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The Effectiveness of Accounting Regulation for Social Welfare Corporations in Japan: Evidence by Survey Research

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ABSTRACT

Social welfare services are becoming increasingly important in a ‘super-aging’ Japan. The Basic Structural Reform of Social Welfare was implemented in 1997, and this reform promulgated the Long-Term Care Insurance Law and modified social welfare services. Although the objective of accounting regulation for social welfare corporations has been changed from reporting to internal control to outside parties, only a few studies have focused on the effectiveness of the new accounting regulation. Therefore, this study seeks to elucidate the effectiveness of accounting regulation for social welfare corporations in Japan. This study uses the results of 250 questionnaires distributed among managers in social welfare corporations. We find that approximately 81.2% of the surveyed corporations use websites and 74.4% publish PR (public relations) information to disseminate financial information, which indicates that managers are aware of the requirement to furnish financial information for outside parties. However, we find that only 16% of the corporations publish annual reports and only 18% provide financial statements on their websites. Moreover, managers of social welfare corporations use financial statements to make managerial decisions and to explain their financial situation to the board of directors and employees. These results suggest that accounting information, instead of being used for external reporting as stipulated by accounting regulation, is primarily used for internal control, thereby indicating that accounting regulation is not effective in social welfare corporations.

Keywords: Social welfare service, Not-for-profit, Disclosure, Effectiveness, Accounting information