
Budget and Report: How aware are the Politicians? – A New Approach in the Research of Public Sector Accounting –

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Introduction

As part of our collaborative research, “Relationship between Public Sector Accounting and Policymaking,” a survey entitled “Survey on Politicians’ Awareness of Budgets and Account Settlements” was carried out in December 2005 under the name of Kansai University “Survey Team for Politicians’ Awareness of Budgets and Account Settlements (Government Accounting Survey Team)” by mailing questionnaires to respondents. Respondents targeted in this survey were 794 Members of the House of Representatives and the House of Councilors (including former Diet members who had been defeated in the election for the House of Representatives in September 2005) and 47 governors and 738 mayors (785 in total).

The reason there is a need to carry out this kind of survey is that politicians’ awareness of public sector accounting remains vague. Yet we can suppose that their awareness of public sector accounting may possibly influence the effectiveness of public sector accounting. Therefore, in the course of the preparatory work for adding an aspect of user awareness to our discussions on public sector accounting, we became interested in making this survey.

In this thesis, we are going to: (1) identify the concerns in our collaborative research and clarify the positioning of the survey in relation to such concerns, (2) present a brief overview of the survey, and (3) report the results of the survey. As this survey is merely a baseline survey for fact-finding in order to pursue our collaborative research, it is not capable of verifying our hypotheses independently.

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Nevertheless, we believe it will be meaningful to report the results of this survey, to stimulate research into public sector accounting.

1. Brief overview of our collaborative research

(1) Concerns of the collaborative research

One issue tackled by our collaborative research is to clarify the relationship between public sector accounting and policymaking. In general, public sector accounting tends to be discussed based on existing policies as a given condition and is rarely discussed in terms of how public sector accounting is used to support policies. This is because expanding the scope of concerns to the policymaking process will necessitate examining election systems, Diet systems and other policy-related issues, and may therefore make it difficult to initiate discussions covering all those issues comprehensively. However, the policymaking process is nothing but a series of decision-making steps and we cannot in any way disregard the value of public sector accounting in support of the policymaking process. This is exactly our concern. To be more specific, our topics of concern are itemized as follows:

- (a) How do, or should, policymakers utilize accounting information in their policymaking?
- (b) What kinds of disclosures do, or should, policymakers make towards the general public (voters) who are the real policymakers?
- (c) What kinds of information are, or should be, included in the accounting information mentioned in (a) and (b) above?
- (d) Necessary fact-finding surveys in relation to (a), (b) and (c) above are to be carried out.

(2) Viewpoints that contrast with corporate accounting

The introduction of corporate accounting systems into public sector accounting has recently become a topic for discussion. In studies of public sector accounting, an approach that contrasts with corporate accounting is important. For example, it is important to bear in mind the functions of financial accounting and management accounting in profit-making corporations and contrast them with the functions of financial accounting and management accounting in national and local governments.

While profit is the most important indicator for a profit-making corporation, there is no corresponding indicator that shows clearly the organizational objectives for national or local governments. Since this is a fundamental difference between the public and private sectors, we cannot apply the framework for corporate accounting as it is, to public sector accounting.

But if corporate accounting is conveniently classified into financial accounting and management accounting, this classification itself could provide a viewpoint that is useful for research into, and implementation of, corporate accounting. In other words, this is a framework composed of "financial accounting" that provides information to shareholders who are fund contributors and the real decision-makers, and "management accounting" that provides information to management executives who are delegated by shareholders. A similar framework is practical in public sector accounting also.

Based on this analogy, public sector accounting can be conveniently classified into financial accounting that provides information to the general public who are the stakeholders in national and local governments and who are (ought to be) the real decision-makers and management accounting that provides information to Diet members, assembly members and administrative chiefs who are delegated by the general public through elections and to administrative organizations, and this

classification of public sector accounting will enable a more in-depth consideration.

