Preface

With the rapid globalization of the world economy, accounting standards are gradually being integrated and are increasingly resonating with one another. Of the issues this process has created, convergence to International Financial Reporting Standards (IFRS) is one of the most controversial and is the subject of increasing interest in both financial accounting research and practice. Despite the push towards convergence, accounting rules in individual countries remain deeply intertwined with their unique institutions, such as corporate and economic systems and legal practice, i.e., "enforcement." The approach of *New Institutional Accounting* is to analyze the economic consequences of converging accounting rules by focusing attention on each country's conditions and historical path. This empirical book uses the above-mentioned approach to conduct research on convergence in Japan.

Despite the globalization of accounting standards occurring through convergence to IFRS, every country retains local aspects in its institutions. As a result, for each country an individual mix of global and local factors determines the economic consequences or relevance of the convergence of accounting standards or the adoption of IFRS. Thus, the information value of accounting standards is a complicated mix of these factors. This concept underlies the present work.

This book investigates the differences between IFRS and local (particularly Japanese) accounting standards from the point of view of earnings property and their economic consequences. In particular, the authors empirically analyze the effects of convergence upon Japanese firms' corporate investment behavior and dividend payout policies.

Based on the evidence of economic consequences, this book provides empirical implications for global accounting standards setting. The International Accounting Standards Board (IASB), which developed IFRS, recently has tended to listen to feedback from individual countries in order to improve the quality of IFRS. This book attempts to articulate the issues encountered in the globalization and localization of accounting standards.

A further dimension is also explored in this volume. Despite the globalization of accounting standards, each country continues to have its own corporate disclosure systems or regulations, regardless of whether they are mandatory or voluntary, because securities administration systems and corporate governance standards lack convergence or a common model like IFRS.

The latter part of the book identifies the inherent characteristics of disclosure behavior by Japanese firms and empirically diagnoses its effects on corporate behavior and capital market.

The authors are consistent in terms of research methodology, issue awareness, and motive. As the contributors and editors have held workshops on numerous occasions, their experience and enjoyment in sharing exciting and simulating issues have been helpful. Without them this outcome would not have been achieved.

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