V Summary of Articles

Off-Balance Sheet Accounting and Objectives-Oriented Standards Setting

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Many financial institutions utilized subprime mortgages securitization and Repo transaction for off-balance sheet accounting in the Financial crisis. This paper explores the mechanism of off-balance sheet accounting. It also finds out the importance of objectives-oriented standards setting for financial engineering. Rules-based standards permit companies to avoid the accounting around the intent of standards by restructuring of transactions. Objectives-oriented standards setting are important for financial reporting that is representationally faithful to the underlying economic substance of transactions and events.

This paper is structured as follows. First, I discuss issues that have arisen regarding consolidation of securitization entity (special-purpose entity) associated with subprime mortgages. Second, I discuss issues regarding sale accounting for Repo. The mechanism of off-balance sheet accounting is analyzed on the basis of these examinations. Finally, this paper devotes the consideration of objectives-oriented standards setting set out by SEC of the United States of America.

Some Issues of the Use of Current Values in Accounting

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Modern financial accounting has been shown to be a form that contains a mixture of historical and current measures. As the current value is taken into the accounting measurement based on the historical cost accounting, some academic issues arouse on the framework of financial accounting. This paper is intended as an investigation of the issues in the use of current values in accounting.

The United Kingdom was the scene for a debate on current values under inflationary conditions, which took place from the late 1940s to the early 1980s. Accounting for the effects of price changes is directly concerned with capital maintenance. The capital maintenance concept subdivides into three categories: (a) the maintenance of nominal capital, (b) the maintenance of real capital (the maintenance of purchasing power capital), (c) the maintenance of material capital. The choice of capital maintenance concept is very important in the discussion of inflation accounting, since the use of current value in inflation accounting means that the emphasis is put on the maintenance of capital.

Current value measures can be identified as: replacement cost, net realizable value, value in use and deprival value as well as fair value. The form of current value has usually been described as fair value and fair value measurement favored in accounting standards such as SFAS 157 in the United States and IFRS 13 in international standards. According to the concept of fair value defined in 1982 in by IAS 20, it can be said that fair value implies both an entry value and an exit value. The distinguishing characteristics of fair value, relative to the other current value measures, are, first, that fair value measurement is a non-entity-specific measurement, and second, that the fair value measurement excludes transaction costs. Fair value and deprival value have the common characteristics in their approaches to current value in accounting. With regards the consideration of alternatives to fair value, Van Zijl and Whittington suggest a reinterpretation of deprival value for the purpose of providing a better measurement of the reporting entity's economic opportunities. This paper attempts to examine the features a reinterpretation of deprival value. Furthermore, it will be identified the differences between the current values on current cost accounting and the concept of fair value.

Institutional Isomorphism of Accounting Standards into IFRS
—The Case of Southeast Asian Emerging Economies—

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The purpose of this paper is to show that the adoption of IFRSs, especially in emerging economies, is identified as the institutional isomorphism. We take Southeast Asian emerging economies as the case and focus on Malaysian accounting standards issued immediately after Asian currency crisis occurred in 1997.

Institutional isomorphism refers to similarity observed among many organizations as the result that they adopt methods, practices or structures on which the legitimacy is socially accepted. It is caused by several kinds of institutional pressures that urge the organizations to incorporate those legitimate ways.

There have been three sorts of institutional pressures (coercive pressure, normative pressure, and mimetic pressure) to make the Southeast Asian countries adopt IFRSs as their own accounting standards or converge their existed standards into IFRSs. However, Malaysia was the only country that had the national belief, which is Look East Policy (LEP), to reject those pressures. Therefore, we can identify some significant and inevitable departure from the then existing IFRSs in the accounting standards (MASB Standards) issued from 1998 to 2003.

Thereafter, Malaysian accounting standards setter announced the plan to converge their standards to IFRSs shortly after LEP was withdrawn in effect by Malaysian government. Malaysia has completed the works for that plan by 2012. This fact can prove that we can view the adoption of IFRSs by Southeast Asian emerging countries as institutional isomorphism.

What Problems Can Principles-based Accounting Standards Resolve?

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There are two characteristics of principles-based accounting standards. One is that principles-based standards rely on professional judgments. The other is that principles-based standards should be tied to the conceptual framework. However, these are not inherent characteristics of principles-based standards. Rules-based accounting standards also need professional judgment and conceptual framework. To be clarified is that principles-based standards are able to resolve what problems of accounting standards.

This paper shows the following. First, principles-based standards are expected to control arbitrary accounting treatment, such as creative accounting and earnings management. Second, prior empirical studies prove that principles-based standards can control arbitrary accounting treatment and aggressive financial reporting by financial information preparers. Final, principles-based standards are expected to be set based on asset and liability view, but that is very difficult.

Integrated Reporting for the Creating Shared Value Company Based on the Institutional Logic

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Traditional companies have deemed maximizing their stockholder value and earning profits as their prime missions, and their disclosure systems have been built up focusing on the usefulness for investors' decision-makings on the financial markets for their financial performance.

But nowadays, with respect to the changes in the recent business models and value creation models of companies due to the such as the globalization of markets or the expansion of corporate social responsibility, it seems to have been hard to improve sufficiently the traditional disclosure system only by reforming financial reporting with revising accounting standards and rebuilding accounting theories. Consequently, there have been various corporate reporting practices and frameworks outside the framework of financial reporting.

