

III Summary of Articles

Summary of the Keynote Speech at the 3rd JAIAS Conference (June 8, 2024)

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1. Introduction

This keynote summarizes the editorial activities and policy changes of the JAIAS Annual Report editorial committee, aiming to share the rationale behind these changes and evaluate the outcomes.

2. Changes in Editorial Policy: Overview and Background

The editorial committee revised the rigid peer review standards, which had led to a low acceptance rate and discouraged submissions. The committee recognized the need to differentiate JAIAS from other accounting journals due to increasing competition and a declining number of accounting researchers. Consequently, bold reforms were introduced to attract more submissions and improve the journal's reputation.

3. Editorial Policy and Implementation

(1) Strengthening the Editor's Authority

The editorial committee positioned the JAIAS Annual Report as a stepping stone for young researchers, including graduate students. Rather than rejecting rough submissions outright, the committee promoted continuous review if the paper showed potential after revisions. They amended peer review procedures and clarified that the final decision on

publication rests with the editorial committee, even if it contradicts reviewers' evaluations.

(2) Introduction of the Fast-Track System

To encourage submissions, the committee introduced a fast-track review system for papers presented at the newly established JAIAS Conference (replacing regional meetings). This system aimed to expedite the review process and provide diverse feedback, especially benefiting early-career researchers.

4. Evaluation of Outcomes

The reforms led to modest improvements in submission and acceptance rates. From 2022 to 2024, eight conference papers were submitted, with four accepted via the fast-track system. Although improvements are ongoing, the integration of the conference and the journal has shown potential for fostering academic engagement.

5. Conclusion

In the end, gratitude was expressed to the editorial committee members, anonymous reviewers, and discussants for supporting the journal's development. The reforms aimed to balance editorial authority with responsibility and promote an inclusive platform for emerging scholars.

The Heterogeneous value relevance of retirement benefits funding status in Japanese IFRS voluntary adoption companies: Focused on the Influence of Companies' Investment Behavior

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IAS 19 (revised 2011) reflects the retirement benefits funding status in recognition, which is the difference between the present value of defined benefit plan obligations and the fair value of plan assets. Prior studies indicate the heterogeneity of the relationship between the funding status and stock prices. Previous studies in Japan and abroad have shown that companies' investment behavior is positively related to current and future performance and stock prices, suggesting that investment behavior may be a proxy indicator for companies' future cash flow acquisition. Previous studies have shown that companies' retirement benefits funding status are related to investments in tangible assets, investment in intangible assets, and R&D investments, and as companies become more active in these investments, they can expect to earn cash flows in the future, and expectations for future contributions to retirement benefits are expected to increase. In addition, by analyzing the IFRS voluntary adoption companies in Japan, it is possible to clarify when the retirement benefit funding status provides information useful for investors' decision-

making in situations where companies invest more actively and are more highly evaluated by investors than the domestic standard. Therefore, this study examined the relationship between retirement benefits funding status and stock prices by focusing on the influence of the investment behavior on IFRS voluntary adoption companies in Japan.

As a result of the verification, we find that the relationship between the funding status and stock prices differ depending on the influence of companies' investment behavior. As companies become more active in investing, a negative relationship was confirmed between the funding status and stock prices, and the results were different for companies that were willing to invest and those that were reluctant to invest. In addition, similar results were shown when focusing on the influence of R&D investment and the influence of R&D intensity in the breakdown of investment.

The results of this study suggest that whether accounting information provides information useful for investors' decision-making depends on the influence of companies' investment behavior.

Challenges in Achieving Diversity and Evaluating Personnel Performance of Certified Public Accountants at Big Four in Japan

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Certified public accountants (CPAs) engaged in auditing at major Japanese audit firms (Big Four) have struggled in an environment where long working hours are required. Long working hours are caused by labor shortages and an expanding scope of work, and in an organizational culture that emphasizes priority response to client needs. Remote work, alternative work arrangements, has spread rapidly, and international accounting research has examined the pros and cons of remote work and its relevance to audit quality. However, from the perspective of personnel performance evaluation, tension seem to exist between audit firms and CPAs, between managers (evaluators) and their subordinates (people being evaluated) in the application of remote work.

