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No. 21

JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association

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Preface

Japanese ACCOUNTING FORUM of Japan Accounting Association (JAA) is published annually to publicize academic activities of JAA in English. The first issue of *Japanese ACCOUNTING FORUM* was published in 1993. This edition for 2013 is the 21th issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 71th Annual Conference of JAA which was hosted by Hitotsubashi University in Tokyo on August 29 - September 1, 2012. It also includes the reports of regional activities of JAA during the 2012 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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2012 Annual Conference of JAA

2012 Annual Conference

Chairman of 2012 Annual Conference

Kunio Ito

Hitotsubashi University

The 71st Annual Conference of Japan Accounting Association (JAA) was held in Hitotsubashi University from August 30th to September 1st. The theme of the conference was “Identity and Contribution of Accounting Research.”

Our university hosted the annual conference of JAA about 20 years ago. The theme was “Retrospect and Prospect of Accounting Research.” The circumstances have changed dramatically around the academic of accounting after the precious conference. We could summarize those changes into two trends, “being cross-disciplinary and being diverse.” We can interpret that these trends have asked some questions about our identity and contributions to the academies and practices. Thus we set the theme of the conference “Identity and Contribution of Accounting Research” and integrated financial accounting, management accounting, and auditing plenary sessions into one plenary session. The program of the conference was developed under the concept.

On the first day, the results of the research were presented by two Special Committees, a Subject Research Committee, and three Study Groups after the Council and General Assembly of the JAA. Then Professor Baruch Lev at New York University presented his research “Accounting Research Makes Significant Contributions to Investors, Managers, Accountants, and Public Policymakers: The Record and Future Directions.” We held the welcome reception at Tachikawa Palace Hotel after them.

On the second day, we had 47 presentations from researchers and Ph.D. students of Japan in concurrent sessions and 4 presentations from Korean and Taiwanese researchers in an international session. In addition, we held the plenary session, combined with financial accounting, management accounting and auditing topics. Six presentations were held in the morning and discussion was held in the afternoon. There were many participants in the session and we could discuss the issues and futures of accounting studies actively and fruitfully.

On the third day, we had 46 presentations from researchers and Ph.D. students of Japan in concurrent sessions and 3 presentations from Japanese researchers in an international session. We also had special sessions of integrated reporting and the

IFRS. The special session of integrated reporting was held under the panel discussion. The moderator was Professor Chitoshi Koga at Doshisha University and panelists were Mr. Hajime Yasui (PwC), Mr. Youichi Mori (JICPA), and Mr. Nobuyuki Hiratsuka (METI). The special session of the IFRS was held under the speech. We invited two speakers, Mr. Takatsugu Ouchi, who is the director of the IASB, and Professor Seok Woo Jeong at Korea University.

There were about 1,000 participants in our conference. There were plenty of meaningful discussions during the period. I would like to express here our special thanks to all related persons and parties as a chairman of the host University.

The schedules for 2012 Annual Conference was as follows:

Date and Time	Events
Aug 29 th 13:00–15:00	Screening Committee for Awards
15:00–17:30	Meeting of Board of Directors
Aug 30 th 10:00–12:00	Meeting of Council
12:40–13:55	General Assembly of Membership
14:05–14:35	Study Group Reports
14:45–15:15	Subject Research Committee Report
15:20–16:35	Special Committee Reports
16:45–17:55	Special Speech “Accounting Research Makes Significant Contributions to Investors, Managers, Accountants, and Public Policymakers: The Record and Future Directions”
Aug 31 st 9:30–12:30	Plenary Session -Presentation “Identity and Contribution of Accounting Research”
13:40–15:50	Concurrent Sessions
13:40–16:05	International Session
16:15–18:10	Plenary Session -Discussion “Identity and Contribution of Accounting Research”
Sept. 1 st 9:50–12:00	Concurrent Sessions
9:50–11:30	International Symposium
13:00–14:20	Special Session of Integrated Reporting
13:15–14:15	Concurrent Sessions
14:30–16:30	Special Session of the IFRS

2012 Annual Conference of JAA

Plenary Session:

Identity and Contribution of Accounting Research

Normative Accounting Research: Methodology and Contribution

Yoshihiro Tokuga

Kyoto University

This paper defines normative accounting research and proposes a set of formal requirements (methodological requirements) necessary for this research. Normative research includes normative-deductive research (one that draws causal conclusions logically from a target hypothesis through deductive inference only, with no reliance on empirical evidence) and normative-inductive research (one that demonstrates the gap between a target hypothesis and recursively observed data and provides a method to reduce the gap. This paper addresses normative-inductive accounting research (abbreviated as “normative research” below).

