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JAPAN ACCOUNTING ASSOCIATION

Japan Accounting Association

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Preface

Japanese ACCOUNTING FORUM of Japan Accounting Association (JAA) is published annually to publicize academic activities of JAA in English. The first issue of *Japanese ACCOUNTING FORUM* was published in 1993. This edition for 2020 is the 28th issue of *Japanese ACCOUNTING FORUM*.

This issue contains the summary of presentations at the 78th Annual Conference of JAA which was held at Kobe International Conference Center and Kobe Gakuin University on September 7-9, 2019. It also includes the reports of regional activities of JAA during the 2019 academic year.

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

Akihiro Noguchi

Chairman of the International Committee and
Managing Editor of *Japanese ACCOUNTING FORUM*,
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No. 28, 2020

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2019 Annual Conference of JAA

Report

2019 Annual Conference

Chairperson of the Organizing Committee
of the 78th Annual Conference of JAA

Kazuhiro Yasui

Kobe Gakuin University

The 78th annual conference of the Japan Accounting Association (JAA) was convened in Kobe from September 7 to 9, 2019. A review board meeting on academic awards and a board meeting were conducted on September 6, ahead of the annual conference.

Undeniably, globalization with environmental transformation has resulted from advances in many disciplines and has exerted an unquestionable impact on accounting practices; this change is especially visible in the domain of information technology. The methodology of accounting research has altered significantly because of the progress of computer technology. Therefore, the members of the organizing committee reflected on and discussed the ways in which scholars should develop research initiatives in the future and “Discussing the future of accounting research” was decided as the primary theme of the conference. The organizing committee set up four venues for the plenary sessions and asked four researchers to assume charge of each venue. On the committee’s request, they decided on subthemes for each session based on the primary theme and appointed four presenters each.

Approximately 700 participants attended the conference. Apart from the members of the JAA, Certified Public Accountants and Certified Public Tax Accountants also enlisted for the conference, possibly because some of the modules were certified as professional education programs.

Moreover, some members of the Korean Accounting Association (KAA) and the Taiwan Accounting Association (TAA) registered for the conference. In the international session, two presentations each were delivered by the KAA, TAA, and JAA members in collaboration with the International Committee of the JAA.

The organizing committee invited Mr. Takatsugu Ohchi, a former member of the International Accounting Standards Board (IASB), to serve as a speaker at the special lecture. The topic of the lecture was “IFRS and Japan - How we should deal with “International Standards” ”

Additionally, the committee invited the Chair of the Accounting Standards Board

of Japan (ASBJ), Mr. Atsushi Kogasaka, and the Vice Chair of the ASBJ, Mr. Yasunobu Kawanishi, as speakers at the ASBJ session on “International Trends Surrounding the Accounting for Goodwill.”

A brief overview of the programs is as follows:

September 7:

At the International Conference Center in Kobe

13:00–14:30 General assembly of the JAA

14:50–16:20 Reports by special committees (2 presentations)

16:40–17:50 Special lecture

At the Kobe Portpia Hotel

18:30–20:30 Banquet

September 8:

At the Kobe Gakuin University Port Island Campus

9:30–14:05 International session

9:30–11:50 Concurrent sessions (35 presentations across 10 venues)

9:30–11:50 Concurrent sessions for graduate students

(11 presentations across 3 venues)

13:00–14:25 Reports by study groups (2 presentations)

14:45–17:05 Plenary sessions (4 venues)

September 9:

At the Kobe Gakuin University Port Island Campus

9:30–11:50 Concurrent sessions (31 presentations across 9 venues)

9:30–11:50 Concurrent sessions for graduate students

(10 presentation across 3 venues)

13:00–14:45 Discussions regarding the plenary sessions (4 venues)

15:00–17:50 The ASBJ session

The organizing committee of the 78th annual conference of the JAA comprised staff members of Kobe Gakuin University as listed below.

Chair: Kazuhiro Yasui

Committee members: Kohei Miyamoto

Yasuhisa Yoshida

Kazuyuki Shimanaga

Yutaka Kawase

**2019 Annual Conference of JAA
Plenary Session: Discussing the future of accounting
research**

Session 1: The Future of Financial Accounting Research

Deepening and expansion of theoretical research

Yukinori Ikeda

Aichi University

The main purpose of this report is to present the current status and issues of theoretical research in financial accounting, and to present the direction of theoretical research from the perspectives of deepening and expansion.

In current theoretical research of financial accounting, themes (topical issues) have expanded and basic concept researches have increased. But it has pointed out that current theoretical researches have the following issues.

- (1) Current theoretical research does not try to solve the problem by oneself.
- (2) Although research on basic concepts is thriving, current theoretical research does not try to build the basic concept system oneself, and current theoretical research does not try to solve the topical issues by applying the basic concept system to various themes.
- (3) Current theoretical research does not try to seek scientific research methods.

Therefore, the direction of theoretical research is organized from two directions: deepening and expansion. Deepening means advancing further theoretical research. Expansion refers to spreading the scope of theoretical research through dialogue with other researches.

In order to deepen theoretical research, we need construct our own theoretical system through basic research and systematic research, and we need explore scientific methods in theoretical research.

In addition, theoretical research needs to be expanded by seeking contact with outside of theoretical research. It is necessary to derive the premises of theoretical research based on the actual observational events by various research methods and results of other academic fields.

Moreover, some consideration was given to how theoretical research contributes to accounting standard setting.

Finally, I pointed out that the fun of theoretical research was that it was possible to build (create) its own theoretical system and to leave it to the future generations.

Dialogues in Accounting (History) Research

Yasuhiro Shimizu

Kobe University

In accounting history research, heated debates on over research methods and approaches occurred in the 1990s. The controversy has changed the picture of accounting history research. Can the controversy over the research in accounting history give any suggestions to accounting research in general? We examined these issues using "dialogue" as a key concept.

Accounting history research has a long history. References to the history of bookkeeping can be found in early treatises, and books on accounting history appeared in the 19th century. The description on the history of accounting would have been based on intellectual interest in it, but at the same time, history was also expected to be useful for contemporary issues and problems. In that sense, historical accounts were more or less subordinate to accounting in general.

