

JICPA

JAPANESE INSTITUTE OF CPAs



The Japanese Institute of Certified Public Accountants

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Leading the profession of accountancy, Building confidence in economy

The JICPA started as a voluntary organization in 1949 and later became a corporation under the CPA Act in 1966. Since then, the JICPA has enjoyed over sixty years of professional excellence. The JICPA has always been committed to remain transparent and independent as a self-regulatory organization for the accountancy profession. In serving the public interest and strengthening the accountancy profession, the JICPA has also been committed to maintaining the quality of services provided by members and upholding the professional ethics, values, and standards.



Key Responsibilities

1

To uphold the professional ethics of members by developing the code of ethics for accountancy profession and promoting compliance with the code

2

To design and implement measures to improve the quality of services provided by members through organizing seminars and research projects

3

To research on the theories and the practices of auditing, accounting, and other related fields of professional services in order to promote the implementation of auditing and accounting standards, and to establish auditing and accounting systems

4

To research on the CPA system and the services (including tax services), and to issue recommendations to the governmental and regulatory agencies, as appropriate

5

To design and implement measures to ensure that proper auditing services are provided by members

6

To support members by providing necessary assistance through consulting with the members and providing materials

7

To resolve disputes over engagements of members through mediation

8

To design and implement measures for the education and training of individuals who pass CPA examinations

9

To perform administrative works for the registration of members

JICPA Code of Ethics

The JICPA developed its Code of Ethics in conformity with that of the International Federation of Accountants (IFAC). In addition to the requirements in the IFAC's Code of Ethics, the CPA Act of Japan prohibits CPAs to engage in continuous long-term audits of companies that fall under the definition of "large companies, etc." under the CPA Act. Specifically, CPA Act and the enforcement order stipulate that key audit partners of certain large companies must rotate every seven accounting years with a two-year cooling off period. In the case of a "lead engagement partner, etc." of certain large audit firms, such partner must rotate every five accounting years at an interval of five years. Furthermore, CPAs are strictly prohibited from working for the companies that they have served as independent auditors until the end of the following accounting year of their resignation.

Disciplinary Actions and Sanctions on CPAs

CPAs shall be subject to disciplinary actions by the JICPA when they are penalized by laws and regulations, have committed any act that may impair the reputation of CPAs, have failed to exercise reasonable care in expressing audit opinions, or fall in other cases as specified in the JICPA Constitution.

In addition to the disciplinary actions taken by the JICPA, CPAs and audit firms are also subject to those imposed by the FSA, including deregistration, order for payment of surcharge, or suspension of services as CPAs.

Types of disciplinary actions taken by JICPA:

- Reprimand
- Suspension of membership rights for a certain period
- Recommendation of withdrawal from membership
- Request for administrative actions (a request to the Financial Services Agency (FSA) to revoke qualifications of CPAs or audit firms, or take other disciplinary actions.)



International Initiatives

The JICPA has been one of the key members of the following organizations and has contributed to the development of the accountancy profession worldwide. JICPA has representatives on many boards and committees of the following organizations.

IFAC

The JICPA is a founding member of the International Federation of Accountants (IFAC). The JICPA is committed to assist IFAC activities and provide input into exposure drafts and other pronouncements published by IFAC.

CAPA

As one of the founding and key executive members of the Confederation of Asian and Pacific Accountants (CAPA), the JICPA has been instrumental in CAPA activities to develop and enhance the accountancy profession in the Asia-Pacific region.

IFRS Foundation and IASB

The JICPA contributes to various activities conducted by International Accounting Standards Board (IASB), including the fund raising and development of International Accounting Standards (IASs), presently known as International Financial Reporting Standards (IFRSs). The IASB Technical Committee of the JICPA is the body to consider exposure drafts and other materials published by the IASB to contribute to the development of a single set of high quality global accounting standards.

