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Abstract

This study seeks to expand our understanding of how locals react to accounting transnationalization. Applying the theory of gradual institutional change, this study analyzes the institutional and theoretical significance of the revenue recognition project in Japan. Our findings show that the Accounting Standards Board of Japan (ASBJ) has been waiting to complete the IASB/FASB joint revenue recognition project as a moving target and has taken advantage of their achievement to the domestic discussions. This prolonged process can ease and habituate the resistance from stakeholders, especially from traditionalist dominated by the prepares. Moreover, while strictly adopting IFRS 15 word for word, the ASBJ has also granted some flexibility in the new standards, responding to stakeholder requirements. This accounting bricolage can leave the door open to the possibility of attaining the continuity of a portion of the old rule and thus diminish stakeholder opposition to the implementation of new standards.

Keywords: Revenue recognition, Gradual institutional change, Institutional bricolage, ASBJ, Flexibility

1. Introduction

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* (Statement No. 29; ASBJ, 2018a) and ASBJ Guidance No. 30 *Implementation Guidance on Accounting Standard for Revenue Recognition* (Guidance No. 30; ASBJ, 2018b) on March 30, 2018. These new standards incorporated international debates, which started with the establishment of joint project between the International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB) in 2002 to issue IFRS 15 *Revenue from Contracts with Customers* and similar domestic arguments; they were set out under a basic policy that accepted all requirements of IFRS 15 but added some optional treatments to manage implementation problems in Japan. In this sense, the establishment of ASBJ Statement No. 29 and its discussion process proceeded in the context of the convergence between International Financial Reporting Standards (IFRS) and Japanese Generally Accepted Accounting Standards (Japanese GAAP). At the same time, these Japanese standards aim to change from recognizing revenue based on the realization principle, in which revenue can only be recognized after it has been earned (Payton & Littleton, 1941) to recognizing revenue based on the principle of "the satisfaction of the performance obligation," in which revenue can be recognized when the entity satisfies a performance obligation by transferring an asset (a promised good or service) to a customer (IFRS 15, 31). Indeed, this change conceptually implies withdrawing from the realization principle.

In sum, the development of new Japanese standards for revenue recognition suggests that there is an "epochal social experiment" (Saito, 2014, p. 241) that has self-created new standards based on a non-traditional concept in the context of the global convergence of accounting standards. Thus, this process also refers institutional change.

This study seeks to expand our understanding of how locals react to accounting transnationalization. Applying the theory of gradual institutional change, this study analyzes the institutional and theoretical significance of the revenue recognition project in Japan. In doing so, we propose two research questions. First, we ask what kind of process is needed when a new institution is introduced or what institutional change takes place. In other words, we proceed with empirical considerations about why the ASBJ requires a long preparatory period for the implementation of a new standard for revenue recognition (over 15 years) and why change has been gradual. Japan's new standard has adopted all IFRS 15 requirements, which are based on a different concept from the traditional concepts and are constructed under different environments (although Japan is one of the key members of the IASB). When this type of standard obtains social approval and/or becomes legitimate, we intend to investigate how various actors participate and engage with the impact on the standard-setting process. Second, Japan has responded to both institutional and internal institutional pressures that require substantial accounting regulation reform, that is, the coexistence (or layering) of four sets of accounting standards (i.e., Japanese GAAP, IFRS, US GAAP, and Japan's Modified International Standards (JMIS)); Japan's listed companies can choose to file their consolidated financial statements from among these standards (Sanada & Tokuga, 2019). How is an individual standard that aggregately constructs a set of accounting rules modified? More precisely, we investigate how specific accounting treatments are selected and/or eliminated when discussing optional treatments in the standard-setting process and consider their theoretical significance.

To answer the above questions, this study conducted a "two-step approach to quantitative content analysis" (Higuchi, 2016, 2017) of comment letters to ASBJ's discussion papers and exposure drafts relating to revenue recognition issued from 2009 to 2019. The comment letters were analyzed in the following three phases: In the first phase, we quantitatively investigated the general features of the comment letters. In the second phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process for the first general policy of the ASBJ, accepting all requirements or the full adoption of IFRS 15. Then, in the third phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process to the second general policy of the ASBJ, adding some exceptions to manage implementation problems in Japan. We then clearly articulate which accounting treatments were selected and/or eliminated in the standard-setting process.

Our findings show that the ASBJ has been waiting to complete of the IASB/FASB joint revenue recognition project as a moving target, running the two projects side by side, and has taken advantage of its achievements in the domestic discussions. This prolonged process can ease and habituate the resistance of stakeholders, especially from traditionalists among prepares. Moreover, while strictly adopting IFRS 15 word for word, the ASBJ has also granted some flexibility (e.g., optional treatments, exceptions, early application, transitional arrangements) in ASBJ Statement No. 29, responding to stakeholder requirements. This accounting bricolage can leave the door open to the possibility of the continuation of a portion of old rules, and thus diminish stakeholder opposition to the implementation of new standards.

This study makes two major contributions to the literature. First, empirically tracing the process of gradual institutional change, we shed light on the specific features of Japan's accounting standard setting, especially the roles of industry groups and accounting professionals. Thus, we provided empirical evidence of the gradual institutional change in accounting. Second, theoretically, we redefine Japan's experience of resetting revenue recognition standards in the context of the transnationalization of accounting standards as a process of habituation. In addition, while institutional layering, in which Japan's listed companies can choose one of four sets of accounting standards to use to file their consolidated financial statements, prevails, we also redefine the layering of some accounting treatments in one standard as accounting bricolage. The former indicates that the application of IFRS 15 has become a taken-for-granted fait accompli both in normative and cognitive dimensions as time advances and through repeated public comment procedures. The latter suggests an institutional coexistence of new rules (trickle-down trajectories) and old rules (trickle-up trajectories) to obtain support and mitigate resistance from major actors in the institutional conflict between transnational and local stakeholders.

2. Institutional background

2.1. The IASB/FASB joint project and IFRS 15

In May 2002, the FASB added a revenue recognition project to its technical agenda. Broadly speaking, three reasons were specified by the FASB. First, there was no comprehensive guidance on revenue recognition in the United States. And thus, second, the rules for revenue recognition were mixed up where "a variety of standard-setting bodies with different levels of authority have addressed revenue recognition issues, often as ancillary items and in industry-specific literature" (FASB, 2002, p. 1). In addition, related to the FASB's conceptual framework, there are some conceptual conflicts as follows:

> FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, states that revenues should not be recognized until it is (a) *realized or realizable* and (b) *earned*. However, revenues are defined in FASB Concepts Statement No. 6, *Elements of Financial Statements,* in terms of changes in *assets* and *liabilities*, which also are defined in Concepts Statement 6. As a result, the revenue recognition criteria in Concepts Statement 5 sometimes override the definitions in Concepts Statement 6 (FASB, 2002, p. 2, italics in the original).

Resolving such conceptual unconformity is one of the major purposes of the project. In other words, it can be said that the revenue recognition project began based on the conceptual conflicts between the revenue recognition criteria from the assets and liability approach and those from the realization and earnings process approach.[1]

[1] Later, the Boards stipulated the reasons for developing a single revenue recognition model applying to a wide range of industries as follows (IASB, 2010b, BC 4):

(a) providing a more robust framework for addressing revenue recognition issues,

(b) improve comparability of revenue recognition practices across entities, industries, At the same time, the IASB faced the same problem between IAS 11 *Construction Contracts* and IAS 18 *Revenue*. Accordingly, the IASB and FASB (the Boards) initiated a joint project in September 2002 to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. The original plan was completed in two years. As is well known, the IASB/FASB final standard for revenue recognition was completed in 2014.

From the beginning, the Boards provisionally agreed to develop a revenue recognition model based on the assets and liability approach rather than picking out the most appropriate model from practical models (in other words, some industry-specific models based on the realization and earnings process approach). However, the project strayed and made some compromises. That is, the conceptual (or fair value) model in which performance obligations are measured at fair value (or current exit prices) was changed to the customer consideration model, in which performance obligations are measured at the amount of consideration promised by the customer. Related to the definition of revenues, this change indicates that from the liability extinguishment view, which characterizes revenue as an extinguishment of performance obligation, to the broad performance view, which characterizes revenue as a satisfaction of performance obligation.[2]

In December 2008, the Boards issued a discussion paper titled *Preliminary Views on Revenue Recognition in Contracts with Customers* (preliminary views; IASB, 2008c), inviting comments. In the preliminary views, the Boards stipulated that they were still developing the proposed model, and thus, the paper does not include all the guidance that would be included in the proposed standard. Instead, the discussion paper presented "the basic model and its implications in order to seek views from respondents before the boards publish a proposed standard" (IASB, 2008c, S4). In particular, the preliminary views proposed the contract-based revenue recognition principles: First, revenue should be recognized based on increases in an entity's net position in a contract with a customer (2. 37). Here, net position means the combination of the rights and obligations in the contract, and net contract position depends on "the measurement of

jurisdictions, and capital markets, and
(c) simplify the preparation of financial statements by reducing the number of requirements to which entities must refer.

[2] Here, the liability extinguishment view describes revenue as reflecting the inflows resulting from the extinguishment through performance of an obligation to the reporting entity's customer for which the entity is primarily liable, and the broad performance view describes revenue as being based on the reporting entity's outputs of assets (satisfaction of performance obligations) in the form of its goods or services that it ultimately sacrifices by transferring them to customers (FASB, 2003a).

the remaining rights and obligations in the contract" (2.39). Second, revenue should be recognized when performance obligations are satisfied. Here, performance obligations mean "a promise in a contract with a customer to transfer an asset (such as a good or a service) to that customer" (3.2). When an entity transfers a promised asset, it satisfies performance obligations and recognizes revenue. Finally, for the measurement of performance obligations, the preliminary views proposed a measurement approach in which performance obligations should initially be measured at the transaction price and subsequent measurement of the performance obligations should depict the decrease in the entity's obligation to transfer assets to the customer (5.103–5.104).

Over 200 comments were sent to the preliminary views, and the Boards hosted workshops in London, Melbourne, New York, and Tokyo in November and December 2009. As a result of these deliberations, the Boards issued Exposure Drafts ED/2010/6 *Revenue from Contracts with Customers* (ED 2010; IASB, 2010a, 2010b). Most comments on the preliminary views supported the proposed model, but some comments raised questions about the need to replace the existing revenue recognition requirements. Considering dissenting opinions, the Boards daringly issued ED 2010 because "having a common standard on revenue for IFRSs and US GAAP is an important step towards achieving the goal of a single set of high quality global accounting standards" (IASB, 2010b, BC8). The contents of the exposure drafts adhered fundamentally to that of the preliminary views, and the core principles required that an entity should recognize revenue "to depict the transfer of goods or services to customers in an amount that reflects the consideration that it receives, or expects to receive, in exchange for those goods or services" (IASB, 2010a, IN8). To apply this core principle, the exposure drafts stipulated five steps that an entity would follow:

(a) Identify the contract(s) with a customer,
(b) Identify the separate performance obligations in the contract,
(c) Determine the transaction price,
(d) Allocate the transaction price to the separate performance obligations, and
(e) Recognize revenue when the entity satisfies each performance obligation.

The Boards received nearly 1000 comments on ED 2010, and they needed to revise various aspects of the former exposure drafts.[3] In June 2011, the Board issued Exposure Drafts ED/2011/6 *Revenue from Contracts with Customers* (ED 2011; IASB, 2011a,

[3] On this point, the Boards explained as follows:

> Although those revisions did not necessitate re-exposure for public comment in accordance with the boards' due process procedures, the boards decided to re-expose the proposals because of the importance to all entities of the financial reporting of revenue and the desire to avoid unintended consequences of the final standard.

2011b, & 2011c). Significant revisions in ED 2011 from ED 2010 clarified the core steps and improved and extended illustrative examples.

After almost two years of deliberations, the Boards issued IFRS 15 (ASC Topic 606) *Revenue from Contracts with Customers* (IFRS 15; IASB, 2014) in May 2014. As previously mentioned, in this standard, the initially planned revenue recognition model, in which performance obligations are measured at fair value, was completely disappeared and changed with the customer consideration model, in which performance obligations are measured at the amount of consideration promised by the customer (Matsumoto, 2015).

The main features of this standard adhered to previous exposure drafts, and its core principle stipulated that "an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services" (IASB, 2014, IN7). IFRS 15 also provided the same five steps for applying the core principles.

Some studies have presented theoretical considerations about the development of the revenue recognition project (AAA FASC, 2010, 2011; Baudot, 2018; Biondi et al., 2014). These studies posit that the fair-value-oriented standards were abandoned in the IASB/FASB revenue recognition project and that the project indicated some kind of swing back from fair value accounting to historical cost accounting. In particular, Baudot (2014) focuses on the entire process of the project in the prolonged conflict between historical cost accounting and current cost (or fair value) accounting since the 1930s and suggest that "the convergence program of the FASB and the IASB has in some ways come to be equated with fair value" (p. 658). In this way, the IASB/FASB joint revenue recognition project is regarded as a case "in which a proposed reorientation toward fair value in revenue accounting was abandoned" and/or that "runs counter to certain trends in standard setting over the past few decades and contradicts assertions by standard setters themselves that fair value is here to stay" (p. 659). Moreover, regarding specific measurement models, although the fair value model involved "a significant change from current practice" (p. 669), Baudot (2018) indicates that, under the transaction price model, revenue liabilities are measured at the same amount as revenue assets, and thus, it is largely similar to historical cost accounting as revenue is calculated based on the original contract price agreed upon between the customer and the entity.

2.2. The revenue recognition project in Japan

Financial reporting framework in Japan

After World War II, the so-called triangular three-code legal system, which consists of the Commercial Code, Securities and Exchange Law, and Corporate Income Tax Law, constituted the financial reporting framework in Japan. Under this system, accounting profit was calculated under the Securities and Exchange Law, the profit available for dividends was calculated under the Commercial Code, and taxable income was calculated under the Corporate Income Tax Law. However, these numbers are nearly equal, whereas they are different in principle in the United States and the United Kingdom. Japanese GAAP consisted of basic principles (i.e., Business Accounting Principles) and accounting standards (i.e., Opinions) issued by the Business Accounting Deliberation Council, the former body of the BAC, as well as interpretation and implementation guidance issued by the Japanese Institute of Certified Public Accountants (JICPA).

Although accounting disclosures based on the Commercial Code were prepared for single-year and individual company bases, the consolidated accounting system was initiated in Japan in 1976. At that time, 39 representative Japanese companies that were already registered with the US Securities and Exchange Commission (SEC) and prepared their consolidated financial statements under US GAAP were permitted to continue to use US GAAP, even in Japan as an extraordinary measure.

