

Accounting Standards in Japan

Focusing on Convergence Process
since 1900

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Introduction

- Who am I ?
- Tohoku University and University of Dhaka
- International Graduate School of Accounting Policy (IGSAP) will be launched in October 2015.
- Double Degree Program of IGSAP and we welcome Graduate Students of University of Dhaka



Accounting Reporting and Accounting Standards

- Role of accounting reporting
- Understanding accountability = informed decision
- 3 systems are working in Japan
(1) Disclosure to stock market, (2) Equity accounting, (3) Tax purpose accounting
- Correct and reliable financial statements



Short History of Accounting Standards

- Big change = 1868 and 1945
- 1868 = Beginning of modernization
- Introduction of Double Entry Bookkeeping and Cost Accounting
- 1945 = Beginning of democratic nation
- Introduction of Disclosure and CPA
- Accounting Standards (Principles of Corporate Accounting Standards)



Accounting Big Bang

- End of Bubble Economy in 1992
- Setting board 1945 – 2000: Corporate Accounting Council (Ministry of Finance → Financial Service Agency (FSA))
- After 2001: Accounting Standards Board Japan (ASBJ)
- 2014: Division of Accounting in Corporate Accounting Council coexists




Accounting for Stock Market


- International Accounting Standards
 - Harmonization → Convergence → Adoption
 - Harmonization: 1975- 1996
 - Convergence Process: after 1997
- Consolidated Statements (97), Retirement Benefit Plan (98), Tax Effects (98), Financial Instruments (99), continued
- Adoption: 2009 Roadmap, 2011 postponed



IFRS

- IFRS = Single, high quality standard
 - FAS policy = promoting voluntary application by listed companies (3,500)
 - 2010 = 2 companies → 2015 =81 companies
 - Method of promotion: JPX400 in Tokyo SE
 - One of the requirements = using IFRS
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Uniqueness of Japanese Accounting Standards

- Total number of business organizations = 4 million
 - Listed companies =3,500 (0.08%)
 - Majority = SMEs
 - All the SMEs must report Financial Statements to IRS using Accounting Standards prescribed by the Corporate Tax Law
 - They are rule based accounting standards
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Japan as a Follower

- Japanese Government policies after 1945 = a follower of USA
- Conflict between FAS and IAS in the USA
- Japan follows the USA
- 2002 Norwalk Agreement
- 2011 Postpone of Roadmap of Adoption
- FSA vs ASBJ



Concluding Remarks

- Japan will follow FASB (USA)
- SEC(USA) is positive in introducing IFRS
- FASB(USA) is negative to IFRS
- FSA(Japan) is positive and takes actions
- ASBJ(Japan) is negative at first
- The role of FSA is important: Present policy of FSA is positive introducing IFRS



Some Suggestions

- Reliable accounting reporting and modern democratic nations
- Protecting Accounting Fraud; Olympus and Toshiba case
- Illegal Actions and Sanctions
- Role of Audit Firm

