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Feature Articles

This month's focus: **“Usefulness of Information on Deferred Tax Assets and Balance Sheet Liabilities”**

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Some 15 years have passed since comprehensive tax-effect accounting started to be applied in Japan. This paper discusses what information financial statement users can obtain from tax-effect accounting and related disclosure and what information is additionally needed to fulfill such objectives. This paper also discusses characteristics of tax-effect accounting observed in the accounting practices of Japanese companies and gives discussion points in developing accounting standards for income taxes as well as related solutions in previous standard setting. There has been no change in required disclosure items in notes to financial statements for the past 15 years. This paper emphasizes that additional disclosure items should be considered in the standard-setting process to make current tax-effect accounting information more useful for users.

Deferred Tax Asset Accounting Information for Financial Statement Users
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Footnote disclosure information concerning deferred tax assets is very informative for financial statement users. In particular, breakdown amounts of deferred tax assets, deferred tax assets allowance, and effective tax rate information is very helpful for estimating corporate value.

Characteristics of Deferred Tax Assets in the Financial Industry Where Large Amounts Recognized
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This paper analyzes characteristics of deferred tax assets in the financial industry (banking in particular), where a relatively large amount of deferred tax assets is recognized, by source of deductible temporary differences and taxable temporary differences from the viewpoint of an auditor and gives a summary of the impact of the recent accounting standard amendment. The author concludes by giving opinions regarding future prospects.

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The Accounting Standards Board of Japan (ASBJ) issued Guidance No. 26 *Implementation Guidance on Recoverability of Deferred Tax Assets* on 27 December 2015, which has been applied to annual reporting periods beginning on/after 1 April 2016. The purpose of this paper is to explain changes in the accounting treatment of the recoverability of deferred tax assets.

The 31st SAAJ Annual Conference : AI-IOT Revolution:Challenges for Corporations and Analysts

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This paper examines the competitive determinants of *shinkin* bank (small regional financial institutions in Japan) sales of investment trusts. It was found that the investment trust sales performance of *shinkin* banks operating in markets with high exposure to city banks was low. It was also found that competition with Japanese regional banks affects the investment trust sales performance of *shinkin* banks.

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