Since the 1990s, along with the reformation of the Japanese financial system and in response to the pressure to harmonize Japanese GAAP with international accounting standards, a series of accounting reforms, called "Accounting Big Bang", have been carried out and Japanese GAAP has been considerably revised. The main feature of this reform was the establishment of the Financial Accounting Standard Foundation (FASF) and ASBJ.[4] Although the ASBJ took a cautious approach to the convergence between Japanese GAAP and IFRS, the Tokyo Agreement in August 2007 changed the atmosphere[5]. Consequently, in 2009, the Financial Service Agency of Japan (FSA) and

[4] The FASF is the private sector founding body of the ASBJ, and its purpose is "to contribute to the sound development of financial practices in Japan and sound capital markets by making recommendations and contributions to the international accounting system by studying, researching, and developing generally accepted accounting standards, and by studying and researching disclosure system and various other practices pertinent to business finance systems" (ASBJ/FASF website).

[5] In August 2007, the IASB and the ASBJ released an agreement (the Tokyo Agreement) to accelerate convergence between Japanese GAAP and IFRS. The Agreement stipulated the followings:

1. Major differences identified in EU's equivalence assessment were to be eliminated by the end of 2008,
2. The remaining differences other than the aforementioned major differences were to be removed by June 30, 2011,
3. Regarding accounting standards currently being developed at the IASB that were scheduled to become effective after June 30, 2011, the ASBJ and the IASB would work closely to ensure the acceptance of the international approach in Japan.

its consultative body of the Business Accounting Council (BAC) approved the permission for Japanese companies to voluntarily file their consolidated financial statements prepared in accordance with IFRS. In addition, Japanese listed companies gained permission to use Japan's Modified International Standards (JMIS), consisting of IFRS as issued by the IASB with ASBJ Modification Standards, for their consolidated financial statements. [6] As such, in Japan's current accounting regulations, listed companies are permitted to use four sets of accounting standards (Japanese GAAP, US GAAP, IFRS, and JMIS) in their consolidated financial statements.

In the deliberation about how to proceed with IFRS adoption in Japan, in addition to the question between voluntary or mandatory standards, some choices were considered regarding targeted financial statements. The first was that Japanese listed companies could require to use IFRS for both consolidated and separate financial statements (*Rentan-Icchi,* using the same rule for both consolidated and separate financial statements). In this case, as the weight of Japanese accounting regulations has moved from nonconsolidated accounting to consolidated accounting since 2000, besides the cost of IFRS implementation, the cost of Japanese companies would be relatively small because they can prepare both consolidated and separate financial statements under the same rules. Moreover, there are other benefits to improved international comparability.[7] Second, Japanese listed companies could possibly only use IFRS for consolidated financial statements and must continuously use Japanese GAAP for separate financial statements *(Rentan-Bunri*, using different rules for consolidated and separate financial statements). This is because separate financial statements are closely associated with the taxation system and do not always purport to present decision-useful information to investors.[8] Finally, there was another opinion that Japanese listed companies could only use IFRS for their consolidated financial statements at the beginning, and then they would be permitted to use IFRS for their separate financial statements after the transition cost would be reduced due to an adjustment with related institutional arrangements (*Renketsu-Senko*, prioritizing consolidated financial statements).

As a matter of course, using the same rule for both consolidated and separate financial statements (*Rentan-Icchi*) is a theoretically preferred choice. However, the Japanese administration preferred the last option and prioritized consolidated financial statements

[6] Currently, the ASBJ issued two Modification Standards: accounting for goodwill and accounting for other comprehensive income.

[7] However, in this case, there would be another debate over the abolition of Japanese GAAP and IFRS adoption by non-listed companies in Japan.

[8] Moreover, non-listed companies, which do not prepare consolidated financial statements, can control costs. For instance, in the case of the EU, although listed companies must prepare their consolidated financial statements in accordance with IFRS, each member country has options to choose accounting standards for non-listed companies.

for IFRS adopting in Japan (*Renketsu-Senko*). This was a substantive decoupling between consolidated and separate financial statements. As such, the modality of current Japanese accounting regulation includes multiple institutional layering, in which four sets of accounting standards are permitted for use in consolidated financial statements and a decoupling of accounting standards using consolidated financial statements and separate financial statements.

The revenue recognition project

The revenue recognition standard was also regarded as a high-priority issues in Japan, and there has been an animated debate since the inception of the IASB/FASB joint project. For instance, the Tokyo Agreement specified the revenue recognition standard as a long-term convergence topic, for which the target date would be June 30, 2011. Under these circumstances, the ASBJ proposed the establishment of the Technical Committee: Revenue Recognition "to deliberate accounting standards for revenue recognition under Japanese GAAP and the ASBJ's views relating to accounting standards for revenue recognition that will be communicated internationally"[9] at the ASBJ Board Meeting (145th meeting) and approved it on January 31, 2008.

As described previously, the Boards issued the preliminary views of 2008 as the first achievement of the Joint Project. Responding to this, the ASBJ sent a comment letter on June 9, 2009 (ASBJ, 2009a). The comment letter included the following points: support for the proposed original transaction price measurement approach, request for reexamination of the measurement objective of performance obligations, request for clarification of the meaning of transferring control, retainment of the percentage of completion method, and the need for support from broad constituents.

In parallel with this comment, the ASBJ issued *Discussion Paper on Revenue Recognition* (DP 2009: ASBJ, 2009b) on September 8, 2009. The main purpose of this paper was to seek opinions about the original transaction price measurement approach proposed in the IASB/FASB preliminary views of 2008. This was because the proposed model was based on the assets and liability approach and critically different from Japan's current revenue recognition model based on the realization and earnings process approach; therefore, the implementation of this model could possibly have a substantial influence on Japanese market players. In addition, as the new Japanese standard applied not only to consolidated financial statements but also to separate financial statements and targeted all Japanese companies (e.g., listed companies, non-listed companies, and

[9] Retrieved from Objective of Technical Committee: Revenue Recognition of ASBJ/FASF website.
https://www.asb.or.jp/en/fasf-asbj/asbj/technical_committees/revenue_recognition.html.

small and medium-sized enterprises), special considerations were required.

After DP 2009, in accordance with constituents' feedback, the ASBJ again sent a comment letter (ASBJ, 2010) in response to the Boards' exposure drafts (ED 2010)[10] and issued another paper named *Discussion Paper on Revenue from Contracts with Customers* (DP 2011: ASBJ, 2011) on January 20, 2011. As such, DP 2011 sought new feedback from Japanese stakeholders to the new standard proposal by the Boards, which had become a real possibility.

In May 2014, the Boards issued IFRS 15 (ASC Topic 606) as the final achievement of the Joint Project. In response to this, the ASBJ decided to resume the Technical Committee: Revenue Recognition and started again deliberating Japan's accounting standards for revenue recognition at the ASBJ Board Meeting (311th meeting) on May 15, 2015.

If Japan accepted all the requirements of IFRS 15 and its word-for-word guidance to use both to consolidate and separate financial statements, Japanese companies would face considerable implementation problems and other issues. Therefore, the ASBJ needed to predict and examine possible challenges and issued the *Call for Public Comments on Accounting Standards on Revenue Recognition* (DP 2016: ASBJ, 2016) to bring together a range of feedback from constituents on February 4, 2016.

DP 2016 pressed the following three purposes to set a comprehensive standard for revenue recognition in Japan: strengthening the entire system of Japanese accounting standards, increasing financial statements comparability, and enriching disclosed corporate information (DP 2016, paras. 9-12). The ASBJ also suggested the basic principle to start deliberations based on IFRS 15 for the following three reasons (para. 16):

(a) If the Japanese standard is not based on IFRS 15, it will harm the international consistency of accounting standards since IFRS 15 is almost the same word-for-word, as ASC Topic 606.
(b) The core principle of IFRS 15 consists of five steps for recognizing revenue. The Japanese standard must consider these five steps as a starting point.
(c) Japanese listed companies that already file consolidated financial statements in accordance with IFRS or US GAAP have a need to file separate financial statements in accordance with the same accounting standards.

[10] In the comment letter, the ASBJ suggested the following concerns about the proposal: a lack of clarity regarding the concept of transfer of goods or services, customers' credit risk, and product warranties.

DP 2016 listed basic issues that needed to be considered as core principles, the scope, concrete accounting treatments, exceptions (or optional treatments), a presentation and disclosure, effective date (early application and transitional arrangements), illustrative samples, and so on, and called for comments on these issues.

The ASBJ approved and issued *Exposure Draft of Accounting Standard for Revenue Recognition* (Exposure Draft of Statement, No. 61) and *Exposure Draft of Guidance on Accounting Standard for Revenue Recognition* (Exposure Draft of Guidance, No. 61) (ED 61: ASBJ, 2017) on July 20, 2017. ED 61 stipulated the following two basic principles (ED 61, para. 91):

1. From the perspective of international comparability, to set the standard for revenue recognition based on the core principles of IFRS 15 as a starting point.
2. To add appropriate optional treatments to the extent that it does not impair comparability when there are issues that need careful attention to existing practices.

Finally, the ASBJ issued ASBJ Statement No. 29 (ASBJ, 2018a) and ASBJ Guidance No. 30 (ASBJ. 2018b) as the Japanese comprehensive accounting standards for revenue recognition on March 30, 2018.

ASBJ Statement No. 29 and Guidance No. 30 established appropriate accounting treatments and did not provide provisions for presentation and disclosure. They prescribed bare minimum notes about the contents of performance obligations and a point in time when performance obligations were satisfied. Therefore, the ASBJ continued the deliberation and issued *Proposed Amendments to ASBJ Statement No. 29* and *ASBJ Guidance No. 30* (ED 66: ASBJ, 2019) on October 30, 2019. The ASBJ then approved and issued the revised standards (Revised 2020: ASBJ, 2020a, 2020b) on March 31, 2020.

Summary

Japan's comprehensive accounting standards for revenue recognition have been under deliberation while running alongside the IASB/FASB joint revenue recognition project. The ASBJ took advantage of their achievements and decided to strictly adopt IFRS 15, word for word. However, during the process, it also took much time to coordinate the constituents' views. Therefore, the ASBJ has granted some accounting flexibility or exceptions to the standards (Appendix A provides the project time series).

3. Prior studies

3.1. Gradual institutional change

Institution, institutionalization, and transnationalization

Institutions are generally conceived as "rules of the game" (North, 1991) in which economic and social activities are embedded and defined as "collective frames and systems that provide stability and meaning to social behaviour and social interaction and take on a rule-like status in social thought and action" (Djelic & Quack, 2008, p. 300, referring to Meyer & Rowan, 1977; Douglas, 1987). That is to say, institutions have "both structures and formal systems on the one hand and normative and cognitive frames on the other" (Djelic & Quack, 2003, p. 18). As institutions have both structural and cognitive dimensions, institutional rules "are subject to varying interpretations and levels of enforcement and therefore exhibit ambiguities that provide space for interested agents to exploit in their effort to alter them" (Mahony & Thelen, 2010a, p. xi). Accounting standards that prescribe socially accepted accounting treatments are typical examples of such institutional rules.

Institutions are an outcome or end state of a dynamic institutionalization process, which is described as "a reciprocal typification of habitualized action by types of actors" (Tolbert & Zucker, 1996, p. 180, citing Berger & Luckman, 1967, p. 54). Many researchers point out three stages of institutionalization: habitualization, objectification or generalization, and sedimentation or diffusion (Berger & Luckman, 1967; Djelic & Quack, 2003, 2008; Djelic & Sahlin, 2009; Djelic & Sahlin-Andersson, 2006; Tolbert & Zucker, 1996). The concept of habitualization denotes "the development of patterned behaviours through recurrent and regular interactions to which shared meanings and understandings become attached" (Djelic & Quack, 2008, p. 30). Objectification or generalization represents the subsequent process of generalization of shared meanings and understandings beyond the specific context in which habitualization occurred. In this semi-institutionalized stage, the value of the habitualized action and the associated meanings and understandings are stabilized and this consensus among social actors can translated into "fragile preliminary structures and rules" (*ibid*.). In the sedimentation or diffusion stage, patterned behaviour and meanings are then spread much more widely and solidified into collective frames and systems that can become taken for granted and develop a reality of their own.

Since the 1990s, institutions have developed beyond national borders. In these phenomena, such as globalization or transnationalization, the conflict or potential confrontation between conventional institutions in local settings and new institutions in transnational and global settings has become a pressing issue. Djelic and Quack (2008, pp. 299–300) point broadly to two reasons. First, the globalization of our world is deeply related to institutions where rules of the games embedded in economic and social activities would spread and transform beyond the boundary of nation-states.[11] However, there are two trajectories in institutional buildings: from global to local (trickle-down) and from local to global (trickle-up). Second, most spheres of economic and social life, if we look at most corners of the world, are not only constrained and framed by local and national sets of institutions but also become enmeshed in transnational dynamics.

Transnational institutional governance inevitably goes beyond national and traditional regional boundaries, but governance activities are also embedded in "particular geopolitical structures and hence enveloped in multiple and interacting institutional webs" (Djelic & Sahlin-Andersson, 2006, p. 4) or the "transnational regulatory formation" (Djelic & Sahlin, 2009) (e.g., conflicts between the United States and the European Union or developed countries and less developed ones).

Types of gradual institutional change

The institutional approach describes institutional buildings and changes based not on rational calculations and strategies but on environmental contingencies. That is, institutions do not emerge from zero-based grounds. In particular, when there are two conflicting institutions, local and transnational, institutional buildings and changes will take place based on a recursive process between both. The problems here are how these institutional buildings and changes materialize as well as what legitimacy is (Alon & Dwyer, 2016).

Early neo-institutional studies that emphasize institutional structures and stabilities do not always succeed in rationally explaining institutional changes.[12] To overcome these shortcomings, there is a new strand of research on institutional change (Hacker 2004; Thelen, 2004; Streeck & Thelen, 2005; Mahoney & Thelen, 2010). While existing institutional approaches (e.g., sociological institutionalism, rational-choice institutionalists, and historical institutionalists) have focused more on exogenous shocks and abrupt shifts, a series study by Thelen, self-defining a power-distributional approach, sought to investigate both exogenous and endogenetic sources of change and attempted to theorize these institutional changes on the premise of a dichotomy between traditional

[11] Djelic and Quack (2008) argue that much institutional building today is of a transnational rather than a global nature saying:

> …it unfolds across blurring boundaries between a variety of actors from different nation-states without necessarily implying convergence and homogenization at the global level (pp. 299–300).