(3) Existing studies

Although research into public sector accounting is becoming active in Japan, none of the existing studies can serve as the utilization study or experimental study that we really need. Typical existing studies are based on “the general public,” “disclosure,” “stock information,” “information use,” and so on, and develop discussions on accounting norms on the basis of their respective unique models. We therefore decided to survey the awareness of Diet members and governors and/or mayors who are central players in public sector accounting.

What dissatisfied us about most of the existing studies is that they tend to form conclusions before developing any discussion and draw deductions from the assumptions indicated by such conclusions, which is a very unreasonable approach. Regarding the issue of whether disclosures by government (public sector) accounting bodies are sufficient or not, for example, discussions tend to be made based on an implicit understanding (premise) that there is insufficient disclosure. Since no experimental study exists to support this conclusion yet, our research this time will be the first. This is because we avoided making any prejudgments on whether or not there might be insufficient disclosure and we asked Diet members and governors and/or mayors concrete questions on their own awareness and their perceived awareness of the general public.

2. Overview of our survey

(1) Outline of the survey

(a) Objective

This survey is entitled “Survey on Politicians’ Awareness on Budgets and Account Settlements” and is intended to clarify the awareness of Diet members and governors and/or mayors on budgets and account settlements. Towards this aim, we prepared two types of questionnaires, one for Diet members (national politicians) and the other for governors and/or mayors (local politicians).

(b) Period

The questionnaires were sent to respondents during the period from 20 to 25 December, 2005. Since we did not expect respondents to complete the questionnaires during the year-end and New-Year period, we didn’t set a deadline for receiving responses. We officially closed the receipt of questionnaires in March 2006, when it seemed that no more responses would be received.

(c) Targeted respondents

The questionnaires were distributed to the following respondents.

For national politicians: 794 members of the House of Representatives and the House of Councilors as of December 2005 (including former Diet members who had been defeated in the elections for the House of Representatives in September 2005 and whose addresses had been identified)

For local politicians: 47 governors and 738 mayors as of December 2005 (785 in total)

Total: 1,579 politicians

(d) Number of respondents and return rate

Responses returned by March 2006 were as follows.

For national politicians: 56 respondents, or 7.1%

For local politicians: 181 respondents, or 23.1%

Total: 237 politicians, or 15.0%

(e) Number of items on the questionnaire

For national politicians: 47 items in total

Questions about the respondent's attributes: 9 items

Questions about general knowledge and concerns in regard to accounting: 9 items

Questions about uniqueness of government (public sector) accounting: 6 items

Questions about the Japanese Government Financial Statements: 14 items

Questions about the relationship between budgeting and the manifesto: 6 items

Other questions: 3 items

For local politicians: 51 items in total, including some questions for national politicians to compare between national and local politicians

Questions about the respondent's attributes: 9 items

Questions about general knowledge and concerns in regard to accounting: 9 items

Questions about uniqueness of government (public sector) accounting: 6 items

Questions about the Japanese Government Financial Statements: 14 items

Questions about original policies promoted by the governors and/or mayors: 9 items

Other questions: 4 items

(2) Contents of the questionnaire

(a) Construction of questionnaire items

As already explained, the questionnaire items are designed from the viewpoint of separating management accounting and financial accounting, and in a way that allows us to verify our hypotheses.

From the viewpoint of management accounting, we asked whether or not the manner of providing budget documents, accounts settlements and other information are easy-to-understand and easy-to-use for a Diet member or governor and/or mayor. From the viewpoint of financial accounting, we asked whether or not the manner of providing similar information is easy-to-understand for the general public.

In addition, the questionnaire items are designed to enable verification of our hypotheses by analyzing the correlation or lack thereof between items. Some specific examples of our hypotheses are mentioned, where appropriate, in the main body of this thesis.

(b) Politician's standpoint and accounting information

A governor and/or mayor is the elected representative of the residents, and is the head of the local governmental administrative organization, with a position at the head of an organization that is comparable to a corporate executive. Governors and/or mayors are required to develop management accounting to run their administrative organizations, as well as financial accounting to provide information to their respective local assemblies and residents. As in the case of the association between a corporate executive and corporate accounting, we can easily infer the relationship between the administration and the implementation of policies made by the local government and its accounting information. This questionnaire therefore includes some concrete questions to the governor and/or mayor about the relationship between original policies promoted in the capacity of governor and/or mayor and the accounting information.

