Real Effects of Intangibles Capitalization: Empirical Evidence from Voluntary IFRS Adoption in Japan

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Key insights

• Adoption of IFRS Standards in Japan
  – Robust approach - extended sample
  – Firms more likely to adopt when they have intangibles under JGAAP
  – Results in firms capitalizing more intangibles and acquiring more businesses post adoption

• Informative for
  – Evaluating Japan’s adoption
  – Other countries considering voluntary adoption
Understanding the motivation

• Study “analyzes the real effects of intangible classification: how firms alter their behaviours”
  – Relevant for practice
    ○ Identifies a factor that influences management decision making

• Recommend
  – Consider/explain other influencing factors
  – Assess if effective business decisions
    ○ Firms generate higher returns post acquisition?
Long-standing debate: Capitalize intangibles

• Current hot topic!

• Standard setter
  – Information decision useful to investors and lenders
    ○ Enhance the relevance of the balance sheet
  – In cost-benefit assessment
    ○ Consider ‘real effects’ on management
Points to consider

• Provide a global perspective
  – Expand sample beyond Japan?
• Assess if there are jurisdictional differences
• Write for practitioners too!
  – Clarify citation of Kanaodia et al
  – Explain academic concepts
For more information, visit www.frascanada.ca

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Let’s connect!