[12] The fundamental premise of institutional theory is that an organization (or actor), adopting a rationalized myth in society can establish legitimacy within its institutional field, and thus, obtain resources to survive (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). However, once institutionalization is achieved, an actor is constrained by an existing institution (i.e., iron cage). As a result, the theory cannot explain endogenous institutional changes. This is the so-called "paradox of embedded agency" (Battilana & D'Anuuno, 2009; Greenwood et al., 2017).

institutional systems (e.g., local) and new systems (e.g., transnational).

The theoretical feature of this approach is that it focuses on political processes, compliance, and enforcement. Changes in institutions and institutional rules are assumed to result from a political process that reflects the power of interested actors. In addition, institutions and institutional rules are "subject to varying interpretations and levels of enforcement and therefore exhibit ambiguities that provide space for interested agents to exploit in their effort to alter them" (Mahony & Thelen, 2010a, p. xi). Second, focusing on the process and results of the changes, the approach proposes four types of institutional changes. Specifically, a two-by-two matrix consisting of two types of processes of change (incremental change and/or abrupt change) and two types of results of change (institutional continuity and/or institutional discontinuity) indicates four types of changes: reproduction by adaptation, gradual transformation, survival and return, and breakdown and replacement. In our study, gradual transformation became a focus of attention.

Regarding the gradual transformation of institutions, they further extracted four patterns and explained the relationship between these patterns and political contexts, existing institutions, and change agents. The four patterns of gradual institutional change are displacement, layering, drift, and conversion (Hacker, 2004; Mahoney & Thelen, 2010b). Displacement occurs when existing institutions and/or rules are replaced by new ones, whereas layering occurs when new institutions and/or rules are attached to existing ones. In this case, layering involves amendments, revisions, or additions to existing rules. Drifts take place when institutions and/or rules remain formally the same but their impact changes due to shifts in external conditions. Finally, conversion occurs when institutions and/or rules remain the same but are interpreted and enacted in new ways. As will be discussed later, the coexistence of four sets of accounting standards in Japan is a typical case of layering and can be found in Japan's revenue recognition project.

Four types of gradual institutional changes are subject to change in their modes by two variables: the characteristics of newly introduced institutions or rules and the political context. While the characteristics of institutions suggest levels of discretion in interpretation and enforcement, the political context refers various actors' veto possibilities both to the existing and new institutions and/or rules. For instance, when powerful veto players can protect old institutions, but they cannot necessarily prevent the addition of new elements, layering will take place where "institutional change grows out of the attachment of new institutions or rules onto or alongside existing ones" (Mahony & Thelen, 2010b, p. 20). These veto players as change agents or institutional entrepreneurs, play an important role in gradual institutional change.[13] In particular, in the transnational setting, these actors are divided into such categories as dominant vs. fringe,[14] and each actor becomes engaged institutional work, which includes "creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215) with "intentionality and effort" (Lawrence, Suddaby, & Leca, 2011, p. 53).

Transnational institutionalization, in which exogenous institutions become layering endogenous existing institutions, can be interpreted as "a process of reinterpretation, recombination and bricolage from institutional fragments with different contextual origins" (Djelic & Quack, 2008, pp. 311–312). Bricolage is a concept adopted by Lévi-Strauss's original idea (Douglas, 1987; Lévi-Strauss, 1966) and defined as "making do by applying combinations of the resources at hand to new problems and opportunities" (Baker & Nelson, 2005, p. 333). From an institutional perspective, bricolage constitutes "a mechanism related to institutional and organizational change where solutions to problems involve the recombination of available and accessible institutional elements (e.g., logics)" (Christensen & Lounsbury, 2013, pp. 203–204). In other words, actors in the transnational space "build upon, work around, combine, reinvent, and reinterpret logics and institutional arrangements that either function elsewhere or with which they are familiar" (Djelic & Quack, 2003, pp. 25–26) and accelerate institutional buildings and changes.

3.2. Qualitative research on accounting change

Here, we briefly review how accounting studies interpret institutional change, especially in Japan. Qualitative research on accounting standard-setting assumes that accounting is not a mere technical practice but also a "social and institutional practice" (Hopwood & Miller, 1994), and thus, accounting changes are the outcome of historical, contingent processes in which "different groups of people, different vocabularies and various technologies, are temporarily linked together at a particular moment in time" (Justesen & Mouritsen, 2011, p. 164).

Accounting standard-setting denotes that a set of accounting rules becomes institutionalized; in other words, the rules need to be socially accepted and legitimized as enforceable societal rules. Many accounting studies discuss the relationship between stakeholders' political participations and the legitimacy of accounting standards (Sanada, 2020). First, some scholars discuss what interests and demands stakeholders possess and

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[13] Mahony and Thelen (2010b) also present four patterns of change agents: insurrectionaries, symbionts, subversives, and opportunists (pp. 23–26).

[14] Alon and Dwyer (2016) indicate that the institutional change literature has classified the actors involved in the change process as dominant vs. fringe, core vs. peripheral, and insider vs. outsider (Footnote 2).

how standard-setting bodies involve and absorb these interests into the standard-setting process (Bamber & McMeeking, 2016; Pelger & Spieß, 2017). Second, some studies discuss the superior positions of parties of particular interest parties such as the regulating body (Alon & Dwyer, 2016) and accounting professionons (Herman, 2020; Miyauchi & Sanada, 2019) and conflicts between concerned people (Sanada & Tokuga, 2019). In particular, Sanada and Tokuga (2019) suggest a conflict between traditionalists (conservatives or status quo) versus internationalists (reformists) in Japan and discuss actors' dynamisms in that these parties frequently change their stance from dominant to fringe, and thus driving accounting changes.

Accounting regulation in Japan

Japan's accounting regulation reform in the 1990s proceeded with an awareness of the issue of how convergence with international accounting standards (e.g., IFRS or US GAAP) moves forward or whether should be done. In this context, many researchers point out two pressures (external and internal) as well as how various actors create and react to these pressures.

Tsujiyama (2014) summarized the basic consensus regarding the discussion of IFRS adoption in Japan over time: (1) IFRS is a set of high-quality accounting standards, and financial statements conforming to IFRS are transparent, thus, the global adoption of IFRS increases the comparability of financial statements; (2) If the US adopts IFRS, Japan will be isolated in the global accounting arena unless it also adopts IFRS; and (3) Japan's influence on the IASB/IFRS Foundation will be reduced unless it adopts IFRS (p. 37). In this manner, external factors such as the pressures from and stances of the EU, the US, and the IASB/IFRS Foundation have always been part of the background for these discussions.

Using the concepts of *gaiatsu* (external pressures) and *naiatsu* (internal pressures), Tsunogaya and Patel (2020) argue that Japanese accounting changes are the consequence of complex external interactions and internal compromises. Specifically, they suggest that Japan's repetitive pattern of conflict management alters the domestic power balance and forces the Japanese government to make compromises to policy changes initiated by external pressures. Although they referred to a period early in the 1980s, Takatera and Daigo (1989) suggested that Japanese accounting standard-setting responded not only to pressures to harmonize with international accounting standards but also to "domestic concerns with improving the quality of financial reporting" (p. 187) and that Japanese accounting policy makers, as honest spokespeople for large corporations, protected the vested interests of the large corporations and accepted "international pressures only when they resulted in insignificant adverse effects on those corporations"

(p. 197). In addition, Yonekura, Gallhofer, and Haslam (2012) investigated the Japanese government's response to external and internal pressures related to bilateral trade negotiations with the US between 1989 and 2008 and suggested that regulatory authorities in Japan may have taken advantage of external pressures to carry out their own policies.

Through the conflict between traditionalists and internationalists, four sets of accounting standards (Japanese GAAP, IFRS, US GAAP, and Japan's Modified International Standards (JMIS)) are accepted by listed companies in Japan for their consolidated financial statements. Matsubara and Endo (2016) focus on the efforts of the ASBJ to reconcile the pressure to adopt IFRS with Japanese GAAP by translating IFRS into the local context. They show that the ASBJ faces four categories of competing pressures or discourses from various stakeholders—mutual authentication, modification, carve-outs, and active acceptance—and that the ASBJ translated this pressure in three ways: modification (i.e., modifying Japanese GAAP), optional adoption (i.e., allowing voluntary IFRS adoption), and new standards (i.e., developing JMIS). More specifically, Tsunogaya (2015, 2016) focuses on the Business Accounting Council (BAC), a public sector standard-setting body, and identifies issues important to BAC members based on their opinions regarding mandatory IFRS adoption in Japan using content analysis. By analyzing related BAC meetings, Tsunogaya (2016) shows that representatives from accounting academics, the manufacturing industry, and the Financial Service Agency (FSA) indicated a higher level of disapproval toward the mandatory adoption of IFRS than did representatives from the Japanese Institute of Certified Public Accountants (JICPA) (p. 829). Tsunogaya also suggested that opponents tend to consider the local context and recommend voluntary IFRS adoption, whereas proponents tend to emphasize the global context and to support the mandatory IFRS adoption. Indeed, Tsunogaya and Tokuga (2015) suggested that "most Japanese constituents prefer a cautious approach ... to a direct approach" (p. 327).

Sanada (2018) confirms that the four accounting standards are commonly formalized into the domestic legal system through *ex post* public sector endorsements, although the standard-setting processes and public delegations can differ. Japan is an interesting example of hybridization between legally incomplete *ex ante* delegation to the private sector standard-setting bodies and *ex post* endorsement by the public sector; in other words, Japan allows a hybrid of "statutory control" and "professional control" (p. 339). Moreover, the study suggests that "the change in the legalization of ASBJ standards has taken place in the context of the voluntary adoption of IFRS and this change, paradoxically, suggests the need to strengthen the role of the state" (p. 340).

Sanada and Tokuga (2020) suggested that public and private interests partially conflict and partially coincide; thus, the ASBJ was exposed to political pressure from various quarters. Thus, the reformation of accounting regulations in Japan in the 2000s was both revolutionary and evolutionary, balancing public and private interests. Furthermore, the Japan Federation of Economic Organizations (*Keidanren*), one of the most influential groups in Japan, initially took a cautious stance toward IFRS adoption. However, as the convergence process progressed, leading to the co-evolution of related institutions, the cost of switching to IFRS borne by the Japanese companies declined. Thus, Keidanren changed its stance and actively advocated for IFRS adoption.

Theoretical contradictions

Although stakeholder participation is necessary for accounting standards to be socially accepted and legitimized (i.e., input legitimacy), each stakeholder has a different belief about how accounting standards should be. Ideology theory assumes that "standard-setters have particular ideologies or beliefs that underlie their decisions" (Gipper, Lombardi, & Skinner, 2013, p. 527). Therefore, various stakeholders lobby to convey their own ideas and ideological beliefs in standard-setting activities as well as the standards themselves (Ramanna, 2015). Reviewing empirical research on the politics of accounting standard-setting, Gipper, Lombardi, and Skinner (2013) suggested the importance of research on "how a broad set of constituents, including preparers, the Big Four audit firms, other accounting firms, industry groups, and other entities participate in the political process" (p. 545). These studies are still in the evolution phase, but there is a certain degree of achievement. Miyauchi and Sanada (2019) developed three hypotheses about constituents' participation in the IFRS standard-setting process from prior studies: regional disparities, professional dominance, and financialization. Moreover, Sanada and Tokuga (2020) suggested that future research should utilize more sophisticated qualitative methods (e.g., content analysis and narrative analysis) to examine constituents' participation in the standard-setting process in Japan.

These issues exist between accounting policy choice at the state level (or macro level) and that at the company level (or micro level); therefore, it is situated at the mezzo level. Regarding accounting policy choice at the mezzo level in Japan, some scholars have suggested the following theoretical contradictions. Tokuga (2015) posits that the three most basic differences between Japanese GAAP and IFRS are the prioritization of net income, treatment of the recycling option (to recycle fair value changes in other comprehensive income (OCI) to profit and loss), and amortization of goodwill. Tokuga (2015) reports that preparers in Japan find that implementing and interpreting the principles-based accounting standards of IFRS present a practical challenge. Moreover, Tsujiyama (2015) indicates that "the theoretical contradiction within IFRS" (p. 3), rather than institutional factors, is the most significant obstacle to IFRS becoming a uniform standard worldwide. Here, the theoretical contradictions within IFRS refer to the discrepancies between the ideal accounting model and market participants' expectations. These theoretical contradictions can be summarized as the conflict between accounting uniformity and flexibility, although the names have been changing in historical contexts with the following variations: the revenue and expense view versus the asset and liability view, fair value accounting versus historical cost accounting, and principles-based accounting versus rules-based accounting.

3.3. Summary

Institutions are rules of the game in which economic and social activities are embedded, and they need to be understood in both structural and cognitive dimensions. Accounting standards are typical of such institutional rules and are subject to varying interpretations and levels of enforcement; therefore, they exhibit ambiguities that provide space for interested actors to change and take advantage of them. Since the 1990s, institutions and institutionalizations have gone beyond national borders, and the conflict between conventional institutions in local settings and new institutions in transnational and global settings has become a pressing issue. The theory of gradual institutional change, which focuses on endogenous changes and political processes, offers numerous suggestions for considering these confrontations. Applying this theory, the coexistence of the four sets of accounting standards in Japan can be interpreted as institutional layering.

Based on the above understanding, this study seeks to examine how each accounting standard is established in this institutional layering situation and investigates how each actor participates and precipitates accounting change as a change agent.

4. Research methods

4.1. Quantitative content analysis

This study examines the comment letters that the ASBJ received for their discussion papers and exposure drafts for its revenue recognition project using a "two-step approach" (Higuchi, 2016 & 2017) that combines both quantitative and qualitative techniques.[15] Specifically, our analysis proceeded using a free software called KH

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[15] This approach comprises the following two steps (Higuchi, 2016, p. 77):

1) Extract words automatically from data and statistically analyze them to obtain an overall picture and explore the features of the data while avoiding the prejudices of the researcher.
2) Specify coding rules, such as "if there is a particular expression, we regard it as an appearance of the concept A," and extract concepts from the data. Then, statistically analyze the concepts to deepen the analysis.

Coder[16] and extract and make inferences about latent logic contained in the text similar to the method of "text mining", but the main analyses are qualitative, in which the researchers closely examined the comment letters. To perform analysis using KH Coder, we used "force pick up" function and preliminarily have specified forcibly extracting keywords that are particularly important and distinguishing in IFRS 15 and ASBJ Statement No. 29 (see Appendix).

