

# Implication of Internal Controls System and Accounting Information System

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## Abstract

We survey managers in the public firms in Japan in order to explore of their attitudes toward the internal control and the present situation of the accounting information system (AIS) in the post of the Japanese version of Sarbanes Oxley Act of 2002 (J-SOX). The reason why we discussed both internal controls and an accounting information system simultaneously is because we can see the usefulness of J-SOX through the visualized operating process of internal controls and accounting information system. Some implications can be shown as a result of survey analysis: First, although the managers are quite positive for setting up internal controls and a target for earnings, it seems that they evaluate the manager's decision making as low objective. Next, they do not expect highly about the direct reporting, suggests that the public firms in Japan seem to give a fixed evaluation to J-SOX which has not adopted a direct reporting. Moreover, many firms seem that they accept J-SOX positively by answering that it is effective for strengthening the internal controls system and governance. Furthermore, since they evaluate the quality of auditing for the financial statements and internal controls as high, we document that Japanese firms realize that it is affirmative to the present condition of internal controls. From the survey results of the accounting-information system, accounting service is designed as priority in the design of an accounting system. Also, since there are some firms, which possess the system integrated completely, we can see that an integration of the system is developed to some extent in Japan.

Keywords: Accounting Information System, J-SOX, Internal Controls System

JEL: M41, M42

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## 1 INTRODUCTION

We conducted a survey of “internal controls and IT” in September 2012 to understand the current status of accounting information systems, including awareness of internal controls for Japanese firms following publication of the Japanese version of the Sarbanes-Oxley Act (“J-SOX”).

The subjects of our survey were public firms in Japan (those from Sections 1 and 2 of the Tokyo Stock Exchange, Sections 1 and 2 of the Osaka Stock Exchange, the Nagoya Stock Exchange, the Fukuoka Stock Exchange, and JASDAQ). The questionnaire survey, regarding “internal controls and IT”, was sent to the president office of 3,605 firms on September 1, 2012 (with a requested return date of September 28), and 212 effective responses were received.

The questions on this survey were regarding 1) management attitudes; 2) strengthening of internal controls and governance; 3) auditing; 4) the environment around financial accounting systems; 5) the organization around financial accounting systems; 6) characteristics of the financial accounting systems; 7) and results from financial accounting systems. Of these, we were able to compare responses to questions about strengthening of internal controls and governance with responses to a 2007 survey (Suda et al. 2011a; Suda et al. 2011b)

The contribution of this study is as follows. First, with a decreasing number of companies disclosing defects in their internal controls, it is difficult to determine from public data the current state of internal controls in actual firms as well as management awareness regarding internal controls. In this study, we were able to directly deduce management awareness through this survey. Second, a survey on internal controls and governance was conducted prior to the enactment of the internal controls reporting system in 2008, and we were able to ascertain the current state of internal controls and changes in management awareness during the past four years since the system was enacted. Third, in addition to the organization and environment surrounding financial accounting systems, we also report on the characteristics and results of these systems. The valuable information regarding these business practices cannot be gotten from public data.

This study is organized as follows. In Section 2, we report the results of our survey on internal controls. In this section, we document on management attitudes of internal controls and the strengthening of governance, as well as the results of the survey in regards to audit quality. In Section 3, we show the results of the survey regarding accounting information systems. In addition to the organization and environment surrounding financial accounting

information systems, we also report on characteristics and results of financial accounting systems. Finally, we summarize the results of the survey and discuss the future outlook.

This study is an analysis based on survey responses. An empirical analysis using information such as corporate financial data will be conducted at a later date.

## 2 SURVEY CONTENT AND RESPONSES

The distributions of responding firms across stock exchanges and industries are shown in Figures 1 and 2 respectively. Figure 1 shows us that 60 % of responding firms in the 2012 survey were listed on the Tokyo Stock Exchange, while 30% were on JASDAQ. In the industry distribution in Figure 2, the percentages of firms in the service and trading industries in the 2007 survey were relatively high, while in the 2012 survey, tertiary industries such as retail, telecommunications, and services stand out.