A set of methodological requirements is needed to develop a purely normative discussion (“should be” or “should be done”) into normative research (academic research). These requirements are (1)the target hypothesis be specified; (2)the facts within the scope of the target hypothesis be scientifically observed and depicted; (3)the content and size of the gap between the target hypothesis and the observational data be clarified; (4)causal inference be applied to the gap; and (5)effective and rational steps be defined in order to reduce the gap (mitigation of the problem) and/or to eliminate the cause(s) (resolution of the problem).

To be viable as a form of academic research (in other words, to have an identity), this normative research must have its own methodology and evaluation criteria to discuss the superiority or inferiority of the research. The methodology is set forth above. In line with this methodology, the following can be established as evaluation criteria:(1)validity of the target hypothesis; (2)validity of the data observation = choosing the observational object suitable for the target hypothesis and maintaining observational objectivity (intersubjectivity); (3)validity of the causal inference; and (4)effectiveness and efficiency of the solution approach.

By redefining normative research as a form of academic research, accounting scholars will be able to contribute not only as scientists to the clarification of the cause-effect relationship among accounting phenomena but also as policy proposers or assessors to the resolution of accounting problems that occur every day in an

economic society.

Contributions and Limitations of Audit Research and the Prospects for Audit and Assurance Services

Fumio Naito
Konan University

In my presentation, I mainly discussed (1)the identities of audit research, (2)the limits and contributions of audit research in economic society, and (3)the nature of audit research aimed at overcoming such limitations.

Firstly, I noted that we can find the identity of audit research in the diversity of the objects and methodologies of the research.

Secondly, I explained that the audit research in Japan was originally exclusively normative one on the accounting audit systems and that since 2000, empirical research, or experimental works on the informational value of audit opinions and the economic implications of the audit system have been developed or completed. There are no objections by the researchers to the fact that the audit research has contributed to the development of disclosure systems through the improved audit systems.

Finally, I explained my view that there is a limited existing research in terms of the generality of the basic concepts of auditing, such as a fair presentation of financial statements, obtaining objective evidence, and assurance of audit contents. In addition, because of the lack of operability and the generality of the concepts, we are not able to ascertain the quality of the outcome of an audit as an economic service from a micro-perspective, and it is not possible to measure the social contributions of audit systems from a macro-perspective.

Therefore, I emphasized the need for the following prospective audit and assurance services research:

1. Research to explore the development of a methodology of auditing. There is currently a difficulty in obtaining raw materials and detailed data of auditor's decision making in the audit, but this difficulty can possibly be overcome through involved field work.
2. Research that addresses the transformation and expansion of audit objectives.

Accounting Law (Bilanzrecht) and Accounting as Institution

Masao Yanaga

University of Tsukuba

When the Commercial Code was (hereinafter referred to as the Code) amended in 1962 in order to harmonize with the “Business Accounting Principles (kigyō kaikei gensoku)” and a blanket provision requiring merchants to take “fair accounting practices” into consideration was introduced into the Code in 1974, lawyers, law academics as well as the Ministry of Justice (MoJ) had not necessarily put absolute trust on the opinions promulgated by the Business Accounting Deliberation Council (BADC). The Report of the Study Group on the Relationship between the Code and Business Accounting (on behalf of the MoJ and the Ministry of Finance) of 1998, however, pointed out that the “Business Accounting Principles” is the principal source of the “fair accounting practices” in the meaning of the Code. According to the Report, calculating proper distributable profits is one, providing useful information is another. The Report presented a view that a company should choose a specific accounting treatment required in an opinion of the BADC if it is considered as the unique “fair accounting practice”.

Under the Companies Act 2005, “business accounting practices generally accepted” govern the accounting of a company, with the idea a step further, being able to decouple the regulation on distribution and that on information disclosure. The theory and practice of financial accounting as well as the accounting standards developed by the Accounting Standards Board of Japan (ASBJ) have become more important than ever for the interpretation of statutory rules (*de lege lata*) and the development of statutory rules (*de lege ferenda*). The role of the auditor and accounting practitioners as well as accounting academics in the formation and discovery of business accounting practices generally accepted has been growing. Now, to study accounting system, he/she would reveal what should be the generally accepted accounting and disclosure principles, disregarding the constraints of the express provisions of statutes.

