Ⅳ Summary of Articles

Diverse Opinions and Arguments on Mandatory Adoption of International Financial Reporting Standards (IFRS) in Japan

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The purpose of this study is to explore which issues are important to board members of the Business Accounting Council (BAC) in expressing their opinions regarding mandatory adoption of International Financial Reporting Standards (IFRS). This study also determines whether there are differences in either the level of support for mandatory adoption of IFRS or arguments used by various groups and different time periods. Using a content analysis of relevant BAC meetings and Gernon and Wallace's (1995) accounting ecology framework, this study provides rigorous and holistic insights into the debates concerning adoption of IFRS in Japan. The results indicate significantly higher levels of disapproval of mandatory adoption of IFRS by representatives from accounting academics and manufacturing industries than from the Japanese Institute of Certified Public Accountants (JICPA). Also, a lower level of disapproval of mandatory adoption of IFRS was mostly found in 2009 than in 2012 and 2013. The results further show that different arguments were cited by various groups in different terms. The findings are especially useful for the BAC, Accounting Standards Board of Japan (ASBJ), International Accounting Standards Board (IASB) and representatives of countries that plan to adopt IFRS in the future because the study shows that every country has different motivations, policies, and backgrounds for the global convergence of financial reporting.

The Statas Quo and the Problems of Many Sets of Accounting Standards in the Globalized Economy

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This paper shows the status quo and the problems of many sets of accounting standards in the globalized economy. The paper examines the problems from the point of accounting-standards-setters, preparers and uses of financial statements, and from the point of comparability and accounting-standards-selection. And the paper shows it is impossible to get perfect comparability without having the same accounting standards and the same practice. So the paper suggests we should have many sets of accounting standards and compete each other to keep the standards high quality.

Diversity in the Interpretation of Basic Concepts underlying the System of Accounting Standards

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The purpose of this article is to clarify the way the technical term "relevance" has been interpreted in the accounting standards published by the IASB so far. This article also examines the recognition or measurement scheme that (the IASB believes) contributes to the improvement of the "relevance" of accounting information. It is hard in the academic sense to identify the recognition or measurement scheme that contributes most to the improvement of the "relevance" of accounting information if standard setters like IASB have only limited information about the decision model that the average investors follow, or limited information about the circumstances in which average investors make decisions. Nevertheless, standard setters have made clear decisions on the best recognition or measurement scheme. This article is focused on the grounds upon which standard setters make decisions about the recognition or measurement scheme for improving the relevance of accounting information.

The research in this article depends on two different hypotheses on the decision of standard setters. One of them is as follows: (1) Although remained unwritten in the public documents, there exists a consensus among members of standard setters on the decision model that the average investors follow, and "relevance" of accounting information is consistently evaluated based on the consensus. The other one is as follows: (2) Decisions on the "relevance" of accounting information can be arbitrary, because there is no "written" consensus on the decision model that the average investors follow. This article compares these two hypotheses above.

Empirical investigation finds that (a) there is no "apparent" contradiction among the interpretations that the IASB put to the abstract term "relevance," but that (b) there is no evidence either that suggests the existence of "coherent principles" underlying the interpretations for the term "relevance." The findings above is basically consistent with the second hypothesis.

A Study about the Definitions of Assets and Liabilities in the Discussion Paper '*A Review of the Conceptual Framework for Financial Reporting*'

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This paper examines the definitions of assets and liabilities suggested in the Discussion Paper '*A Review of the Conceptual Framework for Financial Reporting*' published by IASB in July, 2013.

This paper clarifies what the Discussion Paper is aiming for and what kinds of comments and views are shown in the comment letters written by accounting standards setters. This paper also points out the direction of the revised Conceptual Framework.

The suggested definitions are aiming for increasing potential items recognized as assets or liabilities by deleting probability criterion from existing definitions. This revision suggests that IASB aims for broadening of financial information. But it will weaken the role of the revised Conceptual Framework as the conceptual foundation for standards setting.

Trends and Backgrounds in the Development of Accounting Standard for SMEs: Comparison between Japan, Korea, and the United States

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In August 2005, "The Guidelines of Accounting for SMEs" a sort of standard for the accounting of SMEs, was published. After that, "The Basic Guidance of Accounting for SMEs" was published in February 2012. "The Basic Guidance of Accounting for SMEs" was developed to eliminate the effect of the IFRS and to reflect the enterprise attributes of SMEs.

At present, two types of accounting standards for SMEs are being developed in Korea and the United States, the same as in Japan.

In Korea, "The Guidelines of Accounting for SMEs" for the unlisted companies was applied in the fiscal year starting from January 1st, 2011. However, the new accounting standard for SMEs named "The Basic Guidance of Accounting for SMEs" was developed.