4.2. Data and analysis

Data

We examined the 152 comment letters that the ASBJ received from constituencies for the following five documents regarding the revenue recognition project. As each document contains issues and questions, we covered the respective responses and comments as individual text data. Therefore, the final dataset consisted of 1050 text items.

(a) *Discussion Paper on Revenue Recognition*. September 8, 2009 (DP 2009).
(b) *Discussion Paper on Revenue from Contracts with Customers*. January 20, 2011(DP 2011).
(c) *Call for Public Comments on Accounting Standards on Revenue Recognition*. February 4, 2016 (DP 2016).
(d) *Exposure Draft of Accounting Standard for Revenue Recognition* (Exposure Draft of Statement, No. 61) and *Exposure Draft of Guidance on Accounting Standard for Revenue Recognition* (Exposure Draft of Guidance, No. 61) July 20, 2017 (ED 61).
(e) *Proposed Amendments to ASBJ Statement No. 29 Accounting Standard for Revenue Recognition* (Exposure Draft of Statement, No.66) and *Proposed Amendments to ASBJ Guidance No. 30 Guidance on Accounting Standard for Revenue Recognition* (Exposure Draft of Guidance, No.66). October 30, 2019 (ED 66).

[Insert Table 1]

Phased approach

Regarding the specific steps of our analyses, we set up the following three phases. In the first phase, we quantitively analyzed the comment letters using KH Coder to acquire a general overview of the dataset.[17] In particular, compared to all comment letters

[16] KH Coder, a free software, can analyze Japanese, English, Chinese, French, and other text and it uses Stanford POS Tagger to extract words from English data, R for statistical analysis, and MySQL to organize and retrieve the data. These software programs, including KH Coder, have been used by many researchers and more than 1000 studies using KH Coder have been published (Higuchi, 2016, p. 78).

[17] All the comment letters were written in Japanese; therefore, we used the Japanese version of KH Coder, and our analytical procedures have all been done in Japanese.

posted to the ASBJ from 2001 to 2019, we could make sense of the special features of our data. Second, to investigate frequent words and their contexts, we explored what kinds of words have similar appearance patterns and identified clusters using co-occurrence network analysis[18] and hierarchical cluster analysis.[19] When we identified clusters, we undertook the necessary adjustment based on dissimilarity. We also applied correspondence analysis,[20] which reveals potential associations (or biases) between the contents of comments and their posted tims and commenters' affiliations.

In the second phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process for the first general policy of the ASBJ—accepting all requirements of IFRS 15. In so doing, we specifically examined 67 comment letters submitted to DP 2009, DP 2011, and DP 2016, not all 152 letters. In particular, we subjectively performed coding according to the following rules:

> Comment codes: supporting (S), opposing (O), or neutral (N)
> Categorizing rhetoric used: conceptually based arguments (C), self-referential arguments (SR) or both arguments (B)

Thus, the two coders subjectively coded a text as "supporting" when the comment letter clearly supported the general policy, while we coded it as "opposing" when the comment letter explicitly opposed the policy. When the comment letter did not necessarily clarify its stance, we coded it as "neutral." In addition, we qualitatively examined the rhetoric used when the comment letter articulated its stance on the first general policy.

Then, in the third phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process to the second general policy of the ASBJ–adding optional treatments to cover implementation problems in Japan, and we clearly articulated which accounting treatments were selected and/or eliminated in the standard-setting process. In this way, we again examined all

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[18] The co-occurrence network analysis can clarify "the association between words and variables/headings, in addition to the associations between words" (Higuchi, 2017b, p. 50). We used the "filter" function of KH Coder to display only nouns, verbs, adjectives, and adjectival verbs and forcibly extracted keywords that appear in the documents.
[19] The hierarchical cluster analysis can find and analyze "which combinations or groups of words have similar appearance patterns" (Higuchi, 2017b, p. 49). We used the "filter" function of KH Coder to display only nouns, verbs, adjectives, and adjectival verbs and forcibly extracted keywords that appear in the documents.
[20] The correspondence analysis is used "to explore what kinds of words have a similar appearance pattern" (Higuchi, 2017b, pp. 43-44). In particular, we utilized this analysis to elucidate the association between words and comment periods and that between words and commenters' affiliations. We also used the "filter" function of KH Coder to display only nouns, verbs, adjectives, and adjectival verbs and forcibly extracted keywords that appeared in the documents.

comment letters. In this regard, however, we only picked up six topics regarding optional treatments (revenue recognition at delivery, gross revenue/net revenue, a buy-sell transaction, percentage-of-completion method, meter reading data basis, and customer loyalty program) as a consequence of our cluster analysis from the first phase.

5. Result

5.1. Phase one: Overall results

General description of the comment letters

Comparing the general distributions of the 152 comment letters posted on the revenue project (table 1) and 1969 comment letters posted to the ASBJ since its founding (table 2), we identified the following points: On one hand, the percentage of auditors (auditing companies, the JICPA, and individual auditors) is a little under 30%, which is the same as that of the comment letters posted for other topics. In contrast, the percentage of preparers (including industry groups) was more than 50%, although that of all the comment letters from 2001 to 2019 was about 30%. This indicates that the revenue recognition project attracted a high level of interest from preparers (industry group). Moreover, when the standard-setting activities shifted into full-scale implementation after the issuing of IFRS 15, *Call for Public Comment* of 2016 (DP 2016) and *Exposure Drafts* No. 61 (ED 61) attracted considerable attention, and many comments were posted.

[Insert Table 2]

Computer-based analysis

Our computer-based analyses using KH Coder revealed the following findings: First, the co-occurrence network analysis (minimum term frequency 80)[21] identified 19 clusters of terms in which the group of clusters about standard-setting activities (e.g., accounting standards, application, necessity, consideration, etc.) is adjacent to the group of clusters about general revenue recognition matters (e.g., revenue, contract, performance obligation, customer, service, and etc.). Moreover, we can find some clusters for individual matters (e.g., meter reading–gas, contract assets–contract liabilities–receivable, sell-buy transaction–supply, point–impartment, principal–agent, construction–construction contract, etc.). The results from the co-occurrence network analysis (minimum term frequency 50) identified 20 clusters, however, the general outline of the clusters is almost the same distribution as in the former analysis.

[21] "Term Frequency" (TF) means the number of occurrences of each term in the text data. Therefore, "minimum term frequency 50" means that terms appearing less than 50 times in the text were excluded from the analysis. Additionally, we specified [Communities: random walks] for a color-coding scheme in visualizing a words-words network.

[Insert Figure 1a &1b]

The hierarchical cluster analysis for frequently appearing words (minimum term frequency 80), after dissimilarity adjustments, also identified 20 clusters. Furthermore, an additional analysis that enlarged the targeted terms and indicated the minimum term frequency at 50 identified 15 clusters. Therefore, we can see that the results from the hierarchical cluster analyses are almost the same as those of the co-occurrence network analyses, and we finally identified 20 clusters and sorted four groups of clusters from them. On the one hand, Groups A, B, and C cover matters of revenue recognition, and on the other hand, Group D focuses on general standard-setting problems. In addition, some clusters of individual matters were found in each group.

[Insert Table 3a & 3b]

Therefore, we can determine six different matters and related options for which we provide in-depth consideration in the third phase as follows:

1. Delivery (Revenue recognition at delivery)
2. Principal—Agent (Gross revenue/net revenue)
3. Supply—Sell-buy transaction—Liabilities—Financial components (A sell-buy transaction)
4. Construction contract—Construction—Completion—Percentage of completion method (Percentage of completion method)
5. Gas—Meter reading (Meter reading data basis)
6. Impartment—Points (Customer royalty program)

In addition, to analyze the relationship between frequent appearance terms and comment periods and/or commenters' affiliations, we conducted correspondence analyses. The findings show that there are potential biases in comment letters according to the timing of the comment periods. Specifically, the comment letters to DP 2009 and DP 2010 have a correspondence relationship with the terms that indicated the basic ideas and principles of accounting standards (e.g., measurement, obligations, transfer, model, faithfulness); however, the comment letters to ED 61 and ED 66 have specific and concrete details of standards (e.g., gas, supply, meter reading data basis, notes). Moreover, we also find potential biases in the comment letters by the commenters' affiliations. For instance, although auditors' comments tended to be comprehensive and theoretical discussions, preparer industry groups focused more on "construction contracts," and preparers are associated with "meter reading data basis" and "sell-buy transaction".

[Insert Figure 2a ,2b, 2c &2d]

Summary

Our co-occurrence and cluster analyses identified four groups of clusters that consisted of 20 clusters. These groups are broadly divided into two categories: One focuses on matters of revenue recognition and the other on the general standard-setting problems. In addition, we found some clusters of individual matters in each group and sorted six different matters regarding optional treatments, which we discuss in detail in the third phase. Moreover, our correspondence analyses found that there are potential biases between frequently appearing terms and comment periods and/or commenters' affiliations.

5.2. Phase two: Positions taken and rhetoric used by respondents to the full adoption of IFRS 15

In this phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process for the first general policy of the ASBJ—accepting all requirements or the full adoption of IFRS 15. We investigated 67 comment letters that were submitted to DP 2009, DP 2011, and DP 2016. While DP 2009 asked for a comment about the proposed model in *Preliminary Views on Revenue Recognition in Contracts with Customers* (IASB, 2008c), DP 2011 and DP 2016 asked whether Japan's revenue recognition standards would be based on IFRS 15. In other words, these questions pertain to whether Japan should have fully accepted IFRS 15. Therefore, our aim in this phase is, by investigating the comment letters, we can understand changes or continuation in Japanese constituencies' attitudes towards the convergence between IFRS and Japanese GAAP: the full adoption of IFRS 15, setting a new standard from Japan's own viewpoint, or in between.

Two coders carefully read 67 comment letters and coded them as "supporting," "opposing," or "neutral" based on our coding rules. In addition, keywords and rhetoric were extracted from each text.

[Insert Table 4]

The coding results are presented in Table 5. Compared to DP 2009 and 2011, the support for the full adoption of IFRS 15 at the time of DP 2016 was increasing, and the number of opposers was decreasing. To explain the reason for this change, we provide a detailed explanation by examining the underlying rhetoric of the comment letters. However, we cannot ignore the changes in the macro environment. That is, from 2010 onward, listed companies in Japan have been allowed to choose the Designated International Accounting Standards (IFRS) for their consolidated financial statements, and companies using IFRS are increasing. In 2016, when the revenue recognition project became full-fledged, more than 100 companies had adopted IFRS, and these companies were selected as special companies that conduct financial or business activities internationally.

[Insert Table 5]

Supporting rhetoric

Many supporters agreed with the full adoption of IFRS 15 in Japan in principle; at the same time, they had some concerns and requests. That is, they supported ASBJ's decision with the following rhetoric: international consistency, convergence, financial statement comparability, comparability in international accounting standards, and qualitative improvement of Japanese GAAP (Ernst & Young ShinNihon (EY), 2009; JICPA, 2009, 2016; KPMG Azsa (KPMG), 2009; PricewaterhouseCoopers Arata (PWC), 2009).

> …We support the ASBJ's decision to refer to IFRS 15 as a starting point for their standard-setting process because of our consideration of international comparability and our evaluation of the comprehensiveness of IFRS 15 (JICPA, 2016).

They also suggested that, as IFRS 15 had already incorporated Japanese opinions and that Japan did not yet have comprehensive rules for revenue recognition, it was reasonable to proceed with the examination of existing international rules as a base rather than starting from scratch (Deloitte Touche Thoumatsu (Deloitte), 2016; EY, 2016).

However, they required clear definitions and additional guidelines, and expressed concerns about the scope of application or the relationship with separate financial statements (EY, 2009; KPMG, 2009, 2016; Japan Foreign Trade Council (JFTC),2011; JICPA, 2009, 2011; PWC, 2009).

Opposing rhetoric

Opponents expressed the logic that existing Japanese rules for revenue recognition, which can recognize revenue in a timely manner when the goods or services associated with the revenue have been delivered or rendered to a customer based on the realization principle, are adequately functional and have no substantial problem providing useful information to investors (Japan Iron and Steel Federation (JISF), 2009, 2011; Keidanren, 2011).

> We think that the current model, which can recognize revenue in a timely manner when the goods or services associated with the revenue have been delivered or rendered to a customer based on the realization principle, is adequately functional and has no significant problem providing useful information to investors. However,

> the proposed model, which may recognize revenue at the time of the conclusion of the contract depending on the measurement timing of performance obligations, is not appropriate for properly depicting the results of corporate activities (JISF, 2009).

They also pointed out that Japanese accounting conventions stem from business practices and customs (e.g., realization principle, percentage of completion method, revenue recognition at delivery), and thus, the introduction of new accounting standards unrelated to these conventions would create an enormous cost for Japanese companies due to difficulties in practical measures, training, and education (Japan Chamber of Commerce and Industry (JCCI), 2009; Japan Federation of Construction Contractors (JFCC), 2011; Japanese Shipowners' Association (JSA), 2011; Keidanren, 2011). Regarding this point, they demanded explicit definitions of newly introduced concepts such as "performance obligation," and preparers clearly opposed the elimination of "revenue recognition at delivery" measures and "percentage of completion method" (JCCI, 2009; Japan Foreign Trade Council (JFTC), 2011). Moreover, there were other societal concerns about coordination with the Corporate Tax Act and inconsistency with other accounting standards and possible impacts to separate financial statements (JFCC, 2011, 2016; Keidanren, 2011).

Neutral rhetoric

Neutral opinions required clarification in the depictions, judgment criteria, and procedural explanations, because the IASB's proposed standards are difficult to understand (Keidanren, 2009; TEPCO, 2009). In addition, they required flexible treatment as transitional measures, options, additional notes, extensional uses of the principle of materiality (Japanese Bankers Association (JBA), 2009; Petroleum Association of Japan, 2016). Regarding increasing practical burdens and the need for delicate coordination with the Corporate Tax Act, they requested more cautious discussions, sufficient consideration, and careful judgement (Japan Chain Store Association (JCSA), 2011; Japan Department Stores Association (JDSA), 2011, 2016; Life Insurance Association of Japan, 2016).

> We expect that non-listed medium-sized firms will be more strongly affected by the convergence of accounting standards than listed companies, for which the Japanese administration now considers the mandatory application of IFRS. For non-listed firms aimed at the domestic market, the need to apply the equivalent standard with IFRS is proportionally lower (JDAS, 2011)

As such, their concerns and requests were similar to those of the supporters and opponents.