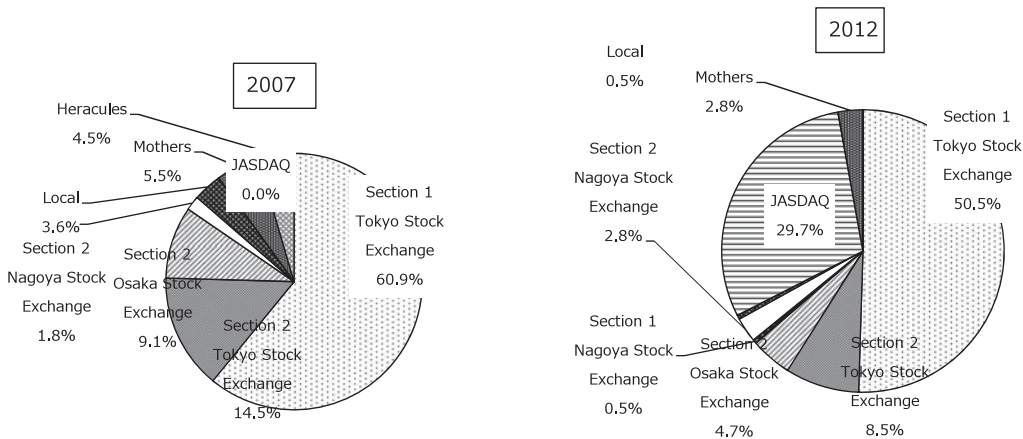


Figure 1 Stock Exchange Distribution

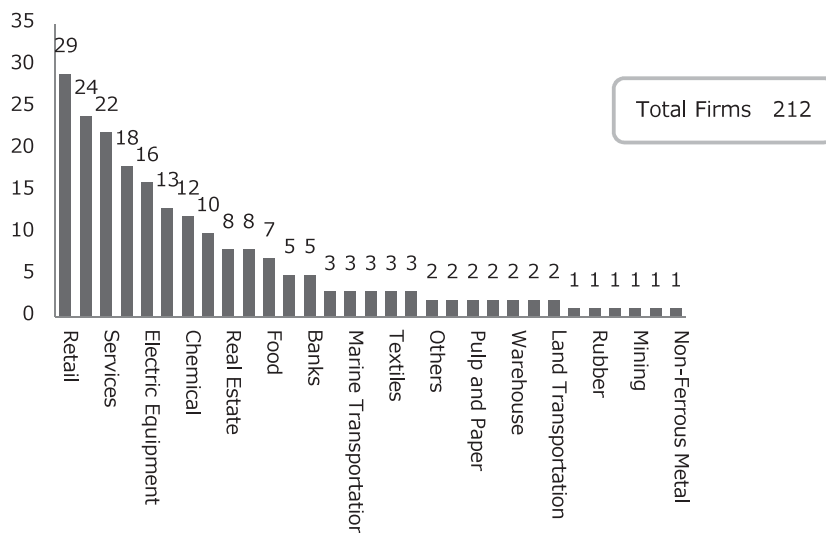


Figure 2 Industrial Distribution of Sample in 2012

### 3 SURVEY RESULTS REGARDING INTERNAL CONTROLS

#### 3.1. Management Attitudes

Figure 3 shows the results from questions 1.1 to 1.3 regarding management attitudes, or the “tone at the top”<sup>1</sup>. In particular, more than half of the firms provided a response of 6 or higher in regards to question 1.1 dealing with improvements to internal controls and J-SOX compliance, and question 1.3 regarding the importance of numerical targets. We can understand from this that firms are fairly proactive in regards to internal controls, and evaluate themselves favorably. In addition, we see that they are very proactive when it comes to setting numerical management targets for sales and current net income. However, firms providing a response of 7 in regards to question 1.2, the objectivity of management decision-making, were particularly few in number, which tells us that firms evaluate themselves poorly in this area.

<sup>1</sup> Respondents to our survey were from the office of the president and corporate planning. Accordingly, we cannot confirm whether the head of the office of the president responded as management itself in regards to “management attitudes” or whether the head of the office of the president has an awareness of “management attitudes”. However, the subjects of this survey are public firms in Japan, and the responses regarding “management attitudes” are viewed as the formal views of the firms.

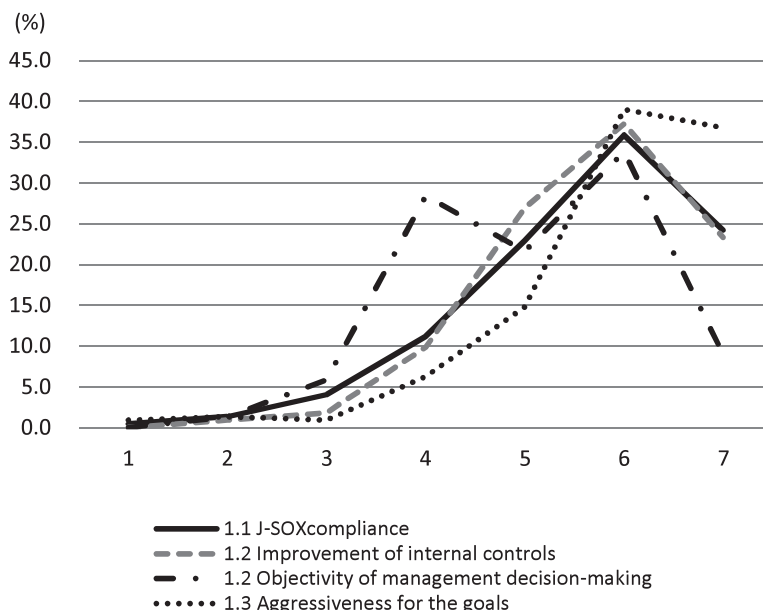
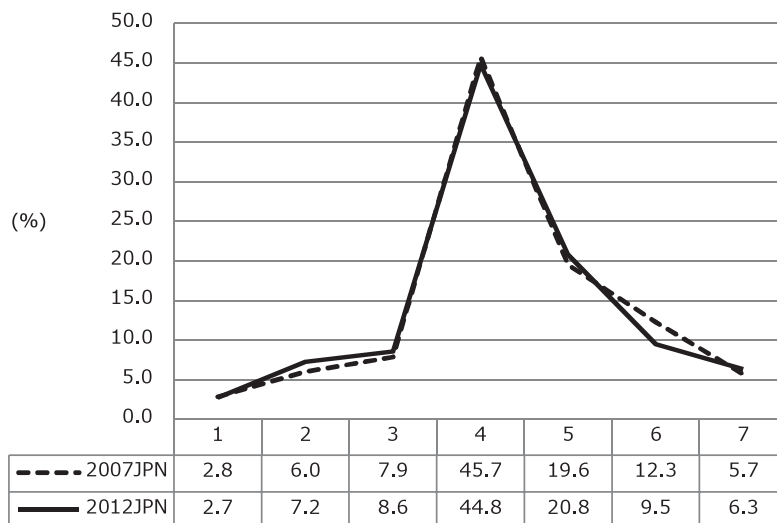


Figure 3 Management Attitudes (Tone At The Top)

### 3.2 Internal Controls and Strengthening Governance

Next we will show the results of the survey in regards to internal controls and strengthening governance. Figure 4 shows the results of questions 2.1 and 2.2. The 2007 survey was of the US and the Japanese firms, and inquired as to the level of contribution to internal controls and strengthening of governance when direct reporting was implemented in Japanese firms, based on the fact that differences in direct reporting between the Japanese and the US firms received the most attention. The results of the 2007 survey were mostly the same as those in the 2012 survey. From this, we see that, even after four years since implementing an internal controls reporting system, about one-third of firms responded that direct reporting corresponds with internal controls and strengthening governance, a fairly low level of expectation. We can interpret this to mean that firms to a certain extent think positively of the Japanese system, which does not use direct reporting. However, because more than 40% of firms answered 4 in response to this question, it may also be that firms do not yet well understand direct reporting.