Meanwhile, Diet members have a somewhat different standpoint. They are members of a

legislative body that represents the general public. Based on the separation of power, Diet members are in a position to control administrative operations through legislation and budgetary deliberations from a standpoint that is different from administrators. In this sense, Diet members can be positioned as users of information prepared by administrative bodies that is similar to financial accounting information.

Under the parliamentary system adopted in Japan, however, the Prime Minister is elected from Diet members and he/she acts as head of the whole nation concurrently as a Diet member. In addition, most ministers who are the heads of the respective administrative organizations (ministries and agencies) are selected from Diet members, and vice ministers (*fuku-dajjin*) or parliamentary secretaries (*seimukan*) who assist ministers are customarily selected from Diet members also. In this way, a Diet member is not merely a lawmaker but may concurrently act as an administrator. You will be able to easily understand this situation if you bring up the image of a director of a company with corporate auditors who, in addition to his/her role in supervising the company, acts concurrently as an executive.

In summary, as the head of the local government, a governor and/or mayor is constantly responsible for directly implementing policies, and a Diet member stands on the administration's side only when he/she belongs to the ruling party and is appointed minister, vice minister or parliamentary secretary. However, Diet members organize a political party with the aim of gaining support from the majority in elections and forming a government, and thus they try to make the party's information appeal to the public in the form of policy.

(c) The manifesto serves as information to the general public

In recent years, political parties present their policies systematically in the form of a manifesto. This is a way for the political party to provide information to the general public that is comparable to financial accounting information. Even a non-ruling party can provide information in its manifesto in the expectation that it will come to power. This situation has led us to formulate some questions on whether their policies are reviewed in terms of financial practicability and whether they provide information to the general public that is comparable to financial accounting information. In our questionnaire, we prepared some questions specific to Diet members with respect to the relationship between the preparation of a manifesto and accounting.

In elections, traditionally policy promises that are ostensibly sweet to voters used to be sprinkled around without checking their practicability. Now times have changed, and each political party prepares its manifesto as a commitment to the general public by the party. Accordingly, a manifesto must be supported by adequate financial grounding and it differs from a so-called "political promise" which may sometimes be impractical and end up as nothing but an empty promise. In other words, a manifesto is expected to be something that is equivalent to financial accounting information and supported by practical accounting. On this basis, we asked Diet members some questions about manifestos and financial resources.

The questionnaire items are summarized in Chart-1 and described in more detail at the end of this thesis.

Chart1: Items on the questionnaires

Q	For Diet members	For governors and/or mayors
1	Profile(as Diet members)(9)	Profile(as governors and/or mayors)(9)
2	Knowledge about corporate accounting, public sector accounting, etc., their sources and comparison of their ease-of -use(9)	
3	Comparison of budget documents and accounts settlements and introduction of corporate accounting(6)	
4	Utilization of National Government Financial Documents, etc. and awareness on disclosures(14)	
5	Manifesto and financial resources(6)	Contents of original policies and financial resources(9)
6	Disclosure of respondent's name and interview(2)	Disclosure of respondent's name and interview(3)

The numbers in the brackets indicate the number of questions in this category.

(c) Other features of the questionnaire

As explained above, the standpoint of governors and/or mayors and that of Diet members differ. For this reason, some of the questions are common to both and others are designed from different viewpoints. To be more specific, we asked governors and/or mayors some questions about the direct relationship between any original policy and its financial sources and we asked Diet members some questions about the relationship between a manifesto and the necessary resources.

The questionnaire items are qualitative data in that our survey is a multiple choice questionnaire and responses are designed to be evaluated on an ordinal scale or nominal scale.

Q1 is a question about the respondent's profile. The contents of this question for Diet members and those for governors and/or mayors differ in part, since a Diet member usually belongs to a political party and acts mainly through committees set up in the Diet and, on the other hand, a governor and/or mayor is a nonparty politician acting as head of an administrative organization in most cases.