On the other hand, under the Companies Act 2005, the statutory auditors (*kaikei kansanin*) are required to present an overall opinion (the financial statements of the Company present fairly, in all material respects, the financial position of the Company as of the end of the business year and the results of its operations for the year then ended in accordance with generally accepted accounting practices), in contrast to the individual opinions expressed under the Code (before the amendments in 2005). Therefore, it is necessary to clarify the meaning of “present fairly” with respect to the Companies Act. In this respect, the input based the study conducted by the academics and/or the practices of auditors to legal interpretations

is indispensable.

The Challenge for Financial Reporting Against a Global Risk Exposure Background

Tadanori Yosano

Kobe University

Information technology has led to the development of new goods and services which supplement the traditional goods and services. A great amount of skill and talent are required to operate the necessary technology to process information for creating new goods and services. There is a high uncertainty for future benefits with these new resources that is amplified, and the informational society pushes companies to transition to a high uncertainty value creation method. In fact, we found that this transition has expanded the horizons of the profitability distribution (ROA) for all listed companies in Japan since 1978. Lev (2001) asserted that despite the degree of future uncertainty both non-financial and financial resources should be balanced and reported. On the other hand, integrated reporting states that probable future benefits should be on the balance sheet as financial resources, and uncertain non-financial resources should be presented with a narrative explanation and KPI (Key Performance Indicator) as a supplement to the financial statements. Instead of incorporating all resources on one report, the integrated reporting method proposes the following: (1) A company discloses the outcomes of an investment that are non-financial, such as a business plan for the medium to long term, (2) Information regarding the investment outcome, despite the level realized or uncertain, should be disclosed in a narrative description and KPI (Key Performance Indicator). This allows highly uncertain benefits as non-financial information to be included with the business model and strategy, and leaves the highly certain benefits as financial information.

The proper disclosure juxtaposed with the company's business model and strategy will facilitate an understanding of the future uncertainty amongst stakeholders. In fact, the accumulation of highly uncertain non-financial resources and risk control practices and preventative measures will all incur more financial costs. Financial reporting can become more flexible in an environmentally changing system by disclosing non-financial indicators, narrative descriptions, and incorporating probable future benefits.

Literature of Analytical Accounting Research

Yasuhiro Ohta

Keio University

Even in the Japanese Accounting Research Community, which is known for its conservatism, empirical studies that ascertain hypotheses with data are becoming increasingly prevalent. In addition to capital market studies in which hypotheses are tested with market and financial data, experimental psychological or economic studies in which laboratory experiments are conducted are gradually increasing.

Although the hypotheses tested in empirical studies are underpinned by economic intuitions, they are built on literal reasoning with natural languages. However, literal reasoning may not be sufficient to construct research hypotheses that can be empirically tested.

The occurrence of an economic event often depends on other economic factors. Thus, the sign of a coefficient for an independent variable in a regression model may depend on the levels of other independent variables. Accordingly, literal reasoning enables the explanation of the positive and negative coefficients for an independent variable when the sign of the coefficient depends on other economic factors. Literal reasoning is not eligible to be a “theory” that underpins the hypothesis tested in such an empirical study; instead, a mathematical model analysis is needed to identify the functional form that explicitly specifies the relationship between the dependent variable and independent variables. In accounting, mathematical model analyses and their results are collectively called “analytical accounting research” or “accounting theory.”

For instance, consider the resource allocation problem between analytical and empirical accounting research. In a plausible setting, if the marginal productivity of empirical research when no analytical research exists is greater than that of analytical research when no empirical research exists, the resources allocated to empirical research are likely to exceed those allocated to analytical research. However, if the complementarity between analytical and empirical research goes to positive infinity, the optimal resource allocation is to evenly divide resources between the two types of research. The fact that most resources are currently allocated to empirical research suggests that either optimal allocation is not attained or collaboration between analytical and empirical research is not sufficient in accounting.

The second example is the accounting conservatism that emerges as an optimal choice by the principal in a moral hazard model with a binary choice, binary signal, limited liability, and management compensation cap. In the model, more profitable firms, larger firms, and firms with higher variability in their management

compensation tend to adopt more conservative accounting systems. Firms in which the managers' cost of exerting effort is greater tend to adopt less conservative accounting systems. Some of the associated analytical results can be tested empirically.

