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Accountancy in Japan

BY YOSHIO WATANABE

In Japan there is an organization of professional accountants, named Shadan Hojin Nippon Kwaikeshi Kwai (Japanese Society of Public Accountants). There are other accountants in the country who are not members of the society, but their number can not be ascertained.

It was in May, 1921, that the society was first formed, but it was merely a private body at that time. However, the society was incorporated in November, 1922, in accordance with mimpo—a civil law. The number of members was nineteen at the time of incorporation, but subsequently the society made slow but steady progress and it is reported that there were thirty-three members on December 31, 1925. I do not hesitate to mention such a small number of members, because it is quite natural that a society of this kind should have a limited number of members at its beginning.

The chief objects of the society are:

1. To standardize the profession of accountancy in Japan.
2. To express opinions as to the promulgation, amendment, and improvement of laws, in so far as they concern accountants and accounts, and to put such views into practice.
3. To educate junior accountants.
4. To make investigation and research respecting the theory and practice of accounting.
5. To hold lectures and discussions.
6. To issue reports of the society.

Those who desire to be members must pass an examination in accordance with the examination rules and must also have had certain practical experience.

There are two examinations—preliminary and final. At the preliminary examination, candidates are examined in the following subjects: composition, mathematics, English, bookkeeping and accounts, commerce, law and economics.

The candidates who have passed the preliminary examination may take the final one, which consists of the following subjects: bookkeeping, accounting, commerce, commercial arithmetic,

economics, law—mimpo (civil law), commercial law, bankruptcy law, code of civil procedure, commercial administration law, tax law and international private law.

Subject to the approval of the qualification committee, the whole or a part of the preliminary examination may be omitted in the case of persons who have one of the following qualifications: (1) graduation from a high-school giving a four years' course, or its equivalent; (2) graduation from a class "A" commercial school or its equivalent; (3) possession of a certificate of an examination of a standard equivalent to (1) or (2); (4) graduation from any school of a standard equivalent to (1) or (2).

Subject to the approval of the qualification committee, the whole or a part of the final examination may be omitted in the case of persons who have one of the following qualifications: graduation from a commercial school, economics school, or law school, established under the university ordinance; graduation from a higher commercial school, established under the professional-school ordinance; graduation from any other school equivalent to either of these; experience as professor of accounting, commerce, economics or law in the above schools.

A person who has one of the following qualifications will fulfill the requirements of the society with respect to practical experience, subject to the approval of the qualification committee: experience as a clerk to a member of the society for not less than two consecutive years; not less than three years' experience as an accountant in the accounting department of a corporation mentioned below, or in government offices; (a) a commercial concern which has a capital of 500,000 yen or more, computed by the method mentioned in the business tax law, or (b) a non-commercial corporation, the annual receipts or payments of which amount to 150,000 yen or more.

The following persons may also be deemed to have the necessary qualifications, subject to the approval of the qualification committee: a person who has been in continuous public practice for three years or more; a person who has been a clerk to a recognized accountant for three or more consecutive years; a person who has himself carried on a commercial business for five or more consecutive years; a person who has been an accountant for three years or more in a firm which has: (a) a capital of 100,000 yen or more, or (b) sales amounting to 1,000,000 yen or more a year, or (c) contracts amounting to 1,000,000 yen or more a year;

a person who has been a professor in a higher commercial school, established under the professional-school ordinance, or any other similar school, for five years or more; a person who has been a professor in the commercial school, economics school, or law school, established under the university ordinance, for three years or more; a person who has been an auditor or accountant in a government office for three years or more.

Applicants are admitted as members according to the regulations explained above. However, it is the fundamental principle of our society to limit its membership to accountants in practice and clerks to members of our society in practice. So if an applicant is approved by the qualification committee and desires to become a member, he must either commence practice himself or be employed by a practising member of our society. If any member desires to retire from public practice in order to commence a commercial business or to be employed by some other person or corporation, his determination must be approved by a resolution passed at a general meeting of members. If it is not approved, he must either leave the society or remain in public practice.

The society is governed by an executive committee of five members. The president and vice-president are elected from among them. The society has three other committees: qualification committee, examination committee, and accountants' bill committee. The qualification committee not only determines whether or not applicants for membership shall be granted exemption from examination, but also determines whether or not they are proper persons to be admitted as members. Even the applicants who have passed the examinations must be approved by the same committee. All examinations are supervised by the examination committee. The accountants' bill committee is formed for the specific purpose of obtaining favorable statutory recognition for accountants.

As already mentioned, the society has been making slow but steady progress since its incorporation, and as all members of the society are firmly united, and all the committees are discharging their duties properly, the society will no doubt continue to progress.

THE ACCOUNTANCY BILL

Many years before the Japanese Society of Public Accountants was formed, a bill to regulate the profession and to register

accountants had been placed before the house of representatives. The bill was introduced seven times in the Japanese diet from 1914 to 1925.

In the 37th, 41st, 42nd and 50th sessions of the diet, the bill was passed by the house of representatives. The following are extracts from the bill, passed by the lower house in 1925:

- Sec. 2. The accountancy profession shall be within the jurisdiction of the minister of agriculture and commerce.
- Sec. 3. Those who desire to be accountants shall:
 - (1) Be Japanese subjects of full legal capacity.
 - (2) Pass the accountants' examination.
 - (3) Be approved by the admission committee.
- Sec. 4. The regulations as to examination and admission are to be prescribed by an imperial ordinance.
- Sec. 7. The accountants shall be registered in the accountants' register.
- Sec. 8. The regulations with regard to the accountants' register are to be prescribed by the minister of agriculture and commerce.
- Sec. 12. The accountants shall establish an institute of accountants, and its constitution shall be approved by the minister of agriculture and commerce. Any alterations of the constitution shall also be approved by the same minister.
- Sec. 13. An accountant shall not be in practice without entering the institute of accountants.
- Sec. 16. In case anyone, who is neither registered under sec. 7 nor a member of the institute of accountants, or is suspended from practice, describes himself as an accountant and practises as an accountant, he shall be condemned upon conviction to a penalty of not more than six months' imprisonment or a fine of not more than one thousand yen.

SUPPLEMENTARY RULES

For the time being, those who are approved by the admission committee shall be allowed to be accountants regardless of sec. 3, no. 2.

The regulations as to the practice of foreign accountants in the Japanese empire are to be prescribed by an ordinance.

Although the bill has been passed four times by the house of representatives it has not yet become a law, as any bill, to become a law, must be passed by the house of peers as well as the house of representatives. Thus the fate of this bill has been unfortunate in the past, but it is hoped that it will not be long before it passes both houses. No doubt when Japan has an accountants' law, the profession will make progress even more rapidly than heretofore.