In Q6, we requested only governors and/or mayors to present briefing materials on their original policies.

3. Results of the survey

(1) Respondents' profiles

The average profiles of the Diet members and governors and/or mayors who actually responded are summarized as follows.

The rate of return from governors and/or mayors was 23.1%. About half of them used to be local government officials or local assembly members, their average age is 60 years old, and their average number of successful elections is two. While the distribution of the respondents by region was not surveyed and no statistical processing was done for this, no specific trends were found in terms of regions insofar as it can be inferred from the postmarks. The areas on which they intend to focus from now on are: promotion of regional economy and fiscal rehabilitation, as well as education, measures

against the declining birthrate and support for child-raising, agricultural support, public welfare, and so on.

The rate of return from Diet members was 7.1%. Most of them used to be local government officials, local assembly members, central government officials, company employees, or the like, their average age is around 50 years old, and their average number of successful elections is two or more. Since more than half of the responding Diet members belong to the Democratic Party of Japan, this sample seems to be somewhat biased. This bias can be verified from Chart-2 and Chart-3.

Chart2: Number of Diet members by party

	Scope		
		Responding Diet Members	Total Diet Members
Party	Communist Party	0	18
	New Komeito	4	55
	Liberal Democratic Party	17	409
	Social Democratic Party	3	12
	New Party Nippon	0	1
	New Conservative Party	0	7
	Democratic Party	31	194
	Nonparty	1	26
	Total	56	722

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)
Pearson's chi-square test	27.34931	7	0.000288313
Likelihood ratio	26.52104	7	0.000406318
Number of effective cases	778		

Chart-2 shows the relationship between the distribution of all Diet members by party and the distribution of the responding Diet members by party.

Hypothesis H_0 : There is no difference between the distribution of all Diet members by party and the distribution of the responding Diet members by party.

Since the test statistic for Pearson's chi-square test is 27.35 and its significance level (two-sided) is $0.0002 < 0.01$, the foregoing hypothesis is rejected. According to this distribution of Diet members by party, we are able to confirm that the responses may possibly be biased towards opinions of the Democratic Party's lawmakers.

Chart3: Number of Diet members by region

Region	Scope		
		Responding Diet Members	Total Diet Members
Kinki		10	97
Kyushu		4	77
Shikoku		1	27
Chugoku		4	43
Tokai		4	70
Tokyo		4	50
Tohoku		5	55
Minami Kanto		6	66
Proportional-representation		3	96
Hokkaido		1	24
Kita Kanto		7	70
Hokuriku, Shinetsu		5	47
Total		54	722

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)
Pearson's chi-square test	6.606503	11	0.829996234
Likelihood ratio	7.213721	11	0.781521225
Number of effective cases	776		

Chart-3 shows the relationship between the distribution of all Diet members by region and the distribution of the responding Diet members by region.

Hypothesis H₀: There is no difference between the distribution of all Diet members by region and the distribution of the responding Diet members by region.

Since the test statistic for Pearson's chi-square test is 6.61 and its significance level (both sides) is 0.83 > 0.01, the foregoing hypothesis is not rejected. Accordingly, the distribution of Diet members by region is not biased to any specific region.

In summary, our survey has no regional bias, but it is characterized by the fact that the Democratic Party's lawmakers form a high percentage of the respondents.

(2) Accounting knowledge and its sources

Accounting varies according to a diverse range of accounting entities. "Corporate accounting" is accounting done by a profit-making corporation for disclosures required under the Commercial Code and the Securities and Exchange Law and for tax filing. The contents of such corporate accounting significantly differ from those of "government (public sector) accounting" or accounting adopted by a school, an affiliated organization of the national government or a local government, a publicly-owned company, etc. (i.e., intermediate accounting in between corporate accounting and government accounting).

That is why it is necessary to clarify how well politicians are aware of, or familiar with, corporate accounting or government (public sector) accounting. Their awareness is surveyed in this section and their familiarity is surveyed in the subsequent section.