In Question 2.2 we inquired as to the function of J-SOX compliance in making internal controls and establishing governance more effective. The results are shown in Figure 5, which compares the results for the 2007 and 2012 surveys. More than half of respondents



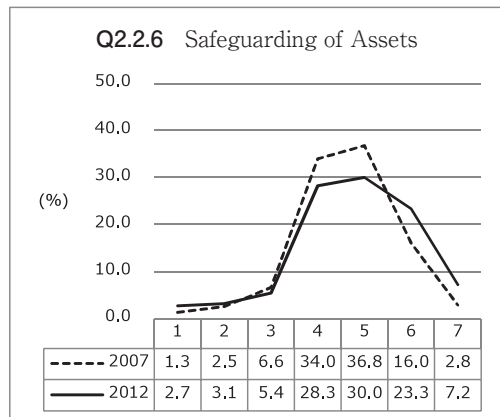
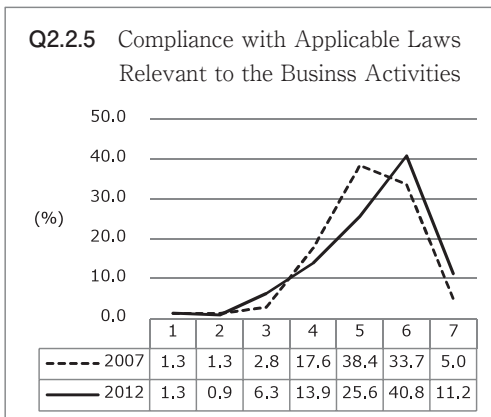
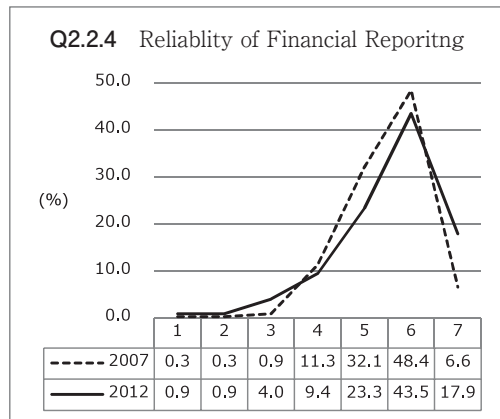
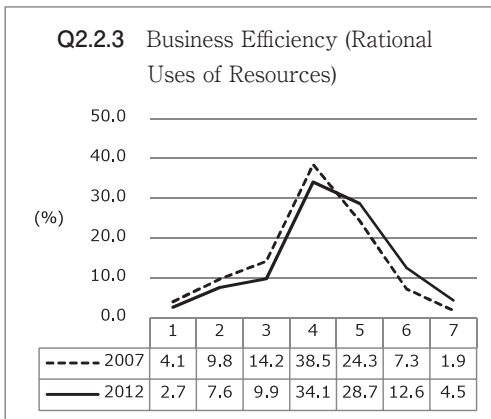
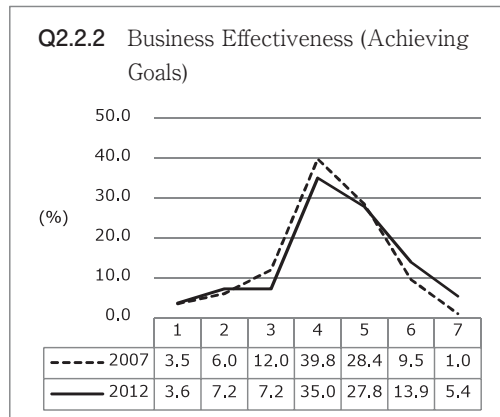
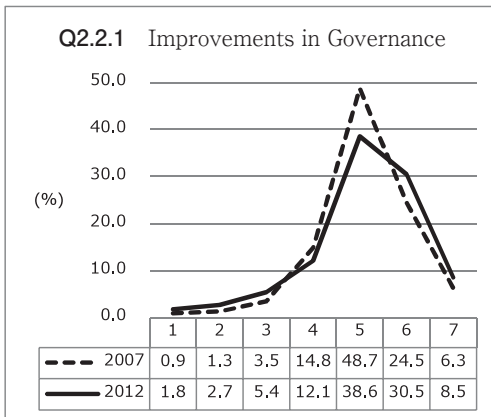
**Figure 4** Effectiveness of Direct Reporting

answered 6 or higher in both the 2007 and 2012 surveys for Question 2.2.4 in regards to the expectation of internal controls being effective for financial reporting trustworthiness. This shows that the essential purpose of J-SOX is now clearly understood. Compared with the 2007 results, we see from changes in the 2012 results an observance with laws and regulations from Question 2.2.5, and the promotion of asset protection in Question 2.2.6. In the results of the 2012 survey more than 40% of respondents answered with 6 or higher in regards to the expectations of observance of the law, which was higher than before, though in regards to expectations for promoting asset protection, 28% of respondents answered 4, and 30% answered 5, which were both somewhat lower than the 2007 results. We learn from this that firms expected J-SOX to be effective in protecting against attacks.

The results of the 2012 survey also showed that many firms favorably evaluate compliance with the J-SOX laws enacted in 2008 as effective for internal controls and in strengthening governance, with more than 40% of respondents answering 5 or higher to Question 2.2.1 regarding corporate governance overall, and 2.2.5 regarding asset protection.

### 3.3 Audit Quality

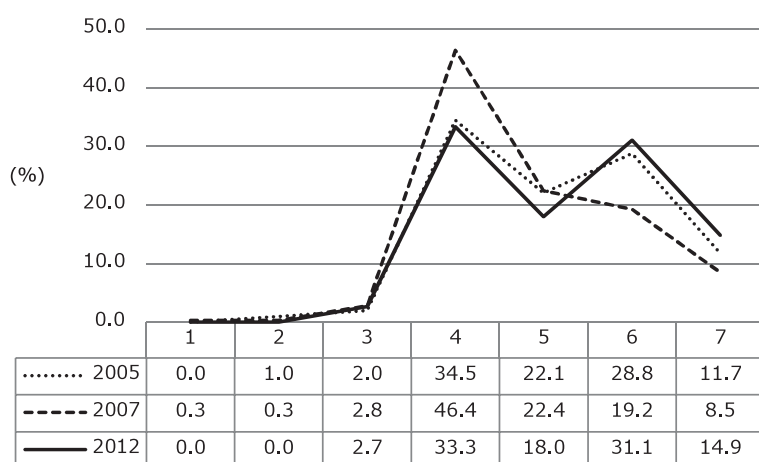
The 2007 questionnaire inquired regarding “management views on audit quality”, including “audit quality”, which was a representative variable with which we could not find a consensus in archival research, and likewise queried regarding “management views on audit