The final example is from strategic auditing (game theoretic analysis of auditing). In strategic settings where strategic interactions among players are important, comparative results can differ from those in the single-person decision-theoretic settings. If an audit client has a sufficiently strong incentive to commit fraud or the auditor has a sufficiently strong incentive to avoid false rejection, audit risk increases when the auditor obtains additional information. This kind of phenomenon is not predicted in decision-theoretic settings. It is an empirical question for which the prediction is consistent with the evidence.

Does Balanced Scorecard Facilitate Decisions?: Cases in Japan

Kentaro Koga

Hitotsubashi University

In its decision facilitating function, the accounting information often does not identify the best decision because the accounting information allows more than one interpretations. Balanced scorecard narrows the range of the interpretations by verifying the cause-effect relationships through the financial and non-financial measures. Furthermore, the interactive control, the group innovation process that combines the tacit knowledge from various business functions, helps the manager reach the most reasonable interpretation and, consequently, the best decision. Social psychology studies explore brainstorming that resembles the interactive control, however, to find that brainstorming hinders creativity, not enhance it. Finally, the managers prefer to make decisions inducing from their subjective experiences rather than deducing from the objective accounting information. As such, the balanced scorecard upon interactive control must satisfy several conditions in order to facilitate the managers' decisions effectively: group composition from diverse backgrounds; a specific and challenging goal; the disclosure of the decision process; outsider assurance of the balanced scorecard measures; and employees' involvement in the balanced scorecard design. In the cases of Japanese firms that implement balanced scorecard, all the four firms use the balanced scorecard to influence the decisions but only one to facilitate the decisions. This firm operates in the retail industry in which the cause-effect relationships are simpler than the other industries. In addition, the firms' CEO and CFO make the decisions jointly mitigating the negative effects of brainstorming. Lastly, the CFO had to rely on accounting information more than his experiences because of the short tenure in the firm. The four cases imply that the balanced scorecard upon interactive control facilitates decisions effectively in a particular context but not always.

**2012 Annual Conference of JAA
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 orientation of the international convergence of accounting standards, with special reference to underlying concepts introduced and/or redefined in the improved conceptual framework for financial reporting published by the IASB and FASB in 2010. Our final report wraps up the second year results of our research project from 2011 to 2012, and consists of 9 chapters. Their general outlines are as follows.

After showing our research interests in the 1st chapter, we analyze conceptual change in financial reporting in the light of its economic resource allocation function in the 2nd chapter. Our investigation shows that the dominance of institutional investors in financial markets has needed fair value measurement that puts market information directly into accounting, which has substantial impacts on economic resource allocation in reporting entities.

The 3rd chapter investigates into the implications of the shift from Revenue and Expense View to Asset and Liability View for the double-entry bookkeeping system. We arrive at the remarks that under this shift of fundamental view of accounting, we would need to rebuild a whole structure of the accounts if we would maintain the functions of recording and income determination fulfilled by bookkeeping system so far.

In the 4th chapter we discuss the change in the objectives of financial reporting and qualitative characteristics of accounting information in the SFAC No.8. Our interpretation is that the progressive penetration of fair value into accounting measurement would have brought about the elimination of the “stewardship” from the objectives on one hand, and the replacing “reliability” with “faithful representation” as a primary characteristic on the other.

In the 5th chapter we inquire into current trends in enlargement of the accounting recognition. These trends can be characterized as an enlargement of the scope of the recognition and a bringing the timing of recognition forward. But, because of the lack of reliability of information thus recognized, the trends should not be going forward freely and be constrained by certain traditional accounting concepts like realization.

Generally, we have two ways to provide financial information to users; one is to put information in financial statement, i.e., recognition, and the other in footnotes, i.e., disclosure. In the 6th chapter literature review shows us that as dealing with the issue, we should consider the nature of targeted investors and level of reliability of information, but we cannot decide which of the two would be better at this point in time.

In the 7th chapter we review the due process documents about the reporting entity, which is the topic showing for the first time in conceptual framework project. We point out the reasons why the topic came to be discussed in the project; i.e., to clarify the relationship between reporting entity and prior agenda in conceptual framework, and to solve the fundamental problems in the framework.

