Ⅳ　Summary of Articles

The Adoption of IFRS by Germany and the EU : problems stemming from "IFRS-adoption"

MORI Michiyo

Prefectural University of Kumamoto

Japanese companies listed on the capital markets are currently facing a situation where they must adopt IFRS in order to report financial statements from 2015 onward. This report will consider questions concerning the enforcement of this "IFRS-adoption" by the European Union in the case of Germany.

The aim of this report is to shed light on some of the institutional problems involved in the adoption of IFRS as well as to research possible effects on a practical level as experienced by businesses.

At present, it has become clear that the eventual adoption of, and harmonization with IFRS is unavoidable. Through an approach method, utilizing both a micro and macro view, this report considers the reality of "IFRS-adoption" in Germany by focusing on the supervision of the accounting systems in Germany.

This report consists of three sections :

1. The macro-view approach method as related to capital markets.

This section takes up some of the issues related to the systematization of accounting standards in the EU and Germany, with a particular focus on the close cooperation between the two economic areas. A differentiation must be made between EU-IFRS and IASB-IFRS, the current set of IASB accounting standards.

Companies actively engaged in capital markets in the EU must adopt EU-IFRS in order to conform with EU regulations.

The enforcement process is dictated by an EU committee, which has resulted in the promulgation of the EU-IFRS. Consequently, EU-IFRS are now the accounting standards for the EU.

However, there are some cases in which before the committee was recognized with the power to enforce EU-IFRS in the EU, companies had already adopted accounting standards which had been previously issued by the IASB, resulting in a "time lag" with regards to the accepted accounting standards between the EU and IASB. Thus, problems of "time lag" are at the center of the overall problem of IFRS-adoption.

2. The micro-view approach method

of capital markets.

This second section deals with developments related to the harmonization of IFRS within Germany, and further considers how many Germany companies may correspond to EU-IFRS under the Germany accounting system, namely, under commercial law.

By way of example, there is a discrepancy between German commercial law and the IFRS on how to account for profits and losses.

This report calculates and compares the maximum and minimum profits and losses sustained through a case study in which a company adopts IFRS in addition to both old and new commercial laws.

3. The relationship between practical accounting politics and accounting governance in Germany capital markets.

Germany accounting supervision has become increasingly important with regards to capital markets. Many companies engaged in capital markets fall under the supervision of both the German government (Finanzdienstleistungsaufsicht = BaFin) and the private sector (die Deutsche Prufstelle fur Rechnungslegung). Through the result of the investigation of the DPR and BaFin, the false accounting policies of companies are defined. However, in practice, judicial precedent indicates an on-going opposition between private companies and the supervisory organizations of the DPR and BaFin.

Thus, there are sometimes disagreements between DPR and BaFin and private companies with regards to reporting standards.

Considering some of the problems behind "IFRS-adoption," we in Japan must consider the value of "IFRS-adoption" based on the current precedents being set by Germany.