TJAR EDITORIAL 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*.

December, 2015

TJAR EDITORIAL NOTE

Although the number of papers submitted to *The Japanese Accounting Review* (*TJAR*) has continued increasing, the number accepted this year has unfortunately fallen slightly. Accordingly, Volume 5 of *TJAR* issued this year includes two papers, one by Kawamura and the other by four authors.

The Kawamura paper uses cost benefit analysis to provide a theoretical explanation for why different types of accounting numbers based on different measurement systems are disclosed together in a financial reporting system. In starting the discussion, the paper outlines a cost analysis of accounting information measurers provided in a single measurement system, which is followed by a benefit analysis of information users. The results indicate that a particular single measurement system represents a compromise equilibrium point between measurers and users. Furthermore, they show that in situations in which more than one measurement system is acceptable, the optimal measurement system changes depending upon the management activities of the target company, that is, upon its configuration of its financing and operating activities. Specifically, it is recommended that different types of accounting numbers derived from different (plural) measurement systems should be disclosed.

The paper written by four authors empirically considers earnings management among Japanese family firms. The first hypothesis examined is that family companies conduct a lower level of income-increasing earnings management than do non-family companies. The second hypothesis explored is that family firms are less willing than their non-family counterparts to generate economic costs by performing real earnings management to increase profits. In addition, the paper investigates whether family-run companies prefer accruals-based earnings management that does not generate economic costs to real earnings management. These hypotheses are tested using Japanese data. Although the first two hypotheses are not verified in terms of amount to a significant level, the last is.

I am honored to have been given the opportunity to comment on two such excellent papers.

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