Real Effects of Intangibles Capitalization: Empirical Evidence from Voluntary IFRS Adoption in Japan

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Key insights

- Adoption of IFRS Standards in Japan
  - Robust approach - extended sample
  - Firms more likely to adopt when they have intangibles under JGAAP
  - Results in firms capitalizing more intangibles and acquiring more businesses post adoption

- Informative for
  - Evaluating Japan’s adoption
  - Other countries considering voluntary adoption
Understanding the motivation

• Study “analyzes the real effects of intangible classification: how firms alter their behaviours”
  – Relevant for practice
    ○ Identifies a factor that influences management decision making

• Recommend
  – Consider/explain other influencing factors
  – Assess if effective business decisions
    ○ Firms generate higher returns post acquisition?
Long-standing debate: Capitalize intangibles

• Current hot topic!

• Standard setter
  – Information decision useful to investors and lenders
    o Enhance the relevance of the balance sheet
  – In cost-benefit assessment
    o Consider ‘real effects’ on management
Points to consider

• Provide a global perspective
  – Expand sample beyond Japan?

• Assess if there are jurisdictional differences

• Write for practitioners too!
  – Clarify citation of Kanaodia et al
  – Explain academic concepts
For more information, visit www.frascanada.ca

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Let’s connect!