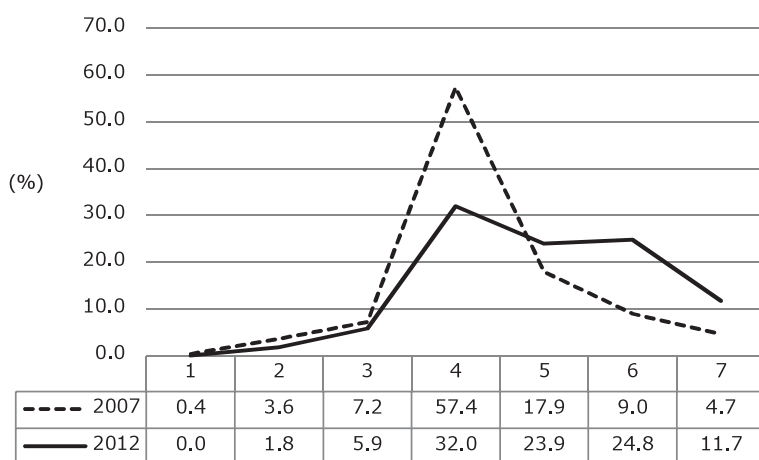
**Figure 5** The Function of J-SOX in Effective Internal Controls and Governance

quality” in 2012. Figures 6 and 7 respectively show the quality of financial auditing and the quality of internal controls audits and compare survey results from 2007 and 2012. In regards to the quality of financial audits, nearly half of firms responded with 4 in the 2007 survey, though in 2012 over half of firms responded with 5 or higher. Japanese firms evaluate financial audits more highly now than in 2008.

In regards to the quality of internal controls audits, the fact that more than half of firms responded with 4 in the results of our 2008 responses showed that evaluation standards had not been identified, thus firms could not assess internal controls audits since the internal controls reporting system had only been put in place in 2008 (Suda et al., 2011). In the re-



**Figure 6** Quality of Auditing for Financial Statements

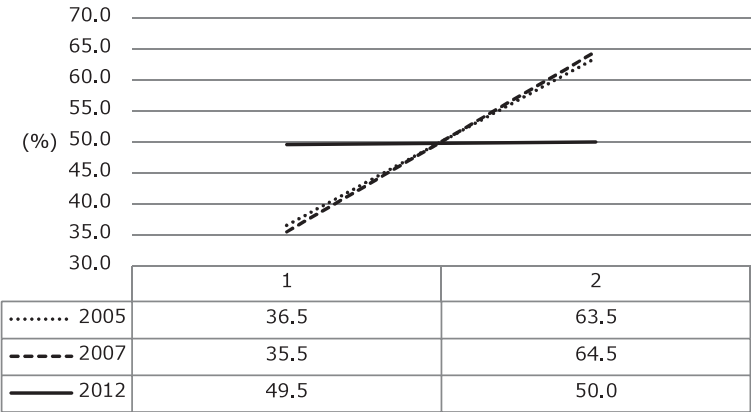


**Figure 7** Quality of Auditing for Internal Controls

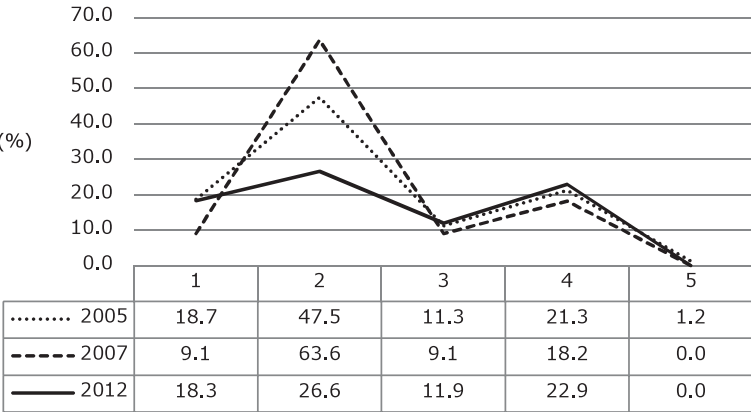


sults from 2012, more than 60% of firms responded with 5, 6, or 7, which may be seen as a high level of internal controls audits due to experience actually conducting them. This phenomenon also showed itself in Question 3.3, with nearly two-thirds of responses saying current audit times were appropriate, a positive assessment of the current status.

Figure 8 shows the results of questions concerning whether audit quality improves with providing audits at the same time as non-audit services. In the results from 2005 and 2007, more than 30% of firms responded that they did not think quality would improve, though more than 60% answered that they thought it would improve. However, even in 2012, nearly half of responding firms answered that audit quality would improve, though about half also thought quality would not improve. Thus we see that there are many firms that feel positively in regards to providing audits at the same time, as was confirmed by Suda et al.



**Figure 8** The Effect of Non-Auditing Services on Quality of Audits and Financial Reproting



**Figure 9** Non-Auditing Services that Increase Quality of Audits and Financial Reporting

(2011b). This is likely a trend specific to Japan. Figure 9 shows the results of our question regarding non-audited services and whether firms think the quality of audits and financial reporting will improve. In regards to these services, a high percentage (26.6% ) felt positive towards development of internal controls systems, followed by tax consulting, development of accounting information systems, and internal audits, in that order.

## 4 RESULTS OF VALIDATION OF ACCOUNTING INFORMATION SYSTEM

### 4.1. Organization and Environment Surrounding Accounting Information Systems

Figure 10 shows the results of the environment surrounding financial accounting information systems that we inquired about in questions 4.1 and 4.2. Among these, because more than 60% of the respondents answered 6 or above in regards to the environment surrounding financial accounting, such as responses to the accounting system in Question 4.1.1 and the efficiency of balancing the books in question 4.1.2, we can see that firms are considering these things to an extraordinary extent. In contrast, even though more than 60% of the respondents answered 5 or above in regards to demands outside of accounting systems, such as information system flexibility in Question 4.1.3 and the consistency of business processes and business strategy in Question 4.1.4, we can see that firms are designing systems without considering them much more than the processes in accounting itself.

