

【Presentation】 Meeting place : D2 (13:30~)

The Relation of Accounting for Small and Medium-sized Entities and the IFRS for SMEs — A Comparative Study of the Accounting system in Japan and Taiwan —

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Abstract

This paper considers the introduction of International Financial Reporting Standards for small and medium-sized entities by comparing the accounting systems of Japan and Taiwan.

Due to economic globalization, not only large but also small and medium-sized companies have expanded their businesses to the global arena, which requires the use of international general accounting standards. The International Financial Reporting Standards (IFRS) are applicable for large companies (e.g., listed companies), whereas the “IFRS for SMEs,” published in July 2009, is an accounting standard for smaller companies and greatly reduces the provisions and simplifies IFRS. Its objective is to assess the fair value of a business entity and increase the comparability of international financial statements. The Japanese accounting standards used for small and medium-sized companies are the Accounting Guidelines for Small and Medium-sized Entities, published in 2005, and the General Accounting Standard for Small and Medium-sized Entities, published in 2012. In line with Japanese institutional accounting, the Corporation Act and the Corporation Tax Act constitute the center of the accounting schemes for small and medium-sized entities.

The IFRS for SMEs have been adopted in various (mainly developing) countries in South America, Central America, Africa, Asia, Middle East, Eurasia, etc. as well as developed countries such as Switzerland and the UK. Most of these are countries where accounting systems for SMEs have not been developed. In contrast, countries that already have domestic standards for SMEs, e.g., Japan, Germany, the US, and Korea, tend not to apply IFRS for SMEs.

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In Taiwan, the application of IFRS is mandated on the consolidated and non-consolidated financial statements of listed companies; moreover, the IFRS is also being applied to nonpublic enterprises with social influence. The industrial structure of the export industries mainly has much in common with Japan, and when introducing international accounting standards, it responds as early as in Korea. Here, we compare the accounting systems of Japan and Taiwan to verify problems concerning the introduction of IFRS and IFRS for SMEs.

There is a difference in the definition of “profit” between Japanese institutional accounting and IFRS for SMEs, which makes it difficult to achieve consistency. As small and medium-sized companies expand abroad and foreign subsidiaries seek to communicate their financial positions using a comparable accounting methodologies, the IFRS is expected to improve the reliability of companies’ financial data. Currently, it is difficult to completely fill in the major differences between fair value valuation and cost principle. Future studies of globalized SMEs could examine their adoption of the IFRS for SMEs or alternative accounting standards.