

# Auditing during the recent fragile economic environment and expectations for CPAs in the years to come

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The current harsh economic environment surrounding financial markets and general industries has heavily affected many companies' financial results and made it more difficult for CPA professionals to audit financial statements. The purpose of this paper is to identify significant matters encountered by independent auditors during recent financial statement audits. Examples include going concern, recoverability of deferred tax assets, inventory valuation, impairment of long lived assets, revenue recognition, valuation of securities and inappropriate accounting.

In an increasingly global economy, CPAs are required to think critically on multiple accounting issues and make proper judgements. With the upcoming implementation of principle-based IFRS in Japan, CPAs will need to independent-

ly judge a greater number of complex issues in the future. Currently, in Japan no educational prerequisites are required for candidates taking the CPA examination, which is very unusual compared to other countries and jurisdictions.

It is anticipated that one set of high-quality, global accounting standards and one set of global audit standards for all multinational firms irrespective of their domiciliation will ultimately prevail. Furthermore, the different CPA qualifications in major economically developed countries will likely become standardized and recognized by multiple licensing bodies. The present situation in Japan of not stipulating certain educational requirements to sit for the CPA examination may be viewed negatively by other countries and jurisdictions.