Figure 11 shows the results of questions regarding business environment. The mode is 4, relationships with clients and relationships with suppliers, and we see a trend towards not proactively acknowledging the presence or absence of risk. However, those answering 3 or

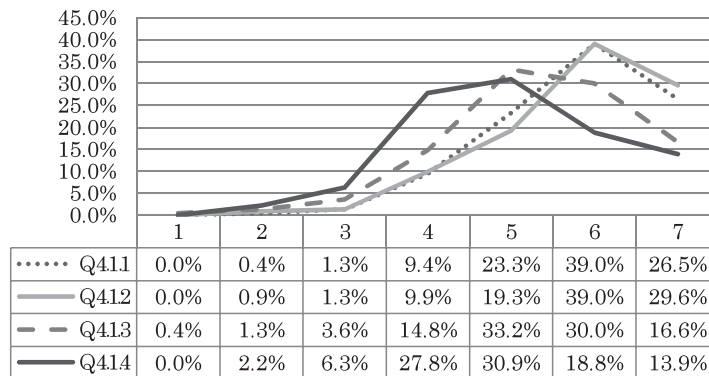
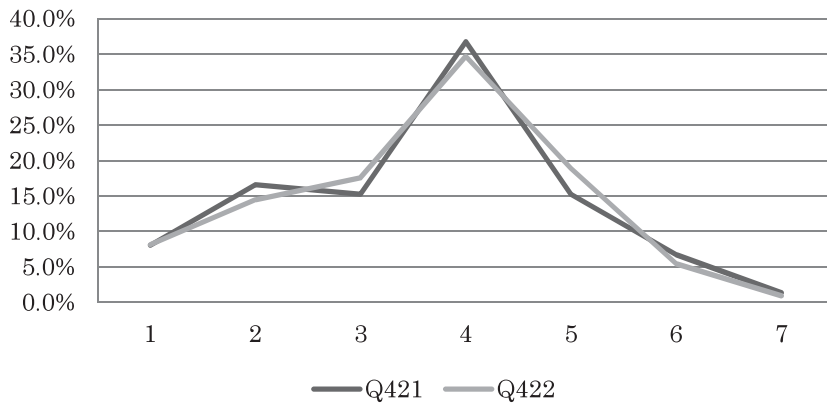


Figure 10 The Environment surrounding Accounting Information Systems

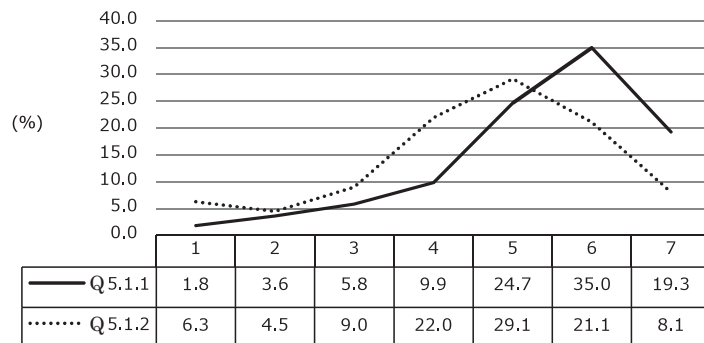


**Figure 11** Business Environment

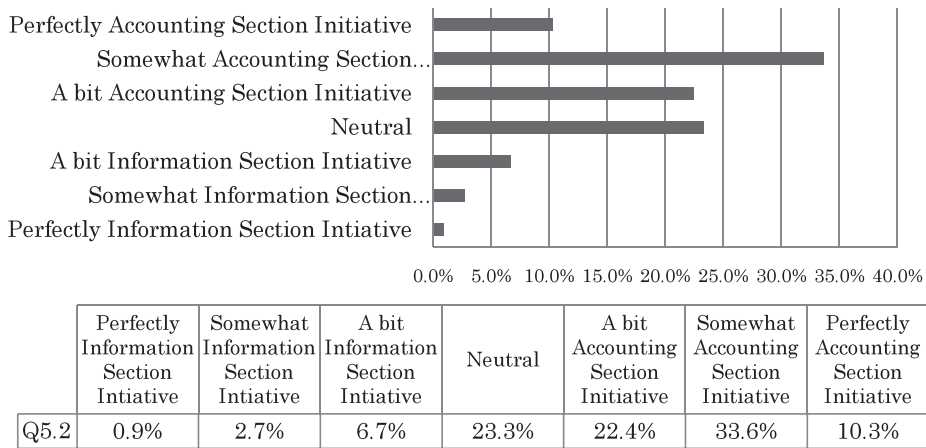
less are somewhat greater in number than those answering 5 and above, thus we can say that there are more firms that believe there is no risk.

In Questions 5.1 and 5.2 we inquired about organizational involvement, and these results are in Figures 12 and 13. Approximately three-fourths of respondents in Question 5.1.1 provided an answer of 5 or higher, which tells us that top management have a very strong interest in financial accounting systems. In contrast, only approximately half of respondents in Question 5.1.2, and the mode is 5. Based on this, we see that other business divisions are not as strongly interested as top management. In addition, three-fourths of respondents in Questions 5.2 provided answers greater than 5, and while the finance department is taking a strong lead in many firms when it comes to the design of financial accounting systems, 23.3% of firms responded that neither was the case, and with a mode of 6 we can see that the stance of many firms is for the IT department to have a certain level of involvement.

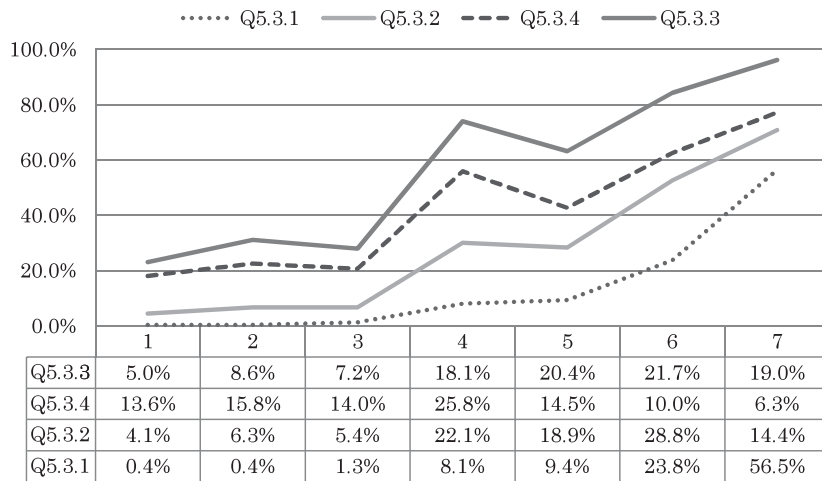
In Question 5.3 we inquired as to the tools used by IT, and the results are shown in Fig-



**Figure 12** Organizational Involvements



**Figure 13** Initiative of System Introduction



**Figure 14** Usages of IT Tools

ure 14. More than half of the firms responded with an answer of 7 for Question 5.3.1, showing that the use of Excel or other spreadsheet software is extremely common. More than half of respondents for Questions 5.3.2 and 5.3.3 provided an answer of 5 or higher, allowing us to state that more than half of the firms are proactively using database software or spreadsheet software with macros or other advanced functionality. However, when it comes to the use of analytical tools such as statistics and data mining, one-third of firms, or 32.8% , responded with 5 or higher, showing that they are aggressively using these tools. In contrast, 43.4% of firms responded with 3 or below, showing that they are not using these tools.