GAA

The JICPA is a founding member of the Global Accounting Alliance (GAA). GAA is an alliance of 10 leading professional accountancy bodies in significant capital markets, brought together to promote quality services, share information and collaborate on important international issues.

AFA

As an associate member of ASEAN Federation of Accountants (AFA), the JICPA shares AFA's mission to developing and promoting the accountancy profession in the Southeast Asia region in support of the region's socio-economic enhancement.

Continuing Professional Education

Overview of Continuing Professional Education (CPE)

In accordance with Article 28 of the CPA Act, the JICPA requires its members to undergo CPE activities each year. Members are required to earn prescribed number of credits each year to maintain and develop their competence in providing high quality professional services. To ensure compliance

with the JICPA Code of Ethics, and to maintain the quality of services provided by members, each member is required to earn credits in professional ethics and tax each year. For those members engaging in statutory audits, credits in audit quality and fraud are also required annually.



CPE Requirements

(a) For every reporting year, CPAs must earn the required number of credits and report to the JICPA.

(b) The “required number of credits” constitutes;

- (i) A sum of 120 credits over the course of three years,
- (ii) A minimum of 20 credits annually, and
- (iii) Annual requirement of 2 credits each in “Professional Ethics” and “Tax,” and 6 credits in “Audit Quality and Fraud” for those engaging in statutory audits.

To become a CPA, every person must meet the specific requirements for qualification and go through the steps prescribed in the CPA Act.

STEP:1

CPA Examination

The first and the most challenging step is to pass the CPA Examination conducted by the Certified Public Accountants and Auditing Oversight Board (CPA AOB) pursuant to the CPA Act. CPA Examination is comprised of multiple-choice tests (held twice a year) and essay tests (held once a year). Successful candidates of the multiple-choice tests are entitled to sit for the essay part of the examinations.

Currently, no exemptions are allowed by the Financial Services Agency (FSA) for holders of foreign countries' CPA or Chartered Accountant (CA) qualifications or for those who have educated in overseas accounting programs.

JICPA membership is open to those who have CPA qualifications awarded by the FSA.

STEP:2

Practical Experience

Candidates are required to gain relevant practical experience by working in accounting/audit firms or in industry for a minimum of two years. When candidates work in industry, their work experience need to be similar to those gained in accounting/audit firms. Candidates may obtain practical experience either before or after the CPA Examinations.

STEP:3

Professional Accountancy Education Program

Successful candidates of the CPA Examinations are required to complete the three-year long professional accountancy education program provided by Japan Foundation for Accounting Education and Learning. The curriculum is established by taking into consideration the requirements set out in the International Education Standards issued by the International Accounting Education Standards Board of the International Federation of Accountants.

STEP:4

Final Assessments

Those who completed the professional accountancy education program are qualified to take the final assessments in the following areas conducted annually by the JICPA.




- Accounting
- Auditing
- Taxation
- Business administration, including the theory of information technology
- Rules, regulations and ethics related to CPA service