However, since the latter half of the 20th century, accounting history research has diversified in methodologies and approaches, partly due to the emergence of academic societies and specialized journals. The diversification of research methods has led to a fierce exchange of opinions about the nature of research, and in retrospect the 1990s were called "the roaring nineties". However, the controversy hadn't had a significant influence outside of accounting history studies. The fact that accounting history research had a place to publish research results in specialized journals made the controversy invisible from the outside. Some researchers felt a sense of danger over the ongoing debate, and more researcher from different approaches began to attempt dialogues. These dialogues were intended for wider audiences and accounting history research has capturing more attention.

Through the debate, the necessity of explaining the nature of the research and its significance has been more strongly recognized. It was necessary for others to understand the significance of the study. This experience in accounting history may have implications in accounting research in general. The significance of the study is not explained automatically.

Financial Accounting Research in Macro and Micro Perspectives

Makoto Nakano

Hitotsubashi University

Accounting researchers have long focused mainly on firm-level accounting numbers. In recent years, a new research stream is emerging, that is “Macro-Accounting”. “Macro-Accounting” focuses on aggregate level accounting information. We empirically investigate information usefulness of aggregate earnings for GDP growth rate estimation using Japanese data set.

Our main results are threefold. First, though we confirm that aggregate-level profitability drivers are significant leading indicators of GDP growth worldwide, we also find that their incremental usefulness to predict future GDP growth is trivial. Second, aggregate-level profitability drivers are useful to predict GDP growth only when facing economic shock. Third, it is usefulness especially in emerging countries. Our findings make an implication on how to use aggregate earnings to forecast GDP growth.

There are few study in this area. However, I believe that “Macro-Accounting” literature is a growing body of work with a promising future.

Accounting as Nudge of Institutional Mechanism Design

Tomo Suzuki

Waseda University / Oxford Institutional Mechanism Design

One of common presumptions that accounting entails is its character as the neutral reflection of preexisting realities, which provides accounting with the property as the official and the public. This is so, despite the series of efforts that social constructivist accounting researchers in the 1980s and 90s exhibited a number of cases in which accounting actually constructs realities rather than merely reflects them. The “Epistemology of Macroeconomic Reality: The Keynesian Revolution from an Accounting Point of View” (Suzuki, 2003) followed such tradition, which is popularly quoted by historians of political economy and policy science. The point is that accounting helps designing new realities, reflecting the desires of policy makers, before it becomes the data and evidence of them.

Once historically established such understanding of social constructivist accounting, I shifted the focus of my attention to its contemporary applications. The “Report to the Ministry of Finance, the Government of the People's Republic of China Unexplored Impacts of IAS / ISFR in China” (Suzuki, 2005) and the “Oxford Report: The Impact of IFRS on Wider Stakeholders of Socio-Economy in Japan” (Suzuki, 2012) were of a few such examples, which recommended policy makers to strategically use specific accounting standards to serve for their policy needs. The “One Additional Line”: Institutional Mechanism Design of Accounting for CSR” (Suzuki and Gaur, 2015) was an application to the future design in India, where such additional disclosure started embracing the new business culture in which the appropriate balance between the profits and CSR activities are sought by management, investors and other stakeholders.

As above, throughout my academic career over the last 20 years, I perused the idea of accounting as nudge of institutional mechanism design. In order to materialize full potentials of such understanding of accounting, efforts were made to invent a variety of methods. In a few occasions I even chose to withdraw papers from the so-called top journals which could hinder the actual effectiveness of the idea in the socio-economic operations. In order to empower the diversity our research in fast-changing society, the JAA may carefully consider appropriate methods of publication, which secures the Raison d’etre of the Association in society.

Session 2: Continuity and Change of the Auditing Research in Japan

Public Accounting Development in the USA

Kunio Chiyoda

Ritsumeikan Univ., Graduate School (Kyoto)

I have been studying Public Accounting Development in the USA. Because, Japanese Accounting Systems are patterned after that of the USA. I have published 6 books.

- ① American Professional Accountants History from the 1880s to 1933, 34, Chuoh Keizai Sha, 1984.
- ② American Professional Accountants History (100 Years) , Bunrikaku, Kyoto, 1987.
- ③ American Auditing in the USA—Risk Approach and Multi-Development Approach, Chuoh Keizai Sha, 1994.
- ④ Balance-Sheet Audit, Chuoh Keizai Sha, 1984.
- ⑤ American Professional Accountants History (150 Years) . Chuoh Keizai Sha, 2014.
- ⑥ Financial Disclosure Development of the Industry Companies and the Development of Professional Accountants In the USA Before 1934, Chuoh Keizai Sha, 2018

[Main Themes]

- ① List of Period of Introducing Professional Accountants Audit in the US Industrial Companies Before 1930s.
- ② “Commercialism” vs. “Professionalism”
- ③ True Nature of Risk-Approach-Based Audit
- ④ Why the Audit of Railroad Companies are “fashion” to “custom” in the 1890s ?
- ⑤ Why the Accounting Profession failed in Establishing Accounting Principles?

[Materials]

- ① *The Commercial & Financial Chronicle*, First Vol. July 1, 1865 ~ Vo. 113, 1921.
- ② *The Journal of Accountancy*, Editorial, Vol.1, 1905~Vol.60, 1935 , *AIA Year Book*
- ③ SEC Accounting Series Releases, Annual Report of NYSE, Moss Report, Metcalf Report, *The Wall Street Journal*, *The New York Times*, *The Washington Post*, *Business Week*, *Fortune*, *Time*, *Dun's Review*, *Forbes*,

Financial Executives etc.

- ④ Annual Reports of General Electric Co. From First Year (1893) ~ 1993
- ⑤ Annual Reports of About 60 Industrial Companies Before 1934.
- ⑥ Big 8' Accounting Firm History, *Moody's Industrials* (1925—4,070 Corps., 1932—3,008 Corps.)、 Direct Inquiry of 50 Companies.
- ⑦ Histories of States Public Accounting Profession (14 States) , History of Price, Waterhouse & Co. & Deloitte & Co. , Books by G.O. May, R.H. Montgomery、 Arthur Andersen etc.