We can therefore say that there is a difference between the firms that are good at data analysis and those that are not.

## 4.2 Characteristics of Financial Accounting Systems

As to characteristics of financial accounting systems, in Question 6.1 we inquired as to the level of integration with other systems, and in Question 6.2 we asked about the frequency of which business information is generated, as well as the frequency that information is received from subsidiaries. We had constraints around the number of questions we could ask, and it was not realistic to ask questions regarding all information systems. We therefore limited our questions to those about management accounting systems, sales information systems, purchasing information systems, inventory management systems, production information systems, and fixed asset management systems. The results are shown in Table 15.

With the widespread adoption of ERP software, the firms responding that they have fully integrated their financial accounting systems with other systems varied from 15% to 23% depending on the system. This allows us to say that the system integration is in progress to a certain extent. However, this contrasts with about 10% of firms responding that they have absolutely no integration between their accounting system and any other system. We can therefore assume that are distinct gaps in the level of system integrations among the firms.

Because the firms with integration between the fixed asset management system and the accounting system are relatively greater in number compared to other systems, we can see that, on a per system basis, integration is relatively advanced. In contrast, a low percentage

**Table 15** System Integration

Response	Question 6.1.1	Question 6.1.2	Question 6.1.3	Question 6.1.4	Question 6.1.5	Question 6.1.6
1	6.6%	8.3%	9.3%	11.6%	14.5%	9.0%
2	5.2%	4.4%	5.7%	6.3%	5.5%	2.9%
3	4.3%	5.9%	2.1%	5.8%	8.5%	9.0%
4	14.7%	16.2%	17.5%	19.5%	27.9%	13.3%
5	23.7%	24.0%	22.7%	17.4%	16.4%	17.1%
6	28.4%	24.0%	24.2%	24.7%	13.3%	25.7%
7	17.1%	17.2%	18.6%	14.7%	13.9%	22.9%

of the firms responded that they have integrated their inventory management system, in comparison with other systems.

Because it was not realistic for us to inquire about the frequency of which every type of business information is generated, we limited our questions to reckoning of sales, accounts receivable, purchasing, accounts payable, inventories, and expenses. We asked questions regarding the frequency of which the parent firm generates this information, and the frequency of which information is gotten from domestic and foreign subsidiaries. The results of these questions are shown in Table 16.

**Table 16** Frequency of Business Information Generation

Panel A: Parent Firms	Sales	AR	Purchasing	AP	Inventories	Expenses
Real Time	34.8%	30.5%	29.9%	33.7%	21.5%	36.1%
Once Daily	30.3%	24.7%	20.1%	23.1%	17.4%	19.4%
Once/Several Times/Week	1.1%	2.3%	4.0%	3.6%	1.2%	7.8%
Once/Several Times/Month	8.4%	12.1%	13.8%	10.7%	12.2%	12.8%
Less than Once/month	25.3%	30.5%	32.2%	29.0%	47.7%	23.9%
Panel B: Domestic Subsidiaries	Sales	AR	Purchasing	AP	Inventories	Expenses
Real Time	12.8%	12.1%	11.5%	14.0%	8.3%	13.7%
Once Daily	15.2%	11.5%	9.6%	9.3%	7.7%	10.6%
Once/Several Times/Week	4.9%	4.5%	4.5%	5.3%	1.3%	6.2%
Once/Several Times/Month	19.5%	18.5%	19.7%	18.7%	16.7%	16.8%
Less than Once/month	47.6%	53.5%	54.8%	52.7%	66.0%	52.8%
Panel C: Overseas Subsidiaries	Sales	AR	Purchasing	AP	Inventories	Expenses
Real Time	7.3%	7.3%	7.3%	5.8%	4.7%	8.3%
Once Daily	8.2%	6.4%	5.5%	6.8%	5.6%	5.6%
Once/Several Times/Week	3.6%	1.8%	1.8%	3.9%	0.0%	3.7%
Once/Several Times/Month	23.6%	19.3%	21.1%	16.5%	18.7%	20.4%

(note) AR means Accounts Receivable and AP means Accounts Payable.

Likely a result of system integration, about 30% of parent firms generate information on sales, accounts receivable, purchasing, and accounts payable in real time, while 21.5 % of firms generate inventory information in real time. More than 50% of firms generate everything but inventory information on a daily basis, while more than one-third of the firms generated inventory information daily. Based on these results, we see that many firms have systems capable of producing corporate information on a daily basis. On the other hand, about one-fourth of the firms responded that they generate all but inventory information on a monthly basis, while about half of the firms generate inventory information monthly. We can thus see that there are major differences in the frequency of which firms generate business information.

When it comes to subsidiaries, the frequency of information handling drops compared to parent firms, with somewhat more than half of the firms only gathering data on a monthly basis. On the other hand, more than 10% of domestic subsidiaries gather all information but inventory information on a real time basis, and almost one-fourth of firms gather information on a daily basis. Even among overseas subsidiaries, almost 15% of the firms gather information more frequently than daily.

### 4.3 Financial Accounting System Results

In regards to results from financial accounting systems, we asked Question 7.1 regarding satisfaction with financial accounting systems themselves and with the accounting process, and Question 7.2 regarding the number of days it takes to settle accounts. Results of Question regarding satisfaction with financial accounting systems are shown in Figure 17, while the results of questions regarding satisfaction with business processes are shown in Figure 18. Figure 19 shows the results from Question 7.2. We will first discuss the level of satisfaction with financial accounting systems. This question has four items that inquire as to the satisfaction with the level of detail in acquired data, freshness of acquired data, accounting information system ease of use, and security measures. We can say that, for systems where more than 50% of firms responded with a satisfaction level 5 or higher on a 7-point scale, many firms are very satisfied with these systems. However, in regards to ease of use, the level of satisfaction was lower than that seen in other questions. On the other hand, we can generally discern from these results that even though the firms were highly satisfied with security and had excellent systems, those same systems were difficult to use.