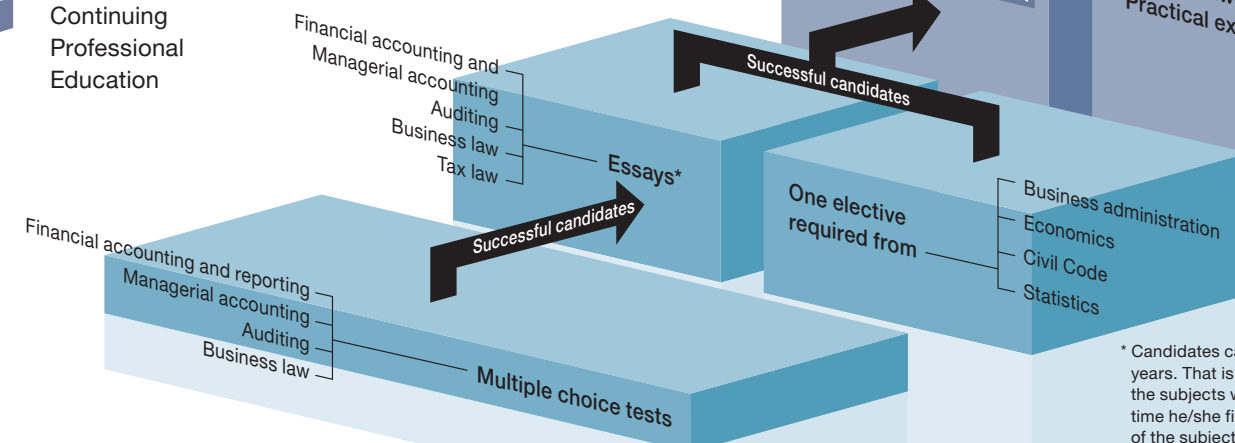
STEP:5

Registration with the JICPA

Those who passed the final assessments and given CPA qualifications by the FSA are eligible to register with the JICPA. This registration is mandated by the CPA Act, and is necessary for CPAs to represent themselves as such to the public.

Process for Becoming a CPA

-  CPA Examinations conducted by CPA AOB (FSA)
-  Professional accountancy education program / Practical experience
-  CPE : Continuing Professional Education



* Candidates can retain pass credit for two years. That is, candidates must pass all the subjects within two years from the time he/she first passes any one or more of the subjects.

1. The requirement is the three-year long professional accountancy education program provided by Japan Foundation for Accounting Education and Learning (JFAEL).

2. Minimum two years of practical experience is required, which can be taken either before or after the examinations.

Standard-Setting Body

The Accounting Standards Board of Japan (ASBJ), under the auspices of the Financial Accounting Standards Foundation (FASF), is responsible for the development and deliberation of accounting standards in Japan. The ASBJ is a private sector independent accounting standard-setting board which also contributes to the development and improvement of international accounting standards. All accounting standards set by the ASBJ are subject to endorsement by the Financial Services Agency (FSA), a Japanese government agency.

Accounting Standards

Financial statements are prepared, in principle, in accordance with accounting principles generally accepted in Japan (J GAAP) as issued by the ASBJ. For consolidated financial statements of listed companies, use of IFRS Standards (“Designated IFRS”), Japan’s Modified International Standards (JMIS) and US GAAP is also permitted. JMIS are the new set of accounting standards inaugurated by ASBJ in 2015 and developed based on the endorsement process of accounting standards and interpretations issued by the International Accounting Standards Board (IASB). With the introduction of JMIS, there are four accounting frameworks that the listed companies in Japan may use, but the voluntary application of IFRS Standards is continuously expanding.

IFRS adoption in Japan

Since 2010, companies that meet certain criteria have been permitted to voluntarily apply IFRS Standards for consolidated financial statements in Japan. In 2013, the FSA revised its Cabinet Office Ordinances and eliminated certain requirements in order to enhance further application of IFRS Standards in Japan. As a result, the number of companies eligible to apply IFRS Standards was increased, and virtually all listed companies and unlisted companies are allowed to use IFRS Standards for consolidated financial statements.

Under the current regulation, a company may voluntarily use IFRS Standards if it meets the following criteria:

