

V Summary of Articles

# Comparative Analysis on Accounting for the Impairment of Long-Lived Assets

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The main purpose of this article is to clarify what can be achieved through comparative analysis on accounting standards, and to clarify what should be taken care of when comparing accounting standards between countries. In order to achieve the goal, this article focuses on accounting standard for the impairment of long-lived assets (or fixed assets).

Its main findings can be summarized as follows: (1) In comparison between more than three countries, similarities and dissimilarities in accounting standards can

be seen in such a complicated way. In these cases, it is highly important to find the most fundamental factor that causes the complicated differences and to confirm if the differences can be ascribed solely to the most fundamental factor. (2) The accounting standard at issue can be significantly influenced by another accounting standard for the surrounding (relating) topics. In evaluating the accounting standards at issue, the influence of the relating topics on it should properly be considered.

# The Basis of the Existence of “A Single Set of High Quality, Globally Accepted Accounting Standards” : Standard-Setting and Accounting Researches

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The objectives of the IFRS Foundation and the International Accounting Standards Board (IASB) include the development of, in the public interest, a single set of high quality, globally accepted financial reporting standards (IFRS) based on clearly articulated principles and the promotion of their use and rigorous application.

In this context, after the economic downturn precipitated by the Lehman Brothers bankruptcy in 2008 (so-called “Lehman Shock”), the Summit on Financial Markets and the World Economy issued the Declaration and its Action Plan to Implement Principles for Reform on November 15, 2008. This Declaration and its Action

Plan value accounting standards above everything else, that is, one of the Medium-term actions is that “the key global standards bodied should work intensively toward the objective of creating a single high-quality global standard.”

This paper analyses the meanings of “A Single Set of High-Quality, Globally Accepted Accounting Standards” and the legal ground for the international organizations and its legitimacy.

The analysis presented in this paper suggests that we must provide information from academic and other research as evidence of financial reporting problem in order to be effective mechanism in standard-setting process.

# The relation between stable dividend policy and financial performance presentation in Japan

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The purpose of this study is to examine the causes of a stable dividend policy in Japanese firms. Prior literature shows that Japanese firms tend to avoid the policy of decreasing dividends per share or no-dividend, compared with other countries. However, we cannot identify the relation between stable dividend policy and financial performance presentation. In particular, this study sheds more light on the roles of extraordinary profits or losses. Prior studies explain that performance classification would promote earnings management by recognizing extraordinary profits or losses. However, I speculate that recognition of extraordinary profits or

losses contributes to presentation of permanent incomes and support a stable dividend policy. I examine the relation between a stable dividend policy and financial performance presentation in Japan. I show that firms with making permanent incomes and net losses keep their stable dividend policy at their net losses level, meanwhile firms with making permanent losses and net incomes cannot necessarily keep it. I think that a stable dividend policy have a role in accountability for long-term shareholder in Japanese firms, and recognition of extraordinary profits or losses support the policy by signaling permanent incomes.

# The Roles of Accounting Research for Accounting as a Social System

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The purpose of this paper is to consider the roles of accounting research for accounting system as a social system, allowing for the situation of globalized activities by enterprises. Globalizations of enterprises activities are (a) globalization of business, (b) globalization of financing and (c) globalization of investment. Under these globalizations, there are the integrations of capital markets and the connections between capital markets, for deducting the costs of financing, analysis and auditing. And these trends introduce the integration or the convergence of accounting standards in the world. In this condition, in order to deepen mutual understanding, accounting research should play a vital role.

There are some approaches in accounting research. Historical approach, normative approach and empirical approach are typical. Historical approach is to research accounting historical events (facts) and documents, and is expected to find out the historical inevitability of the changes in social structure. Normative approach is to research and review accounting practices, and is expected to extract accounting theory and norm. Empirical approach is to verify hypothesizes on facts (e.g., data), and is expected to obtain findings on positive evidences.

This paper clarifies the role that each approach should play for accounting system, and the mutual complement between these approaches.

# A discussion regarding IFRS system based on provisions of financial liabilities

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The author previously published a research paper regarding provisions of financial liabilities in IFRS and their bases. The analysis was based on documents published by the International Accounting Standards Board and the International Accounting Standards Committee. The conclusion of the analysis was that each basis of the provision was incomplete. The author also published a research paper based on the analyses of comment letters of exposure draft about financial liabilities. The conclusion of the analyses was that the basis of each comment letter was incomplete, with some exceptions.

In this paper, the author suggests that IFRS is not a logical system, since some provisions of IFRS are based on incom-

plete logical or empirical bases, and that the IFRS framework does not comprise of all the assumptions needed to develop all provisions of IFRS. In order to develop or revise provisions of IFRS, it is necessary to add assumptions. The author also suggests that empirical bases are absolutely necessary, but they have some limitations.