The value relevance of income numbers are always one of the main focuses in accounting research. In the 8th chapter we conduct an empirical test of the value relevance of net income and other comprehensive income in Japanese market. Our empirical results shows us that for following 60 days after the settlement of accounts, net income keeps strong impacts on the stock prices, while the value relevance of other comprehensive income is not statistically significant.

In the final chapter, we summarize our two-year research activities and remark future possible development of the research.

Special Committee

A Study on Research Methods towards a Contemporary Issue in Auditing

Chair: **Terumi Takita**
Doshisha University

There are many research methods in auditing. But especially in Japan, there is no meta analysis comparing them. The objective of this committee is twofold: first, to examine the methodological characteristic of research methods (analytical research, archival research, experimental research, and normative research), and second, to build a framework enabling a comparative analysis of research methods through a concrete issue in auditing.

In this first year, we focused on the former objective, and we were divided into four sections: analytical research, archival research, experimental research, and normative research. So our interim report includes 4 parts after our research interests in the 1st chapter.

Part 1: an analytical research in auditing (from chapter 2 to 4)

Part 2: an archival research in auditing (chapter 5)

Part 3: an experimental research in auditing (from chapter 6 to 8)

Part 4: a normative research in auditing (chapter 9)

In the second year, we will focus on the later objective; to build a framework enabling a comparative analysis of research methods through a concrete issue (e.g. internal control) in auditing.

Committee members:

Masayuki Ueeda (Aoyama Gakuin University), Yasuhiro Ohta (Keio University), Shinya Okuda (Osaka Gakuin University), Atsushi Shiiba (Osaka University), Terumi Takita (Chair, Doshisha University), Satoshi Taguchi (Doshisha University), Yasuhide Harada (Shitennoji University), Kenichi Yazawa (Aoyama Gakuin University), Kotaro Yabe (Osaka University of Commerce), Tadanori Yosano (Kobe University)

Research Collaborators:

Fumiko Takeda (University of Tokyo), Kunihiro Shimazu (Kobe University)

**2012 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

The purpose of this Committee is to reexamine the relationship between the market value and the discounted present value, which form the basis of fair value measurement, and the original role of double-entry bookkeeping. The reexamination is aimed at the problems encompassing modern accounting from the perspective of measurement to find what constitutes truly useful information with respect to the presently overused decision-making usefulness approach.

The following points were the focus of our efforts. First, we place the focus on the basic function of fair value, the measurement method of the Asset and Liability View now conquering modern accounting, along with the history behind its appearance, and indicate the current status, themes and problems of fair value accounting. Next, we show just when in history the measurement of current value, which is the specific measurement attribute of fair value, took the stage and point out the discrepancies of current value when used in today's fair value accounting, as well as the various aspects where they deviate. Based on this point, we examine the problems facing today's overemphasized usefulness approach for decision making, comparing it to accounting's true nature.

Our Committee aims to find (1) what role was double-entry bookkeeping invented to fulfill, (2) when current value measurement appeared, (3) what is the relationship between current value measurement and acquisition cost valuation and discounted present value from a historical perspective, and finally (4) sound a warning bell from history with regard to the overuse of the usefulness doctrine (excessive importance placed on the Asset and Liability View), expose the distortions of modern accounting and the problems with accounting concepts that overemphasize the Asset and Liability View, and lastly indicate the dangers lurking in the path of modern accounting.

2012 Annual Conference of JAA Study Group

A Study on IFRS Education

Chair: **Kenji Shiba**
Kansai University

1 Based on the interim report made at the 70th Congress (September, 2011, Kurume University), we made a final report at the 71st Congress (August, 2012, Hitotsubashi University). In the interim report, we collected information about the current state of IFRS education, the importance of historical considerations regarding IFRS education and related issues and the basic concepts necessary for IFRS education, as the basic research in relation to the research subject.

2 The final report, although it is based on the interim report, it is a new challenge in accounting education. First, we decided to show a systematical framework for accounting education in order to make discussions about it more active. Secondly, we showed IFRS principles in a style similar to the accounting principle for business enterprises in our country. That is, showing the basic points of view in accounting education on one hand, and then making concrete ways to approach IFRS on the other.

In addition, we extracted lessons from practical examples of IFRS related education. In other words, we analyzed in the third place, the IFRS teaching materials which are proposed in IAAER and IASB, in 4th place the materials used in the university and graduate school in the USA, and in 5th place, the cases in education at Japanese university and graduate schools and also corporations to extract a lesson. In the 6th place, we attempted to lecture on one semester for intermediate students in accounting at the graduate school, and extract a lesson from this place, too. By having a frontier spirit and practicing an approaching method, we decided to pose a problem in our country's accounting education.

