Ⅲ Summary of Articles

Confusion of Shift in Net-Assets Accounting Model
—Transformation of Revenue—

Noriko Noguchi
Tokyo University of Science

People have the two accounting approaches, that is, namely the "Revenue-Expense Approach" in which income is calculated by comparing realized revenues and matched expenses and the "Asset-Liability Approach" in which income is calculated by changes in net assets.

This paper defines the accounting model as Conventional Accounting Model and Net-Assets Accounting Model. In Conventional Accounting Model, it is important to calculate profits and losses of the fiscal year. On the other hand, it is important to evaluate the corporate value in Net-Assets Accounting Model. Since 2002, the accounting model has been shifting from Conventional Accounting Model to Net-Assets Accounting Model. The shift from Conventional Accounting Model to Net-Assets Accounting Model transforms revenue recognition.

Net-Assets Accounting Model divides into two models, that is, a theoretical model and an institutional model. The theoretical model requests the corporate value, but the institutional model requests the corporate value and the periodic profits. So it is important the financial position of a point in time. Businessmen have demanded to measure a transaction scale and a management content of a company. By the request in such businessmen, people adopted the profits and losses calculation into Net-Assets Accounting Model. The introduction of the profits and losses calculation into the institutional model becomes a cause of the confusion, when the company recognizes revenue.

Customer Loyalty Programs and its Revenue Recognition

Toshifumi Matsumoto
Doshisha University

In recent years, customer loyalty programs (CLP) have emerged as a new subject of accounting. CLP is a generic name of incentives given to customers, such as points, discount vouchers, and miles. Japanese general accounting for CLP is setting up a provision for extra expenses that are expected to be incurred in the future caused by CLP, and deduct it from the related initial sales as a sales promotion expense.

On the other hand IFRIC released interpretation No. 13 (IFRIC13) in 2007. According to this document a total customer consideration is to be allocated into different elements of a contract, that is, goods or services sold and award credits given to customers using a relative ratio of their fair values. Also IFRIC13 requires the amount of consideration allocated to award credits to be deferred as a liability until the customers would execute awards.

At a glance this treatment is quite similar to the revenue deferral procedure of realization and earning process approach. However IFRIC13 uses fair value as the allocation basis. This is crucially different from realization and earning process approach, which uses the amount of flows (such as cost of goods) in its allocation procedure. Furthermore IFRIC13 indicates an alternative method which shows CLP liability (deferred revenue) at its fair value.

Actually these two methods correspond with “original transaction price approach” and “current exit value approach” developed in IASB/FASB joint project “revenue recognition”. Therefore IFRIC13 is supposed to have introduced the basic idea from the joint project and developed its accounting standards for CLP earlier than IASB (the joint project) would establish accounting standards for revenue recognition.

This paper aims to clarify three points, the basic characteristics of accounting methods for CLP by assets and liability approach through comparing various methods, the dual character of original transaction price approach that IASB selected in its Discussion Paper issued in 2008, and a potential of original transaction price approach that would easily turn into current exit value approach as a method of full fair value accounting.

Reserve Recognition and Related Provision for Product Warranties on Accounting Treatment.

Kazuo Yokoyama
Tokyo University of Science

Under Japan Accounting Standards such as "Financial Accounting Standards for Business Enterprise", revenue recognition is to be based on realization principle and its measurement is to be based on amount received. Also, necessary factors setting up provision for point are indicated, but its definition is not almost given.

Discussions on recognition and on measurement of revenue and those on setting up provision for point were almost not observed. On the other hand, on Exposure Draft (ED) "*Revenue from Contracts with Customers*", International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) have proposed an accounting treatment in which concerning some of the special provisions direct deduction of measured revenue was requested. On the contrary, Accounting Standards Board of Japan (ASBJ) classifies the point at issue and is to introduce the accounting treatment. Moreover, the revised version of Exposure Draft (RED) was released recently.

This paper focuses on the provision for product warranties and discusses the point at issue of the above-mentioned accounting treatment by emphasizing the coordination among output amount of goods and products, transferred amount to cost of sales and measured amount by the dealing company. Also, the writer adds and considers the RED in this paper.

On the IFRS's Conceptual Framework

Isamu Iwasaki
Kyushu University

Summary

As the IFRS developed by the IASB are not rules-based standards but principles-based standards, the conceptual framework as the meta-standard for developing individual standards becomes more important than ever before. As to the IASB's conceptual framework, the IASB is now developing a new conceptual framework jointly with the FASB. And on September 2010 the IASB published the revised conceptual framework: Conceptual Framework for Financial Reporting 2010.

Under this condition, in this paper, I will examine the achieved level and its problems of the IFRS's conceptual framework developed by the IASB.

