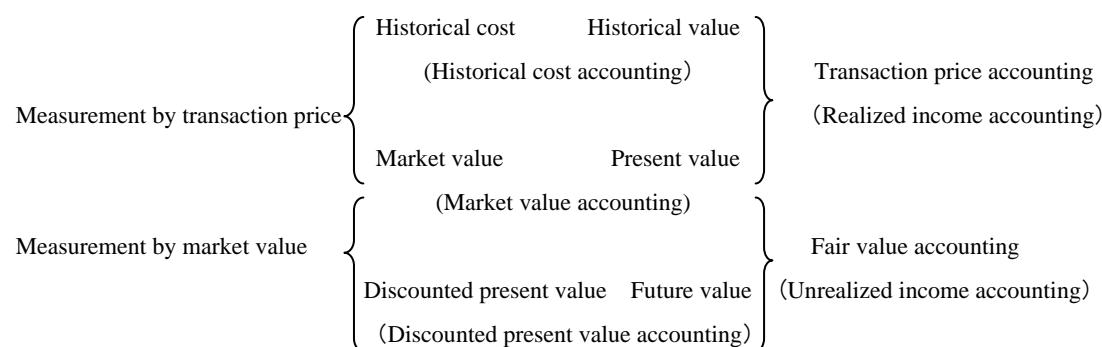
Double-entry bookkeeping, the backbone of income calculation in accounting, has since its inception at the start of the 13th century measured income on the basis of contemporary transaction prices, i.e., at historical cost. The biggest strength of the historical cost measure is that the measured value, as a historical given, offers enduring objectivity. In other words, it enables an audit examination of the factual transaction. In this capacity lies the point of inception of adopting double-entry bookkeeping and the main reason for the deep reliance on accounting. This reliability, anchored in factuality and verifiability, explains why accounting and double-entry bookkeeping have been passed on through the generations for eight hundred years.

Obviously, historical cost designates the value at the time of the transaction, i.e. the transaction price (which is normally the market value). At the time of settlement, this transaction price becomes historical cost, indicating historical value. Therefore, as transaction prices, current value and historical cost differ only as a matter of representation arising from the difference at different points on the time axis.

Market value, generally referred to as current value, is of an altogether different nature from the concept of fair value that emerged in the 1950s. Fair value may be defined as the discounted present value understood as of future cash inflows that emerged in the 1950s, even though it too was sometimes referred to as current value. Methods for revising transactions' contemporaneous prices based on current value appeared as early as during the emergence of double-entry bookkeeping. Marking-to-market of loan assets, that is, the accounting recognition of loan losses, and the recognition of write-downs on supplies appear already in the 14th century in the account books of Italian merchants. Historical cost and marking-to-market accounting measures have co-existed since the beginning of double-entry bookkeeping.

At the time of a transaction, everything is transacted at market value (present contemporary value), at prices that become historical cost at the time of settlement just by operation of time. In other words, market value accounting is understood

within the framework of a wider-sense historical cost accounting (including historical and present value accounting), that is, in the framework of transaction price accounting, while being dissimilar in nature from the discounted present value accounting which as “future accounting” belongs to the same realm of the same as fair value accounting.



The topic of our research group concerns examining fair value accounting issues through the filter of history. Irrespective of the discussion that emerged this summer about a narrowing of the scope and postponement of the implementation of IFRS application, the objective of our Subject Research Committee is to clarify conceivable measuring methods of accounting through an inquiry into the original role of accounting functions. Amid global trends dominated by financial capital with the emphasis on an approach of decision-making relevancy, in order to revive Japan’s economy with its understood accepted focus on manufacturing, once more the significance of net profit information as opposed to comprehensive income information will be examined not only from the perspective of reliability but clarified also from the viewpoint of utility.

2011 Annual Conference of JAA

Study Group

A Study on IFRS Education

Chair: **Kenji Shiba**
Kansai University

Keywords:

IFRS, Financial Reporting, IFRS Education, Accounting Profession

The research theme of this study group is IFRS education. Until now, a large number of books dealing with IFRS have mainly described the differences between Japanese standards and IFRS. Their contribution is valuable as regards accounting practice since practitioners directly face these new issues. Nevertheless, they do not address the question of the place that should be given to IFRS in higher education (undergraduate and graduate programs).

