A WAY OF MY RESEARCH WORKS:
THE STEPS OF MY RESEARCH I HAVE CONDUCTED

Junji Ishikawa
Yale University, 2016
March 15–17
THE STEPS OF MY RESEARCH I HAVE CONDUCTED UNTIL TODAY: MY PRESENTATIONS

- my presentations: Japan Society for Social Science of Accounting:
  - the 12th convention (1997): Are securities $W \rightarrow G \rightarrow W \rightarrow G'$?
  - the 16th convention (2001): discrepancy between disclosure and income determination
  - the 20th convention (2005): ownership/entity and accounting
  - the 24th convention (2009): economics, accounting, and law
  - the 28th convention (2013): What is the source of OCI?
  - the 30th convention (2015): Hybrid Accounting as the characteristics of today’s accounting
JAPAN SOCIETY FOR SOCIAL SCIENCE OF ACCOUNTING: FOUNDING STATEMENT (1986)

- the essential characteristics, functions and morphologies of accounting from a comprehensive and historical perspective

- sharing a common theoretical interest in a comprehensive study of accounting within the context of its socio-economic environment.
1. The main points of my presentation (1): The 30th Convention (2015)

Hybrid Accounting and Other Comprehensive Income

1) clarify the base of Other Comprehensive Income (OCI) which characterizes contemporary accounting

- the source of OCI: contradiction and divergence between income determination (P/L) and disclosure of financial substances and risks (B/S)
2) the hybrid accounting and its base

- **ownership structure** of a stock company and two different functions of accounting: duality of ownership and accounting functions

  → Appendix A

- **hybrid of accounting** framework and accounting thought

  → Appendix B
2 The main points of my presentation(2): The 28th convention (2013)

Disclosure, Accounting, and Comprehensive Income

- to examine and verify the characteristics of contemporary business accounting
- the dominance and superiority of the disclosure of financial risks and financial substances (realities)
- disclosure > (capital/income) calculation
focusing on the source of “other comprehensive income (OCI)” : inconsistency between disclosure and income determination

- OCI / recycling will appear at the crossing places of traditional and contemporary type of accounting
- served as the coordinator (mediator) of the contradiction.

(ⅰ)disclosure ≥ calculation → (ⅱ)disclosure − calculation (discrepancy between disclosure and calculation) → (ⅲ)OCI.
3 The essential points of my presentation (3): the 24th convention (2009)

The Viewpoints of the Transformation of Today’s Business Accounting

- Total Viewpoint of Economics, Accounting, and Law
  \[ X \quad > \quad Y \]
  Finance Economics > Real Economics: \( \text{Economics} \)
  the 12th convention (1997)

  Disclosure > Capital/Income determination: \( \text{Accounting} \)
  the 16th convention (2001)

  Capital Market > Corporate Organization: \( \text{Law} \)
  the 20th convention (2005)

- characteristics of today’s business accounting:
  \( X \) dominant accounting \( (X > Y) \)
DISCUSSION POINTS
UNDER THE TOTAL VIEWPOINTS:

1) what is the most significant point of the contemporary transformation of accounting framework?
2) how to demonstrate the structure and the vector of the transformation.
3) what is the contemporary characteristics of fair value accounting?
4) what is the significant key of the transformation?
5) what is the moment and the foundation of the transformation?
The Standpoints of the Conceptual Framework for Financial Accounting of Japan: From Four Basic Theory-Viewpoints

- four basic aspects: economics, law, history, and accounting
  - i) economics of uncertainty
  - ii) the ownership structure of the joint stock company → Appendix A
  - iii) the concept of equity and common law
  - iv) the entity theory of accounting and the corporation theory of law.
5 A SOCIAL SCIENCE OF CONTEMPORARY VALUE-BASED ACCOUNTING

CRITICAL PERSPECTIVES ON ACCOUNTING 16[2005] pp.115–136

- the economic foundations of the contemporary form of value-based accounting (fair value accounting)
- distinguish between real capital and loan/fictitious capital: different concepts of capital in economic theory (difference of business activities)
- coexistence or hybridization of the different frameworks

(from the abstract of my paper)
APPENDIX A: “WHAT IS A CORPORATION?” AND THE ROLE OR FUNCTIONS OF ACCOUNTING

- duality of ownership of a corporation
  - ownership 1
    - Stock holder
    - company (manager)
  - ownership 2
    - assets

- role or functions of accounting
  - accounting for ownership 1: for investors
  - accounting for ownership 2: for stewardship
DUALITY OF OWNERSHIP AND ACCOUNTING FUNCTIONS

- accounting for ownership 1
  - useful information for investment decision
  - investor/market-oriented, prediction and information, user oriented, …

- accounting for ownership 2
  - stewardship accounting, fiducially accounting
  - manager/organization-oriented, capital/income determination, process oriented, …
Ownership and Accounting Entity: Viewpoints of "equity" and "control"

- stockholder/ equity
  stockholder → "equity" → company: ownership 1
  (Dr) G(money) / (Cr) K(capital) : K → G

- company (manager) / control
  company → "control" → assets: ownership 2
  (Dr) W(commodity) / (Cr) G : G → W

- entity: investment → recovery
  stockholder: K → G  company: G → W → G'
  (G → A → G')
APPENDIX B: HYBRID ACCOUNTING

 hybrid of accounting framework

traditional: flow → stock, fixed and allocation, ⋯

current: stock → flow, direct re-measurement, ⋯

 hybrid of accounting thought

static theory → dynamic theory → ?

(B/S app.) (P/L app.) (B/S app.)

continue/ discontinue