Chart4: Knowledge about corporate accounting

			Diet Members	Governors and/or Mayors	
Q2-1. Do you have knowledge about "corporate accounting"?	Enough	Frequency	10	40	50
		Percentage	4.24	16.95	21.19
	Some	Frequency	25	79	104
		Percentage	10.59	33.47	44.07
	Average	Frequency	19	43	62
		Percentage	8.05	18.22	26.27
	Not so much	Frequency	2	17	19
		Percentage	0.85	7.20	8.05
	None	Frequency	0	1	1
		Percentage	0.00	0.42	0.42
	Total	Frequency	56	180	236
		Percentage	23.73	76.27	100.00

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)	Actual significance probability (two-sided)	Actual significance probability (one-sided)	Point significance probability
Pearson's chi-square test	4.1694	4	0.3836	0.4135		
Likelihood ratio	4.6681	4	0.3231	0.3428		
Fisher's direct assay	4.0480			0.4051		
Linear-by-linear association	0.0053	1	0.9418	1.0000	0.5031	0.0683
Number of effective cases	236					

Chart5: Knowledge about government (public sector) accounting

			Diet Members	Governors and/or Mayors	
Q2-3. Do you have knowledge about "government (public sector) accounting"?	Enough	Frequency	12	56	68
		Percentage	5.13	23.93	29.06
	Some	Frequency	26	74	100
		Percentage	11.11	31.62	42.74
	Average	Frequency	17	38	55
		Percentage	7.26	16.24	23.50
	Not so much	Frequency	0	8	8
		Percentage	0.00	3.42	3.42
	None	Frequency	1	2	3
		Percentage	0.43	0.85	1.28
	Total	Frequency	56	178	234
		Percentage	23.93	76.07	100.00

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)	Actual significance probability (two-sided)	Actual significance probability (one-sided)	Point significance probability
Pearson's chi-square test	5.8437	4	0.2111	0.1983		
Likelihood ratio	7.7087	4	0.1028	0.1212		
Fisher's direct assay	5.9029			0.1764		
Linear-by-linear association	0.7930	1	0.3732	0.3863	0.2103	0.0459
Number of effective cases	234					

Chart6: Cross table for Q2-1 and Q2-3

			Q2-3. Do you have knowledge about "government (public sector) accounting"?					Total
			Enough	Some	Average	Not so much	None	
Q2-1. Do you have knowledge about "corporate accounting"?	Enough	Frequency	27	14	7	1	0	49
		Percentage	11.54	5.98	2.99	0.43	0.00	20.94
	Some	Frequency	33	59	12	0	0	104
		Percentage	14.10	25.21	5.13	0.00	0.00	44.44
	Average	Frequency	6	21	30	2	2	61
		Percentage	2.56	8.97	12.82	0.85	0.85	26.07
	Not so much	Frequency	2	6	6	5	0	19
		Percentage	0.85	2.56	2.56	2.14	0.00	8.12
	None	Frequency	0	0	0	0	1	1
		Percentage	0.00	0.00	0.00	0.00	0.43	0.43
Total	Frequency	68	100	55	8	3	234	
	Percentage	29.06	42.74	23.50	3.42	1.28	100.00	

Correlation coefficient

			Q2-1	Q2-3
Kendall's tau-b	Q2-1	Correlation coefficient	1.000	0.413
		Significance probability (two-side)		0.000
		N	236	234
	Q2-3	Correlation coefficient	0.413	1.000
		Significance probability (two-side)	0.000	
		N	234	234
Spearman's rho	Q2-1	Correlation coefficient	1.000	0.458
		Significance probability (two-side)		0.000
		N	236	234
	Q2-3	Correlation coefficient	0.458	1.000
		Significance probability (two-side)	0.000	
		N	234	234

65% of the respondents feel that they have "enough" or "some" knowledge about corporate accounting, and 72% feel that they have "enough" or "some" knowledge about government (public sector) accounting, which rates seem to be quite high. If the respondents having "average" knowledge are added, more than 90% respondents have knowledge about both corporate accounting and government (public sector) accounting.