**From Positive test approach to Falsifiability test approach in
Auditing
Essential Meaning of introducing Audit Risk Model into
Auditing Standards in Japan**

Hisashi Yamaura
Meiji University

My study had started from a historical research of American independent audit in business, and, therefore, it was natural to reach an audit risk model of America. Because of this study, I had to be involved in the Council of Corporate Accounting of the Financial Services Agency when Japanese auditing standards had been changed according with audit risk approach as internationally accepted standards.

However, I personally think that essential meaning of introducing audit risk approach into auditing standards has not been understood well among audit practitioners in Japan. That is, introducing audit risk approach means the change to falsifiability test approach from traditional positive test approach.

A falsifiability test approach is the proofing methodology which makes sure an auditor establishes the degree of the corroboration which is needed when forming an opinion, about the probability of the basic proposition as the audit risk which are "complement of the reliability" in other words a possibility that audit opinion is expressed by mistake, and whether negative evidence fits within the criteria level of the audit risk an auditor would like to maintain (Prof. Yoshihide Toba's book, quotation).

The risk which likely overlooks important false presentations on the financial statement and expresses wrong audit opinion is audit risk, and falsifiability test approach sets as a target to suppress audit risk within the rational level and proves negatively that important false presentations don't exist over the rational level used.

Therefore, a falsifiability test approach is indispensable proofing methodology to make an auditor performed audit with professional skepticisms, and to bring tension between the auditor and audited enterprise. On the contrary, I think that auditors cannot obtain satisfactory results even if they audit financial statements in a positive test approach that only traces a process of accounting and preparation of financial statements.

It is regrettable to say this, but accounting frauds don't still become extinct despite introducing an audit risk approach into auditing standards. These deplorable events like accounting frauds are observable in every country where has same auditing standards, and, therefore, an audit risk approach doesn't seem a specific remedy. Now, the next step is expected.

Audit Research and Value Judgement - Extension and Intention -

Fumio NAITO
Konan University

Regarding the argument topics requested by the chairman, the main points of this report are as follows.

The “value judgement” in the theme is used to mean the one on the results of the research based on researcher's values. In short, it is the judgment of the researcher about what social scientific contribution the research results have / may have. In our report, the so-called “value judgment controversy” is not intended to be applied to audit research, nor does we deny the position that value is free in a social science. We discussed more simple points of how to express the value judgment of the researcher for planned research results.

· Topics 1: Research method; its reasons and evaluation

Speaking of research methodologies, we have referred to the theory of normative theory, comparative social system theory, and scientific philosophy. In addition, we have been conscious of “research based on facts” and “research based on specific values”.

Both are aimed at building some kind of theory. The theory requires three elements: "description", "explanation", and "prediction" (the explanation includes an explanation of why the phenomenon can be predicted), which should be supported by objective or rational data. It is required for researchers to investigate causal relationships.

As the accounting / audit system is one of the social systems, “the explanation” consciously includes evaluation of the current system from the viewpoint of realizing a better social system. In this sense, value judgment should be considered essential in audit research.

· Topics 2: Themes which should be tackled if we are young researchers

As an academic study on audit theory, we would like to explore "the realities of audit quality assurance and auditor's judgment" or "the reliability of an audit" and "research responding to newly occurred audit problems". In addition, we would like to take up "structuring audit failure cases" and "structuring audit institutional problems" as practical knowledge structuring research.

Session 3: The Diversity of Management Accounting Research

The Significance and the Limitations of Survey Research in Management Accounting

Takashi Shimizu

Waseda University

In this presentation, I report the significance and the limitations of descriptive survey studies in management accounting by using a result of a questionnaire survey conducted in July, 2019.

Survey studies can be classified into descriptive studies and studies for explanation. Besides, descriptive studies are grouped into exploratory studies and descriptive studies in the narrow sense (DSsNS). Although DSsNS mean questionnaire surveys, they are rarely accepted by refereed journals. Then do DSsNS have no academic significance?

By the use of the beyond budgeting model, I have been working on how companies should overcome problems with budgeting systems. However, the previous researches show that not so many Japanese companies feel strong dissatisfaction with their budgeting systems. It seems to show that many Japanese companies have already improved their budgeting systems. So I conducted a questionnaire survey to find improvements in their budgeting systems and research questions that we should study.

Some interesting results were found. Based on them, new seven research questions concerning budgeting systems of Japanese companies in future are set.

DSsNS just reveal what is happening in the management accounting field and do not show what is the reason and what factor makes an impact on the management accounting practices. This is the limitations of DSsNS. To make these tasks clear, we need exploratory studies, studies for explanation, and case/field researches. Thus, DSsNS is a clue to these studies.

We can find unknown practices through DSsNS and it can also lead us to get new opportunities to study. This is precisely the significance of DSsNS.

However, if we do not understand what is happening in the real world, we cannot ask. Therefore, researchers in the management accounting field constantly need to exchange communication with practitioners and to be sensitive to the present situation.

The Prospective Management Accounting Study: According to the Evolution of Fieldwork

Fumiko Hiki

Hitotsubashi University

In the business world, there are many companies who have major uncertainties about the ideal form their controller departments should take. Research on this topic is being conducted continuously in Europe and the United States, and the results have been published in peer-reviewed journals and books. Based on the conviction that research related to this topic should also be vigorously conducted in Japan, the goal of this study is to make a proposal for the future of accounting research by tracing the trajectories of fieldworks.

This study considered the starting point of fieldworks to be Simon et al. (1954), and reviewed the papers published in peer-reviewed journals in Western countries between 1980 and 2019 that handled the organization of accounting departments or the role of controller as their main topic and used fieldwork as a research method. Due to time constraints, a total of three papers were considered, and these studies were compared to Simon et al. (1954) from multiple perspectives.

The results revealed that businesses in Europe and the United States have long emphasized an expectation of problem-solving ability and functionality as business partners in their managerial accounting personnel. On the other hand, the specific details of situations in which these personnel are still not able to live up to these expectations even at present have also been clarified. These problems are both old and new, and a solution has yet to be found.