Summary

Our investigation in this phase showed the following results. First, the number of supporters of the full adoption of IFRS 15 increased, and that of opponents decreased over the years. One possible reason for these changes in constituents' views is the increase in the number of Japanese companies using IFRS for their consolidated financial statements since the Financial Service Agency (FSA) of Japan had accepted the voluntary use of IFRS by Japanese companies in 2009.

Second, there is a clear distinction between supporters (e.g., auditors) and opposers (e.g., preparers) for the full adoption of IFRS in Japan. Examining their rhetoric in detail, the supporters used terms such as international consistency, convergence, financial statement comparability, comparability in international accounting standards, and qualitative improvement of Japanese GAAP. In contrast, opponents suggested that Japanese accounting conventions such as the realization principle, percentage of completion method, revenue recognition at delivery, and the introduction of new accounting standards unrelated to those conventions would create an enormous cost for Japanese companies due to difficulties in practical measures, training, and education. Those with neutral opinions complained about the unintelligibility of the proposed model and required flexible treatment in the application of the new standards; in that sense, supporters relied more on theoretical grounds, that is, they supported the proposed model and the transition to IFRS 15 through the position of international comparability. However, the opposers provided self-referencing arguments; that is, they opposed the proposed model and the adoption of IFRS 15 based on existing conventions and practices.

Third, we witnessed changes in commenters' positions from opposing and/or neutral to supporting views, a gradual decrease in the number of oppositions, and the existence of conditional supporters who required optional treatment. In particular, changes in the Keidanren, one of the most powerful lobby groups in Japan, are worthy of notice because it is a comprehensive economic organization with a membership comprising major Japanese companies and has substantial weight and political influence on Japanese industries. Therefore, as their opinions changed from a cautious and anxious stance to a more affirmative one, these changes may have precipitate dchanges by other organizations.

5.3. Phase three: Positions taken, and rhetoric used by respondents about optional treatments

In this phase, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process about the second general policy of the ASBJ–adding optional treatments to deal with implementation problems in Japan and then we determined which accounting treatments were selected and/or eliminated in the standard-setting process. In particular, the following six topics were the subjects of our analysis: revenue recognition at delivery, gross revenue/net revenue, a sell-buy transaction, percentage of completion method, meter reading data basis, and customer loyalty program or point system. First, to identify the comment letters to be included in this phase, we searched using the above keywords, and KH Coder identified 156 comments. Table 6 shows the distribution of the letters.

[Insert Table 6]

Our research agenda in this phase is that, by investigating the comment letters, we can understand how stakeholders react to the introduction of new revenue recognition standards that will require accounting treatments different from conventional ones; in particular, we examine what rhetoric is associated with acceptance, resistance, or attempts to change the situation.

5.3.1. Revenue recognition at delivery

Background

Hitherto, based on the realization principle, revenue was recognized at the time of realization, that is, at the time of the delivery of goods and services in Japan. However, there was no clear provision for a specific time period. Therefore, according to business customs and conventions, each company posted sales based on delivery, arrival, or inspection. In other words, companies could account for similar transactions in various ways.

In principle, the initial proposed model, which recognizes revenue when a performance obligation is satisfied, did not allow preparers to recognize revenue at delivery. However, the new Japanese standards (Statement No. 29 & Guidance No. 30) made an exception that permitted companies to recognize revenue at delivery in cases for which the time period from the point in time at which the entity deliver goods to the point in time at which a customer obtained control of goods was “a normal term” (Guidance No. 30, 98) of domestic transactions. In other words, the new standards assume that performance obligations may be satisfied at a specific point in time.

This exception already appeared in Exposure Draft 61. The reasons for this are as follows: In domestic transactions, the normal term of delivery time is approximately a few days, maximum, and thus, the amount of difference between revenue recognized at delivery and revenue recognized at the point when a customer obtains control of a promised good is of less significance by ordinary measures and may not impair financial statement comparability (Guidance No. 30, 171).

Analysis

The term "revenue recognition at delivery (出荷基準)" appeared 65 times in 27 comment letters (27 pieces of data) in the sample. Two coders eliminated three comment letters because they only used the term and had no specific reference to accounting treatment. Finally, we identified 24 comment letters (25 data points) for review. Table 7a reports the coding result.

[Insert Table 7a]

The distribution of the 24 comment letters is as follows: auditors (12), auditors' industry group (1), preparers' industry group (8), regulatory body (1), and other (2). Among these, there were seven comment letters advocating for optional treatment (i.e., revenue recognition at delivery), five not advocating the optional treatment, 12 discussing some requirements, and four discussing some explanations and opinions (the total number does not match the number as calculated because some comments were sorted into more than one category).

As this topic was chosen as one of the specific issues in DP 2009, this discussion paper attracted the most comments. Advocates (A) suggested that the reason why this accounting treatment was accepted in Japan is that it was possible to assume "risks and economic values are transferred to the buyers at delivery" (JISF, 2009; Keidanren, 2009). They also indicated that banning the use of this treatment would destroy Japanese business conventions and incur substantial costs for the additional improvement of the system for Japanese companies.

> Given that Japan accepted revenue recognition at delivery, it is possible to assume that risks and economic values are transferred to buyers when an asset is delivered, and once that happens, it seldom fails. […] A ban on the use of this treatment would destroy Japanese business conventions and require a system in which sellers can confirm the receipt and inspection by buyers (Keidanren, 2009).

Moreover, as this ban could have a detrimental effect on the entire supply chain, the Ministry of Economy, Trade and Industry (METI) expressed concerns about "the possibility of the further direct and indirect effect to unlisted companies that have little to do with accounting globalization" (METI, 2009). Conversely, the opposers (NA) pointed out that the continuance of this accounting treatment could have "problems from the viewpoint of the convergence of accounting standards" (EY, 2009) and revenue recognition at delivery is a mere "compendium model" (JICPA, 2009).

5.3.2. Gross revenue/net revenue (principal versus agent considerations)

Background

Heretofore, *Income Statement Principles* in Japan had designated the "gross revenue principle" for the basis of presentation.[22] Although this principle accepts special items to be presented by net revenue as an exception, there is no clear provision for a specific situation in which net revenue is approved. The new Japanese standards, following IFRS 15 (B34-38), stipulate "principal versus agent consideration" in "special treatments in specific situations and transactions" (Guidance No. 30, 39–47).

Analysis

We used keywords such as "principal," "agent," "gross," "net"; however, "agent" appears more frequently than other keywords in the sample. Therefore, we chose the term "agent(代理人)" as the keyword for searching. This term appeared 89 times in 32 comment letters (42 data points). Table 7b reports the coding result.

[Insert Table 7b]

The distribution of the 32 comment letters is as follows: auditors (15), auditors' industry group (2), preparers' industry group (13), users' industry group (2), and other (2). Among these, there were three comment letters advocating the optional treatment (A), five not advocating the optional treatment (NA), 15 discussing some requirements (R), and five discussing some explanations and opinions (E) (the total number does not match the number as calculated because some comments were sorted into more than one category). We can expect the comment letters categorized in R and E to express a rough endorsement of the optional treatment

Every discussion paper attracted an even amount of comment letters. Both advocates and opponents expressed the need for concrete criterion for judgment, and additional illustrative examples (JDSA, 2016; JFTC, 2011; JISF, 2011; Keidanren, 2016; PWC, 2011), and in-depth explanation (Keidanren, 2017).

> We request the ASBJ to deliberate concrete criteria for defining gross revenue or net revenue based on the Japanese trading conditions (JFTC, 2011).

More specifically, many comment letters suggested that there are some transactions that cannot easily distinguish between principal and agent such as "sale with a right of return," "a consumption purchase contract," and "repurchase agreement" due to unique business practices of department stores and supermarket chains (JCSA, 2016; JDSA, 2011, 2016;

[22] The Business Accounting Principles were issued by the Investigation Committee on the Business Accounting System, a former body of the BAC in 1949, and they consist of General Principles, Income Statement Principles, and Balance Sheet Principles.

PWC 2011)

5.3.3. Buy-sell transactions

Background

In the case of a buy-sell transaction or a buy-sell back transaction, the company (purchasing party) provides raw material or feedstock to another company (supplying party) with compensation, and then the purchasing party buys the goods back after at a certain price processing. Hitherto, the purchasing party did not recognize revenue at the point in time when the purchasing party provided goods and then adjusted the balance between the selling price and the buy-back price as a cost item, although the purchasing party would de-recognize or remove relevant goods from the balance sheet. This is because Japanese accounting conventions considered the control of providing goods as transferring to the supplying party at the point in time when the purchasing party provides goods and that this transaction has no commonality with financial transactions.

The new standards assume a buy-sell transaction to be type of repurchase agreement. Exposure Draft No. 61 proposed that, recognizing claims to the supplying party at the point in time when the purchasing party provides goods, the purchasing party must recognize the amount of a providing price as financial liability (illustrative examples 32). However, the final standards approved the following optional treatments: When the company is obliged to rephase provided goods, it does not recognize revenue from the provided goods and does not de-recognize these goods in consolidated financial statements. However, to consider a possible difficulty in inventory management, the final standards permit a company to de-recognize provided goods at the point in time when the purchasing party provides goods only in separate (individual) financial statements. Even in this case, the company does not recognize revenue from proved goods to avoid a double recording of profits.

Analysis

The term “sell-buy transaction (有償支給取引)” appeared 88 times in 27 comment letters (30 data points) in the sample. Two coders eliminated two comment letters because they only used the term and contained no specific reference to accounting treatment. Finally, we identified 25 comment letters (28 data points) to review. Table 7c reports the coding result.

[Insert Table 7c]

The distribution of the 25 comment letters is as follows: auditors (12), auditors’ industry group (1), preparers’ industry group (3), preparers (6), users’ industry group (1), and other (2). In these, eight comment letters advocating the optional treatment (A), one does not advocate the optional treatment (NA), 14 discussing some requirements (R) is 14, and 10 discussing some explanations and opinions (E) (the total number does not match the number as calculated because some comments could be sorted into more than one category). We can expect the comment letters categorized in R and E to express a rough endorsement for the optional treatment and observe that there are substantially fewer opposing comments than there were for other topics.

The point of the argument is that a buy-sell transaction is a type of repurchasing agreement; thus, the purchasing party does not derecognize the goods and must recognize the amount of the provided price as a financial liability and as a financial transaction. Some comment pointed to the ambiguity of judgment criteria for deciding whether a certain transaction is applicable as a repurchase agreement (AISIN/Toyota Industry/DENSO, 2017). Additionally, Toyota suggested that "as far as Toyota is concerned, our buy-sell transactions have no feature of financial transactions because the control of goods are transferred to the supplying party at deliver" (Toyota, 2017). Conversely, the opposers (NA) noted that the clarification that revenue is not recognized from buy-sell transactions has a possible deterrent effect of accounting fraud (Securities Analysts Association of Japan (SAAJ), 2017).

5.3.4. Percentage of completion method

Background

The ASBJ issued Statement No. 15 *Accounting Standards for Construction Contracts* in December 2007, effective in April 2009. This standard stipulated the application of both the complete contract method and the percentage-of-completion method, although the latter was only accepted when "certainty of accomplishment" was assured. This certainty claims that contract revenue, contract costs and the stage of contract completion should be reliably estimated. However, the model proposed by the IASB made a sudden transformation and required that revenue be recognized only at the point in time when the contraction activity was completed. Therefore, the ASBJ initially claimed that the percentage of completion method should be maintained in the IASB standard (ASBJ, 2009a).

Statement No. 29 and Guidance No. 30 were issued, and Statement No. 15 was replaced with related guidance. The new standards required that an entity be determine at contract inception whether it satisfies the performance obligation over time or at a specific point in time. That is, by replacing the certainty of accomplishment, the new standards determined the applicability of the percentage-of-completion method based on whether the performance obligation was satisfied over timet. For performance obligations satisfied over time, an entity recognizes revenue over time by measuring progress towards complete satisfaction of that performance obligation. If an entity cannot reasonably measure that progress, it recognizes revenue only to the extent of the costs incurred until that time (i.e., the cost recovery method) instead of the complete contract method (Statement No. 29, 152–154). Therefore, in practice, the new standards also approved the percentage-of-completion method.

Analysis

The term "percentage of completion method (工事進行基準)" appeared 95 times in 39 comment letters (58 data points) in the sample. Two coders eliminated three comment letters because they only used the term and contained no specific reference to accounting treatment. Finally, we identified 36 comment letters (55 data point) for review. Table 7d reports the coding result.

[Insert Table 7d]

The distribution of the 36 comment letters is as follows: auditors (14), auditors' industry group (1), preparers' industry group (14), users' industry group (4), regulatory body (1), and other (1). Among these, nine comment letters advocate the optional treatment (A), 0 do not advocating the optional treatment (NA), 15 discuss some requirements (R) is 15, and 16 discuss some explanations and opinions (E) (the total number does not match the number as calculated because some comments were sorted into more than one category). We can expect the comment letters categorized in R and E to express a rough endorsement for the optional treatment; thus, we only observed endorsing comments.

The point of the argument is whether the percentage of completion methods should be maintained. Although preparers expressed a full denial of the proposed model, indicating that "Japanese existing revenue recognition rules are adequately functional and have no significant problem with providing useful information to investors" (Keidanren, 2011), some comments sought careful reactions because "*Accounting Standards for Construction Contracts* are quite new and frequent policy changes may require Japanese companies to rebuild a framework and system, and thus, impose an additional cost" (METI, 2009). In addition, although JICPA (2009), essentially negative regarding the introduction of exceptions, suggests a malady of frequent policy change, they seek close consideration of the optional treatment of the percentage of completion method.

> As *Accounting Standards for Construction Contracts* (ASBJ Statement No. 15) were introduced in Japan, we expect that repeated revisions will promote unnecessary confusion in practice. If exceptional situation that accept treatments

substantially similar to the percentage method are permitted for construction contracts fulfilling a certain condition, we require close consideration of the applicable condition (JICPA, 2009).

Some comments required additional guidance on reasonable measures of progress in the cost recovery method (JFCC, 2016; Keidanren, 2011) and preferential measures for SME (JFCC, 2016).

5.3.5. Meter reading data basis

Background

Electrical power suppliers and gas companies in Japan, hitherto, employing the meter reading data basis, have recognized revenue based on monthly usage by the customer from certain meter reading data except from at the end of the month, and carry revenue accrued from the meter reading data to the end of the next month. However, the new revenue recognition standards assume that the service contracts of these companies are performance obligations satisfied over time and require them to estimate and recognize revenue accrued from the meter reading data to the end of the month over the next month.

