

The Accounting Strategy to the International Convergence of Accounting Standards in Japan

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The purpose of this paper is to examine how Accounting Standards Board of Japan (ASBJ) cooperate on the international convergence of accounting standards. At first, we describe the development of free trade agreement and the integration of securities market in the global economy. Then, we survey the situation that many countries require and permit to apply international accounting standards (IAS/IFRS) to the listed companies. The Tokyo Agreement that was contracted between ASBJ and International Accounting Standards Board (IASB) was evaluated as contribution to the growing Japanese business activities. Then the methods of convergence were identified to four types; the mutual recognition, the adoption (including the endorsement), the cooperative standard-setting and the commitment at a distance. In four types of methods, the European Union (EU)

applies the endorsement method and China applies the commitment at a distance method to the convergence. The features of these methods are superior to another one as the maintenance and emphasis of the relationship with the IASB and the proposal insistence of revision to IAS/IFRSs. IASB regulates the fair value measurement in many IAS/IFRSs. We examined the issues of management discretion into the fair value measurement focusing on the calculation of recoverable amount and discounted rates in the accounting standards for impairments of long-lived assets. We concluded that the cooperation on the international convergence of accounting standards is important. Then, the ASBJ have to contribute to revise IAS/IFRSs; especially fair value measurements. by referring to the method like the EU or China.