

Ⅲ Summary of Articles

The Dynamics of International Norms and IFRS: Japan's Accounting Norms in Global Accounting Standard Setting

Noriaki Okamoto

Ryutsu Keizai University

More than 100 countries have already required or permitted the use of International Financial Reporting Standards (IFRS). The dynamics of the IFRS now have a significant influence on regulators and accounting standard setters in many countries. Thus, those who set national accounting standards need to consider domestic accounting regulations while participating effectively in the establishment of IFRS so as to present a degree of national concern to the International Accounting Standards Board (IASB). This study introduces a theoretical perspective of international norms and investigates

the detailed background of the IASB's standard setting through IFRS 9. Unexpectedly, Japanese opinion was accepted during the standard setting and was included in the final standard. This paper focuses on the short period following publication of the exposure draft, and identifies two factors that appear crucial to the IASB's final decision: the actions of norm entrepreneurs with organizational support as well as analogical reasonable persuasion. These factors will be of interest to parties who attempt to establish global accounting standards consistent with Japanese traditional accounting norms.

How financial innovation affects accounting and disclosure system?

Hajime Yasui

PwC Aarata

Leader of Aarata Institute

It is observed that accounting standard setters, both regulators with financial institutions and those with capital markets and IIRC (the International Integrated Reporting Council) have created opportunities to meet together since the 2008 financial crisis. This is because these bodies think it more important to work together in order to cope with what has been and is happening in financial and capital markets. These bodies observe the same innovative incidents and facts and try to respond them from their respective missions that they are given and from their viewpoint that they should take. In other words, financial innovation has affected and is affecting many areas such as accounting, disclosure and financial regulation.

From the abovementioned historical and cross sectional viewpoints, it is reviewed in this article what kind of changes has occurred in the area of accounting and disclosure system in the 21 century. Firstly, big

trends of macro economy, financial innovation and regulation are taken up. Then the implication of principle-based approach in IFRS and COSO/ERM framework are reviewed from the viewpoint of financial innovation. In addition, the defect of current corporate reporting and the meaning of integrated reporting are argued.

Finally, it is considered how the approach of integrated reporting affects the Japanese academism of accounting and disclosure. Integrated Reporting asks the academism to reconsider the boundary of financial information. It is very important for market participants to introduce market-led discipline based upon disclosure. In this sense the integrated reporting will have great meanings for correction of short-termism and financial stability. At the end, it has become more important for the academism to make efforts in taking newly innovative issues into consideration.

The Direction of Financial Reporting System Suggested by the New Qualitative Characteristics of Financial Information

Shigeho Nakayama

Aichi Gakuin University

This paper examines the qualitative characteristics of useful financial information in the new conceptual framework issued by IASB and FASB in 2010, and considers the direction of future financial reporting system suggested by the new qualitative characteristics of financial information.

There are three reasons why conceptual framework should be revised. First, to help convergence of accounting standards, second, to update old fashioned conceptual frameworks, third, to develop principle-based accounting standards. Main revisions of qualitative characteristics are replacing reliability with faithful representation, ranking verifiability as an enhancing qualitative characteristic and weakening its effectiveness, and building a new relationship between qualitative characteristics.

These revisions show possibility of building forward-looking financial reporting system which can recognize more economic

phenomena as assets or liabilities, which will use the measurement methods representing economic phenomena more faithfully, and which can present more items on financial reports and their footnote.

And it is said that giving priority to relevance over other qualitative characteristics suggests reinforcement of the asset-liability view, setting more importance to valuation, or application of fair value as the single measurement. However, in the process of applying qualitative characteristics, there is the checking point on the relevant information whether it can be faithfully represented, and if not, the next most relevant information will be checked. From this point, the new conceptual framework allows to use more than one type of measurement. So under the new conceptual framework, it is possible to adopt not only the asset-liability view but also the holistic view which allows to use more than one type of measurement.

The impact of updated IFRS conceptual framework on earnings attributes

Kazuhisa Otagawa

Kobe University

I review prior studies that demonstrate earnings attributes such as value relevance and persistence have changed recently, and ones that compare the characteristics of two major performance measures, net income and comprehensive income. I then examine their synchronicity empirically. It is defined as the extent to

which a firm's earnings performance is determined by market and industry factors. I find that comprehensive income moves more closely together than net income. This finding is consistent with prior studies indicating that comprehensive income is more pro-cyclical than net income.

New Conceptual Framework and Accounting for SMEs

Teruyuki Kawasaki

Konan University

After IASB (International Accounting Standards Board) released the “IFRS for SMEs” (IFRS for Small and Medium-sized entities), the topics of accounting standard for SMEs are actively discussed in each country. As the “IFRS for SMEs” was prepared by simplifying the “full IFRS”, the conceptual framework of “IFRS for SMEs” is based on the conceptual framework of “full IFRS”. Therefore, the conceptual framework of “IFRS for SMEs” will be inevitably replaced by the new conceptual framework which IASB and FASB (U.S. Financial Accounting Standards Board) are developing jointly.

The subject of this paper is to discuss the relation between the conceptual frame-

work and the accounting for SMEs. In this paper, two approaches (top-down approach and bottom-up approach) about formation of a conceptual framework are distinguished, and those features are thrown into relief. The concrete subjects of this paper are the following three points;

- a. clarify the characteristics of the current conceptual framework of “IFRS for SMEs”
- b. give an outline and meaning of “FRF for SMEs” which AICPA published in June 2013
- c. explain the general remarks of “Guidelines for SMEs” in Japan, because we can regard them as the conceptual framework for Japanese SMEs