

Consequences of IFRS on Japan : in Relation with the US and the EU

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This study reviews the historical development in the implementation of the International Accounting Standards Board's (IASB's) accounting standards during the 2000s and the impact on and responses of the United States (US) and the European Union (EU). In addition, this study investigates the consequences of IFRS on Japan. The authors have encountered several features : 1. The responses in the US are anticipated to drop the reconciliation requirements for foreign registrants and begin consultation on when and how to seriously adopt the IFRS for domestic US registrants. 2. The responses in the EU are expected to follow the IFRS and its endorsement process effective 2005, and put immense pressure on the IASB to enhance the understanding of the purpose of accounting standards in the EU. 3. The outcomes of the IASB are to be recognized as the most important and universal accounting standard setter and will require more maturity as an international organization. 4. The consequences in Japan are to approve the roadmaps to permit listed companies that meet the specified criteria to utilize the IFRS. In addition, Japan

has entered the Monitoring Board to support IASB improvement and to participate in the struggle for governance based on the standards set by IASB. There has been voluminous pressure put on the IASB and the International Financial Reporting Standards Foundation (IFRSF) to enhance public accountability and governance as an international organization. This pressure has made the IFRS prescribe more detailed standards because each country adopting it has to conform to the finalized version. Therefore, there is more flexibility in the standards to add exemptions and provisions before these standards have been formally approved. However, the contemporary debate over the concepts of principles vs. rules caused by the issue of genuine comparability of financial statements is yet to be clearly defined.

One of the obstacles faced in realizing genuine comparability is cultural differences, related to business systems, taxation, audits, and regulations, among each country. Thus, it is necessary for Japan to understand these cultural differences and participate in the development of the IFRS.