Ⅵ Summary of Articles

Fair Value Measurement of Intangible Assets

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In recent years, the trend in accounting standards has gradually shifted from historical transaction accounting to fair value accounting, mainly because the presentation of assets and liabilities based on historical cost moves far from economic reality. The purpose of this paper is to analyze and examine the issues in accounting methods for intangible assets resulting from the trend in the IFRS-based accounting standards.

While focusing on the significance of fair value measurement of intangible assets, this paper specifically looks at goodwill and intangible assets whose durable periods are uncertain. The discussions in this paper include the following: various problems arising from the application of declared impairment based on fair value measurement by regarding goodwill and intangible assets as nondepreciable assets; issues regarding discounts and rebates for interest that affect the measurement of values and depreciation; possible effects on revenue and expense matching; and problems over expense recognition for intangible assets acquired at the time of business combination and internally generated assets.

Fair Value Measurement of Tangible Fixed Assets

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This article examines the improvement in the footnote disclosure that supplements information on the impairment loss when a company voluntarily adopts IFRS. Although prior researches suggest that footnote disclosure concerning impairment loss remains insufficient even after the adoption of IFRS, some companies insist on the improvement in disclosure when they adopt IFRS. This article seeks for a consistent explanation on these two observations.

The result of the analysis suggests that the quality of footnote disclosure on the impairment loss is improved through the adoption of IFRS. It also suggests that the level of disclosure remains low even after the adoption of IFRS. Further research is required on the incentive of companies not to disclose sufficient information on impairment loss.

Impacts of IFRS on the Links between Tax and Financial Reporting: with special reference to IFRS Adoption in South Korea

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This paper aims to present the comprehensive and concrete evidence of the changing relationship between tax and financial reporting after IFRS adoption.

The movement of international integration of the accounting standards has expanded its range while leading to a double-tracking of accounting standards in the countries since the IASB founded in 2001. Although Japan has carefully pursued the convergence after the pronouncement of postponing the mandatory application of IFRS, IFRS have still had certain effects on its accounting standards and peripheral systems.

As far as tax accounting system, there are arguments about the pros and cons of the requirements for the recognition of expenses in definite settlement of accounts because of the differences between accounting thoughts of IFRS and those of corporate tax law. Although the arguments have been discussed conventionally, further discussion on the response to IFRS has attracted attention. One reason for this is the opaqueness about the extent of the impact of IFRS on tax accounting system.

This paper examines the scope of the impacts of IFRS on the links between tax and financial reporting in South Korea. I find that the degree of influence of taxation is much weaker than previous.

Interpretation of Leases in the Alternative Approaches for Sale and Leaseback transactions of ROU asset model

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This paper aims to extract and marshal another interpretation of leases, not the interpretation of leases such as “purchase of ROU (right-of-use) asset” by focusing on Sale and Leaseback Accounting of ROU asset model. In other words, this paper aims to examine ambiguity of accounting concept for leases with inductive logic, which takes a concrete issue about recognition gain/loss on sale when a lessee/seller entity leasebacks.

First, this paper realizes the necessity of extracting another interpretation of lease, because there are some accounting methods that we can’t explain by using “purchase of ROU asset” such as Dual Model in FASB Topic 842. Second, this paper outlines two alternative approaches for recognition gain/loss on sale accruing at Sale and Leaseback transaction. Under a “whole asset” approach, the lessee entity would derecognize the underlying asset and recognize a ROU asset measured by its fair-value. On the other hand, under a “partial asset” approach, the lessee entity would continue to recognize a portion of the underlying asset that represents its right to use the underlying asset during the leaseback and derecognize that portion of the underlying asset relating to its right transferred to the lessor entity. And we find that ROU asset is measured by substantive restricted fund under this approach. We focus attention on the portion of the underlying asset relation to its right transferred to the lessor entity under a partial asset approach. Because we can interpret such a lease as a sale of the residual interest, not a sale of “new” ROU asset. Finally, we examine whether we can generalize the interpretation of “a sale of the residual interest” to simple leases (not only sale and leaseback transactions). We point out that the view that a lessee “obtains financial flexibility” by leasing would be based on the idea that leases give a lessee entity financial flexibility by giving up the residual interest of the underlying asset.

