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Yoshiro Kimizuka

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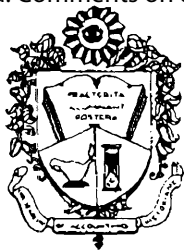
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COMMENTS ON DEVELOPMENT OF ACCOUNTANCY IN JAPAN AND THE JICPA: NOW FORTY-SEVEN YEARS OLD

by

Yoshiro Kimizuka

Independent accountancy, as a business, was not prevalent in Japan during the first half of the Twentieth Century. Bunjiro Otsubo opened his business in 1890 as the first Independent Accountant (IA). Bankruptcy of a large sugar-manufacturing company in 1909 suggested some need and movement to create an authoritative IA business. However, less than twenty IAs were in practice by 1921. Giant family trusts or "zaibatsu" dominated the Japanese economy until 1945, and disclosure of their financial statements was not generally considered necessary.

The importance of IAs gained some momentum after World War I due to the great depression and the great earthquake in the Kanto District which led to many bankruptcies. "Keirishi" or Licensed Accountant (LA) Law was inaugurated in 1927, and graduates of universities and colleges who had studied accounting could register as LAs without examination. Since demand for auditing (attest function) was small, LAs primarily served as advisors and counselors for small businesses. Due to the nominal qualifications to become an LA, their numbers grew rapidly, although many were only "paper" LAs. By 1948 when the LA Law was abolished, the number of LAs had reached 25,000. Fewer than 400 now exist.

"Zeirishi" or Certified Public Tax Accountant (CPTA) is another type of independent accountant which resembles the "steuerberater" or Tax Advisor in Germany. Creation of the business tax in 1896 after the Sino-Japanese War produced tax agent professionals, mostly composed of retired tax officials and accountants. Their number grew due to the tax increase brought about by the Russo-Japanese War of 1904-1905. After the appearance of these undesirable agents, it took twenty years of effort before the "Zeimu Dairishi" (Licensed Tax Agents, LTA) Law was implemented in 1933. LTAs were forced by the government to collect the heavy taxes imposed during wartime.

A new Certified Public Tax Accountant Law was passed in 1951 based on the Shoup Mission Report. The resulting examination included two fields of accounting as well as the tax laws. Only about ten percent successfully passed the examination. After two years of training they became CPTAs. CPTAs numbered 62,200 in 1995.

Due to the war, cost accounting was compelled to develop rapidly, but research in financial accounting failed to develop with the times. In 1948, the Securities and Exchange Law and "Konin Kaikeishi" (CPA)

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Law were passed. The Japan Institute of Certified Public Accountants (JICPA) was established on October 22, 1949 by 48 CPAs who passed the first exceptional examination. High quality of CPAs is ensured through a series of rigid examinations. The first exam is for those who have no academic schooling, and it includes subjects related to liberal arts. The second examination consists of two hurdles: (1) preliminary questions regarding Accounting and Commercial Code and (2) four fields of accounting with a choice of two among Management, Economics, and Civil Code. An average of seven percent pass these barriers and become Junior CPAs. Junior CPAs must complete three years or more of practice before they can sit for the final examination. This examination contains written and oral parts in areas of auditing, analysis of financial statements, tax, and other practices.

Presently, there are 10,800 CPAs, and all are practitioners. Each must register with the JICPA, which has thirteen regional organizations. Approximately seventy percent of their duties consist of auditing, MAS, accounting, tax practice, information systems consulting, financial investigation

of the police, supply of information for M & A, advising corporations about international activities, and other activities. Their primary activity is compulsory auditing of large corporations which are publicly listed and most of which are audited by the "big five." Private schools and large political parties which receive subsidies, trade unions, and others based on the law are also audited.

The Japanese CPA system may be characterized as follows: (1) significance and social estimation of the profession are as high as their remuneration, (2) CPAs of high quality have supported the rapid growth, (3) CPTAs complement and diminish CPAs' work in practice although their functions are different in theory, (4) CPAs now play the leading role in making accounting principles and standards, (5) their intimate guidance before closing accounts decreases friction in their expert opinions, (6) Ministry of Finance severely inspects financial statements of big companies after their auditing, instead of SEC, and (7) few law suits against CPAs are found practical. In the future, it will be desirable to expand auditing to governments, public corporations such as religious organizations, and others.



SEARCH.....continued from page 11
provides only a keyhole view.

Mendelsohn, Lena E.; C.P.A. New Hampshire; men. A.I.A. and N.A.C.A.
Address: L. E. Mendelsohn & Co., 60 State St., Boston. (p. 579)

Lena E. Mendelsohn (1900 Census) was born in September 1876 in Sweden of Jewish parents, Isador(e) and Charlotte. Her parents had been born in Germany in the 1850s after her grandparents had immigrated from Russia. Lena's death certificate (1928) reported that her parents were born in Russia. It further adds to the confusion by reporting that her mother's maiden name was Ida Krama. Lena had three sisters and

two brothers, born between 1878 and 1889. The family immigrated to the United States and New York in 1882, moved to Pennsylvania in 1886, and to Boston, Massachusetts by 1894. The family moved in 1905 from 178 Chambers in Boston to 158 Glenway in the Dorchester section of Boston. Lena, except for a possible short time, lived with her family. Dorchester was, at this time, heavily populated by Jewish immigrants, and Boston did not particularly like immigrants. (Whelan, 1996)

Her father was listed as a bookkeeper in the 1894 *Boston City Directory*. In later years, he would be listed as a shirt maker (1896), salesman (1904), secretary of a business at 103 Fulton (1905), and later as president of a