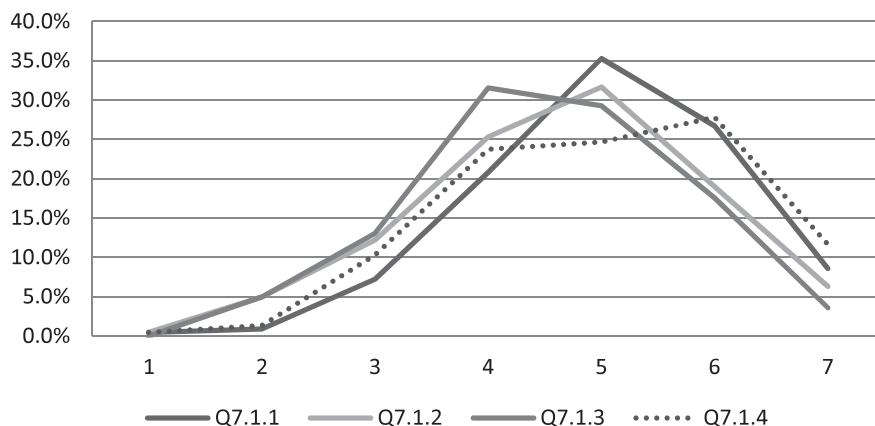


Figure 17 Satisfaction with Financial Accounting Systems

#### 4.4 Financial Accounting System Results

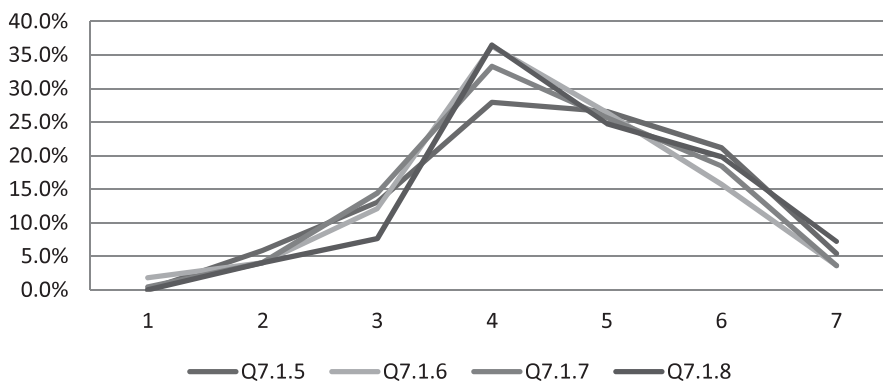
In regards to satisfaction with financial accounting processes, we inquired as to the efficiency of the accounts settlement process, efficiency of audits by accountants, efficiency of internal controls, and information disclosure. The mean of all these items was 4, and because that was about one-third of the responses, we can see that there is a broad distribution of satisfaction levels, from satisfied to dissatisfied firms. Among these, the response for the efficiency of the accounts settlement process was low at 4, and firms responding 3 or lower were not particularly few in number. We can see from this that there is a high degree of disparity among firms regarding this item.

Finally, in regards to the number of days required for the accounts settlement process, the average monthly process required 9.32 days, though because a certain number of the firms took an extraordinarily long time, we know that more than half of responding firms finished the monthly settlement process in less than a week. In contrast, the quarterly process took an average of 23.5 days, and the annual process 29.4 days, or almost one month.

## 5 CONCLUSION

Since four years have passed since the enactment of J-SOX, in this study we queried public firms regarding attitudes toward internal control, as well as management thinking regarding audit quality. Further, we identified the current state of awareness among Japanese firms regarding financial accounting systems. The results of our analysis brought to





**Figure 18** Satisfaction with business processes

**Table 19** Days Required for Settlement Process

	Monthly (days)	Quarterly (days)	Annual (days)
Average	9.32	23.52	29.38
Standard Deviation	6.06	11.87	13.65

light several implications.

First, in regards to management attitudes, we found that management is very proactive towards internal controls, and is extremely proactive towards setting numerical business targets for things like sales and current net income. However, management is somewhat passive in regards to optimism towards decision making.

Second, although four years have passed since firms have implemented an internal controls reporting system, firms have low expectations regarding direct reporting, and somewhat high assessments of the Japanese system, which does not implement direct reporting. Third, we documented a large number of firms that have positive views toward the effectiveness of J-SOX compliance in internal controls and the strengthening of governance. Fourth, in 2012 Japanese firms evaluated audits of financial statements more highly than they did in 2008. In addition, we found that the firms gave high marks to the quality of internal controls audits in 2012, having gone through the experience of these audits. We can interpret this as a positive reflection on the current state of internal controls. Fifth, in regards to the relationship between the quality of audits and the simultaneous provision of audits for non-audit services, in 2012 we see a trend towards a larger number of firms that feel positively towards the simultaneous provision of audits.

Sixth, in our validation of financial accounting information systems we found that accounting systems are designed with priority given to accounting processes, and that the opinions of the accounting department are preferred over the opinions of the IT department during system implementation. In addition, we documented that top management is highly interested in financial accounting systems. In regards to system integration, some firms have fully integrated systems, and we see that system integration is making progress, particularly with fixed asset management systems. As to the speed at which firms generate business information, a certain number of firms generated information in real time, and based on the certain number of firms that responded they received information from subsidiaries on a daily basis, we can assume that business information is generated frequently. As to satisfaction, while the firms express a certain amount of satisfaction in systems themselves, we found that the firms had a lower level of satisfaction in processes than in systems.

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## APPENDIX

### SURVERY FOR INTERNAL CONTROLS and IT

#### 〈*Tone at the Top*〉

- 1.1. How would you describe the attitude of the CEO in your company with regard to documenting and assessing the effectiveness of the internal control structure and procedures over financial reporting?

Complying with the requirements of SOX (Section 404)

Very negative	Neutral				Highly positive	
1	2	3	4	5	6	7

Improving internal controls in the company

Very negative	Neutral				Greatly positive	
1	2	3	4	5	6	7

- 1.2. If independent and objective third-parties were to judge the ethics of business decisions made by the CEO at your company, what do you think they would say?

Not objective	Moderately				Highly objective	
1	2	3	4	5	6	7

- 1.3. How aggressive is the CEO with regard to meeting or exceeding targets, such as sales, net income and/or earnings per share?

Not aggressive	Moderately				Highly aggressive	
1	2	3	4	5	6	7

#### 〈*Enforcement of Internal Controls and Governance*〉

- 2.1 AS5 requires the auditor to provide an independent opinion on the effectiveness of the firm's internal control over financial reporting. The direct reporting regarding the internal controls by external auditors is required in addition to the financial statements audit by external auditors. To what extent does the direct reporting contribute to

improving your internal controls and corporate governance?