The Influence of Accounting Environment on the Application of Fair Value in China

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In order to achieve the convergence of Chinese accounting standards with International Financial Reporting Standards (IFRS), the Accounting Standards Setter in China, namely the Ministry of Finance (MOF), adopted fair value as one of measurement attributes in the new set of Chinese accounting standards that was issued in February 2006. The MOF requires or permits Chinese enterprises to measure certain assets and liabilities (e.g., financial instruments, investment properties and biological assets) at their fair values.

While the International Accounting Standards Board (IASB) has been expending the application of fair value in IFRS, the MOF limits the application in the new set of Chinese accounting standards and allows the application only when the fair values of assets and liabilities are reliably measurable on a continuing basis. Furthermore, the MOF limits the use of unobservable inputs (Level 3 inputs) to measure fair values. For example, for investment properties, the MOF requires Chinese enterprises to measure fair values based on quoted prices in active markets for identical assets or similar assets, or other observable inputs.

Accounting is not only a neutral set of tools addressing ways of recognizing, measuring and reporting, but interactive with its surrounding sociological context, such as societal, economic, and political systems. The objective of this study to provide a holistic analysis of the Chinese accounting environment, including societal, organizational, professional, political and accounting slices, by invoking the accounting ecology framework developed by Gernon and Wallace (1995). Through this analysis, this study could offer deep understandings of the constraints on the application of fair value in China.

By clarifying the interactive relationship between accounting and its surrounding environment in China, this study shows that the examination of the variety of accounting systems and accounting environments across countries is necessary for achieving the global convergence of financial reporting.

A Study on Financial Reporting Models for Both Business and Nonbusiness Organizations

Chairperson: Noriyuki Konishi (Aoyama Gakuin University)
Members: Takashi Asano (Tokyo Metropolitan University), Kenji Izawa (Certified Public Accountant), Shinichiro Ishizaka (Gifu Keizai University), Katsunori Kasuga (Kyushu Sangyo University), Hiroaki Jindo (National Graduate Institute for Policy Studies), Shigeho Nakayama (Aichi Gakuin University), Eiji Hisamochi (Aoyama Gakuin University), Katsuhiko Hizawa (Certified Public Accountant), Hanae Fujiwara (Certified Public Tax Accountant), Naoya Yamaguchi (Aoyama Gakuin University), Ryusuke Watanabe (Kanto Gakuin University)
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The purpose of this research group is to attempt to examine the financial reporting model that can be shared by organizations for both business and nonbusiness.

For the organizations, sustainability is required irrespective of profit and not-for-profit purposes, and there is a process of how to create net cash inflow, that is, a business model embodying the cash conversion cycle.

Therefore, the business model can be selected according to the difference of the cash conversion cycle, whereby different accounting treatment is allowed.

It is expected to categorize financial reporting models, where we can expect to develop a key performance indicator (KPI) as a disclosure method of output and outcome.

The Conceptual Framework on the International Financial Reporting Standards

Chairperson: **Isamu Iwasaki** (Kyushu University)

Members: **Kensuke Ogata** (University of Nagasaki), **Ryuzou Kabata** (Senshu University), **Tomohiro Kaneko** (Toyo University), **Nobuhiko Sato** (Kumamoto Gakuen University), **Akiko Sugiyama** (Toyo University), **Norio Takasu** (University of Hyogo), **Ryusuke Toda** (Kanagawa University), **Yoshimi Honda** (Osaka University of Economics), **Kazuhiro Yasui** (Kobe Gakuin University), **Kousuke Miyaji** (University of Nagasaki)