In the US, Blue Ribbon Panel report was submitted by AICPA (American Institute of Certified Public Accountants), NASBA (National Association of State Boards of Accountancy), and FAF (Financial Accounting Foundation) to FAF. This is assumed to be the first time the development of the accounting standard for SMEs was proposed. However, at present, another new accounting standard for SMEs called FRF for SMEs (Financial Reporting Framework for Small- and Medium-Sized Entities) was developed. This is regarded as one of the OCBOA (Other Comprehensive Basis of Accounting) previously applied to unlisted companies in the US.

As an international trend, IFRS for SMEs (International Financial Reporting Standard for Small and Medium-sized Entities) was published by IASB (International Accounting Standard Board) in July 2009. IFRS for SMEs is assumed to be developed as one strategy to have full IFRS applied to countries all over the world. In this paper, the trends in the development of the accounting standard for SMEs in the three countries are clarified. Further, it is revealed in this paper how these trends correspond to the strategy of IASB and reflect the attributes of SMEs.

Measurement and Representation of Net Income in IASB
-on the Discussion Paper A Review of the Conceptual Framework for Financial Reporting-

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The problem of this paper is to study the division of net income and other comprehensive income and recycling according to the Discussion Paper. Through this problem, to point out the position of net income in IASB.

At first, IASB tries to reconcile profit of bottom line to comprehensive income. However in the process of the Reporting Financial Performance Project, IASB is to represents net income. IFRS calculates net income into framework of comprehensive income. The problem arises from to represent net income; What does mean IASB' net income? Because IASB does not have framework of other comprehensive and net income. DP proposes the division of net income and other comprehensive income and recycling, though not satisfactory. Further discussion holds for Exposure Draft. Tentative agreement is to account for all profit and cost, to recycle all OCI, but including rebuttable presumption. This means that net income calculated in process of calculation of comprehensive income will be given semantic content.

Definitions of "Related Parties" in Accounting and Transfer Pricing Taxation -Focusing on Chinese Circumstance-

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This paper examines the difference of the definition of "related parties" between accounting standards and transfer pricing taxation regulations, especially in the Chinese circumstance. To help the investor acknowledge that an entity's financial statements may be affected by the transactions among related parties, China's Ministry of Finance (CMF) established the related party disclosure standard "Chinese Accounting Standard No. 36 (CAS 36)", in which the meaning and the scope of the related parties are defined. Meanwhile, to prevent tax avoidance through the transactions among related parties, China's State Administration of Taxation (SAT) published the anti-tax avoidance regulations. The difference occurred inevitably because the objectives of the two agencies are different. Furthermore, *The Explanation of Accounting Standards for Business Enterprises 2010*, edited by the accounting department of CMF which is responsible for setting Chinese Accounting Standards, makes the issue more complicated by rewriting the definition of related parties without giving any notice. This paper aims to demonstrate the difference clearly and to point out the peculiarity of the Chinese circumstance as opposed to the Japanese and the American circumstances.

Comprehensive Examination on Accounting for Assets in IFRS

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Tooru Matsumoto (Senshu University)
Tomoya Yoshida (Saitama University)
Toshinobu Yoda (Hosei University)

In this research project, accounting policies for assets in IFRSs (including IASs) are analyzed theoretically and empirically in comparison with Japanese accounting standards. Some issues on accounting for tangible fixed assets (IAS16, IAS20, IAS23, IAS29, IAS36, IFRS5), investment property (IAS40), leased assets (IAS17), inventory assets (IAS2), intangible assets (IAS38), financial assets (IAS32, IAS39, IFRS7, IFRS9) and special assets (biological assets, contingent assets, foreign currency assets, exploration and evaluation assets, non-current assets held for sale) (IAS41, IAS37, IAS21, h IFRS6, IFRS5) are comprehensively examined. For example, the initial recognition and measurement, subsequent remeasurement, depreciation (amotization) and impairment, presentation and disclosure are investigated.

At the time of remeasurement of tangible fixed assets or investment property, the cost model or the revaluation (or fair value) model shall be chosen as the accounting policies under the provision of IAS16 and IAS40, whereas the application of revaluation (or fair value) model is prohibited in Japan. Although IFRS requires the reversal of impairment loss and economic criterion for recognition of impairment, Japanese accounting standard forbids the reversal and adopts the probability criterion IAS requires the reversal. Moreover, Japanese accounting on leased assets, inventory assets and financial assets already achieved international convergence in many points.

As the characteristics of accounting for assets in IFRSs, mixed measurement model, substance over form and principle basis are preferred for international investors.