3 Summary

Chapter 1 (proposal):“A tentative plan of the Framework for Accounting Education”

The purpose of accounting education is to bring up people who understand the essence of accounting that is properly functioning in the present economic society, and thus, contribute to further development of the economic society. The IFRS education must be implemented as part of the whole accounting education.

Chapter 2 (proposal):“New Accounting Principle for Business Enterprises tentative plan (IFRS version)”

If IFRS could be made compact like “Accounting Principle for Business Enterprises” and moreover systematically gathered, it would be more convenient for teaching and learning. We created the “New Accounting Principle for Business Enterprises tentative plan (IFRS version)” to show such teaching materials and propose a way in IFRS education.

Chapter 3 (case study):“Analysis of IFRS teaching materials by IAAER and IASB”

Chapter 4 (case study):“Actual situation of IFRS education in the USA”

Chapter 5 (case study):“Actual situation of IFRS education in our country”

Chapter 6 (case study):“Attempts to give lectures in Kansai University”

From chapter 3 to chapter 6, a lot of cases are introduced. Due to space restrictions, it isn't possible to introduce them, but I recommend you to refer to the final report. From these case studies, it is possible to say that results can be achieved if efforts are accomplished respectively by teachers and students.

Chair:

Kenji Shiba (Kansai University)

Members:

Nobuhiko Sato (Meiji University)

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Study Group

Management Accounting Change through Information Needs Expansion

Chair: **Hiroyuki Nakamura**
Yokohama National University

Management accounting has been continuously changing by many factors. This Study Group focuses on the relationship between information needs and management accounting.

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 about 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 interim report, we showed an analytical model for management accounting change as a result of our research project. Based on this analytical model, each member of our study group showed research results of related readings.

In the final report, we show the result of questionnaire survey to Japanese company and some cases of Japanese companies. These cases include Asahi Yukizai, Toshiba, Kao, Sony and Toyota. These suggested us many meaningful insights about management accounting change. In the interim report, we verified that management accounting changed through information needs expansion. Based on these cases, we find that the information needs expand from internal and external factors. We show concretely the management accounting change in relation to these information needs. Especially, we show these changes dynamically based on our analytical model.

Management Accounting has developing in accordance with business practice. Management accounting research must keep pace with this practice more from now on. This ensures and promotes the development of management accounting.

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 Kimura (Kansai University), Nobuyuki Mochiduki (Prefectural University of Kumamoto), Yukihiro Okada (Tsukuba University), Mikiko Kimijima (Kanagawa University)

Study Group

A Study on Disclosure and Assurance of Risk Information — Toward Integrated Reporting —

Chair: **Noriyuki Konishi**
Aoyama Gakuin University

The objective of our Study Group is to reconsider financial reporting in terms of risk and consider the disclosure and assurance of risk information. The first point of this study is that risk is the key concept which combines organically financial statements with nonfinancial information. In International Financial Reporting Standards, the risk included asset and liability should be recognized and measured by use of expected cash flow technique. However, because the risk information doesn't always be presented by amounts in the financial statements immediately, descriptively risk which cannot be measured in the financial statements may disclose as nonfinancial information.

Although the risk information should be combined organically to interrelate with other risk information, it is disclosed separately in financial reporting. As a result, the information users have no choice but to incur unnecessary cost for their analysis. Therefore, the second point of this study is that we would consider whether an integrated disclosure of risk information is possible or not, on the assumption that preparing an integrated reporting as a strategy for making improvements a matter of risk information disclosure. To interpret the principle of stakeholders' behavior about risk information, we would verify what factors define the contents and manners of risk information disclosure, and how they influence the principles. Also we would discuss whether risk information is intended an assurance provided by auditors and if so, what level of reliability or credibility is provided.

