

[Abstracts and Keywords]

Consideration of Flexibility and Comparability in Financial and Non-financial Information

OCHI, Nobuhito (Shobi University)

When relevant information that provides faithful representation of economic phenomena is available with flexible information disclosure, substantial comparison can be achieved with faithful representation by other similar reporting companies. At the same time, each company could be free to disclose identical economic phenomena arbitrarily. In this article, while respecting the advantage of flexibility for deriving useful accounting information, the author considers comparability as a key concept regarding measures to minimize its weaknesses or adverse effects. In doing so, the author distinguishes between the face of financial statements and supplementary/complementary information (notes and other non-financial information), due to differences regarding the purpose and attributes of comparison. On the face of financial statements, the information attribute of profit, which is a faithful monetary accumulation of economic phenomena, must be substantially comparable among companies. On the other hand, in the notes and other non-financial information, it will be possible to more flexibly capture comparative attributes including non-monetary information from the viewpoint of investors who evaluate corporate value, as information supplementary/complementary to the face of financial statements.

Keywords: Flexibility, Comparability, Faithful representation, Reasonable verifiability, Mixed approach