Hypothesis H₀: There is no difference between Diet members and governors and/or mayors in respect to their knowledge of corporate accounting and government (public sector) accounting.

Subsequently, we formed a hypothesis to the effect that governors and/or mayors would have more knowledge about government (public sector) accounting than Diet members in light of the position and background of most governors and/or mayors. We therefore expected that the foregoing Hypothesis H₀ would be rejected.

As illustrated in Chart-4, however, the test statistic for Pearson's chi-square test is 4.17 and its significance level (two-sided) is 0.38 > 0.01 and thus the foregoing hypothesis is not rejected. Furthermore, as illustrated in Chart-5, the test statistic for Pearson's chi-square test is 5.847 and its significance level (two-sided) is 0.21 > 0.01 and thus the foregoing hypothesis is not rejected either.

Accordingly, there is no difference between Diet members and governors and/or mayors in

respect of either the level of corporate accounting knowledge or that of government (public sector) accounting knowledge.

Hypothesis H₀: There is no correlation between the level of corporate accounting knowledge and that of government (public sector) accounting knowledge.

As we predicted that Diet members would have more knowledge about corporate accounting and that governors and/or mayors would have more knowledge about government (public sector) accounting, we expected that the foregoing hypothesis would not be rejected.

As illustrated in Chart-6, however, the correlation between Q2-1 (Knowledge about corporate accounting) and Q2-3 (Knowledge about government (public sector) accounting) is calculated as greater than 0.4, both for Kendall's rank correlation and Spearman's rank correlation, and its significance level is 1% and thus this hypothesis is rejected.

We further examined the correlation between their knowledge about corporate accounting and government (public sector) accounting respectively and their past job experience categorized into "business experience" (company management, self-employed or company employee) and "government experience" (public official, Diet or assembly member, etc.). As a result, we have found that the correlation between "business experience" and "corporate accounting knowledge" is the only significant case at the level of 1%.

With regard to the question concerning their method learning about corporate accounting and government (public sector) accounting, the majority of the responses for corporate accounting (86%) and the responses for government accounting (85%) indicated "through past on-the-job experience" (multiple answers allowed for each).

This is probably because they acquired their knowledge by necessity from their on-the-job duties. The responses to the question about how the respondent studied accounting (Q2-2 and Q2-4) show that more than 85% studied corporate accounting and more than 95% studied government (public sector) accounting "through on-the-job experience." The reason for this cannot be estimated from our survey alone.

Lastly, for the question on knowledge about accounting other than corporate accounting and government (public sector) accounting (Q2-5), 89% of the responding governors and/or mayors mentioned "accounting for local public enterprises" and 42% of them mentioned "hospital accounting." 96% of them studied their accounting "through on-the-job experience."

In summary, we were able to confirm that: (i) politicians have good accounting knowledge in general; (ii) there is no difference between Diet members and governors and/or mayors in respect of their level of accounting knowledge; and (iii) most of them acquired their accounting knowledge through on-the-job experience.

(3) Familiarity with accounting

We asked whether corporate accounting and government (public sector) accounting are "familiar" (Q2-7) and "easy-to-use" (Q2-8) for politicians and "easy-to-understand" for the general public (Q2-9).

As a result, government (public sector) accounting is more "familiar" (Q2-7) to Diet members and governors and/or mayors (48%), but only 37% of them found it "easy-to-use" (Q2-8). This figure is quite close to the 29% who replied that "corporate accounting is more easy-to-use" and 31% who replied that "government (public sector) accounting and corporate accounting are equally easy-to-use." As for Q2-9, 47% considered corporate accounting to be more "easy-to-understand" for the general public, which is the dominant response, but 20% considered both corporate accounting and government (public sector) accounting to be "difficult to understand" for the general public.