In this research, we collected information about (1) the current state of IFRS education, (2) the importance of historical considerations regarding IFRS education and related issues, (3) the basic concepts necessary to IFRS education. Based on our findings, we will express our views about IFRS education in the second year of this research.

In the first part, about the current state of IFRS education, we investigated the effects of IFRS introduction on accounting education. In a first chapter, entitled “The Sense and Role of IFRS and Their Influence in Japan,” we first defined a set of issues. In the following chapters, we collected information as comparable as possible about 1) the current state of IFRS introduction, 2) IFRS in higher education institutions, 3) the accounting profession (especially CPA and equivalents) in the following countries: the U.S., the U.K., France, Germany, China, Korea and Japan. In the Japanese case, we were able to proceed to a deeper investigation thanks to the abundance of available information.

In the second part, entitled “Importance of Historical Considerations Regarding IFRS Education,” we put IFRS in the context of the historical changes of financial reporting. We analyzed mainly the literature about the objectives of financial reporting in the U.S., and we compared these views with the examples of France and Germany. Financial reporting in the U.K. and Asian countries was not included in this comparison, but for the time being, we decided to study the experience of the U.S., France and Germany.

In the third part, entitled “IFRS Basic Concepts,” we analyzed the basic concepts necessary to IFRS education in a theoretical viewpoint. After posing the necessity of adopting a specific approach when teaching IFRS, we analyzed a first approach based on different views of the concept of profit, and a second approach based on accounting models. Last, we defined and classified the basic concepts common to these two approaches.

Chair:

Kenji Shiba (Kansai University)

Members:

Nobuhiko Sato (Meiji University)

Sadako Inoue (University of Marketing and Distribution Sciences)

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Study Group

Management Accounting Change through Information Needs Expansion

Chair: **Hiroyuki Nakamura**
Yokohama National University

Management accounting is continuously changing by many factors. We especially focus on information needs. Historically, an accounting system has been regarded as an information system. So, we think that the management accounting system has been changing due to changes in information needs.

In this research, we deal with three critical research issues. First, we propose an analytical model to explain management accounting change through information needs expansion. Second, we administer a questionnaire survey and conduct interviews management accounting practices in Japanese companies to identify management accounting changes through information needs expansion. Third, we show the essence of management accounting for the future.

In the first year, we showed an analytical model for management accounting change as a result of our research project. In this model, we defined information needs as the explanatory variables and management accounting change as the dependent variable. But all changes cannot be explained these two variables. So, we introduce a moderator into this model. Moderator can become not only accelerator but also constraint.

Based on this analytical model, each member of our study group showed research results of related readings. In our interim report, we deal with contribution margin in Chapter 1 and 2, responsibility accounting in Chapter 3, environmental accounting in Chapter 4, supply chain management accounting in Chapter 5, management accounting information system in Chapter 6, capital budgeting in Chapter 7, target costing in Chapter 8, brand management accounting in Chapter 9, Activity-Based costing of service industries in Chapter 10.

For the final report, we will implement an extensive questionnaire survey and interviews of Japanese company. This will promote our group to clarify the essence of management accounting change.

Committee members; Masaru Takahashi (Yokohama National University), Tetsuhiko Ogawa (Saga University), Yumi Morofuji (Rikkyo University), Masahiko Sakai (Otaru University of Commerce), Masanao Kanetoh (Hirosaki University), Asako

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2011 Annual Conference of JAA

International Symposium: Japan

Update of IFRS Adoption in Japan: September 2011

Kazuo Hiramatsu

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In recent years, Japan showed changes in its attitudes towards IFRS. First, Japan changed the attitude to move forward to the convergence with IFRS in 2006. This was the impact of EU's evaluation of equivalence of Japanese-GAAP (J-GAAP) with IFRS. Then in 2009, Japan moved forward to the adoption of IFRS, while making efforts for convergence at the same time. This was the impact of the US and of the global movements towards the adoption of IFRS. In 2011, Japan changed its attitude again. This time, Japan decided to postpone the adoption of IFRS. A Nation-wide damage caused by the earthquake of March 11, 2011, was one of the reasons to postpone, but another reason was the impact from the change of the US attitude.