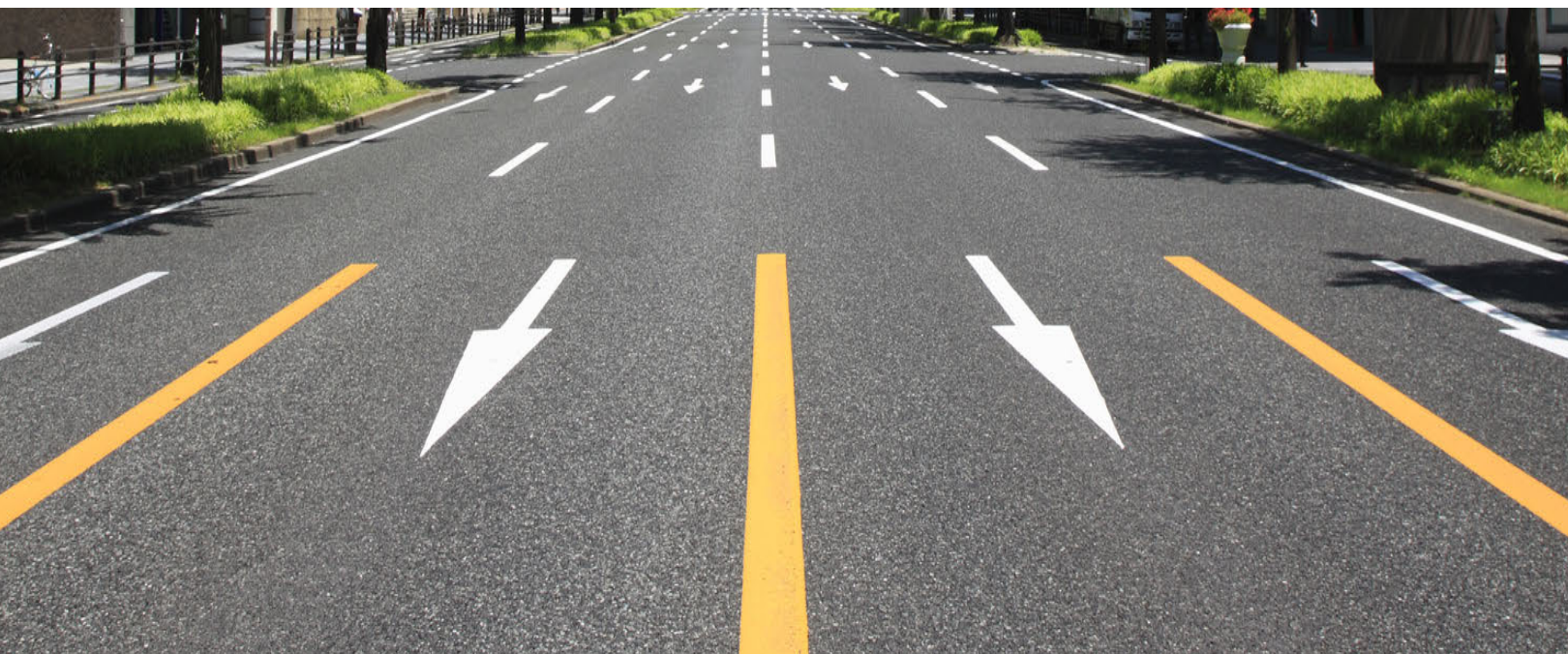
- The company discloses, in its Annual Securities Report, information regarding specific efforts to ensure that the consolidated financial statements will be prepared in accordance with “Designated IFRS”; and
- The company allocates executives or employees with ample knowledge about “Designated IFRS”, and puts in place a structure to ensure that the consolidated financial statements will be prepared properly in accordance with Designated IFRS.

“Designated IFRS” is a set of IFRS Standards that have been designated by the Commissioner of the FSA. Each IFRS standard is made effective through the formal process of endorsement.



JICPA’s contribution

The JICPA has supported a single set of high-quality accounting standards and has implemented various measures to contribute to the promotion of the adoption of IFRS in Japan, in cooperation with other stakeholders, such as FSA, ASBJ, IASB and IFRS Foundation. The JICPA provides various opportunities for members to enhance their understanding of IFRS, such as seminars, workshops, study sessions and knowledge sharing. The JICPA discusses IFRS-related issues in its committees and provides comments and inputs to the ASBJ and the IASB.



The objective of audits conducted by CPAs is to provide reasonable assurance that the financial statements prepared by an entity are fairly presented for a wide variety of users and other stakeholders.

CPA audits are required under the Companies Act, Financial Instruments and Exchange Act (FIEA) and other acts and regulations, and they contribute to ensuring the reliability of the financial information provided by various entities.