We discussed the nine issues in an interim report; (1)Noriyuki Konishi, "A Importance of Risk Information Disclosure — The Purpose of the Study —," (2)Hidetsugu Umehara (Chuo University), "Accounting Recognition of Intangibles — A Fair Value View —," (3)Kazuhisa Otogawa (Kobe University), "Disclosure of Quantitative Market Risk Information in Commercial Banks," (4)Hyon Ok Kim (Tokyo Keizai University), "Business Risk Disclosure in Pharmaceutical," (5)Takashi Asano (Tokyo Metropolitan University), "Verifying the Credibility of Forward Looking Information — A Test of the Confirmation Hypothesis —," (6)Yoshihiro Machida (Aoyama Gakuin University) and Hironori Fukukawa (Hitotsubashi University), "The Risk Concept in Auditing Standards," (7)Yoshihiro Machida, "Assurance Engagements in Financial Reporting Systems in Japan,"

(8)Masaki Yoneyama (The University of Tokyo), “Viewpoint to be Adopted in Analyzing Content of Risk Information,” (9)Noriyuki Konishi, “The Roles and Challenges of Integrated Reporting—Progress of the Integrated Risk Information —.”

It is stated that enhanced information about what companies do to assess and manage key business risk will (1)provide practical forward-looking information, (2)reduce the cost of capital, (3)encourage better risk management, (4)help to ensure the equal treatment of stakeholders, and (5)improve accountability of management, investor protection and the usefulness of financial reporting. Risk information disclosure is becoming an integral part of a financial report. In our study of next year, we would like to discuss the relations between disclosure and assurance of risk information.

2012 Annual Conference of JAA Regional Reports

Hokkaido Region

Koichiro Matsumoto

Hokusei Gakuen University

The regional meetings were held in 2012 as follows.

1. The 81st Regional Meeting at Hokkai-Gakuen University on 19 May, 2012.
 - (1) “The Transition of Investors' Decision Making against Japanese Tax Reform in 2009, Part2,” Tadashi Sugimoto, Hokkaido University (Doctoral Candidate), Yuzuru Sakurada, Hokkaido University and Yoshiyuki Nakanishi, Hokkaido University (Doctoral Candidate).
 - (2) “Cash Flow and Double-entry Bookkeeping: Possibility of the Expansion as Causal Double-entry Bookkeeping,” Chutoku Chin, Sapporo University.
 - (3) “Stock Market Integration and Disclosure of Accounting Information,” Koki Hamada, Kushiro Public University of Economics.

2. The 82nd Regional Meeting at Hokkaido Citizens Actives Center on 23 November, 2012.
 - (1) “The Japanese Accounting Treatment of Changes in Ownership Interests from Sale of Additional Shares by a Subsidiary,” Masako Futamura, Otaru University of Commerce.
 - (2) “Demand-Cost Analysis of Tourism Area,” Rie Hashimoto, Hokkai School of Commerce.
 - (3) “Study of Generally Accepted Accounting Principles for Small Companies,” Shigeyuki Nakashima, Hokkai School of Commerce.
 - (4) “The Revised Accounting Standard of Social Welfare Organizations (2011) and Things to Do,” Kenzo Nakagawa, Professor Emeritus, Hokusei Gakuen University.

Tohoku Region

Masahiro Shiseki
Aomori Public College

In 2012, following meetings were held.

1. The 82th Meeting, July 21, 2012 at Fukushima College Ekimae Campus
 - (1) “Investigation of Plural Value Concepts in Assets”
Shuko Naito, Hirosaki University
 - (2) “On Entry and Exit Regulation in Accounting for Income Taxes”
Shuhei Kinugawa, Fukushima University
 - (3) “A Study on the Possibility of Introducing Balanced Scorecard in the Apple Industrial Cluster”
Masanao Kanetoh, Hirosaki University
Ittetsu Iwata, Hirosaki University
 - (4) “Economic conditions of SMEs in the Tohoku Region after the passage of one year from the Great East Japan Earthquake”
Tomohiro Kaneko, Iwate Prefectural University

2. The 83th Meeting, November 17 and 18, 2012 at Hotel Akitaya in Asamushi Onsen
 - (1) “Study of Management of a Local Government Hospital”
Yoshimi Iwasa, Aomori Public College
 - (2) “Necessity of Business Continuity Planning For Company in Disaster”
Tomoko Okano, Ishinomaki Senshu University

Kanto Region

Yukio Teruya
Kanagawa University

The 60th Kanto regional meeting was held at Kanagawa University on December 1st, 2012.

The main theme of the meeting was “The Check and Evaluation of ‘the Quality’

of Accounting in Japan.” Discussions were coordinated by Kikuya Masato at Hosei University.

The following reports and panel discussions were presented.