On November 14, 2008, US-SEC published the "Roadmap for Adoption of IFRS by US Issuers," the content of which was made public in advance in August 2008. Responding to this roadmap, Nippon Keidanren (Japan Business Federation) issued a report on October 14, 2008, on the "Future Directions of Accounting Standards in Japan: The Next Step towards a Single Set of Accounting Standards." Taking into account this report, the Business Accounting Council of Financial Services Agency published the "Opinion on the Application of International Financial Reporting Standards (IFRS) in Japan (Interim Report)" on June 30, 2009. The "Interim Report" suggested that the mandatory use of IFRS may be decided around 2012. In such a case, IFRS would be applied to the consolidated financial statements of listed companies starting from 2015 or 2016. It also proposed that IFRS can be applied voluntarily from the fiscal year ending in March 2010 by listed companies whose financial or operational activities are conducted internationally.

A questionnaire survey was performed on November 15, 2011, by Tokyo Stock Exchange on the attitudes of companies on the application of IFRS. Out of the 2,283 survey companies, 1,572 companies (68.9%) responded to the questionnaire. The result showed that 1,059 (67.4%) began preparation to apply IFRS, 320 (20.4%) did

not make any preparation, and 97 (6.2%) were under preparation for voluntary application. However, the number of the companies which have applied IFRS thus far is still small. For fiscal period ending in March 2010, only one company, Nihon Dempa Kogyo, actually applied IFRS. On March 2011, Sumitomo Corporation and HOYA applied IFRS.

As mentioned above, IFRS was expected to be applied to consolidated financial statements of listed companies. In order to discuss about the accounting standards for non-consolidated financial statements, the Advisory Panel was established on September 28, 2010. The final report of the Advisory Panel was published on April 28, 2011. It referred to accounting standards for development costs, goodwill, post-employment benefits, and comprehensive income as the areas which need special consideration for non-consolidated financial statements. The Council on Accounting of Unlisted Companies was also established on February 25, 2010. Its report was published on August 30, 2010. It suggested the necessity to set a simplified version of Accounting Guidelines for SMEs. The new SME guidelines will be published soon.

While the preparation to apply IFRS showed much progress in Japan, a sudden change took place in 2011. This time again, it seemed that Japan was influenced by the US. On May 26, 2011, US-SEC issued a Staff Paper “Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers.” It suggested a possibility that the US may take the “Condorsement” Approach as one of the methods of incorporating IFRS into the US. This staff paper had a strong influence on Japan. On June 29, 2011, Nippon Keidanren issued a report with the title of “Request for Early Discussion on the Application of IFRS Adoption,” in which it requested to change the previous decision of the “Interim Report” and to postpone the application of IFRS in Japan. Many companies welcomed this proposal to postpone the IFRS adoption, while some people expressed a strong concern about it.

Because Japan now postponed the application of IFRS, there exist six accounting standards in Japan. ①IFRS, ②J-GAAP, which is being converged with IFRS, ③ J-GAAP, which was discussed by the Panel, ④Accounting Guidelines for SMEs, ⑤Simplified Accounting Guidelines for SMEs, which was suggested by Council on Accounting of Unlisted Companies, ⑥IFRS for SMEs (in case SMEs want to use it). This situation is not normal, and should be resolved as soon as possible.

From the past experiences, general trends can be observed regarding IFRS in Japan. If there are pressures or influences from US/EU, Nippon Keidanren makes

some requests on IFRS. Then Business Accounting Council responds to such requests. If this scheme is correct, a question arises: can we find the identity of Japan? The answer is “No.” So, Japan should establish a national accounting strategy, including the adoption of IFRS. Otherwise, the “accounting power” of Japan will decline, and Japan will further lose the international reputation and respect.