The Development of R&D Regulations in French Accounting Standard

Hisae NIKI
Doctor Course,
Graduated School of Business Administration and Computer Science,
Aichi Institute of Technology

The French accounting standard (PCG, Plan Comptable Général) version 1957, has not provided yet the R&D costs. It allowed Research fee, to be recognized as an asset just like Establishment costs, but it should be noted that this set-up was in the nature of an expediency justified as a deferment of cost to achieve the matching principle of costs with revenue, something similar to "deferred asset" under Japanese accounting standards.

In 1960's, the development of science technology was remarkable and the amount of investment for science development has very increased. In this economic situation, the accounting standard of R&D costs had to be arranged, and Conseil National de la Comptabilié (National Consulting Board of Accounting) began to analyse the characteristic of R&D costs by referring to the Frascati Manual of OECD.

The 1982version of PCG stipulated that R&D costs should be expensed as a rule because of the "uncertainty" of R&D projects, provided, however, that they may be recognized as an intangible fixed asset if they (i) are clearly identifiably, (ii) are precisely computable, and (iii) have a serious chance for commercial revenue generation or technological success.

In 2004 concerning to assets of PCG were also revised with a view to ensuring convergence with IFRS. Major revisions were made to R&D costs, and the relevant standards are now substantially the same as IAS38. IAS38 requires development costs to be recognized as asset if the six criteria are satisfied, while PCG does not go further than allowing the item to be recognized as asset despite its preference for asset recognition. It seems that such amendments are depended on the changing of accounting conception.

Among listed French companies, which are required to report under IFRS, the manner in capitalizing developpements costs varies. The reason given by most companies for expensing development costs is the "uncertainty" surrounding the attainment of future economic benefits. The argument concerning R&D costs backs to such as the 1960's.

Furthermore, it is not an overstatement to say that the capitalization of development costs can be used as a tool for strategic management decisions. Considering that relaying on criteria that contains such wording as "the potential for future economic benefits" entails subjective judgment, it is desirable that a set of concrete criteria be developed in the accounting standard.

Research on Accounting trend of Small Businesses in China: A study on "Accounting Standard for Small Businesses" (Exposure Draft)

Liu Dan
Graduate School of Science and Engineering
Saga University

In recent years, various countries introduced the accounting standards that different from those listed companies. In this background, The Chinese accounting department of the MOF released "Accountin g Standard for Small Businesses" (Exposure Draft: ED) in November 2010.

In this paper, I research the ED in order to understand accounting trend of small businesses in China. At first, I attempt to consider the environment reasons and background for formulating the ED and describe its setting process. Next, I analyze composition and content of the ED for explaining its characteristics. Finally, I examine the problems of the ED and future subject about accounting standards for small businesses.

The Final Report of Study Group: The Application and Subjects of "IFRS for SMEs"

Delegate: Teruyuki Kawasaki (Konan Univrsity)

Members: Koji Ikeda (Konan University)
Takaya Ueno (Certified Tax Accountant)
Izumi Ukita (Kansai University of International Studies)
Naohiro Urasaki (Kinki University)
Chikako Ozu (Kyushu University)
Clemence Garcia (Gakushuin University)
Dan Hu (Nagoya University)
Junko Saino (Konan University)
Takashi Sakamoto (Certified Tax Accountant)
Michiko Shimada (Shimonoseki City University)
Yoko Nakaoji (Meio University)
Masatake Hiraga (Aichi Gakuin University)
Yoshimi Honda (Osaka University of Economics)
Masami Matsuwaki (Shitennoji University)
Research Fellow: Sadako Inoue (University of Marketing and Distribution Sciences)
I Wayan Nuka Lantara (Graduate School of Kobe University)

In July 2009, IASB (International Accounting Standards Board) issued a new standard, IFRS for SMEs (IFRS for Small and Medium-sized Entities). What impact does this Standard give the accounting system of Japan and many other countries? The purpose of this study group is to research the impact of this Standard to the accounting systems in the world. The subject of the 2nd year (the final year) is to discuss the impact of this Standard to Western countries and Asian and Oceanian countries.

The discussed countries are as follows;

(a) Western countries; USA, Canada, UK, France, Germany, Sweden

(b) Asian and Oceanian countries; China, South Korea, Taiwan, Thailand, Malaysia, Indonesia, the Philippines, Singapore, Australia

About the approach for accounting standard for SMEs, the following two approaches were distinguished in this study;

(a) approach which exempts accounting treatments

(b) approach which sets up a set of accounting standard

The approach (a) was adopted in the world in 1990 - early 2000. On the other hand, the approach (b) is adopted in recent years. According to IASB, the 74 countries have adopted IFRS for SMEs or are planning to adopt it. Many developing countries are positive to adopt this Standard, but many advanced nations are negative to adopt it.