- (1) “The Check and Evaluation of ‘the Quality’ of Accounting Theory: from the view of Financial Disclosure,” Masaki Yoneyama at Tokyo University.
- (2) “The Check and Evaluation of ‘the Quality’ of Accounting Standards: from the view of Adoption of IFRSs,” Kenichi Akiba at Waseda University.
- (3) “The Check and Evaluation of ‘the Quality’ of Management Accounting: from the view of Corporate-Reputation,” Michiharu Sakurai at Jousai International University.
- (4) “The Check and Evaluation of ‘the Quality’ of Accounting Audit: from the view of Coping with Illegality,” Yoshihiro Machida at Aoyama Gakuin University.

Chubu Region

Akihiro Noguchi
Nagoya University

The regional meetings were held as follows;

1. The 129th Regional Meeting at Fukui University of Technology on June 30, 2012.
 - (1) “Methods for Incorporating IFRSs and Comparability of Financial Information,” Izumi Washizu, Chubu University.
Discussant: Hideiti Okazaki, University of Fukui.
 - (2) “Accounting Information and Equity Valuation,” Kazuhiro Manabe & Masaru Chiba, Fukui University of Technology.
Discussant: Motonobu Tokumae. Fukui Prefectural University.
 - (3) “Economic Analysis on Goodwill and Synergy,” Satolu Nishiumi, Aichi Gakuin University.
Discussant: Takehiko Moriguchi, University of Toyama.

2. The 130th Regional Meeting at Aichi University on December 1, 2012.

Research Paper Presentation:

“Direction of the Definitions and Recognitions of the Elements of Financial Statements,” Noriyuki Ikeda, Aichi University.

Plenary Session:

(Guest CPA Speaker)

“For the Growth of Japanese Enterprises: Changes in Accounting and Auditing,”
Satoko Nakatani, Tokai Chapter of JICPA.

(Guest Academic Speaker)

“Financial Statement Audit as Social Existence,” Ryuichiro Kurihama, Aichi
University.

<http://www.soec.nagoya-u.ac.jp/~noguchi/chubu/english.htm>

Kansai Region

Toshio Kimura

University Marketing and Distribution Sciences

The 62th Kansai Region Meeting was held at University Marketing and Distribution Sciences on December 8 2012. The Meeting had open sessions and a plenary session.

In open sessions, the presentations were as follows:

- (1) “Fair value of human resource and point of argument on tax regulations,”
Kazuyuki Shimanaga, Kobe Gakuin University
- (2) “From Chinese view to Principles-based vs. Rules based Accounting,” Iku Oh,
Kwansei Gakuin University
- (3) “Reviews of Accounting Information — the application Management
Accounting to Local Government,” Satho Kan, Hiroshima University
- (4) “Abolition and Next of Definite Settlement of Accounts in German,” Hideki
Kubota, Konan University

The Main theme of the plenary session was “Map and Territory in Using Financial Information.” Discussion was moderated by Hideki Fujii, Kyoto University. The presentations and panelists were as follows:

- (1) “Accounting Estimates of Management and the Usefulness of Accounting
Information,” Tomoyuki Murata, Konan University.
- (2) “Reaction of Investors to Enhancing Disclosure of Interim Financial
Information,” Katsuhiro Nagashima, Osaka University of Economics.
- (3) “Theory and Evidence Using Audit Information on the Audit Quality Driver,”
Nobuhiro Asano, Osaka City University.

Kyushu Region

Keiichi Oishi
Kyushu University

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

1. The 90th meeting at Saga University, on 14th July, 2012.
 - (1) “A study on the establishment process of Accounting Standards Board in the UK,” Yuki Okamura, Kyushu University.
 - (2) “The Net Profit and Comprehensive Income: From the Viewpoint of Earning Concepts,” Isamu Iwasaki, Kyushu University.
 - (3) “A Study of Accounting Standards for SMEs in Japan,” Toshifumi Yamashita, Saga University.

2. The 91th meeting at Kyushu University, on 23rd March, 2013.
 - (1) “A Study of Accounting Systems Development: From the Viewpoint of ‘The Economics of Transition,’” Wei Wei, Kyushu Sangyo University.
 - (2) “New Accounting Standards and Dividend Calculation under Commercial Code and Companies Act,” Mikiko Shin, Kyushu Joho University.
 - (3) “Recent Trend and Problems of Target Costing in Case of A Shipbuilding Company: Including Trend of Shipbuilding Industry in Korea,” Kosuke Miyaji, University of Nagasaki.