In terms of their fieldwork, the papers ranged from static cross-sectional analysis methods to the chronological analysis of single case studies, and while some used only qualitative data collection and analysis, others used both quantitative and qualitative data collection and analysis. This shows that significant progress has been made in terms of the quantification of data and sophistication of analysis methods. However, in terms of the research organization, these studies were not comparable to Simon et al. (1954), and they were also inferior in terms of the understanding and analysis of the actual condition of human behaviors related to controllers and controllerships.

Toward the prospective of accounting research, it is necessary to pay attention to old and new problems that companies actually have or requests from reality that business practitioners are not even aware of. It is important to conduct research based on these issues. It is desirable to accumulate research through systematic efforts based on the trajectories of European and American fieldworks.

Exploration of Management Control Research : Contribution to Practice as Explored through Field Research

Eri Yokota

Keio Unibersity

This study first provides an overview of the changes in the concept of management control (“MC”) now that more than 50 years have passed since Anthony (1965) first articulated the concept. The study then asks whether a management control system (“MCS”) can be established if strategy, which has been regarded as a precondition for an MCS, is not emphasized.

The first half of the article clarifies the preconditions for MC advocated by Anthony (1965) and discusses how these preconditions were viewed by Simons (1995), Merchant and Van der Stede (2012), and Malmi and Brown (2008), who presented the framework of typical MC thereafter. It discusses the results of their studies with respect to the target of MC, the information that affects the target (whether it contains financial, non-financial, formal, or informal), the relationship among partial systems (whether it is “process” or “parallel” in nature), and the relationship with strategy. While the preconditions were expanded in many frameworks, two points remained unchanged: 1) The purpose of MC is the congruence of all organizations and partial optimizations; 2) strategy is an important objective for MC.

However, since their corporate environment remains uncertain, some major companies do not emphasize their strategy. It has been revealed that the company, Google, do not emphasize the strategy or planning in the conventional sense, but they still seek to ensure that their goals and the views of top management are shared within the organization. They also strive to make information transparent within the organization through “objectives and key results” (OKRs) while maintaining an incentive system that is only loosely related to the results of these efforts. We provide that their goal is clear, even companies that do not have conventional strategies have MC as an important management mechanism to influence the behavior of organizational members and encourage them to accomplish the goal as their own.

Deconstruction of Management Accounting -An Approach from Modern Philosophy

Katsuhiko Kokubu

Kobe University

Management accounting consists of practical technologies. However, when management accounting was first taught in universities, researchers wanted to analyse management accounting practices as a type of science. They emphasize real data or models and the analysis of real behaviour from these has become the primary purpose of research.

Since management accounting is a technology, there is always a demand for a functionality to solve practical problems, and this is why the management accounting research field exists in society. Normative research that is not based on data tended to be excluded from academic journals to aspire to 'science' because such research does not stand up to the scientific validation of verifiability and repeatability. This has led to a situation in which the 'conversation' between normative and empirical research cannot take place.

However, empirical research based on seemingly scientific data and analytical research using models is also based on limited 'theories', which can be applied only to the problem at hand. Therefore, it is impossible to capture the vast exterior that exists outside of theory. All reality exists because of this exterior. No 'scientific' study can capture the essence of the management accounting phenomenon because actual practices operate in the real world, not in a closed world. However, as an academic discipline, it is necessary to approach the deepest part of the target practice and attempt to construct a theory from there. Without this approach, no scientific theory can be originally constructed.

To carry out such an attempt, a philosophy that explores the deepest reaches of human thought will be effective. In global accounting research, schools applying philosophy to accounting research have emerged since the 1970s and several influential journals have been published. However, in Japan, there are still few accounting studies that rely on philosophy. After describing the characteristics of modern philosophy as applied to accounting, this study will use the method of deconstruction, which is actually a powerful method of modern philosophy, developed by Jacques Derrida, to get to the root of the management accounting phenomenon.

Session 4: Public Sector Accounting Research: Issues and Possibilities for Governance and Accountability

A Study on Theory and Practices of Governance Accounting

Kiyoshi Yamamoto

Kamakura Women's University

We are facing the global environmental crisis, international conflicts and fiscal stress. Accounting has also made a certain contribution through the harmonization of financial reporting, environmental and social responsibility reports, and integrated reporting. However, it will be 'No' when asked if it meets expectations as a measurement and reporting system.

Accrual accounting became a "magic word" of administrative reform alongside of governance and network. New public management (NPM) is referred to as 'accountingization' from the 1990s to the 2000s. NPM's movement was "slowdown" and the network was emphasized as the post-NPM or new public governance (NPG) since the 2000s, while subsequent developments have evolved into financial reporting standards. Expectations on accounting have been declining due to the shifting to NPG.

This is because the government cannot effectively deal with global environmental, population, and disparity problems in its working as a supply and responsibility entity. The primary instrument to solve the problems is changed from government to governance. Accounting has traditionally played the role by clarifying the subject and entity for reporting and accountability. In other words, it has ensured usefulness and accountability through true and fair measurement of economic transactions.

The new idea of 'accounting for governance' in the public sector has to challenge the issues that cannot be addressed by concepts and devices such as consolidation or related groups in corporate financial reporting. It is not possible to resolve the characteristics of the public sector by adopting or applying corporate accounting. In case of government activities, it is necessary to measure the results of the activities collaborating with the stakeholders in relation to their costs and burdens. However, government revenue is not considered an exchange between government and citizens through taxing and public services by contrast to corporate sector. Therefore, we have to develop how to measure activities through governance including government in terms of results and costs whether measured in separated or integral way.

The Extension of the Roles of Accounting in the Progress of Public Management Reform

Mari Kobayashi

Waseda University

In the progress of public management reform, the role of government has been changing dynamically from the rowing in the Old Public Administration to the steering in the New Public Management, and further to serving and brokering interests among citizens and community groups in the New Public Service and/or New Public Governance. These have also brought about the change of the way to deliver the public service and have emphasized the importance of efficient and effective service delivery.

