

Reporting Financial Performance: A Comparative Analysis of Conflicting Views

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With regard to “Reporting Financial Performance”, there are some issues in which Japan and IASB conflicts. For example, what kind of reporting format is better? Assuming “one-statement” is adopted as reporting format, should net income be presented on the statement? This paper investigates causes of the conflicts between Japan and IASB and considers the validity of claims of both.

I attribute these conflicts to a difference in “an approach to reporting financial performance”. Japan assumes “bottom line approach,” so it should usually adopt “two-statement” format. On the other hand, IASB assumes “information set approach,” so it should adopt “one-statement” format. In terms of consistency

with conceptual framework and so on, information set approach is better. So “one-statement” format should be adopted.

Whether net income is presented on the one-statement format depends on whether a “realization” criterion is adopted to disaggregate comprehensive income. Although, a “re-measurement” criterion in IASB proposal is superior in terms of consistency with disaggregation by “persistence,” to which users attach much importance in the firm valuation. A “realization” criterion is misleading to users. So it should not be adopted.

Thus, this paper consistently supports IASB proposal and implies several questions about Japanese accounting system.