TJAR EDITIORIAL POLICY

Accounting Encounters of the TJAR Kind

Accounting theory has taken two distinct approaches: one supports understanding of environment-specific local accounting institutions in various economies, while the other generalizes American and West European accounting institutions across the world. It is easy, albeit costly, to overlook this co-existence of two kinds of theory in the rush to world-wide convergence or integration of accounting. Consideration and comparison of the two may allow us to carefully explore the foundations of the arguments for convergence. However, such exploration requires accounting scholars to observe, examine, evaluate, and critique the proposed systems and alternatives of which convergence itself is a salient element.

Encounters among cultures since the medieval times have created some commonalities but have not yielded a universal culture. Whether economic encounters among disparate social systems will yield, or even benefit from, a single system of accounting remains open. It is our hope that *The Japanese Accounting Review* can serve as a forum for accounting scholars across the world to observe, analyze, reflect, and report on encounters between the Western and other system of accounting. The obvious, but far too often neglected, recognition of this duality is a central theme of *TJAR*. The *TJAR* website states:

> This new English-language journal, *The Japanese Accounting Review*, aims to present the world with quality research on diverse themes relating to accounting, thereby helping improve the economic welfare of societies around the world through better accounting systems. We welcome submissions, which will be judged solely on the basis of quality of their contributions, not on the status of the hypothesis, methodology, or the author.

Even the so-called capitalist societies differ in their stage of development, and may take very different paths employing quite different institutions. If internationalization is interpreted to assume that all these societies and their paths converge, there is little evidence in support. Accounting scholarship could focus on seeking a critical understanding of the current diversity, and evaluating alternatives for the future, without becoming a prematurely prescriptive cheerleader for convergence. *TJAR* aims to help serve this function.

While the pages of *TJAR* are open to empirical examination of whether the theories originating in the West are robust enough to afford us a better understanding of other economies, they also welcome alternative theories, and their empirical scrutiny, that arise from institutions specific to the other economies. The current controversy in Japan about the adoption of IFRS is a good example of a subject for such studies. Development of theories, and analyses of data relevant to cross-economy encounters are important goals of *TJAR*.

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TJAR EDITORIAL NOTE

The number of papers submitted to *TJAR* continues to increase, from authors all over the world. Choosing which articles to include in our third volume was a difficult editorial task, and after much work, we are pleased to present four articles. One work evaluates the International Financial Reporting Standards (IFRS), two papers are in the field of experimental accounting, and another paper treats a historical theme. The papers cover a variety of topics, expanding on our two previous volumes that focused largely on archival research. As editor-in-chief, I believe that the present volume is in the spirit of *TJAR*.

Professor Brown is a pioneer in securities market accounting and has been active in the field for more than 40 years. In his current paper, he reviews the literature concerning the IFRS and reaches a positive view toward these standards. However, he recommends that accounting researchers also consider research that presents negative views of the IFRS and supplementary research to cover other important yet neglected areas. He also stresses that general IFRS studies have peaked and that future IFRS studies should focus on specific accounting standards. The previous *TJAR* volumes included papers that presented negative aspects of IFRS. I urge readers to refer to those papers.

The present volume also includes two papers on experimental accounting. In the first of these papers, Bensimhon and Biondi report the results of two laboratory experiments concerning security markets. In one type of experiment, the investors (subjects) received exogenous accounting information about ultimate earnings not linked to the ongoing clearing price of a security. As a result, the prices of laboratory security markets converged to the fundamental levels. On the other hand, in sessions in which the investors (subjects) received endogenous accounting information linked to the ongoing clearing price of the security, prices of laboratory security markets did not converge to the fundamental levels. In the latter case, security markets sometimes encountered a bubble phenomenon. The authors conclude that selecting forward induction or backward induction is important in forming expectations regarding the future price. Forward induction causes loss of the earnings anchor, leading to a bubble.

Next, in a historical study, Noguchi and Boyns analyze the financial positions of the South Manchuria Railway Company from its establishment in 1906 to the 1930s. In its early stage, management of the South Manchuria Railway Company was not subject to interference. However, in the 1930s, the company was influenced by the military in Guangdong and the birth of Manchukuo. Under this situation, the private corporation was pulled in different directions by national policy interests and by stakeholder interests. The authors present a detailed analysis of how the corporation's financial policies and accounting practices changed. They conclude that the South Manchuria Railway Company adjusted to meet the interests of a variety of interested parties without succumbing to their requests. The company also covered its necessary funding requirements.

Finally, in the second experimental study, Taguchi, Ueeda, Miwa, and Mizutani used a 3×3 coordination game to investigate whether the accounting system worldwide will converge to the IFRS. The results indicate that the presence of an egoistic nation can halt convergence. *TJAR* has published a number of papers regarding the IFRS in past volumes. The present work is a valuable addition to this literature, providing insight from an experimental approach.

Change in membership

Professor Y. Biondi has joined the Advisory Board.

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HIDETOSHI YAMAJI
The Japanese Accounting Review, Editor in chief