International Symposium: Korea

IFRS and Accounting Strategy of Korea

Jongsoo Han

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The year of 2011 is a milestone of accounting for the Republic of Korea: Korea's adoption of IFRS required all listed Korean companies to switch their accounting rules from K-GAAP to K-IFRS starting from January 1st, 2011. The transition from K-GAAP to IFRS was quite successful. However, it was not easy to achieve such a successful transition. It took significant amount of time and effort, as well as carefully designed and well-implemented strategies. This is because changes due to the adoption of IFRS are not limited only to accounting industry. Adoption of IFRS also demands changes in legal and social circumstances. Korea's strategies for the successful transition to IFRS could be summarized as follows:

Early announcement of IFRS adoption roadmap: Korea announced its IFRS adoption roadmap and completed the Korean version of IFRS (K-IFRS) in 2007, 4 years before the actual adoption year, to provide enough time for interested parties to prepare themselves for the change.

Two-tier accounting system: IFRS is required only for the listed companies. Non-listed companies were given a choice between IFRS and the simplified accounting standards to lighten their burden of using heavy accounting standard such as IFRS.

Big-Bang (not convergence) and Full Adoption (not partial adoption) approach: Korea's past experience on phased convergence or partial adoption of IFRS was not successful. Even if Korea had issued 28 statements since 1999 by adopting a substantial portion of IFRS and made K-GAAP be almost equivalent to IFRS, K-GAAP was discounted as non-compliant with IFRS. Thus, Korea took the big-bang approach, in which Korea replaces its accounting standards from the former K-GAAP to IFRS as of January 1st, 2011.

Implementation strategies guided by IFRS Implementation Task Force: The IFRS Implementation Task Force was formed in 2007, consisting of regulatory bodies, academia, accounting firms and business associations. The task force guided the implementation process of IFRS adoption. It monitored the overall implementation progress, reviewed amendments to laws and regulations, and addressed issues raised by interest groups.

The transition from the old K-GAAP to IFRS was quite successful in a sense that

we were able to minimize potential negative impacts of IFRS adoption. However, in order to maximize the positive effects of IFRS adoption, we should continue reforming the Korean accounting system in every possible way. The Accounting Advancement Forum, made up of academia, accounting firms and regulatory bodies, has formed in 2010 as a result. It has discussed the vision and advancement of Accounting in Korea. The forum published a research report entitled, “The Vision and Strategy of Accounting Advancement for 2020.” The report divides accounting into four sub-areas and provides what we should seek for the next 10 years in each of the four sub-areas, which are summarized below:

Strategies for accounting education: In the past, accounting experts needed only technical skills and professional knowledge. However, under the IFRS era, accounting experts need not only technical skills and professional knowledge, but also non-technical skills such as communication and judgment ability, and professional values such as business ethics. In order to provide these non-technical skills and values, we should build a “Professional master program in accounting,” and provide various types of certifications for professional accountants; e.g., Certified Accountants in Business (CAB) as entry level accountants, Certified Public Accountant (CPA) as professional accountants, Certified Public Auditor (CP Auditor) as independent auditors and Certified Business Valuator (CBV) as independent valuers and appraisers.

Strategies for Accounting Industry: The accounting industry currently receives an insufficient amount of recognition, despite its importance. Sometimes, accounting is even blamed for its low credibility. Thus, an accounting industry currently takes only 0.2% of Korean GDP. Under the IFRS era, we should strengthen the credibility of the accounting industry by implementing the Accounting/Auditing Accreditation program and improving each accounting firms’ specialty. We should also expand the accounting market by entering into new markets such as governmental accounting, non-profit accounting, and off-shore markets.

Strategies for Accounting Standards: As we have implemented IFRS, we found that IFRS in many cases does not reflect the unique local business environment, and that it is not easy to have IFRS reflect the local business environment. Therefore, under the IFRS era, we should conduct more research on accounting standards and proactively participate in the international accounting activities. In addition, active cooperation among countries in the same region is inevitable to represent the voice of local market’s accounting sector.

Strategies for Accounting Regulations: Currently, multiple bodies are regulating the accounting industry, and several of those regulatory bodies do not possess enough knowledge or skills. Hence, the results are the application of inconsistent and sometimes improper regulations. Under IFRS, we propose to establish an “Accounting Steering Committee,” which will oversee the accounting regulators and

accounting firms. The Accounting Steering Committee will play a role very similar to PCAOB in the USA, in that it will maintain the overall quality of accounting in Korea.