Additionally, the author suggests that IFRS is not only a system of accounting standards based on a deductive approach, but also on an inductive approach, and mentions the issues when developing or revising IFRS. Finally the author proposes a hypothesis that a principle based system leads to diversity of accounting procedures and unstable conditions.

# The Essential Characteristics of Human Capital and the Research of New Approach to Recognition of Human Capital Based on the Right-of-Use Model

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The purpose of this paper is to show the essential characteristics of human capital, and to research the new approach to recognition of human capital based on the right-of-use model from a liability perspective.

With the development of the knowledge economy, the relative importance of the intangible assets to corporate value is more increasing. Human capital is often regarded as 'the greatest asset'.

Nevertheless, despite its acknowledged importance, it is not recognized on the balance sheet. In International Accounting Standards, the reasons why human capital is not recognized are as follows: 1) it is not able to satisfy the recognition criteria and 2) it is not able to measure reliably.

The research questions for this paper are:

1. What are the essential characteristics of human capital?
2. What is the approach to recognition of human capital from an asset or liability perspective?
3. What is the new approach to recognition of human capital based on the 'right-of-use' model from a liability perspective?
4. Is it possible to measure human capital by Flamholtz model 'stochastic rewards valuation model' which is one of the economic value approach?

# A Study on the Accounting Framework of SMEs in the United States of America

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Following the fact that the IASB has published the IFRS for SMEs in 2009, the argument about the accounting and the audit of SMEs which began in the 1970s became active in the United States of America again. AICPA insisted that the application of the U.S.GAAP in SMEs is not necessary, and it needs to make a new accounting standard for SMEs. As a result, AICPA developed the draft of the *Proposed Financial Reporting Framework for Small and Medium-Sized Entities* in November of 2012, and published the *Financial Reporting Framework for Small and Medium-Sized Entities* (FRF for SMEs) in June of 2013. In addition, FASB is discussing a theoretical standard framework about setting an accounting standard for private companies, and published the discussion paper of the *Private Company De-*

*cision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies* in April of 2013. In such a situation, this study intended to elucidate the characteristics of the FRF for SMEs. And for this purpose, this paper discussed the Chapter 1 “Financial Statement Concepts”, and compared the substance about the valuation standards of the Inventories and the Property, Plant, and Equipment with the IFRS for SMEs. Considering the influence of argument in the United States of America to the accounting practice, this study indicated that as the only official accounting standard for SMEs in the United States of America, studying on the FRF for SMEs is considered to be significant for further discussion in Japan.

# International Trends in Decision Mechanism of Dividend Resources

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Japan, the United States of America (America) are in IFRS convergence type accounting category. So we have verified the stable dividends mechanism. However, Japan, by fiscal year, has decided an amount of dividends in the mix with the performance dividends mechanism. Also, America takes the stable dividends mechanism in the case of decrease, and the stable dividends mechanism in the case of crease.

the Federal Republic of Germany (Germany), the French Republic (France), the United Kingdom of Great Britain and Northern Ireland (Great Britain), the Republic of Korea (South Korea) are in IFRS adoption-accounting. So we have verified stable dividend payout mechanism. At first, Germany takes the stable dividends mechanism. However, Germany takes the performance dividends mechanism in the case of decrease on fiscal year 2007. At



second, France also takes the performance dividends mechanism. However, France takes the performance dividends mechanism in the case of decrease on fiscal year 2007. At third, Great Britain takes the performance dividends mechanism. However, Great Britain takes the stable dividends mechanism in the case of decrease on fiscal years 2008 and 2007. Finally, South Korean takes the performance dividends mechanism.

From above, Japan takes the stable dividends mechanism, and sometime taking the performance dividends mechanism. America takes the stable dividends mechanism, too. However, America takes it only in the case of decrease. Also Germany, France, Great Britain take the performance dividends mechanism. Sometimes they take the stable dividend payout mechanism in the case of decrease.

# Comprehensive examination on Accounting for assets in IFRS

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Some issues on accounting for tangible fixed asset, investment property, leased asset, inventory asset, and financial asset in IFRS (including IAS) are comprehensively examined. Furthermore, the differences between Japanese accounting standards and IFRS on accounting policies for assets are analyzed.

As the basic and important subjects on accounting for tangible fixed asset, the initial recognition and measurement, subsequent remeasurement, depreciation and

impairment are investigated theoretically and empirically in comparison with Japanese accounting standard. At the time of remeasurement of a tangible asset, an entity shall choose the cost model or the revaluation model as its accounting policy and shall utilize that policy to an entire class of the tangible fixed asset under the provision of IAS16. In Japan the application of revaluation model is prohibited for the remeasurement. Although Japanese accounting standard forbids the reversal

of impairment loss, IAS requires the reversal.

In the same way as the tangible fixed asset, the cost model or the current value model may be chosen at the remeasurement of an investment property.

Japanese accounting on leased asset, in-

ventory asset and financial asset already achieved international convergence in many points.

The application of the principle of materiality enhances the usefulness on presentation and disclosure of financial statements.