Seldom effective			Neutral		Considerably effective	
1	2	3	4	5	6	7

2.2. To what extent does complying with the requirement of SOX (Section 404) contribute to the following?

1. Improve corporate governance in your firm

Not effective			Moderately		Highly effective	
1	2	3	4	5	6	7

2. Improve the effectiveness of operations such as meeting the targets

Not effective			Moderately		Highly effective	
1	2	3	4	5	6	7

3. Improve the efficiency of operations, such as rational use of resources

Not effective			Moderately		Highly effective	
1	2	3	4	5	6	7

4. Improve the credibility of financial reporting

Not effective			Moderately		Highly effective	
1	2	3	4	5	6	7

5. Enforce compliance with the requirements of laws

Not effective			Moderately		Highly effective	
1	2	3	4	5	6	7

Promote the protection of assets

Not effective		Moderately			Highly effective	
1	2	3	4	5	6	7

〈*Audit by Audit Firms or CPAs*〉

3.1 What is the quality of *financial statements audits* by your external auditors?

Extremely low		Standard			Extremely high	
1	2	3	4	5	6	7

3.2 What is the quality of *internal controls audits* by your external auditors?

Extremely low		Standard			Extremely high	
1	2	3	4	5	6	7

3.3. Though the provision of specified non-audit services by external auditors to their audit clients contemporaneously have been prohibited in accordance with the enforcement of auditors' independence in the U. S. (Section 201 of SOX-Services Outside the Scope of Practice of Auditors) and in Japan (Certified Public Accountant Act 24(2), April 2004), the SEC does not prohibit external auditors from providing non-audit services such as tax planning and consulting. When an auditor is asked to provide non-audit services in addition to the audit, do you think the quality of audit and financial reports will be enhanced? Please choose your answer 1 or 2. If you choose 2, please specify services below.

1. The quality is not believed to be enhanced.
2. The quality is believed to be enhanced. (Plural choices are permissible.)
  - a. Development of accounting information system,
  - b. Preparation of internal control system,
  - c. Internal audit,
  - d. Tax planning and consulting, or
  - e. Other ( )

〈*Enterprise Resource Planning (ERP) Systems*〉

4.1. In the design stage of financial accounting system, how much do you stress the follow-

ing items?

1. Compliance with regulations regarding accounting

Never considered		Neutral			Most considered	
1	2	3	4	5	6	7

2. Efficiency of closing

1	2	3	4	5	6	7

3. Flexibility of feasibility and improvement for information systems

1	2	3	4	5	6	7

4. Consistency with managerial strategy and business processes

1	2	3	4	5	6	7

4.2. To what extent do you have risks in dealing with the following?

1. Relationships with customers and/or clients:

Few risk			Neutral		Very high risk	
1	2	3	4	5	6	7

2. Price changes in sales market:

1	2	3	4	5	6	7

⟨*The System regarding Financial Accounting*⟩

5.1. Do the top management or each department have power regarding the introduction and the design of financial accounting information systems.

1. Top management

No involvement

Neutral

Greatly Influence

A horizontal number line with tick marks at each integer from 1 to 7. The numbers 1, 2, 3, 4, 5, 6, and 7 are written above their respective tick marks.

2. Each department

A horizontal number line with tick marks at each integer from 1 to 7. The numbers 1, 2, 3, 4, 5, 6, and 7 are written above their respective tick marks.

5.2. Which department is the initiator for the introduction or design of financial accounting, information technology (IT) department or accounting department?

Only IT department

## Combination

Only Accounting department

1	2	3	4	5	6	7

5.3. To what extent do you utilize the following IT tools?

1. Spreadsheet software such as Excel

Not entirely utilized

Neutral

Greatly utilized

1	2	3	4	5	6	7

2. Spreadsheet software macro function featuring a macro language

1	2	3	4	5	6	7

3. Database software for higher information processing than Excel

1	2	3	4	5	6	7

#### 4. Data mining and statistics for financial information analyses

1	2	3	4	5	6	7



〈*The system regarding Financial Accounting*〉

6.1. To what extent does the financial accounting system integrate with the following information systems? Please indicate approximate percentages. When it does not apply, please indicate “N/A.”

1. Managerial Accounting

Never		Neutral			Highly integrated		
1	2	3	4	5	6	7	
							N/A

2. Sales information system

1	2	3	4	5	6	7	
							N/A

3. Purchase Management System

1	2	3	4	5	6	7	
							N/A

4. Inventory management System

1	2	3	4	5	6	7	
							N/A

5. Production information system

1	2	3	4	5	6	7	
							N/A

6. Fixed assets management system

1	2	3	4	5	6	7	
							N/A

6.2. (1) How often on a non-consolidated basis do you have a journalizing entry? (2) How often do you obtain information regarding the following accounts from a domestic subsidiary and overseas subsidiary? If the frequency depends on the department or subsidiary, please answer the frequency of the most important section or subsidiary.

1. Sales

Real time	Once a Day	Once or a few Times a Week	Once or a few times a Month	Once a Month	
					N/A

2. Accounts receivable

					N/A
--	--	--	--	--	-----

3. Purchases

					N/A
--	--	--	--	--	-----

4. Accounts payable

					N/A
--	--	--	--	--	-----

5. Inventories

					N/A
--	--	--	--	--	-----

6. Expenses

					N/A
--	--	--	--	--	-----

〈*The Effectiveness of Financial Accounting System*〉

7.1. To what extent are you satisfied with the following items?

1. Availability for quality and fresh information

Never satisfied			Neutral		Greatly satisfied	
1	2	3	4	5	6	7

2. Availability for fresh information

1	2	3	4	5	6	7

3. Easy to use information

1	2	3	4	5	6	7

4. Security management

1	2	3	4	5	6	7

5. Efficiency of closing

1	2	3	4	5	6	7

6. Efficiency of audit by auditors

1	2	3	4	5	6	7

7. Efficiency of internal control

1	2	3	4	5	6	7

8. Contribution for information disclosure

1	2	3	4	5	6	7

7.2. How many days does it take to close your book monthly, quarterly and annually, respectively? Please indicate the average days for monthly and quarterly, days before closing annually.

Monthly	Quarterly	Annually
days	days	days