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International Accounting Standards Committee (IASC) published "Framework for the Preparation and Presentation of Financial Statements" in 1989. But there were some areas not referred, others not stated clearly, still others out of date in the framework. To solve these problems, IASB had worked together with the US Financial Accounting Standards Board (FASB), and published "Conceptual Framework for Financial Reporting 2010" in 2010. And then, the joint project was dissolved. IASB published "Discussion Paper, A Review of the Conceptual Framework for Financial Reporting" independently in 2013, "Exposure Draft, Conceptual Framework for Financial Reporting" in 2015, and will publish final conceptual framework in 2017.

Under these circumstances, IASB's conceptual framework of accounting is a set of consistent, basic, and systematic concepts of accounting. And as "frame of reference", it is expected to play an important role to be used for developing accounting standards deductively and to avoid political interferences in developing those. As a result, IASB's conceptual framework would effect to developing future accounting standards. And we can expect IASB's future standards to some extent. From these points of view, it is very important to research IASB's conceptual framework. Accordingly, our study group is showing the features and problems of IASB's new conceptual framework based on literature research.

Voluntary adoption of IFRS in Japan

Yasumasa Tahara
Financial Services Agency (FSA), Japanese Government

Japan permitted companies which operate internationally to use the International Financial Reporting Standards (IFRS) in 2010 so as to:

- enhance the international comparability of financial statements
- enable smoother and more efficient fund-raising from abroad
- improve the efficiency of business and financial management and enhance international competitiveness

While making efforts to harmonize accounting standards internationally and improve the Japanese GAAP since before adopting IFRS, the Japanese government has been encouraging the voluntary adoption of IFRS by various measures since 2012. The number of companies adopting IFRS reached 120 as of June 30, 2016, and the market capitalization of those companies accounts for 21.5% of the total market.

According to the JFSA survey in 2015, the Japanese companies adopting IFRS seem to have been enjoying the advantages of IFRS initially anticipated. On the other hand, the application of the particular accounting standards of IFRS and the training and securing of adequate personnel were raised as challenges during their transition to IFRS.

There are issues with IFRS that stem from Japan's opinions, such as accounting for goodwill or net income including recycling, which should be discussed further at the International Accounting Standards Board.

Changes of the Financial Reporting Process Following the Adoption of IFRS*

Satoshi Hasuo
Monex Group, Inc.

Monex Group, Inc. "the Company" has adopted IFRS since FYE March 2013. Through the transition to IFRS and the operation thereafter, The Company has developed its financial closing procedures to build shared understanding on accounting processes and each discussion point among those involved such as the group stuff engaged in actual accounting operations or auditing companies. It is believed that providing financial information by IFRS with stakeholders will enhance a dialogue between investors and issuers, and bring a positive impact in securing the diversification of potential shareholders.

* The views expressed in this paper are those of the author and not those of Monex Group, Inc.

Current Situation and Issues Surrounding IFRS Education and Training in Japan

Takashi Hashimoto
Aoyama Gakuin University

The Committee on IFRS Education and Training issued a report titled "Issues and Future Directions of IFRS Education and Training in Japan." This paper examines the current situation and issues surrounding IFRS education and training in Japan using insights from the report.

It is necessary to gain a better understanding of IFRS and to ensure consistent and efficient application of IFRS, to promote an increase in the number of companies voluntarily adopting IFRS. The population of accounting experts familiar with IFRS needs to be enlarged through various IFRS education and training programs in order to achieve further sophistication of accounting practice and smoother auditing. In addition to understand the principles-based feature of IFRS and the successful implementation of its adoption, the focus of education should shift to foster critical thinking as well as communication ability.

Among the many challenges facing companies, auditing firms, universities, and so on, is the timely implementation of effective and efficient IFRS education and training. To address the issue of training and securing adequate personnel familiar with IFRS in terms of both quality and quantity, IFRS education and training should be implemented at three levels.