Korea has realized that the adoption of IFRS takes much more than just adopting a set of accounting standards. However, we believe that adoption of IFRS is an opportunity for us to grow to the next level. If we keep carrying out our remaining tasks of the IFRS roadmap and continue to move toward the high-quality IFRS-based financial reporting, we should be able to achieve more transparent and more trustworthy accounting system.

2011 Annual Conference of JAA

Regional Reports

Hokkaido Region

Koichiro Matsumoto

Hokusei Gakuen University

The regional meetings were held in 2011 as follows.

1. The 79th Regional Meeting at Asahikawa University on 11 June, 2011.
 - (1) “Computer Accounting Educations: In Adopting the Faculty-test,” Hidenori Takagi, Hokkaido College, Senshu University
 - (2) “The Reaction of the Tax Reform about Domestic Flowing Back of Overseas Subsidiary Profits, and a Market,” Yuzuru Sakurada, Hokkaido University and Yoshiyuki Nakanishi, Hokkaido University (Doctoral Candidate)

2. The 80th Regional Meeting at Sapporo Garden Palace on 11 October, 2011.
 - (1) “Representatives of Stretch Budgeting for Control,” Masatoshi Uchida, Hokkai-Gakuen University
 - (2) “Rethinking of Accounting Standards for Individual Entity Coping with Adoption of IFRS: Premising to Maintain “The Policy of Authorized Settlement Accounts,” Toshi Hatayama, Professor Emeritus, Sapporo Gakuin University
 - (3) “The 40th Anniversary of Hokkaido Chapter of Japan Accounting Association,” Mitsuro Kuno, Professor Emeritus, Otaru University of Commerce

Tohoku Region

Teruo Kaneko
Aomori Public College

In 2011, following meeting were held.

1. The 80th Meeting, June 11, 2011 at Iwate Prefectural University
 - (1) “Modern Characteristics of Intangible Assets Accounting in Germany,” Masahiro Shiseki, Aomori Public College
 - (2) “The Problems on Revenue Recognition under Corporate Income Tax: Focus on the Allowance for Sales Returns,” Tomohiro Kaneko, Iwate Prefectural University

2. The 81th Meeting, November 26, 2011 at Tohoku Institute of Technology
 - (1) “The Crisis Management to Damage of Corporate Value,” Tadashi Ishizaki, Chuo University
 - (2) “The Performed Role of Approved Accounts Basis,” Teruo Kaneko, Aomori Public College

Kanto Region

Yuji Hayashi
Takachiho University

The 59th regional meeting was held at Takachiho University on November 26, 2011. The main theme of the meeting was “The Conceptual Framework: Fundamental Issues and Reviews.” Discussions were coordinated by Nobuhiko Sato, Meiji University.

The following reports and panel discussions were presented.

- (1) “Conceptual Framework in Germany - Its Roles and Characteristics,” Koji Kurata, Rikkyo University
- (2) “Conceptual Framework in France - Its Roles and Characteristics,” Akiko Fujita, Meiji Gakuin University
- (3) “Conceptual Framework in Japan - Its Roles and Characteristics,” Katsunobu Mandai, Hitotsubashi University

- (4) “Conceptual Framework of the IASB - Its Roles and Characteristics,”
Tatsumi Yamada, KPMG AZSA LLC

Chubu Region

Akihiro Noguchi
Nagoya University

The regional meetings were held as follows;

1. The 126th Regional Meeting at Aichi Toho University on April 16, 2011.
 - (1) “Thoughts on International Convergence of Accounting Standards in Southeast Asian Emerging Economies from New Institutional Perspective,” Masataka Hiraga, Aichi Gakuin University
 - (2) “Performance Evaluation in An Industrial Policy of Local Government,” Haruo Yamakita, Chubu University
 - (3) “Accounting for Sukuk,” Hajah Mustafa Mohd Hanefah, Islamic Science University of Malaysia, and Akihiro Noguchi, Nagoya University