What impact these movements have had on the roles of accounting? These encompass the necessity to extend the scope and methods of accounting, and to innovate its way to transmit and communicate the information for the decision-making and the performance evaluation, as American Accounting Association predicted the nature of future accounting in “A Statement of Basic Accounting Theory” in 1966. From my point of view, five critical challenges might be emerging. First, as the users of the accounting information cover the present and future taxpayers and beneficiaries, service deliverers, and governments, including both public and private sectors, accounting information should be commonly understandable and communicable among all the cross sectoral stakeholders. Second, in order to improve control methods and decision making by means of the accounting information at all levels of socio-economic activities, more comparable performance and financial information might be required. Third, objectives of accounting function might be extended, as measurement and communication of data revealing past, present, and prospective socio-economic activities including future risk analysis. The methods of accounting incorporate these timeframes based on the usefulness of accounting information. Forth, as the foci of measurement would be varied on multiple tiers, not only program-project based vertical tier but also service unit-based horizontal tier, these foci with different trajectories should be systematically structured and coordinated. Fifth, the way to communicate the accounting information should be innovated as to effective reporting methods, direction of the information to its best use, for all the stakeholders in the civil society. Through addressing these challenges, we will have the great opportunity to innovate the roles of accounting.

The Future Direction of Public Sector Auditing

Hiroshi Yoshimi

Hokkaido University

In Japan, the public sector accounting research have covered not only that of the government sector, but also that of non-profit organizations established by the private sector. In other words, “non-profit” is the common purpose of Japanese “public sector” organizations. Classification of government or not-government is meaningless here. In this situation, the meaning of non-profit purposes is important. In other words, how does accounting contribute to the public interest or public welfare?

On the other hand, Japanese accounting regulation diverse by public sector organization types, and many cases where even non-profit organizations are engaged in profitable business exist. Corresponding to this situation, we would see significant diversity in public sector auditing practice in Japan.

In recent years, public sector accounting and audit has introduced the regulation and the idea of private sector (for-profit) accounting and audit. Conversely, it is observed that private sector accounting and audit have also introduced the idea of public sector. It means that accounting and audit in both sectors are getting closer now. Even in the private sector, the organization's purpose is to achieve the public interest, and audits are also required to prove to public society the achievement of that organizational objective.

In this way, audit (or assurance) will have to acquire new methods to prove the assertion by public sector organizations. Further, it will develop from audit by organizational (corporate body) type like a school corporation audit and a hospital corporation audit, to audit by activity type like an educational audit and a medical audit. Exploring the future of public sector audit means to find the way of private sector audit in future.

The Future of Management Accounting Research in Administrative Organizations: An Analysis Based on Systematic Review

Takehiro Metoki

Musashi University

The purpose of this report is to clarify the direction of management accounting research in administrative organizations in the future by systematic review, and to clarify a new research area required for management accounting research in accordance with the expected role of management accounting as an accounting technology.

Papers published in 19 leading foreign journals since 2010 that published management accounting research covering administrative organizations, and in which specific keywords like "cost management", "management control", "performance management or performance measurement" and "public sector or government" were included in the abstract, were included in the review.

As an example, a review of performance management system which is a major theme of management accounting research, showed that the main issues discussed were the factors that promote the effective use of performance information (including research on its impact on the performance of administrative organizations like managers' abilities, skills, and learning), that promote or inhibit the introduction of performance management systems, and political influences on performance management systems.

In the context of administrative organizations, however, the design of performance management systems involving residents and the use of performance information by mayors and politicians have been discussed, and the use of management accounting information has become more diversified. Therefore, there is a need for a management accounting system as an outcome measurement and control system for various public service providers. The development of a management accounting system that can meet such role expectations is required, but at the same time, it is necessary to question the uniqueness of management accounting so as not to extend management accounting uncritically.

**2019 Annual Conference of JAA
Special Committee**

**Study of Economic Consequences of Taxation on Accounting and
Other Behaviors of Japanese Firms
(Interim report)**

Chair: **Kazumi Suzuki**

Kobe University

Studies of accounting for tax purposes in Japan has developed as research to interpret computation rules in the Corporate Tax Code, taking the opportunity of the adoption of the self-assessment system after World War II. Today, the Japanese government emphasizes the importance to reform corporate governance of Japanese firms to improve their profitability. BEPS issues are also taken by OECD and other international organizations. In such circumstances, it is getting important for policy evaluations to make clear economic consequences of applied tax rules. The studies are required to unite the outcome of such research with the traditional legal research focusing on interpretations on tax laws and provide the knowledge to be available for evidence based policy making. The purpose of the committee is to make clear the influence of Japanese taxation on corporate behaviors because such research has been weaker than the studies of interpretation on tax laws.

The study of the committee employs a research framework to pay attention to structures and functions of a firm, to see a firm as a nexus of contracts among stakeholders, to treat taxes as a kind of transaction costs, and to specify how tax burdens are managed in order to improve corporate value. A feature of this study is to integrate legal research on tax laws with applied micro economics: economics of organization and information, on the basis of the accumulation of knowledge of corporate finance and public economics. A comprehensive perspective is required for this framework. This perspective consists of considerations to influence of tax planning on all stakeholders, all taxes and all costs.

Such considerations might induce identification problems in research. For example, existence of implicit taxes included in all taxes suggests that implicit taxes might decrease even though observed explicit taxes are not reduced, and vice versa. Thus, it is not sufficient to examine only corporate behaviors to reduce explicit taxes. In addition, tax costs minimization in tax planning might simultaneously induce financial reporting costs and agency costs with incentive problems. Therefore, it is difficult to specify factors in a contract which is observed as the result of the trading

off between tax costs and the other costs.

The study is concerned with (1) relations between financial reporting and taxation, (2) corporate behaviors to reduce tax burdens, (3) roles of taxes in managerial decision making on a structure and behavior of a firm, (4) effects of taxes on asset price, (5) international taxation, in particular income shifting among tax jurisdictions, (6) reactions of capital markets to tax planning, (7) tax compliance, and (8) functions of taxes in system designs. The committee will review extant research giving consideration to the identification problems and then add some new research.

The committee presents two research in progress.