1. Expanding accounting human resources
2. Developing accounting human resources familiar with IFRS
3. Developing global accounting human resources

Dose IFRS Application Improve Information Comparability?

Ichiro Mukai
Aichi Gakuin University

The Financial Service Agency in Japan permitted to prepare consolidated financial statements according to the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2010. About 60 listed firms on the Tokyo Stock Exchange (TSE) voluntarily adopted IFRS in 2015. The purpose of this paper is to examine whether application of IFRS by Japan firms results in increases comparability of financial statements with those of IFRS firms in the EU member countries and decreases comparability with those of Japan GAAP (JPN GAAP) application firms in Japan (JPN GAAP firms). I focus on IFRS firms in Japan and pair firms that are selected from JPN GAAP firms and IFRS firms in France, Germany, and the United Kingdom (UK). I measure the comparability of accounting amounts of IFRS firms in Japan and pair firms between in the pre-IFRS application terms and in the post-IFRS application terms. The results of tests show that the application of IFRS increases the comparability of financial statements among IFRS firms. This research contributes to provide an evidence that the application of IFRS helps to increase the comparability of financial statements among IFRS firms and to provide useful information for making decisions for global information users.

Commentaries on for AAA Japan Session
—Voluntary Application of IFRS in Japan and Considerations for Future Mandatory Application—

Tatsumi Yamada
KPMG AZSA LLC
Chuo University

The author participated in the Japan session of the AAA , which has been held on 9 August 2016, as a discussant. As the discussant, I have commented the presentations made by four panelists, who are Mr. Yasumasa Tahara, Director of the Corporate Accounting and Disclosure Division, Financial Services Agency, Mr. Satoshi Hasuo, Executive Officer, Co-Chief Financial Officer, Monex Group, Inc., Professor Takashi Hashimoto, Aoyama Gakuin University and Professor Ichiro Mukai, Aichi Gakuin University.

In response to their presentations, the author made a comment and asked one or two questions for each presenter in order to understand more deeply what they presented.

For Mr. Tahara who made a presentation from the perspective of a regulator and strongly encouraged the Japanese listed companies to apply IFRS voluntarily, the author asked the following questions.

- Are there any concrete plans that contribute to increase the number of the companies that apply IFRS on a voluntary basis?
- What are the most important factors for the Japanese government to make a decision to move to mandatory application of IFRS for all listed companies?

For Mr. Hasuo who made a presentation from the perspective of a listed company which applied IFRS, the author asked the following question.

- As is mentioned in your explanation, the adoption of IFRS is useful and beneficial for companies that have significant international activities. Do you think that IFRS is also useful and beneficial for companies whose main activities are focused on domestic markets?

For Professor Hashimoto who emphasized the necessity and importance of IFRS education for not only students but also practitioners and CPAs, the author asked the following question.

- What kind of concrete plans do you have that can be started immediately?

For Professor Mukai who presented the result of his empirical research on whether comparability of financial statements has been improved among Japanese companies who adopted IFRS and their corresponding companies in Europe in the same industry and also among Japanese companies which apply IFRS and those do not, the author asked the following question.

・ Both ‘quarterly net income before extraordinary items’ and ‘stock return or cash flows from operating activities’ are used as a proxy for financial statements for this research. I wonder whether these indicators are enough for drawing conclusions and giving persuasive reasons for the conclusions he reached. What do you think about this point?

In the presentation, the author also expressed his views on some aspects of IFRS adoption.

・Most of the IFRS discussions in Japan focus on only how to adopt IFRS in Japan. A discussion from the perspective from how Japan can contribute to the IFRS development and prevalence in the world is needed.

・Japan has been playing important role for setting IFRS last 16 years, and keep playing important role for the sake of high quality IFRS, rather than only seeking its own benefits.

・I have a dream that sometime in the future, there should be a Japanese IASB chair.