

Comments on Amano (2019)
“Real Effects of Intangible Capitalization -
Empirical Evidence From Voluntary
IFRS Adoption in Japan”

2019 IASB/JIAR Research Forum

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Objective of IFRS

“Our mission is to develop standards that bring *transparency*, accountability and efficiency to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.” <http://www.ifrs.org/about-us/>

Financial reporting transparency is not only a function of accounting standards but also of managers’ *choices* allowed within the standards.

The transparency, or degrees thereof, of financial information can ultimately affect readers’ , i.e., users, decisions.

Objective of Accounting Research

To model, describe, and/or provide statistical evidence from which to draw inferences about an accounting phenomenon.

Strength of inferences drawn is conditional on the study's research design *choices*.

Validity of inferences can (should?) ultimately affect readers', i.e., users, decisions.

Research design choices of Amano (2019)

1. Population
2. Sample
3. Methodology

My comments focus on the first two

Population

Amano (2019) studies “all” firms listed in Japan.

Why? Japanese companies could voluntarily apply IFRS beginning in 2010 and there are several differences in accounting for intangible assets between IFRS and Japanese GAAP. *Seems interesting.*

International accounting researchers often choose multiple countries as their populations to study. *Not necessary. But need to motivate how a country-specific phenomenon generalizes to other countries or settings.*

IFRS and JGAAP in 2010

What were the differences between IFRS and JGAAP in addition to the accounting for goodwill and the accounting for research and development (R&D)

Important because it is difficult (impossible?) to isolate the effects of goodwill and R&D accounting when other differences exist.

History of IFRS in Japan *IFRS by Country, PwC, 2017*

Only Japanese listed companies meeting certain requirements were permitted to use IFRS beginning for FY ending on March 31, 2010.

In October 2013, the Japanese Business Accounting Council eliminated two of the four statutory requirements for applying IFRS.

154 Japanese firms were using IFRS in August 2017 whereas there were only 20 IFRS adopters in 2013.

In addition, a revised set of Japanese GAAP, “Japan’s Modified International Standards (JMIS), was introduced in June 2015. Major differences from IFRS relate to Goodwill and Other Comprehensive Income (OCI) accounting.

Important to provide these details and consider addressing in research design.

Tokyo Stock Exchange (TSE)

**JAPAN EXCHANGE GROUP**
TOKYO STOCK EXCHANGE

Listed Company Search

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Quick search for a listed company

 Print

[Notes on the use of this information](#)

Search condition input

Please input the search condition.

Delisted companies

Order of display	Code	of	Ascending order
Number of displayed companies	10		
Issue name (company name)	<input type="text"/>		
Code	<input type="text"/>		
Address of main office	<input type="text"/>		
Market Division	<input type="checkbox"/> First Section <input type="checkbox"/> Second Section <input type="checkbox"/> Mothers <input type="checkbox"/> JASDAQ <input type="checkbox"/> TOKYO PRO Market <input type="checkbox"/> First Section Foreign Stocks <input type="checkbox"/> Second Section Foreign Stocks <input type="checkbox"/> Mothers Foreign Stocks <input type="checkbox"/> ETF <input type="checkbox"/> ETN <input type="checkbox"/> Real Estate Investment Trust (REIT) <input type="checkbox"/> Preferred equity contribution certificate <input type="checkbox"/> Others		
Category of industry	<input type="text"/>		
Trading unit	<input type="text"/>		
Balance sheet date	Balance sheet date1		Balance sheet date2

TSE continued

Numerous market divisions (First Section, Second Section, Mothers Section, JASDAQ, etc.)

Variation in number of listings, market cap, and trading volume (e.g., First Section has 2,138 listings whereas Mothers Section has only 282 listings)

Financial institutions (29.6%), foreign investors (29.1%), other corporations (21.7%) and individual investors (17.2%) are primary shareholders (2018 TSE Shareholder Survey)

The Bank of Japan is one of the top ten major shareholders in 40% of listed Japanese companies (<https://asia.Nikkei.com/economy>)

Turning to choices that define the Sample

Sample period 2010-2015, but require a five year lag for adoption model.

Results in a small sample, and like any sample, brings trade-offs that affect the strength of the inferences drawn from the empirical tests.

Down-side of small sample: Weak power and threat of outliers (*addressed in paper*)

Upside of small sample: Intimate understanding of firm characteristics.

More details about the sample could be provided in the paper.

Possible Additional Sample Characteristics

The screenshot shows the JPX Corporate Governance Information Search page. The header includes navigation links (Access, Visit JPX, Contact us), language options (Japanese, Chinese), font size settings (S, M, L), and a search bar. The main content area is titled "Corporate Governance Information Search" and includes a description of the search service, a search button, and a list of contents.

JPX
JAPAN EXCHANGE GROUP
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JAPAN EXCHANGE REGULATION
JAPAN SECURITIES CLEARING CORPORATION

Access Visit JPX Contact us Japanese Chinese Font Size S M L Search

HOME > Listed Companies > Corporate Governance Information Search

Update : Sep. 02, 2019 Listen to this page Print

Corporate Governance Information Search

“Corporate Governance Information Search” provides the following information based on reports submitted by listed companies: basic policy of corporate governance, capital structure, basic information of the company, management decisions on appointment of outside and independent directors, management structure for execution and supervision, status of corporate governance system, status of measures for shareholders and stakeholders, basic policy of internal control system, and its development status.

Variety of search options are available, such as market division, business sector, organizational structure, existence of parent company, number of outside and independent directors/auditors, and date of update. Please refer to the user guide below for more information on the procedure.

As of October 2015, a list of listed companies that have submitted (via TDnet) English translations of their Corporate Governance Reports is available for download in Excel format from the JPX webpage indicated below.

- Corporate Governance Reports

Corporate Governance Information Search

Contents

- Basic policy of corporate governance, capital structure, basic information of the company
- Management decisions on appointment of outside and independent directors, management structure for execution and supervision, status of corporate governance system
- Status of measures for shareholders and stakeholders
- Basic policy of internal control system and its development status
- Others

Timing of Update

Summary

The history of IFRS use in Japan seems more complicated and features of the TSE weaken the ability to generalize findings to other capital markets.

More details need to be known about the sample firms that adopted IFRS, e.g., governance, ownership structure.

Stating that the study provides evidence on how firms' behaviors are affected by the voluntary adoption of IFRS is not currently supported by the evidence obtained from the research design choices.

There is always more to learn when conducting research.

Enjoy learning!