2. The 127th Regional Meeting at Aichi Gakuin University on July 9, 2011.
 - (1) “Sganzini's two Views of the Balance Sheet,” Tsukasa Nishidate, Aichi Gakuin University
Discussant: Tatsuhiko Tashiro, Meijo University
 - (2) “Accounting Conservatism and Distribution of Wealth,” Kazuhiro Manabe, Fukui University of Technology University
Discussant: Manabu Nishiumi, Aichi Gakuin University
 - (3) “GASB:Governmental Accounting Standards Board SEA: Service Efforts and Accomplishments,” Risa Yoshimoto, Aichi University
Discussant: Michimasa Satoh, Nagoya University

3. The 128th Regional Meeting at University on December 3, 2011.
Research Paper Presentation
“The Change of Ownership Structure and R & D Investment,” Tomohiro Noguchi, Aichi Gakuin University
Discussant: Akihiro Noguchi, Nagoya University

Plenary Session

(Special Guest Speaker)

“Yokkaichi Petrochemical Complex and Yokkaichi Port,” Tetsuo Inoue, Yokkaichi University and Former Mayor of Yokkaichi City

(Guest CPA Speaker)

“Challenges for Japanese Accounting and Auditing Practices in the Convergence toward IFRSs,” Masahide Kinbara, Tokai Chapter of JICPA

(Guest Academic Speaker)

“Link between Balance Sheet and Cash Flow Statement: Views of FASB and IASB,” Nobuo Kamata, Nanzan University

Kansai Region

Norio Takasu
University of Hyogo

The 61th Kansai regional meeting was held at University of Hyogo on December 10th, 2011. The main theme of the meeting was “Convergence of Accounting Standards and Accounting Information.”

The discussions were chaired and coordinated by Hisakatsu Sakurai, Kobe University. The panel discussions were held as follows.

- (1) “A Change of Accounting Models and Accounting Information,” Masaki Kusano, Kyoto University
- (2) “A Merger of Management and Accounting in Japanese Companies: Concerning on Management Approach,” Motoko Shoji, Kansai University / KPMG Azsa LLC
- (3) “The Issues of Cash Flow Statement and Future Prospect,” Toshiya Tsuchida, University of Hyogo

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

- (1) “A Selection of Performance Indicators for Balanced Scorecards in Local Authorities,” Tsuyoshi Sato, Hiroshima University (PhD. Candidate)
- (2) “An Analysis of the Literature on the Balanced Scorecard,” Takaharu Kawai, Doshisha University and Sakichi Otomasa, Otaru University of Commerce
- (3) “The Influence of Introduction of IFRS (IAS) on Tax Accounting,” Kanako

Hikichi, Kwansei Gakuin University

- (4) “The Quality of Disclosure and Earnings Expectation of Investors,” Yu Ishimitsu, Kyoto Sangyo University
- (5) “Understanding of Accounting based on Complex Number Plane,” 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 late July and late March. This academic year, the summer conference was held at Nagasaki University, and the early spring conference was held at Seinan Gakuin University.

1. The 88th meeting at Nagasaki University, on 30th July, 2011.

- (1) “The Way of the Tax Law and Tax Accounting Based on the Supreme Law,” Tadashi Yuge, Kyushu Kyoritsu University
- (2) “The Development of Appraisal on Investment Plan for Venture in the E. I. du Pont de Nemours and Company,” Shinichi Korogi, Kurume University
- (3) “Cost and Benefit of IFRS Implementation During Transitional Period: Analysis of Survey Data from Japanese Listed Companies,” Chikako Ozu, Kyushu University
- (4) “On the IFRS and Its Accounting Purposes,” Isamu Iwasaki, Kyushu University

2. The 89th meeting at Seinan Gakuin University, on 24th March, 2012.

- (1) “The Accountability of Lower Manager and Use of Accounting Information,” Haruo Otani, Nagasaki University
- (2) “The Relationship between Accounting Standards and Corporate Tax Law: On Their Gaps Expansion and Reduction in Japan,” Shigeru Hirakawa, Kinki University
- (3) “Study of IFRS 2’s Residual Interest, Balance Concept of ASBJ Statement

No.8, and Accounting Treatment on Equity Instruments and Equity Warrant,” Toshiyuki Tanaka, Oita University

- (4) “Business Accounting and National Accounting: From the View Point of Life Cycle Costing and Social Cost,” Nobuo Yazawa, Beppu University