- (1) Yamada, Akihiro. "Profit shifting for tax avoidance by Japanese firms: Methods and evidences."
- (2) Mastuura, Soichi. "Does brand equity constraint tax avoidance?"

Chair: Kazumi Suzuki (Kobe University)

Members: Takashi Asano (Tokyo Metropolitan University)

Emi Iwasaki (Matsuyama University)

Keikichi Kato (Hirosaki University)

Yutaka Kawase (Kobe Gakuin University)

Kenji Kometani (Rikkyo University)

Soichi Mastuura (Ritsumeikan University)

Yutaro Murakami (Keio University)

Akito Narukawa (Yokohama City University)

Hiroshi Ohnuma (Chuo University)

Shinya Okuda (Nagoya City University)

Chika Saka (Kwansei Gakuin University)

Joe Sakurada (Hokkaido University)

Takayuki Takahashi (Yokohama City University)

Takefumi Tamura (Chuo University)

Akihiro Yamada (Chuo University)

Special Committee

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

Chair: **Hiroshi Miya**

Kobe University

The innovation literature has revealed that there are two modes of learning and innovation: the exploitation of the existing knowledge and the exploration of new knowledge. Management accounting systems are usually considered as tools that activate exploitation while are detrimental to exploration. But is that true? This research intends to find the answer.

To achieve this purpose, we focus on two research questions. (1)What is the knowledge relating to management accounting? (2)How does management accounting contribute to the exploitation / exploration of knowledge? To investigate these questions, 13 research projects have been started up. Research projects for question (1) can be divided into four levels of organization that consist of individual level, group level, firm level, and inter-firm level based on their research concerns. Especially, as the open innovation is nowadays attracting a great deal of attention, the relation between the inter-firm knowledge and management accounting is one of the important issues. Besides, our review of the literature finds that there is a necessity to figure out the relation between management accounting and personal creativity which plays a role as input to innovation. As for question (2), we find out that the assertion which considers management accounting is detrimental to innovations is one-sided and short-sighted. An empirical research on this question with the title “Exploration- and Exploitation-Oriented Innovation Strategies and the Choice of Management Control Package (MCP) Design” is represented in the final report.

In this research, the influence of the difference between the exploration-oriented and the exploitation-oriented innovation strategies on the choice of MCP is investigated by using data collected from a survey of listed companies. Specifically,

we draw on Simons' levers of control framework to examine what types of MCP are used by the observations. Two important findings from our results are reported. First, in the firms with strong exploration orientation, the four levers of control e.g. belief control, boundary control, diagnostic control and interactive control of management accounting systems are intensively used at the same time. Second, in the firms with strong exploitation orientation, diagnostic control and interactive control of management accounting systems are found to be more important. Based on these findings, we conclude that management accounting systems are useful to the exploitation of the existing knowledge as well as the exploration of new knowledge.

Chair:

Hiroshi Miya (Kobe University)

Member:

Kohei Arai (Osaka Prefecture University)

Keisuke Oura (Ritsumeikan University)

Takaharu Kawai (Doshisha University)

Yuichi Kubota (Nanzan University)

Junya Sakaguchi (Nagoya University)

Tomohiro Sakuma (Matsuyama University)

Ikuko Sasaki (Tohoku Gakuin University)

Yoshitaka Shirinashihama (Yamagata University)

Takeyoshi Senoo (Chuo university)

Satoshi Taguchi (Doshisha University)

Kazunori Fukushima (Chuo University)

Kenji Yasukata (Kindai University)

Meiling Liu (Kagoshima University)

2019 Annual Conference of JAA Study Group

Research on Basic Concept of Financial Statements Audit (Interim Report)

Chair: **Takatoshi Hayashi**
Kwansei Gakuin University

We have much research literature on financial statements audit. However, there is an ambiguity in the concept used in the auditing theory, which may hinder the development of auditing research and education. For example, basic concepts that seem to share a common understanding, such as auditor independence, audit evidence, and audit risk, are still controversial.

Regarding auditing standards, which are the interface between the theory and practice of financial statements audit, the gap between auditing theory and auditing standards has increased, given the growing influence of the accounting profession in setting audit standards and the convergence of international auditing standards. For example, the term “audit objectives” is still used in generally accepted auditing standards in Japan, but it is included in the term “assertion of management” in the International Standards on Auditing. Theoretically, they are a different concept.

Such variation and ambiguity exist in basic concepts used in textbooks, articles, auditing standards, and practical guidelines, etc. can be confusing learners of auditing theory and reduce their willingness to learn. We worry that it also causes the auditing theory to become less attractive. There seems to be a similar problem in any research area, but we think that the current state of auditing theory is a little in excess.

Furthermore, the area of auditing research has expanded from the audit of historical financial statements to the assurance of forward-looking information or non-financial information. Since the theory of assurance engagement is built on the basic concepts of financial statements audit, such as materiality, audit risk, and audit evidence, the above-mentioned problems in the theory of financial statements audit also affect the development of the theory of assurance engagement.

Based on such an understanding of the current status of auditing research, our research objective is to contribute to the development of future auditing research and education by reexamining the basic concept of financial statements audit and clarifying and systematizing these concepts.

In the interim report session, we reported the progress of our research on the following eight themes. In each study, we addressed clarifying the definition of the concept and the meaning of the concept in auditing theory, reviewing the historical

and institutional background of the concept and related literature.

Chapter 1: Definition of Financial Statements Audit

Chapter 2: Function of Audit

Chapter 3: Auditor Independence

Chapter 4: Audit Proposition

Chapter 5: Audit Evidence

Chapter 6: Audit Planning

Chapter 7: Audit Paper

Chapter 8: Audit Risk

In the second year, we will continue to work on the research in the first year, and we plan to address new research themes, including at least the following themes: (1) the purpose of the audit, (2) auditing postulate, (3) responsibility of management and auditor on a financial statements, (4) auditing procedures and techniques, (5) reasonable assurance, (6) fair presentation and compliance with GAAP.