On this point, many interested companies insisted on the difficulty of using estimates; however, the ASBJ refrained from introducing optional treatment regarding this matter because they failed to evaluate the difficulty and build a consensus (Guidance No. 30, 188).

Analysis

The term “meter reading data basis (検針日基準)” appeared 60 times in 12 comment letters (12 data points) in the sample. Table 7e reports the results of coding.

[Insert Table 7e]

The distribution of the 12 comment letters is as follows: auditors (1), preparers’ industry group (2), and preparers (9). Among these, there were 9 comment letters advocating optional treatment (A), 0 that do not advocate the optional treatment (NA), and 12 discussing some requirements (R) is 12. We can expect the comment letters categorized in R to express a rough endorsement for the optional treatment; thus, we only observed endorsing comments.

5.3.6. Customer loyalty program

Background

There is no specific standard for points-based loyalty programs in Japan. The points systems broadly fall into two categories: stand-alone points programs in which a retailer rewards customers for purchases with points that can later be redeemed for discounts or even merchandise and "point-alliance" programs in which other affiliated companies issue and reward points that can be later redeemed for discounts. In the case of the former, at the point in time when an entity rewards the points, there is no need for journalizing hitherto Japanese accounting rules. When the customer utilizes the points for a discount, an entity needs to account for the "sales allowance" or "sales promotion expense." At the end of the fiscal year, an entity must allocate "provisions for point card certificates" for unused points.

The new standards require recognition of another performance obligation when an entity grants a customer the points and recognizes revenue in accordance with the core principles[23] in "customer options for additional goods or services" of special treatments in specific situations and transactions (Guidance No. 30, 48–51). In particular, the new standards require an entity to allocate the transaction price to performance obligations on a stand-alone selling price basis.

In this accounting treatment, many respondents insisted on the difficulty of reasonable allocation of the transaction price and demanded optional treatment. However, the ASBJ refrained from introducing optional treatment regarding this matter because both provisions for point card certificates and the allocation on a relative stand-alone selling price basis require estimations, and the latter does not necessarily involve a significant cost (Guidance No. 30, 186).

Analysis

The term "points (ポイント)" appeared 171 times in 29 comment letters (40 data points) in the sample. Two coders eliminated one comment letter because it only used the term and had no specific reference to accounting treatment. Finally, we identified 27 comment letters (38 data point) for review. Table 7f reports the coding result.

[Insert Table 7f]

The distribution of the 27 comment letters is as follows: auditors (11), auditors' industry group (2), preparers' industry group (10), users' industry group (2), and other (2). Among these, there were four comment letters advocating optional treatment (A), 0 that did not advocate the optional treatment (NA), 16 discussing some requirements (R), and

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[23] The new Japanese standards follow the core principles of IFRS 15, applying the following five steps: identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation.

10 discussing some explanations and opinions (E) (the total number does not match the number as calculated because some comments were sorted into more than one category). We can expect the comment letters categorized in R and E to express a rough endorsement for the optional treatment; thus, we only observed endorsing comments. In particular, these comment letters complained about the diversity of point programs (JICPA, 2016; JSCA, 2011, 2016), the aforementioned difficulty in the allocating the transaction price and corresponding tangled procedures, and thus, the need for guidance (Keidanren, 2016) and illustrated examples (JDSA, 2016).

5.3.7. Summary of analyses

Our investigation in the third phase indicates that preparers stand as bearers of Japanese accounting conventions or vested interests with self-referring rhetoric and that accounting professions act as promoters of accounting internationalization with theoretical rhetoric. Although our judgments are derived from a small amount of data, it is possible that optional treatments that attract various stakeholders, especially auditors, are easy to accept. In that sense, we can expect the "professional dominant hypothesis" (Miyauchi & Sanada, 2019) here in Japan.

5.4. Summary of findings in three phases

Japan's revenue recognition project has attracted a high level of interest from preparers and their comment letters indicate specific demands in accounting treatments. Our analyses using KH Coder extract words automatically from the data and identify four groups of clusters that essentially consist of twenty clusters. These groups are broadly divided into two categories: one focuses on matters of revenue recognition and the other on general standard-setting problems.

Our qualitative analyses reveal that the number of supporters of the full adoption of IFRS 15 has increased and that of opponents has decreased over time. One possible reason for these changes in constituents' views is the increase in the number of Japanese companies using IFRS for their consolidated financial statements since the Financial Service Agency (FSA) of Japan accepted the voluntary use of IFRS by Japanese companies in 2009. In addition, we found a clear distinction between supporters (e.g., auditors) and opposers (e.g., preparers) for the full adoption of IFRS in Japan. Examining their rhetoric in detail, it can be seen that the supporters rely more on theoretical grounds; that is, they support the proposed model and the transition to IFRS 15 through the position of international comparability. However, the opposers conduct self-referencing arguments; that is, they oppose the proposed model and the adoption of IFRS 15 based on existing conventions and practices. Moreover, we witnessed changes in commenters' positions from opposing and/or neutral to supporting the changes, a gradual decrease in the number of oppositions, and the existence of conditional supporters who require optional treatment. In the next section, we consider the theoretical and institutional significance of our findings.

6. Discussion and conclusion

6.1. Go wisely and slowly

To answer our first question about why the ASBJ needs a long preparatory period for the implementation of a new standard for revenue recognition, we notice two environmental changes: the modification of the revenue recognition standards set by the IASB/FASB and macro environmental changes in Japan.

Modification of IASB/FASB standards

Prior to the financial crisis of 2007–2009, the status of fair value measurement and/or fair value accounting (FVA) expanded the significance and position of controversy in international accounting standard-setting activities. In other words, the idea of FVA had become “a motivating and quasi-philosophical principle at the centre of an accounting reform process led in different ways by specific members of FASB and IASB” (Power, 2010, p. 197) beyond a mere technical measurement convention. However, during the financial crisis, the IASB faced criticism regarding the role of fair value measurement and, thus, legitimacy crisis (Kusano & Sanada, 2019). To repair its legitimacy, the IASB approved reclassification of financial instruments that firms could change their measurement bases from fair value to historical or amortized costs. In this context, the IASB/FASB revenue recognition project was also a case in which “a proposed reorientation toward fair value in revenue accounting was abandoned at a time when conditions were by all appearances interconnected and reinforced the rise of fair value in other areas of accounting” or a situation that “runs counter to certain trends in standard setting over the past few decades and contradicts assertions by standard setters themselves that fair value is here to stay” (Baudot, 2018, p. 659, referring McGregor, 2007 and Power,2010). In other words, IFRS 15 has suggested swinging back from FVA to historical cost accounting.

The ASBJ has been continuing to engage in dialogue and personal exchange with the IASB. Indeed, Japanese members have been included as a trustee of the IFRS Foundation and as a board member of the IASB, and the ASBJ always send comment letters to the revenue recognition project (e.g., ASBJ, 2009a, 2010, 2012); that is, they agree in principle but disagree on the details. For instance, while the ASBJ insisted that “original transaction price approach” is essential, it also required a review of the “objective of measuring performance obligations,” a clarification of the concept of the transfer of control, and the maintenance of the percentage completion method (ASBJ, 2009a). The ASBJ also stipulated that “opinions in this comment letter widely reflect the concerns of the Japanese market players" (ASBJ, 2012, p. 2). As such, it is possible that Japan has a certain power of influence in global accounting standard setting and is not always successful. Therefore, we expect IFRS 15 to incorporate several Japanese opinions.

Macro environmental changes in Japan

When the FSA decided to voluntary apply IFRS for consolidated financial statements of Japanese listed companies, these companies were at first not very aggressive but changed their attitudes around 2014.

In 2016, when the revenue recognition project became full-fledged, more than 100 companies that conduct financial or business activities internationally adopted IFRS. For these companies, if the Japanese standards, which they must use for their separate financial statements, are switched to IFRS 15, the additional switching costs might be significantly reduced. In addition, if non-IFRS Japanese companies use revenue recognition standards similar to IFRS 15, it might be easier for them to switch from Japanese GAAP to IFRS.

Summary

Looking at the revenue recognition project in Japan from a historical perspective, although it is still in progress, the ASBJ ran side by side with the IASB/FASB joint revenue recognition project, which aimed to achieve a moving target, and waited its completion; it has thus taken advantage of their achievements in domestic discussions. Indeed, while participating in standard-setting activities in the international arena, the ASBJ and Japanese constituencies seem to have succeeded in exerting a certain resonance with some parts of IFRSs. In the domestic arena, the ASBJ collected opinions from people from all walks of life through comment letters, encouraging a sense of ownership from them.

In addition, there were some opponents, especially among preparers, to the new revenue recognition model and the proposed accounting treatments at the beginning. However, after several opinion hearings through comment letters and the voluntary application of IFRS by Japanese listed companies began in 2010, the number of these opponents has been decreasing and changing to people who are neutral or support the model, or more precisely, conditional supporters, of the ASBJ's proposals in the face of changing environments. As such, the contradictions between traditionalists and internationalists have transitioned from the full adoption of IFRS 15 to the conditional struggles regarding each accounting topic.[24] Indeed, as the ASBJ spent a fair amount of time to

[24] Moreover, the traditionalists and internationalists show a dynamism of positions of actors,

gain consensus on how to manage the IASB/FASB revenue recognition standard and how to make use of it for domestic standard-setting activities, the ASBJ paved the way for the full adoption of IFRS 15. In other words, this prolonged process could have eased and habituated resistance from stakeholders, especially from traditionalists, who were mostly prepares.

6.2. Bricolage: A paradoxical identification between uniformity and flexibility

To answer our second question, which asks how specific accounting treatments are selected and/or eliminated when discussing some optional treatments in the standard-setting process and considers its theoretical significance, we proceed with theoretical discussions.

Exceptions

Guidance No. 30 stipulated some exceptional treatments in the sections of “Special treatments in specific situations and transactions” (34–89), “Treatments when the losses are expected from construction contracts and others” (90–91), and “Optional treatments under the principle of materiality and others” (92–104) (we have discussed these in detail in the previous section) in Chapter V. *Accounting Treatments*. Moreover, the original standards of 2018 only set minimal necessary notes for early adoption (e.g., disclosure of information about an entity’s performance obligations and the timing of satisfaction of performance obligations) in the second section of *Notes* in Chapter IV. *Presentation*, and other related provisions will be set until April 2021. The following agendas were established for discussion: line items for revenues, a separate presentation of the effects of financing (interest revenue or interest expense), and a separate presentation between contract assets and receivables. Thus, the revised version of Statement No. 29 and Guidance No. 30 (revised 2020: IASB, 2020a, 2020b) added new paragraphs for the notes; however, these paragraphs were re-classified from the items in IFRS 15 (Statement No. 29 (revised 2020), 167). As just described, Japanese revenue recognition standards have added exceptions, optional treatments, reclassification, and transitional measures to IFRS 15. Indeed, the ASBJ has not created a new standard from scratch, but have developed bricolage, in other words, they have worked to “build upon, work around, combine, reinvent and reinterpret” (Djelic & Quack, 2003, pp. 25–26) IFRS 15, which consists of exogenous bench-mark rules in the global arena, and some treatments that have been accepted by already-existing accounting rules in Japan.

Significance of bricolage

IFRS 15, an example of a swinging back from FVA toward historical cost accounting, has a certain level of acceptability in Japan. By copying IFRS 15 almost word-for-word,

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in which they sometimes became dominant and then moved to the fringes interchangeably.

a conformity of revenue recognition standards among IFRS, US GAAP, and Japanese GAAP has been established. Indeed, it accomplishes the fundamental objective of Japanese standard setting, that is, financial statement comparability at a global level. Meanwhile, new revenue recognition standards have added some flexible treatments that respond to requests from various stakeholders. This flexibility makes it possible to decrease contradictions and facilitate constituencies' acceptance. In other words, by layering flexible treatments into the standards within the scope of not damaging international financial statement comparability, the ASBJ can consider the opinions of Japanese stakeholders and maintain some accounting conventions.

In the current accounting regulations in Japan, listed companies are permitted to use four sets of accounting standards (Japanese GAAP, US GAAP, IFRS, and JMIS) in their consolidated financial statements, but they can only use Japanese GAAP for their separate financial statements (*Renketsu-Senko*, prioritizing consolidate financial statements). The theory of gradual institutional changes can consider this situation institutional layering. Therefore, the flexibility of the multiple choice for consolidated financial statements and the conformity (no choice but to use Japanese GAAP) for separate financial statements may seem contradictory at first glance. However, at least for revenue recognition standards, Statement No. 29 is close agreement with IFRS 15 and Topic 606; thus, Japanese companies can use almost the same accounting rules for both consolidated and separate financial statements (*Rentan-Icchi,* using same standards both for consolidated and separate financial statements).

As observed above, multiple layering allows for institutional layering in macro accounting regulation and theoretical layering within a particular accounting standard can provide a cushion against the conflict between transnational and local institutions. Thus, this layering can increase the acceptability of transnational institutions (i.e., IFRS) while maintaining some local institutions (i.e., already-existing accounting conventions in Japan).

6.3. Concluding remarks

The purpose of this study was to expand our understanding of how local actors react to accounting transnationalization. Applying the theory of gradual institutional change, this study analyzed the institutional and theoretical significance of the revenue recognition project in Japan. In doing so, we proposed two research questions. First, we ask what kind of process is needed when a new institution is introduced or what institutional change takes place. In other words, we proceeded with empirical considerations about why the ASBJ needs a long preparatory period for the implementation of a new standard for revenue recognition and why the change is gradual. Japan's new standard has adopted all IFRS 15 requirements, which are based on a different concept from the traditional one and are constructed under different environments. When this kind of standard gain social approval and/or becomes legitimated, we investigated how various actors participate in and exercise an impact on the standard-setting process. Second, Japan has responded to institutional pressure both internationally and internally, which requires significant accounting regulation reform with the coexistence (or layering) of four sets of accounting standards. How has the individual standard, which aggregately constructed a set of accounting rules, modified? More precisely, we investigated how specific accounting treatments are selected and/or eliminated when discussing optional treatments in the standard-setting process and consider their theoretical significance.

To answer the above questions, this study conducted a “two-step approach to quantitative content analysis” (Higuchi, 2016, 2017) of comment letters reacting to ASBJ’s discussion papers and exposure drafts related to revenue recognition issued from 2009 to 2019. Comment letters were analyzed in the following three phases. First, we quantitatively investigated the general features of comment letters using KH Coder. Second, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process for the first general policy of the ASBJ–accepting all IFRS 15. Third, we qualitatively examined the differential positions and rhetoric used by various actors participating in the standard-setting process for the second general policy of the ASBJ–adding optional treatments to deal with implementation problems in Japan.