This study focuses on evaluating personnel performance in the Japanese audit environment after COVID-19. The objective of this study is to summarize the efforts of Big Four to achieve diversity and the discussions surrounding personnel performance evaluation in order to highlight the current situation

and issues, and to gain meaningful insights for the development of audit practice. To accomplish this, 38 semi-structured interviews were conducted with CPAs and audit assistants who provide support services to CPAs between August and October 2022.

The results of the study indicate that in the Japanese audit environment, a working style that is present in the office and able to respond immediately to supervisors' requests is perceived to be an essential factor in giving (and receiving) high evaluation. This suggests that a work environment in which working long hours is easily evaluated continues to exist due to the still-rooted values that emphasize human connections, peer pressure, and communication. Japanese Big Four are required to develop a system that allows and evaluates flexible work styles according to the diverse needs and values of individuals, and to develop and apply to practice a personnel performance evaluation tool that eliminates subjectivity as much as possible and improves comparability.

Deferred Tax Expense or Income and Its Income Recognition

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This study aims to identify whether deferred tax expense or income, which is the counter account of deferred tax, is realized. Previous studies have focused on whether deferred tax asset meets the definition of asset and it is unclear whether the counter account of deferred tax asset, but it remains unclear whether the counter account for deferred tax assets—deferred tax expense or income—is a component of net income. Therefore, the research on the internal consistency in accounting for income taxes in Japan could be expanded. In accounting, systematicity is required to ensure the accurate calculation of the net income. Accordingly, it is important to examine whether accounting standards are consistent with the underlying realization

concepts. Through a consistency analysis, this study investigates whether deferred tax expense or income aligns with the realization concept.

The results lead to the following conclusions: (1) the same threshold level for income recognition is necessary for both the initial recognition of deferred tax expense or income and deferred tax revaluation, and (2) deferred tax expense or income may be realized depending on the degree of uncertainty (i.e., the required threshold level for income recognition). This implies that the extent of uncertainty reduction necessary for income recognition in accounting standards remains unresolved.

Analysis of New Disclosures on Events or Conditions Raising Significant Doubts about the Going Concern Assumption

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If there is a material uncertainty regarding the going concern assumption (GC) exists, a note is added to the financial statements and the auditor must provide supplementary information in the audit's report. Additionally, since 2009, Japan's disclosure system has required the reporting of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern assumption in the "Risk Factors" section of securities reports, regardless of whether there is significant uncertainty. The proposed revision of the International Standards on Auditing (ISA), published in April 2023, suggests that similar content be included as a standalone section in the audit report. Japan's system is considered advanced in terms of disclosing significant events of this nature.

This study examines the contents of newly disclosed significant events and analyzes changes in financial indicators between the previous period and the period under review. The results are as follows:

1. Approximately 70% of the significant events analyzed were concentrated in three financial

indicator-related items, out of the 20 items exemplified in the Disclosure Guidelines.

2. Around 40% of the analyzed events were not disclosed as significant, despite the continued recording of operating losses in the prior period. However, financial indicators in the newly disclosed period tended to worsen compared to the previous period, which is believed to have triggered the new disclosures.

3. Regression analysis using a model formula revealed that certain financial indicators influenced the decision to disclose new information. It also became clear that these financial indicators were not necessarily the same as those that led to the inclusion of going concern (GC) notes.

These are the key findings of this study.

Looking ahead, when Japan's Auditing Standards are revised in response to updates to the ISA, there may be provisions requiring the disclosure of significant events in audit reports. I believe that the findings of this paper will contribute to the ongoing discussions and considerations at that time.