Chair:

Takatoshi Hayashi (Kwansei Gakuin University)

Members:

Hiroshi Taki (Ritsumeikan University)

Takashi Nagami (Keio University)

Hironori Fukukawa (Hitotsubashi University)

Hidenori Horiko (Osaka Sangyo University)

Nobuyuki Maeyama (Yokohama National University)

Yoshihiro Machida (Aoyama Gakuin University)

Shintaro Mastuo (Tohoku University of Community Service and Science)

Yoshinao Matsumoto (Kansai University)

Study Group

Research on accounting issues concerning revenue from contracts with customers in Japan (Final report)

Chair: **Takashi Sasaki**
Hitotsubashi University

Accounting Standard Board of Japan Statement No.29 “Accounting Standard for Revenue Recognition” published in March 2018 will be enforced for Japanese listed companies from the fiscal year beginning on or after 1 April 2021. This standard was developed with reference to two accounting standards, that is, International Financial Reporting Standard No.15 “Revenue from Contracts with Customers” (IFRS 15) issued in May 2014 by the International Accounting Standards Board (IASB) and Topic 606 “Revenue from Contracts with Customers” issued in May 2014 by the Financial Accounting Standards Board (FASB).

The purpose of our research is to point out problems that may arise in applying “Statement No.29” and to present solutions. Specifically, we focus on accounting treatments, financial statement preparation, auditing, and tax practices. In order to carry out the above analysis, we organized the following five subproject groups: “Historical Review” group, “Theoretical Review” group, “Empirical Review” group, “Audit Review” group, and “Tax Review” group.

The Historical Review group examined the following two points. First, this group reviewed the rules for revenue recognition until the establishment of “The Business Accounting Principles” in Japan and explained the conceptual relationship between these rules and the traditional “Realization Basis”. Second, the group traced the history of the basic concept of revenue recognition in international accounting standards by examining IFRS 15 and its predecessor accounting standards (IAS 18; revised IAS 18).

The Theoretical Review group presented the rationale for the “Fair Value Model” and the “Customer Consideration Model” discussed at the development stage of IFRS 15. Subsequently, this group examined the relationship between the transfer of control over goods or services and the recognition of revenues and expenses, using the case of “buy/sell transactions.”

The Empirical Review group conducted (1) a questionnaire survey for listed companies in Japan, (2) value relevance analysis of revenue information, and (3) analysis of managements’ discretionary behavior about revenue recognition. As for the questionnaire survey, we are still conducting detailed studies.

The Audit Review Group theoretically examined whether the new revenue

recognition standard could prevent audit failures or not, based on the discussion about audit failure on revenue recognition in the United States. In addition, based on the “PCAOB alert”, this group presented what should be aware of in auditing after the application of the new revenue recognition accounting standard.

The Tax Review group examined the conceptual relationship between "revenue" in corporate accounting and "taxable revenue" in Corporation Tax Act. Specifically, referring to Article 22-2 “Amount of Revenue”, this group discussed the basic thought behind the accounting for variable consideration and gratuitous transfer.

From the above discussions in each group, it can be pointed out that “Statement No.29 may have various effects on the accounting practice in the areas of financial accounting, auditing and taxation.

Chair: Takashi Sasaki (Hitotsubashi University)

Members: Yoshiyuki Kaneko (Teikyo University)

Kenji Kometani (Rikkyo University)

Ryosuke Nakamura (University of Tsukuba)

Kazuhiro Nishiyama (Teikyo University)

Satoru Otaka (Yokohama National University)

Michihiro Ozawa (Rikkyo University)

Makoto Tsukahara (Teikyo University)

Yasuhiro Yamada (Rikkyo University)

Tomoya Yoshida (Chuo University)

2019 Annual Conference of JAA

International Session

Organizational Identity and Performance in Compensation Contract: A Mathematical Model and Evidence

Toshiaki Wakabayashi, Sophia University
Makoto Kuroki, Yokohama City University

Unintended Consequences of a Creative Corporate Culture: An Empirical Investigation

In Gyun Baek, University of Wisconsin-Madison
Sewon Kwon, Sejong University
Ella Mae Matsumura, University of Wisconsin-Madison

Outside Director's Equity Incentive and Strategic Alliance Decisions

Vincent Y.S. Chen, National Chengchi University
Yu-Fang Huang, National Chengchi University
Jia-Wen Liang, National Chengchi University

The Subcontract Fairness and Cost of Equity

Sang Hoon Shin, LG CNS audit team
Seon Mi Kim, Chonnam National University
Seung Weon Yoo, Korea University

Attractive from a Distance? Evidence from Acquisition of Multi-Location Targets

Junjian Gu, University of Tsukuba

The Information Quality of Non-GAAP Disclosures

Han-Chung Chen, National Taipei University
Yen-Jung Lee, National Taiwan University
Sheng-Yi Lo, Feng Chia University

2019 Annual Conference of JAA Regional Reports

Hokkaido Region

Satoshi Imamura
Hokkai-Gakuen University

The regional meetings were held in 2019 as follows.

1. The 95th Regional Meeting at Hokkai-Gakuen University on 1 June 2019.
 - (1) “A Financial Analysis on Discretionary Activities of Managers for Social Welfare Organizations in Wakayama Prefecture,” Enomoto, Yoshihito, Hokkaido University.
 - (2) “The Calculate Structure of Local Public Accounting: Considering the Double-entry Bookkeeping and the Financial Statements,” Iwahashi, Chutoku, Sapporo University.
 - (3) “The First Regulation of the Accountancy Profession in China in 1918,” Shao, Lanlan, Sapporo Gakuin University.

2. The 96th Regional Meeting at Hokkai-Gakuen University on 7 December 2019.
 - (1) “Study of the Impact of Leadership Style on Balanced Scorecard Implementation,” Tada, Masahiro, Doctorate of Otaru University of Commerce and Otomasa, Sakichi, Otaru University of Commerce.
 - (2) “Basic Research on Disclosure of Business Model Information,” Mastumoto, Sayako, Hokkaido Information University.
 - (3) “The Present Situation of Public Hospital Management and Accounting Procedures Related to the Amount Transferred : The Case of Tomakomai City Hospital,” Kawashima, Kazuhiro, Tomakomai Komazawa University.