Our findings show that the ASBJ has been waiting to complete the IASB/FASB joint revenue recognition project as a moving target, running side by side, and has taken advantage of its achievements in domestic discussions. This prolonged process can ease and habituate the resistance of stakeholders, especially from traditionalists, who are mostly preparers. Moreover, while adopting IFRS 15 strictly word for word, the ASBJ has also granted some flexibility in Statement No. 29 responding to stakeholder requirements. This accounting bricolage can leave the door open to the possibility of the continuity of a portion of old rules and thus diminish stakeholder opposition to the implementation of new standards.

This study contributes to the literature in two ways. First, empirically tracing the process of gradual change, we have shed light on specific features of Japan’s accounting standard setting, especially the roles of industry groups and accounting professions. Thus, we have provided empirical evidence of the gradual institutional change in accounting. Second, theoretically, we have redefined Japan’s experience of resetting revenue recognition standards in the context of the transnationalization of accounting standards as a process of habituation. In addition, while institutional layering, in which Japan's listed companies can choose one of four sets of accounting standards to use to file their consolidated financial statements, prevails, we also have redefined the layering of some accounting treatments in one standard as accounting bricolage. The former indicates that the application of IFRS 15 has become a taken-for-granted fait accompli both in normative and cognitive dimensions as time advances and through repeated public comment procedures. The latter suggests an institutional coexistence of new and old rules to obtain support and mitigate resistance from major actors in the institutional conflict between the transnational and the local.

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Table 1. General distributions of the comment letters posted to the revenue recognition project in Japan

	DP 2009	DP 2011	DP 2016	ED 61/2017	ED 66/019	Total	Percentage
Auditor	6	4	9	18	6	43	28.3%
Preparers (Industry group)	9	10	12	17	6	54	35.5%
Preparers	1	0	4	20	0	25	16.4%
Users (Industry group)	0	1	3	6	2	12	7.9%
Users	0	0	1	2	2	5	3.3%
Regulatory body	1	0	0	0	0	1	0.7%
Others	2	0	4	6	0	12	7.9%
Total	19	15	33	69	16	152	100.0%
Text data to analyze	162	161	239	339	149	1050	100.0%

Source: Authors

Table 2. General distributions of the comment letters posted to the ASBJ

	2001-2019		2001-2019 (w/o comment letters to ED61& ED66)	
Auditor	507	29.9%	482	29.9%
Preparers (Industry group)	196	11.6%	177	11.0%
Preparers	288	17.0%	268	16.6%
Users (Industry group)	155	9.1%	144	8.9%
Users	296	17.5%	294	18.2%
Regulatory body	2	0.1%	2	0.1%
Others	252	14.9%	244	15.1%
Total	1696	100.0%	1611	100.0%

Source: Authors

Table 3a. The hierarchical clusters (minimum term frequency 80) [In Japanese]

Cluster	Words
A-1	ガス、検針
A-2	影響、受ける、課題、変更、事例、存在、多い、一般、管理、例示、適切、会社、同様、対応、係る、規定、考慮、部分、仮に、システム、負担、監査、個別、懸念、困難、採用、伴う、認める、重要性、乏しい、調整、売上、事業、大きい、損益、計算、財務、報告
A-3	進捗度、測定、原価、回収、確実、高い、使用、応じる、状況、見積り、方法、変動
A-4	コスト、発生、費用、資産、獲得、充足、履行義務、時点、計上、通常、期間、一定
B-1	工事契約、工事、建設、完成、工事進行基準、ソフトウエア、受注、要件、満たす
B-2	指標、代理人、本人
B-3	IASB、FASB
B-4	移転、支配、論点、整理、出荷、活動、思う、踏まえる、明らか、個々、解釈、反映、実態、経済、リスク、価値、モデル、賛成
B-5	支給、有償支給取引、負債、金融
B-6	義務、履行、有す、対価、権利、商品、販売、価格、製品、追加、設例、支払、ケース、該当、参照、条件、前提
B-7	取引価格、配分、別個、識別、締結、単位、複数
B-8	付与、ポイント、製品保証、引当、損失
C-1	収益、認識、サービス、顧客、契約、取引、判断、、基準、収益認識、適用、会計基準、可能、検討、必要、考える、行う、実務、処理
D-1	貸借、対照、契約資産、債権、契約負債、区分、表示
D-2	事項、開示、注記、残高、分解、求める、目的、要求、改正、項目、及ぶ、作成、財務諸表、利用、決定、提供、情報、有用
D-3	背景、結論、明示、表現、定義、指針案、代替的な取扱い、原則、取扱い、定める、指針、規定、理由、説明
D-4	同意、提案、公開草案
D-5	重要、含む、記載、当該、生じる、異なる、金額、基づく、考え方、基本、具体、示す、関係、明確、十分、内容、理解、関連、特に
D-6	連結、個別財務諸表、連結財務諸表
D-7	範囲、含める、日本基準、IFRS 第 15 号、IFRS、整合、観点、国際、比較可能性、開発、包括、現行、我が国、方針、設ける、定め、意見、リース、対照、金融商品

Source: Authors

Table 3b. The hierarchical clusters (minimum term frequency 80) [In English*]

Cluster	Words
A-1	gas, meter reading
A-2	influence, affected, issues, change, examples, existence, frequent, general, management, illustrated examples, appropriate, companies, similar, response, relating, provisions, consideration, part, temporarily, systems, burden, auditing, individual, concerns, difficulties, application, involve, admit, materiality, little relevance, adjustment, sales, enterprises, large, profit and loss, calculations, financial, reporting
A-3	percent complete, measurement, costs, recovery, certainty, use, associated with, situations, estimates, measure, fluctuation
A-4	costs, accrued, expenditure, assets, acquire, satisfaction, performance obligation, point in time, allocate, ordinary, a period, over time
B-1	construction contracts, construction work, construct, completion, percentage of completion method, software, acceptance of order, affair, satisfy
B-2	benchmark, agent, principle
B-3	IASB, FASB
B-4	transfer, control, issues, check, at delivery, activities, think, make consideration, clear, particular, interpretation, reflect, substances, economic, risks, value, model, acceptance
B-5	supply, buy-sell transaction, liabilities, financial
B-6	obligation, perform, possess, compensation, right, goods, sales, price, commodity produced, additions, illustrated examples, payment, cases, relevant, reference, conditions, assumption
B-7	transaction prices, allocation, separate, recognition, conclusion, unit, plural
B-8	reward, points, product warranty, provision, loss
C-1	revenue, recognition, services, customer, contracts, transactions, assessment, standards, revenue recognition, application, accounting standards, possible, discuss, necessity, consider, conduct, practice, processing
D-1	balance sheet, contract assets, credit obligation, contract liabilities, classification, presentation
D-2	items, disclosure, nots, balance, disaggregation, require, purpose, demands, revision, article, cover, preparation, financial statements, use, decision, provide, information, useful
D-3	basis, conclusions, clearly specify, expression, drafts, optional treatments, principles, treatments, designate, opinion, regulation, reasons, explanation
D-4	agreement, proposal, exposure draft
D-5	material, include, registration, concerned, incur, different, amounts, base, mindset, fundamental, concrete, show, relation, clear, enough, content, understanding, association, in particular
D-6	consolidate, individual financial statements, consolidated financial statements
D-7	scope, include, Japanese GAAP, IFRS 15, IFRS, consistent, viewpoint, international, comparability, develop, comprehensive, current, Japanese, policy, set, provision, opinion, lease, comparison, financial instruments

Source: Authors. *Some Japanese words are translated word-for-word into English.

Table 4. Distinctive keywords

Supporting	International consistency, Convergence, Financial statement comparability, High-quality of financial statements, Needs for a comprehensive standard for revenue recognition, Integrity of IFRS 15, Investor decision-making
Opposing	Accounting conventions (realization basis, percentage of completion method, and revenue recognition at delivery), Consistency with existing accounting standards, Reality of transaction, Cost and practical burden (cost increasing due to practical difficulties, consideration for practice), Business conventions or conventions in transaction, Coordination with the Corporate Tax Act, Impact of separate financial statements
Neutral	Abstrusity, Clarification (plain style, clearly articulated judgment criterion and procedural explanation, Uncertainty, Flexible treatments (transitional measures, optional treatments, notes, principle of materiality), Practical burden, Careful discussion, Careful judgement, Sufficient consideration, Coordination with the Corporate Tax Ac

Source: Authors

Table 5. The differential position and rhetoric to the first general policy

	DP 2009			DP 2011			DP 2016		
	S	N	O	S	N	O	S	N	O
Auditor	5 (C:3, B:2)		1 (SR:1)	3 (C:2, B:1)	1 (C:1)		7 (C:5, B:2)	1 (B:1)	1 (C:1)
Preparers (Industry group)		4 (SR:2, B:2)	5 (SR:3, B:1)	2 (B:1)	4 (SR:3, B:1)	4 (SR:1, B:3)	7 (SR:1, B:6)	3 (SR:2, B:1)	2 (SR:2)
Preparers		1 (B:1)					1 (SR:1)	3 (SR:3)	
Users (Industry group)				1 (B:1)			2 (C:1, B:1)	1 (C:1)	
Users							1 (C:1)		
Regulatory body			1 (B:1)						
Others		2 (SR:2)					3 (C:2, SR:1)	1 (C:1)	
Total	5 (C:3, B:2)	7 (SR:4, B:3)	7 (SR:4, B:2)	6 (C:2, B:2)	5 (C:1, SR:3, B:2)	4 (C:1, SR:1, B:3)	21 (C:9, SR:3, B:9)	9 (C:2, SR:5, B:2)	3 (C:1, SR:2)

S: Supporting, O: Opposing, and N: Neutral

C: Conceptually based arguments, SR: Self-referential arguments, and B: Both arguments

Source: Authors

Table 6. Distributions of the comment letters regarding optional treatments

	Revenue recognition at delivery	Gross revenue/net revenue	Sell-buy transaction	Percentage of complete method	Meter reading data basis	Customer royalty program	Total	%
Auditors	12	13	12	14	1	11	63	40.4%
Auditors (Industry group)	1	2	1	1	0	2	7	4.5%
Preparers (Industry group)	8	13	3	14	2	10	50	32.1%
Preparers	0	0	6	0	9	0	15	9.6%
Users (Industry group)	0	2	1	4	0	2	9	5.8%
Users	0	0	0	1	0	0	1	0.6%
Regulatory body	1	0	0	1	0	0	2	1.3%
Others	2	2	2	1	0	2	9	5.8%
Total	24	32	25	36	12	27	156	100.0%

Source: Authors

Table 7a. Distributions of the comment letters for “revenue recognition at delivery”

	A	NA	R	E	Total	%
Auditors	1	4	7	1	12	50.0%
Auditors (Industry group)		1			1	4.2%
Preparers (Industry group)	6		4	1	8	33.3%
Preparers					0	0.0%
Users (Industry group)					0	0.0%
Users					0	0.0%
Regulatory body				1	1	4.2%
Others			1	1	2	8.3%
Total	7	5	12	4	24	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Table 7b. Distributions of the comment letters for “gross revenue/net revenue”

	A	NA	R	E	Total	%
Auditors		4	2	8	13	40.6%
Auditors (Industry group)		1	1	1	2	6.3%
Preparers (Industry group)	2		11	2	13	40.6%
Preparers					0	0.0%
Users (Industry group)	1		1	1	2	6.3%
Users					0	0.0%
Regulatory body					0	0.0%
Others			2		2	6.3%
Total	3	5	17	12	32	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Table 7c. Distributions of the comment letters for “sell-buy transaction”

	A	NA	R	E	Total	%
Auditors			4	8	12	48.0%
Auditors (Industry group)			1		1	4.0%
Preparers (Industry group)	1		2	1	3	12.0%
Preparers	6		5		6	24.0%
Users (Industry group)		1	1		1	4.0%
Users					0	0.0%
Regulatory body					0	0.0%
Others	1		1	1	2	8.0%
Total	8	1	14	10	25	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Table 7d. Distributions of the comment letters for “percentage of completion method”

	A	NA	R	E	Total	%
Auditors			6	8	14	38.9%
Auditors (Industry group)	1		1		1	2.8%
Preparers (Industry group)	6		5	5	14	38.9%
Preparers					0	0.0%
Users (Industry group)	2		2	1	4	11.1%
Users			1		1	2.8%
Regulatory body				1	1	2.8%
Others				1	1	2.8%
Total	9	0	15	16	36	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Table 7e. Distributions of the comment letters for “meter reading data basis”

	A	NA	R	E	Total	%
Auditors			1		1	8.3%
Auditors (Industry group)					0	0.0%
Preparers (Industry group)			2		2	16.7%
Preparers			9		9	75.0%
Users (Industry group)					0	0.0%
Users					0	0.0%
Regulatory body					0	0.0%
Others					0	0.0%
Total	0	0	12	0	12	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Table 7f. Distributions of the comment letters for “customer royalty program”

	A	NA	R	E	Total	%
Auditors			3	8	11	40.7%
Auditors (Industry group)			2		2	7.4%
Preparers (Industry group)	4		8	1	10	37.0%
Preparers					0	0.0%
Users (Industry group)			2		2	7.4%
Users					0	0.0%
Regulatory body					0	0.0%
Others			1	1	2	7.4%
Total	4	0	16	10	27	100.0%

A: Advocate the optional treatment
NA: Not advocate the optional treatment
R: Present some requirements
E: Explanation or an opinion
*As we sort some comments into more than one category, total numbers sometimes do not match the numbers as calculated.

Source: Authors

Figure 1a. Co-occurrence network of selected words (minimum term frequency 80).