Auditing standards generally accepted in Japan (Japanese GAAS)

Japanese GAAS consists of the auditing standards issued by the Business Accounting Council (BAC) of the Financial Services Agency, and Auditing Standards Committee Statements (ASCSs) and Quality Control Standards Committee Statement (QCSCS) issued by JICPA. CPA audits must be carried out in accordance with the Japanese GAAS.

The auditing standards issued by the BAC take a risk-based approach and are consistent with the clarified International Standards on Auditing (ISAs) and International Standard on Quality Control 1 (ISQC 1). ASCSs and QCSCS also converge with clarified ISAs and ISQC1.

Statutory Audits conducted by CPAs

Audits under the FIEA

Under the FIEA, certain listed companies and other specified entities are required to be audited by independent CPAs. CPAs issue three types of reports in audits under FIEA:

(a) Audit report on the financial statements for the current fiscal year

Financial statements submitted must be audited by independent CPAs in accordance with the Japanese GAAS. The independent CPAs express their opinions in the audit report that the statements of financial position, performance results, and cash flows are fairly and faithfully presented from every material perspective.

(b) Review report of quarterly financial statements

The FIEA requires listed companies to submit quarterly financial statements, and those reports must be reviewed by independent CPAs.

(c) Audits of internal control report

The FIEA requires listed companies to prepare reports on their internal control and have those reports audited by independent CPAs. This requirement has been introduced in reference to the Article 404 of the Sarbanes Oxley Act in the US, but has been adjusted to take into account the specific requirements in Japan (called as “J-SOX”).

Audits under the Companies Act

Companies that must be audited by independent CPAs under the Companies Act are as follows;

- Companies with capital stock of ¥500 million or more, or total liabilities of ¥20 billion or more as of the latest fiscal year-end
- Companies that adopt a “Company with Nominating Committee, etc” or a “Company with Audit and Supervisory Committee” corporate governance system
- Other companies which appoint external auditors on a voluntary basis

Other Statutory Audits (Examples)

CPAs audits are required in a number of areas including the following:

- Incorporated private educational institutions that received subsidies from the central government or local governments
- Labor unions
- Certain large financial institutions
- Incorporated administrative agencies
- Local governments

The JICPA, Financial Services Agency (FSA) and Certified Public Accountants and Auditing Oversight Board (CPAAOB) work together to design and implement the quality control system for audits in Japan in order to ensure high quality audits.

Roles of the JICPA

The Quality Control Committee of the JICPA includes both JICPA members and other highly experienced individuals from outside. The Committee is responsible for developing quality control review standards and procedures, instructing and supervising review teams, considering and approving quality control review reports, and providing letters of recommendations.

The Quality Control Review Teams review whether a firm's system of audit quality controls, both firm-wide

and on an individual engagement basis, has been well designed in accordance with the JICPA Quality Control Standards, and determine whether quality control policies and procedures have been adequately implemented.

The Quality Control Oversight Board monitors effectiveness and independence of the overall review system based on the reports submitted by the Quality Control Committee and issues recommendations to the Quality Control Committee, when appropriate.

Roles of the CPAAOB

CPAAOB examines the reports submitted by the JICPA and carries out on-site inspections of the JICPA or audit firms, when appropriate. If the CPAAOB inspection finds that the JICPA has conducted an insufficient quality control reviews, or that an audit firm's quality control is insufficient and does not comply with laws and regulations, the CPAAOB may recommend the FSA to take relevant administrative measures.

Roles of the FSA

Based on the recommendations from the CPAAOB, the FSA will take necessary administrative measures, such as giving orders to improve business operations in firms and others.

Registration system for listed company audit firms

To ensure the quality control of audit firms that perform audits of listed companies, the JICPA requires all firms that audit listed companies to register with the registration system for listed company

audit firms. The JICPA publishes the list of registered firms on its website, with the overview of the firms and their quality control systems.