Tohoku Region

Masateru Narikawa
Tohoku Institute of Technology

The regional meetings were held as follows;

1. The 96th Meeting at Fuji University on August 10, 2019.
 - (1) “Significance and Logic in Mixed Measurement Accounting,” Norihiro Kohsaka, Fuji University.
Discussant: Tomohisa Hirano, Fukushima University.
 - (2) “Consideration for Interpretation of Variable Lease Payments in Right-of-Use Model,” Megumi Sato, Chiba Keizai University.
Discussant: Shingo Sekine, Ishinomaki Senshu University.
 - (3) Special lecture: “Accounting Science & Logic,” Kiyotaka Ueno, Chuo University.
Moderator: Masateru Narikawa, Tohoku Institute of Technology.

2. The 97th Meeting at Miyagi Gakuin Women’s University on November 30, 2019.
 - (1) “The Relationship between Management Forecasts and the Earnings Management Behavior in Japan,” Noriko Tanahashi, Tohoku Gakuin University, and Kazuo Yoshida, Nagoya City University.
Discussant: Fumihiko Kimura, Tohoku University.
 - (2) “Stock Listing and Timely Loss Recognition,” Yoshitaka Ohashi, The University of Aizu.
Discussant: Ikuko Sasaki, Tohoku Gakuin University.
 - (3) “Current Status and Issues of SME Accounting Education,” Masateru Narikawa, Tohoku Institute of Technology.
Discussant: Shuko Naito, Hirosaki University.

Kanto Region

Hiroshi Torii
Meiji Gakuin University

The 67th Kanto regional meeting was held at Meiji Gakuin University on December 14, 2019. The main theme of the meeting was “New Trends in Accounting Research.” The Program of the meeting was as follows:

1. Introduction: Masaki Yoneyama (The University of Tokyo)
2. Main Presentation
 - (1) Koki Sawai (Saitama University) “The Relation between Asset Measurement Technique and Measurement Objectives Viewed from Business Combination Accounting”
Discussant: Kenichi Akiba (Waseda University)
 - (2) Yumi Morofuji (Rikkyo University) “Application of Psychological Theory to Target Costing Research: A Reconsideration of Cost Target Tightness”
Discussant: Yoshihiro Ito (Waseda University)
 - (3) Kenichi Yazawa (Aoyama Gakuin University) “New Trends in Accounting, Auditing, and Governance Research Using Text Mining, and Auditing Research in the 2030s”
Discussant: Yoshiko Shirata (Tsukuba Gakuin University)
3. Panel Discussion: Masaki Yoneyama (Chairperson), Koki Sawai, Yumi Morofuji, Kenichi Yazawa

Chubu Region

Shin'ya Okuda
Nagoya City University

The regional meetings were held as follows;

1. The 143rd Chubu Regional Meeting at Shukutoku University on June 29, 2019.

Conference Presentation

- (1) "Comparative Study of Post-implementation Review in Accounting Standard Setting Bodies," Junta MORI, Aichi Shukutoku University.
- (2) "Intangibles Investment and the Value Relevance of Earnings: IFRS vs JGAAP," Tomohiro NOGUCHI, Aichi Gakuin University.
- (3) "Problem Solving of Japanese Translation of "authoritative support" by Examining the Hepburn's English-Japanese Dictionary," Kazumasa TAKEMORI, Chubu University.

2. The 144th Chubu Regional Meeting at Nagoya City University on December 14, 2019.

Research Paper Presentation

- (1) "What are the characteristics of a survivor? Evidence from bankruptcy analysis of newly formed Japanese SMEs," Xu Hong, Nagoya University.
Commentator: Norihide Takechi, Chubu University.
- (2) "Intangibles Investment and the Value Relevance of Earnings: IFRS vs JGAAP," Hiromi Kawai, Nagoya University.
Commentator: Satoru Nishiumi, Aichi Gakuin University.
- (3) "Quarterly Earnings Announcement and Revisions of Management Forecasts in Japan," Motohiro Tazawa and Tatsuhiko Tashiro, Meijo University.

Guest Speakers Session: CPA Speaker

"Effect of the Application of KAM (Key Audit Matters) on Accounting and Auditing Practices," Tomomi Hori, JICPA Tokai Association.

Guest Speakers Session: Academic Speaker

"Tick data on the Tokyo Stock Exchange," Kazuo Kato, Osaka Keizai University.

Kansai Region

Hiroyuki Murakami
Matsuyama University

The 69th Kansai regional meeting was held at Matsuyama University on December 21, 2019. The main theme of the meeting was “Issues in Accounting Standard for Revenue Recognition”.

The program was follows.

Plenary Session

Moderator: Kazuhiro Yasui (Kobe Gakuin University)

- (1) “Satisfaction of Performance Obligations and Realization Concept in Revenue Recognition”, Junko Saino (Kansai University)
- (2) “Variable Consideration in Revenue Measurement”, Hiroshi Wada (Kindai University)
- (3) “The Timing of Income Inclusion: The Difference between Financial Accounting and Tax Accounting”, Ryoji Ichitaka (Kwansei Gakuin University)
- (4) “Principal versus Agent: The Impact of IFRS 15 on Japanese Wholesalers”, Sinya Matsushita (Kyoto Sangyo University)

Panel Discussion

Chairperson: Kazuhiro Yasui (Kobe Gakuin University)

Panelists: Junko Saino (Kansai University)

Hiroshi Wada (Kindai University)

Ryoji Ichitaka (Kwansei Gakuin University)

Sinya Matsushita (Kyoto Sangyo University)

Kyushu Region

Keiichi Oishi
Kyushu University

The 104th regional meeting was held at Kyushu University on July 27, 2019.

- (1) “Exploratory Research of the Interaction between Management Control System and Organizational Inertia in Listed Companies in Japan”, Takahide Shinkai (Kumamoto Gakuen University).
- (2) “A Historical Perspective to Social Control by Accounting Numerals”, Eiichiro Kudo (Seinan Gakuin University).
- (3) “Research on Definition of Bookkeeping and Accounting in the Beginning of 20th Century”, Toshifumi Yamashita (Kumamoto Gakuen University).