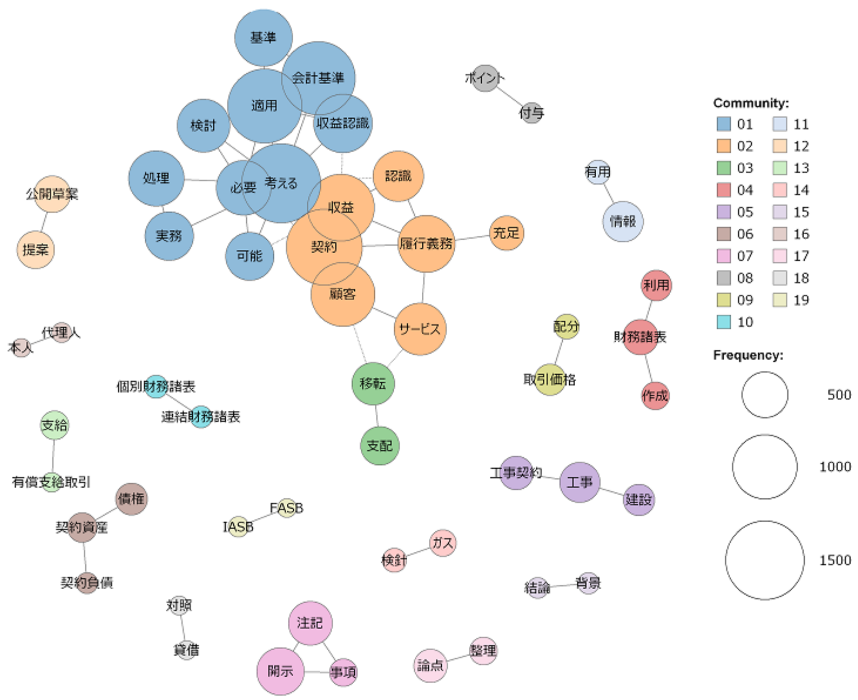


Figure 1b. Co-occurrence network of selected words (minimum term frequency 50).

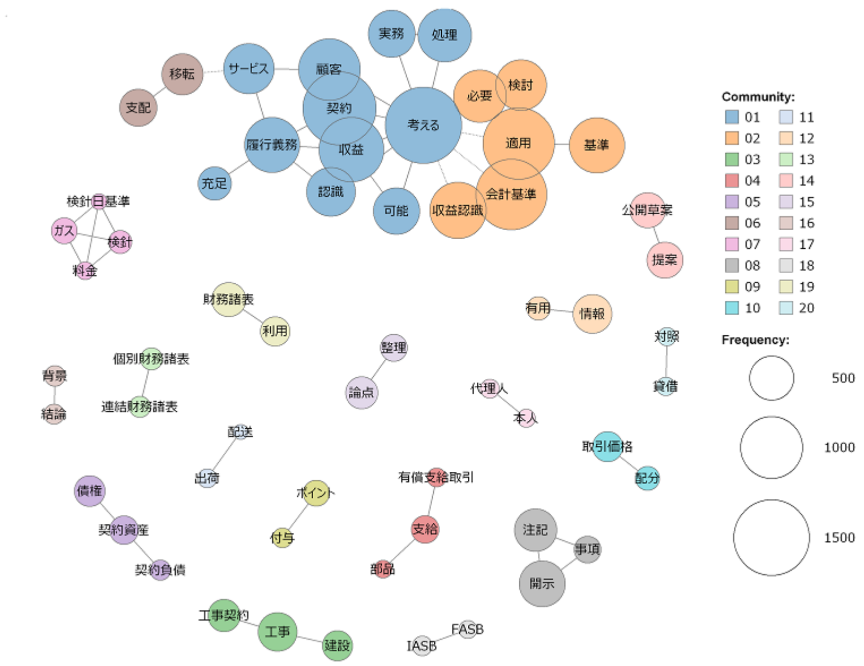


Figure 2a. Correspondence analysis of words and comment periods (minimum term frequency 80).

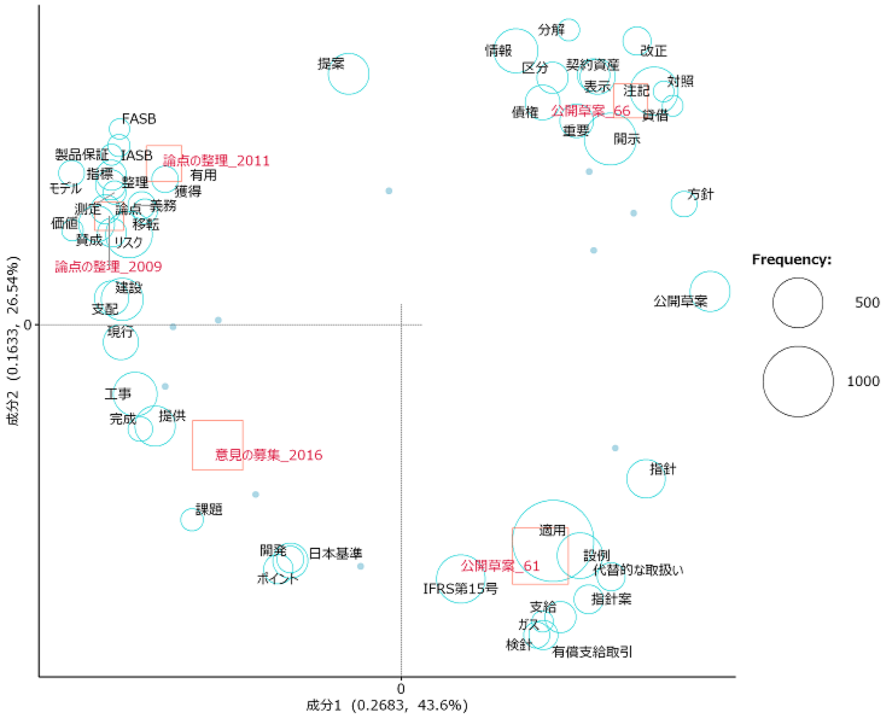


Figure 2b. Correspondence analysis of words and comment periods (minimum term frequency 50).

Figure 2c. Correspondence analysis of words and affiliations (minimum term frequency 80).

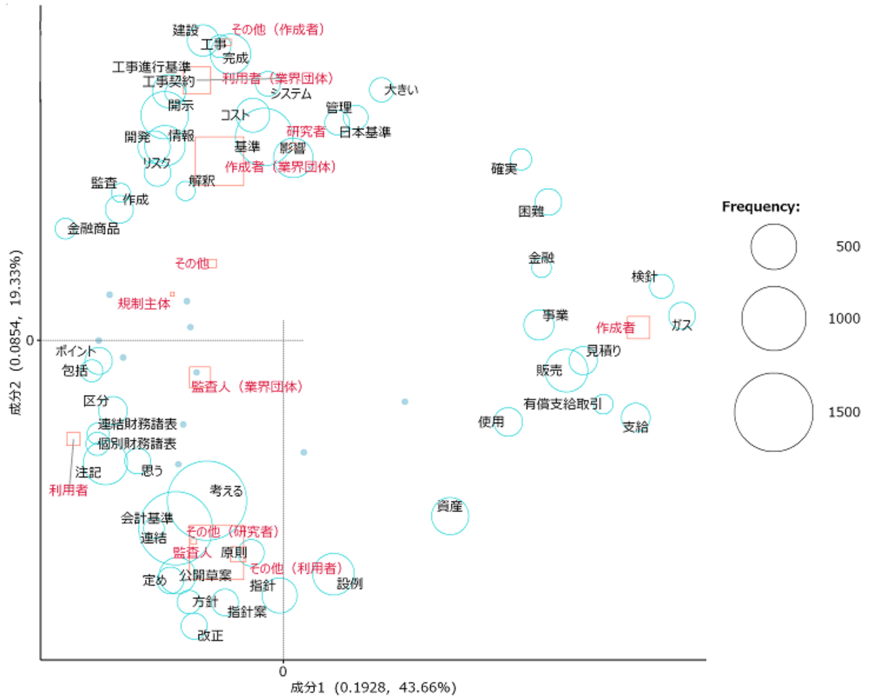
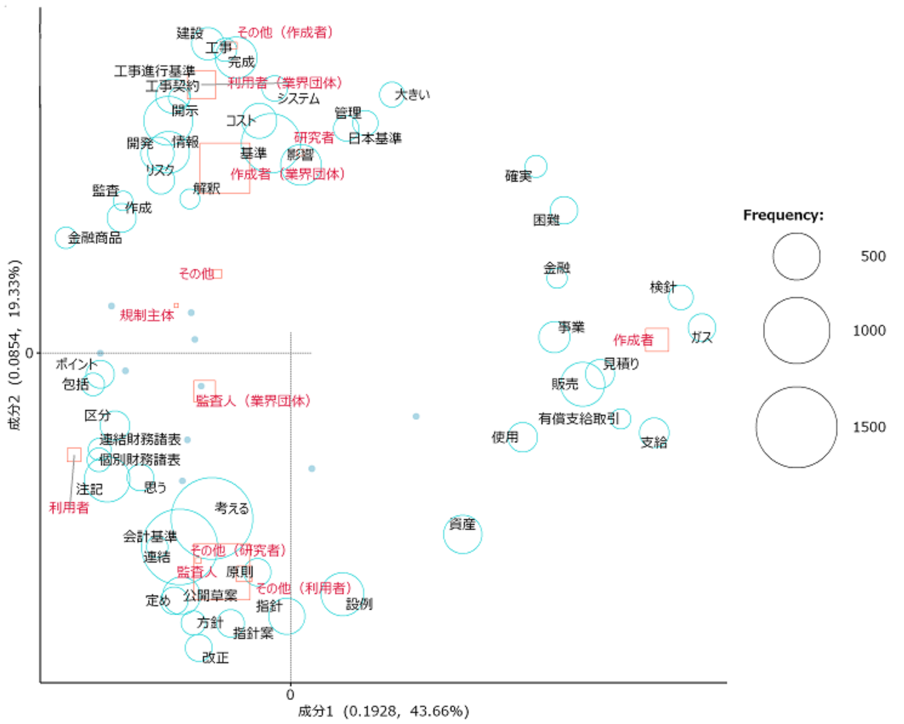


Figure 2d. Correspondence analysis of words and affiliations (minimum term frequency 50).



Appendix A

The revenue recognition project in Japan and related documents

Year/Month	*Event/documents*	*Issuer (s) or relating organization(s)*
June 2002	The joint revenue recognition project of IASB and FASB was initiated	IASB and FASB
January 2008	Establishment of the technical committee of revenue recognition	ASBJ
December 2008	*Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers* (comments due: June 19, 2009)	IASB and FASB
June 2009	Comments on discussion paper "Preliminary views on revenue recognition in contracts with customers"	ASBJ
September 2009	*Discussion Paper on Revenue Recognition* (comments due: November 9, 2009)	ASBJ
June 2010	Exposure Draft ED/2010/6 *Revenue from Contracts with Customers* (comments due: October 22, 2010)	IASB and FASB
October 2010	Comments on the exposure draft ED/2010/6 "Revenue from contracts with customers"	ASBJ
January 2011	*Discussion Paper on Revenue from Contracts with Customers* (comments due: March 28, 2011)	ASBJ
November 2011	Exposure Draft ED/2011/6 Revenue from Contracts with Customers (comments due: March 31, 2012	IASB and FASB
March 2012	Comments on the exposure draft ED/2011/11 "Revenue from contracts with customers"	ASBJ
May 2014	IFRS 15 (ASC Topic 606) Revenue from Contract with Customers	IASB and FASB
February 2016	*Call for Public Comments on Accounting Standards on Revenue Recognition* (comments due: May 31, 2016)	ASBJ
July 2017	*Exposure Draft of Accounting Standard for Revenue Recognition* (Exposure Draft of Statement, No. 61), and *Exposure Draft of Guidance on Accounting Standard for Revenue Recognition* (Exposure Draft of Guidance, No. 61 (comments due: October 20, 2017)	ASBJ
March 2018	ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* Guidance No. 30 *Implementation Guidance on Accounting Standard for Revenue Recognition.*	ASBJ
October 2019	Proposed Amendments to ASBJ Statement No. 29 *Accounting Standard for Revenue Recognition* (Exposure Draft of Statement, No.66) and Proposed Amendments to ASBJ Guidance No. 30 *Implementation Guidance on Accounting Standard for Revenue Recognition* (Exposure Draft of Guidance, No.66).	ASBJ
March 2020	ASBJ Statement No. 29 (revised 2020) *Accounting Standard for Revenue Recognition* Guidance No. 30 (revised 2020) *Implementation Guidance on Accounting Standard for Revenue Recognition*	ASBJ

Appendix B

Forcibly extracting words

Japanese	English		Japanese	English
履行義務	performance obligation		カスタマー・ロイヤルティ・プログラム	customer royalty program
取引価格	transaction price		有償支給取引	a buy-sell transaction
独立販売価格	stand-alone selling price		設例	illustrative examples
契約資産	contract assets		原則主義	principles-based approach
契約負債	contract liabilities		細則主義	rules-based approach
工事契約	construction contract		実現	realization
受注制作のソフトウエア	made-to-order manufacturing software		比較可能性	comparability
原価回収基準	cost recovery method		会計基準の体系	accounting system
契約の結合	combination of contract		情報の充実	information fulfillment/enrichment of information
契約変更	contract modification		重要性	materiality
履行義務の充足	satisfaction of performance obligation		ライセンス供与	licensing
一定の期間	over time		返品権	a right of return
一時点	at a point in time		不利な履行義務	onerous performance obligation
進捗度	progress		我が国（わが国）	Japanese or Japan's
変動対価	variable consideration		未行使の権利	unexercised rights
金融要素	financial components		連結財務諸表	consolidated financial statements
配分	allocation		単体財務諸表／個別財務諸表	individual financial statements
開示	disclosure		コンバージェンス	convergence
表示	presentation		キャッシュ・フロー	cash flow
注記	notes		国際財務報告基準（IFRS）	International Financial Reporting Standards (IFRS)
適用時期	effective date/application date		国際会計基準審議会（IASB）	International Accounting Standards Board (IASB)
経過措置	transitional measures		金融商品	financial instruments
収益認識	revenue recognition		金融商品取引法	Financial instruments and Exchange Act
会計基準	Accounting Standards		会社法	Companies Act
公開草案	exposure draft		税法	Corporate Tax Act
IFRS 第 15 号	IFRS 15		企業会計審議会	Business Accounting Council (BAC)
日本基準	Japanese GAAP (J-GAAP)		企業会計基準委員会	Accounting Standards Board of Japan (ASBJ)
工事進行基準	percentage of completion method		FASB	Financial Accounting Standards Board (FASB)
複数要素契約	multiple-element arrangements		実務慣行	practical custom/convention
継続的関与	continuing involvement		商慣行	business custom/convention
出荷基準	revenue recognition at delivery		本人	principal
割賦販売	installment selling/sale by installment		代理人	agent
総額表示	gross revenue		売上仕入／消化仕入	buying sales
純額表示	net revenue		回収基準	collection basis
契約コスト	contract cost		回収期限到来基準	due date for coming basis
製品保証	warranty		割賦基準	installment basis/installment method
製造物責任	product liability		ポイント	points
米国基準(US GAAP)	US GAAP		アウトプット法	output methods
代替的な取扱い	optional treatments		インプット法	input methods
検針日基準	meter reading data basis		整合性	consistency