Ⅲ Summary of Articles

The Deep Structure of Standards Development: A Message from International Accounting Research

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I investigate whether there are differences in the structure of accounting standards development and governance structure of the main 6 accounting standard setters, the IFRS Foundation・the International Accounting Standards Board (IASB), the Financial Accounting Foundation・the Financial Accounting Standards Board (FASB), the Financial Reporting Council (FRC), the Accounting Standards Board (AcSB), the Korea Accounting Institute (KAI)・the Korea Accounting Standards Board (KASB), and the Financial Accounting Standards Foundation (FASF)・the Accounting Standards Board of Japan (ASBJ), from view point of international accounting research. I find that although they are independent private institutions, accounting standard setters do not necessarily develop standards in the same way. Many standard-setters recognize that accounting academics conduct a great deal of research and their findings may have important implications for standard setters. That's why they build accounting academics and their findings into the structure of standards development—Unfortunately, Japan has not incorporated it into the structure of standards development. Japan's socio-economic structure is undergoing rapid changes, but in order to utilize limited resources and develop an administrative system that is trusted by the people, it is necessary to actively promote Evidence-based Policy Making (EBPM). Although its importance is widely recognized, it is not necessarily incorporated into Japan's policy making and standards setting. Through comparative research, this paper proposes a message from international accounting research that accounting academia should be deeply incorporated into the development of accounting standards in Japan, and presents a desirable model for the future development of accounting standards in Japan.

Subsequent Accounting for Goodwill and Value Relevance: Amortisation Approach vs Impairment-only Approach

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The purpose of this research is to compare the value relevance of accounting information on goodwill between the amortisation approach and the impairment-only approach.

As a result of convergence to IFRS, Japanese GAAP (JGAAP) tend to resemble IFRS more closely. However there is a big difference in accounting for goodwill between JGAAP and IFRS, especially in subsequent accounting for goodwill. IFRS requires the impairment-only approach for goodwill. In contrast JGAAP requires the amortisation approach. The difference is a source of controversy in considering whether mandatory IFRS adoption should be implemented in Japan.

Therefore, we investigate the difference of value relevance related to two approaches for goodwill focusing on the amortisation charges, impairment losses, and goodwill balance in the amortisation approach and the impairment-only approach.

Through the empirical analysis including robustness analysis of this paper, using a sample of Japanese firms based on JGAAP or IFRS, we find that (i)amortisation charges are significantly positive associated with market value, (ii)impairment losses under JGAAP are more negatively associated with market value than those ones under IFRS, and (iii)goodwill balance under IFRS is intend to be evaluated lower than those ones under JGAAP.

From our findings, we conclude that the amortisation approach for goodwill provides more value relevant information to investors than the impairment-only approach, and hence this approach is appropriate accounting for goodwill.

Consideration of Accounting Treatment for Initial Recognition of Asset Retirement Costs

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Purpose: Asset retirement costs are incapable of providing future economic benefits and are inconsistent with the traditional measuring method of historical costs. Therefore, previous research has shown a negative thoughts in recognizing asset retirement costs as part of the historical costs of property, plant and equipment. However, the rationale behind the accounting treatment for the initial recognition of asset retirement costs in accounting standards has not been clarified, and as a consequence, never fully considered. Therefore, in this study, we have considered the rationale behind the accounting treatment for the initial recognition of asset retirement costs in accounting standards. In consideration, the accounting treatment the initial recognition of asset retirement costs in the accounting standard stipulates the trigger of recognition, the measurement method, and the classification of elements of financial statements. Recognition, measurement, and classification requirements that generalize each stipulation are the rationale behind the accounting treatment for the initial recognition of asset retirement costs in accounting standards. Therefore, we have considered each requirement.

Methodology: We conducted a review of previous research on the accounting treatment for the initial recognition of asset retirement costs and a review of accounting standards for asset retirement costs.

Contribution: First, we revealed the recognition, measurement, and classification requirements that are the rationale of the accounting treatment for the initial recognition of asset retirement costs in accounting standards. Second, we considered whether each requirement would work effectively for accounting treatments for the initial recognition of costs other than asset retirement costs. As a result of the consideration, we revealed that the effectiveness of the recognition requirement and the measurement requirement can be confirmed, but the effectiveness of the classification requirement cannot be confirmed. Third, we analyzed why the classification requirements' effectiveness couldn't be confirmed. The analysis revealed that there are two or more criteria in accounting standards for judging whether assets have future economic benefits or not.