

# *Abstracts*

## History of British Canal Accounting

Naoki Murata

Inland canals, which were the main means of transportation in Britain's Industrial Revolution, were constructed during the early stages of the Industrial Revolution by local industrial capitalists who reaped the benefits of the canals. However, with the period of "canal mania" in the latter stages of the Industrial Revolution, shares were diversified and absentee owners became the central investors in canal construction. Accordingly, the central investors in canal construction were initially local merchants, manufacturers, and gentry, but from the period of "canal mania" onwards, the central investors were London or Birmingham capitalists. It is with this in mind that this paper analyzes how financial statements publicly disclosed by the investors responded to these changes and developed. Specifically, the paper clarifies the closure of capital accounts and process of disclosing income accounts (which are income statements) for canals in relation to shareholders. With the completion of a canal, the capital account would be closed and no longer made public. In contrast, for canals that had begun operation, profits were calculated based on income accounts and dividends for shareholders were decided accordingly. Thus for canals constructed in the early stages of the Industrial Revolution, income accounts publicly disclosed at the time operation commenced were the subject of audits as the only financial statements, but as canals were extended or merged, capital accounts would again be publicly disclosed. From the period of "canal mania" onwards, both capital accounts and income accounts for canals were presented as financial statements to general shareholders meetings. Such financial statements were the origin of the double accounting system that characterized early British Railway Accounting and has been identified providing theoretical support for accounting practice in Britain.

## A Consideration of Dividend Policies in Japan

Masashi Yamada

In recent years, there has been a trend towards Japanese companies increasing their return to shareholders (payout) through a combination of cash dividends and share repurchases. In FY2018, total payouts by Japanese companies amounted to approx. 15.3 trillion yen, a level more than 2.5 times the total payout amount for FY2003 of approx. 6 trillion yen.

Previous research has pointed out that Japanese companies have in the past shown a strong tendency in comparison with companies in other countries to practice a dividend payment policy that fixes dividend percentages on face value of shares or dividend amounts per share, referred to as “10% dividends” or “Five yen dividends”. However, can this tendency still be observed today?

Furthermore, looking at payout trends in recent years, there is a consistent tendency for dividend amounts to increase, and share repurchases are also rising as an addition to these cash dividend increases. Miyagawa (2013) has pointed out that even after share repurchases have been systemized, the dividend-paying company ratios are observed to be close to 80% or higher, so cash dividends can be regarded as remaining at the core of Japanese companies’ payouts. This paper aims to compare dividend policies from the 1990s onwards in order to identify the characteristics and causes of increases in dividends in recent years.

In contrast, research conducted by Fama/French (2001) et al., who analyzed payouts by companies listed on American stock markets, indicated that situations in which share repurchases were being used as payout methods in place of cash dividends could be observed. This paper therefore also considers whether or not the phenomena of share repurchases replacing cash dividends as payouts by Japanese companies, for which both dividend and share repurchase amounts are increasing.

This paper seeks to clarify these points using data from both Japanese and American stock market-listed companies, and elucidate the payout policies of Japanese companies by comparing dividends with share repurchases.

## Searching for the Original Form of the Service Potential Concept in Accounting

Shohei Noguchi

The definitions of “assets” include “property”, “non-monetary assets”, and “service potential”. Looking at these definitions from a historical perspective, it is said that the definition shifted in meaning from “property” to “non-monetary assets”, and then to “service potential”. The service potential theory of J. B. Canning—who has influenced many accounting scholars advocating theories related to service potential—is a definition derived from the characteristics of assets and is centered on future cash flow. Canning was in turn influenced by I. Fisher, who said that capital value is dependent on income value, and that the current value of future income is capital value. One of the premises of Fisher’s theory was land-related administration in England.

During the British Industrial Revolution, the coal industry in north-east England conducted colliery evaluations using discounted cash flow. When conducting evaluations using discounted cash flow, different factors were applied to future cash flow for each colliery. First, there was the profit that could be obtained from selling the coal. Second, there were the rental fees. Whether the profits from coal sales or the rental fees were used was decided by the partners’ requirements, but colliery evaluations were conducted based on consideration of the fact that the future cash flow that could be obtained differed for the renter and the rentee of the coal mine. That is to say, the colliery value was dependent on future cash flow. Fisher also makes a similar point. Furthermore, the profit rate was used as the coal mine evaluation discount rate. With respect to this point too, the relationship between the interest rate and capitalization rate in Fisher’s theory is consistent.

As mentioned above, even during the time that the “property” definition of “assets” was dominant, it was possible to identify the service potential concept, and it should be noted that the Industrial Revolution took place some 100 years before Fisher’s theory was formulated. The fact that it is possible to identify the service potential concept during the Industrial Revolution, a period when fixed assets were problematic for business operation, is important for the study of accounting practices in the coal mines during the Industrial Revolution.