In view of such situation, the grand design of the corporate disclosure system in the future should be redesigned and not only from the perspective of financial accounting theory but also from interdisciplinary views such as corporate strategy or sociological theories. Therefore, this paper discusses the ideal direction of the new disclosure system by *the integrated reporting* for new companies or business models which create *the shared value* based on *the institutional logic.*

Impacts of IFRSs on Income Tax Legislation:
Korean's Reform 2010 and Its lesson to Japan

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Recently, many countries have been pursuing initiatives for the adoption of International Financial Reporting Standards (IFRS). While following the postponement of the mandatory application of IFRS from 2015, IFRS still has a certain level of effects on J-GAAP. Accordingly, the relevant authorities in Japan have been compelled to deal with the effects.

Japan's fundamental strategy of responding to IFRS is that it intends to ensure greater conformance of J-GAAP with IFRS in order to maintain its influence on the setting and development of IFRS. On the other hand, it keeps trying to protect Japan's indigenous accounting institutions which are vital to Japanese economy. In this manner, Japan has been conducting discussions on its response to and the impact of IFRS from an independent perspective. In contrast, Korea included the adoption of IFRS as a part of its single national economic strategy and pursued aggressively measures to adopt IFRS. As one of the measures, Korean Corporation Tax Act was revised in 2010.

This paper introduces and analyzes Korean Tax Act Reform 2010 specifically focusing on the discussions regarding the inclusion of the depreciation expenses of PPEs in adjustments items for taxable income. Through of the analysis, this paper is aim to clarify the impact of adoption on tax accounting system and account practices, and to extrapolate significant implications to Japanese accounting system.

A Review of “IFRS for SMEs”

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IASB published IFRS for SMEs in July 2009. The objective of IASB project was to develop IFRS for SMEs which was designed to meet the financial reporting needs of small- and medium-sized entities that do not have public accountability. IFRS for SMEs was developed based on the fundamental concepts from the IASB’s *Framework for the Preparation and Presentation of Financial Statements* and the principles and related mandatory guidance of full IFRS with appropriate modifications in the light of users’ needs and cost-benefit considerations.

When ED was published, full IFRS topics which are not relevant to a typical private entity were omitted, with cross-references to the full IFRS if needed. At the initial stage, IASB had an intention to develop IFRS for SMEs as a standard which can be cross-referenced with full IFRS. However, when the project of IFRS for SMEs was completed, IASB received the severe dissenting opinions and thus decided to delete cross-references.

IASB stipulated “to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles” as stated in the Constitution of 2001.

IFRS for SMEs and full IFRS are thought to form a single set accounting standards as it is not contradictory in Constitution. Therefore, IASB developed IFRS for SMEs based on the concepts of IASB’s Framework, and tried to make cross-references with IFRS.

If the strategic intention of IASB is not accepted and IFRS for SMEs does not bring a result which IASB intends, a challenge to IASB will be how to make IFRS for SMEs apply to every country in the world without producing self-contradiction.

The Final Report of Study Group: The conceptual framework of international accounting

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Both the FASB and the IASB had their old conceptual framework for financial reporting before 1990. When they made their old conceptual frameworks, the main concern was to introduce fair value accounting. At that time, the statement of cash flows was not the primary financial statements. Therefore, the new focus at that time was to make shift from the Revenue and Expense view to the Asset and Liability view. However, the rapid globalization, after the crash of the Berlin Wall, compelled the Boards to reform their old conceptual framework. In September 2010, the IASB jointly with the FASB released the new conceptual framework Chapter 1 "Objective of the General Purpose Financial Reporting", and Chapter 3 "Qualitative Characteristic of Useful Financial Information" (IASB [2010]).

The "Objective" Chapter is significant because it "forms the foundation of the *Conceptual Framework*, and the other aspects of the *Conceptual Framework* flow logically from this." The "Objective" Chapter consists of deliberately considered 21 paragraphs, in which we cannot see the contrast between the RE view and the AL view. Also neither the term "net earnings" nor "net assets" nor "stockholder capital" comes out. Contrasting the two opposing views was the device made by the FASB of the U. S., where the stockholder capitalism is dominant.

Instead, the term "cash flow" appears frequently in the new Conceptual Framework. And what is more important, they grasp accounting system by the Equity Equation: Resources = Claims. What happened on earth?

This is a great transformation in accounting. It is not a simple change from the RE view to the AL view at the accounting view level (elements of financial statements). What changed was the premise of financial accounting. The conventional proprietary theory (in which the RE view and the AL view were developed) found out to be improper to cover all the modern big organizations. And the Funds Flow view, with the entity theory, has come to the front. This transformation may promote the shift to the new form of capitalism: stockholder capitalism to stakeholder capitalism.

(Michimasa Satoh)

International Trends in Decision Mechanism of Dividend Resources

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An economic environment has greatly changed by the globalization of the finance stock markets or the diversification of financial products. The accounting environment has greatly changed, too. In such a global trend, the main countries adopted in acknowledgement of International Financial Reporting Standards. However, the countries establish the original company laws, and they differ by the countries. Those characteristics emerge in the rules of the surplus dividend.

In this study group, we will divide the world main countries into "the countries of continental accounting type," "the countries of custom accounting type," and "the countries of rising nation accounting type". The purpose of the study group is to clarify the determination of divident resources mechanism in each country. At first, we will study the rule about surplus dividend by each country and will analyze the international trends of the underlying decision mechanism of dividend resources.

As the countries of continental accounting type, we will analyze Japan, Germany, and France. In addition, we will analyze the United States and the United Kingdom as the countries of custom accounting type. Furthermore, we will analyze China and Korea as "countries of rising nation accounting type". About Japan, we performed a factor analysis and a multiple regression analysis using listed company data. As the results of analysis, three factors which had an influence on the dividend policy were extracted.