By calculating whether there is any difference between Diet members and governors and/or mayors on this issue, we have found that whether it is “easy-to-use” for respondents (Q2-8) and whether it is “easy-to-understand” for the general public (Q2-9) are statistically significant. In this connection, corporate accounting is more “easy-to-use” and more “easy-to-understand” for Diet members. In particular, a big difference is found in whether it is “easy-to-use” for respondents. The value for Pearson’s chi-square test is 16.619, which is significant at the level of 1%.

As already described in Paragraph (2), hypothesis H₀, which states that “there is no difference between Diet members and governors and/or mayors in respect to their knowledge of corporate accounting and government (public sector) accounting”, was not verified. However, if a similar comparison is made on “ease-of-use,” rather than on the level of knowledge, that new hypothesis is effective. In other words, Diet members feel that corporate accounting is more easy-to-use for themselves and more easy-to-understand for the general public than government (public sector) accounting. Conversely, governors and/or mayors feel that government (public sector) accounting is easy-to-use and their recognition of the general public’s level of understanding is not as favorable for corporate accounting as is the case with Diet members.

Subsequently, we confirmed whether there was any correlation between “familiarity” for politicians (Q2-7), “ease-of-use” for politicians (Q2-8), and “ease-of-understanding” for the general public (Q2-9), for both corporate accounting and government (public sector) accounting.

Hypothesis H₀: There is no correlation between “familiarity” for politicians, “ease-of-use” for politicians and “ease-of-understanding” for the general public, of corporate accounting or government (public sector) accounting.

7. Which is more familiar to you, “corporate accounting” or “government (public sector) accounting”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Corporate accounting	57	24.1	24.3	18	39	57
2	(2)Both equally	62	26.2	26.4	13	49	62
3	(3)Government (public sector) accounting	113	47.7	48.1	23	90	113
4	(4)Neither	3	1.3	1.3	2	1	3
	Subtotal	235	99.2	100.0	56	179	235
	No response	2	0.8		0	2	2
	Total	237	100.0		56	181	237

8. Which is more easy-to-use for you to use, “corporate accounting” or “government (public sector) accounting”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Corporate accounting	66	27.8	28.6	24	42	66
2	(2)Both equally	71	30.0	30.7	14	57	71
3	(3)Government (public sector) accounting	86	36.3	37.2	11	75	86
4	(4)Neither	8	3.4	3.5	4	4	8
	Subtotal	231	97.5	100.0	53	178	231
	No response	6	2.5		3	3	6
	Total	237	100.0		56	181	237

9. Which do you think is more easy-to-understand for the general public, "corporate accounting" or "government (public sector) accounting"?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Corporate accounting	109	46.0	46.6	36	73	109
2	(2)Both equally	47	19.8	20.1	5	42	47
3	(3)Government (public sector) accounting	32	13.5	13.7	3	29	32
4	(4)Neither	46	19.4	19.7	11	35	46
	Subtotal	234	98.7	100.0	55	179	234
	No response	3	1.3		1	2	3
	Total	237	100.0		56	181	237

Chart7: Analysis on the correlation between corporate accounting awareness and government (public sector) accounting awareness

			Which is more familiar to you, "corporate accounting" or "government (public sector) accounting"?	Which is more easy-to-use for you, "corporate accounting" or "government (public sector) accounting"?	Which do you think is more easy-to-understand for the general public, "corporate accounting" or "government (public sector) accounting"?
Kendall's tau-b	Which is more familiar to you, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	1.0000	0.7595	0.3481
		Significance probability (two-side)		0.0000	0.0000
		N	235	229	233
	Which is more easy-to-use for you, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	0.7595	1.0000	0.4755
		Significance probability (two-side)	0.0000		0.0000
		N	229	230	230
	Which do you think is more easy-to-understand for the general public, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	0.3481	0.4755	1.0000
		Significance probability (two-side)	0.0000	0.0000	
		N	233	230	234
Spearman's rho	Which is more familiar to you, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	1.0000	0.8031	0.3901
		Significance probability (two-side)		0.0000	0.0000
		N	235	229	233
	Which is more easy-to-use for you, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	0.8031	1.0000	0.5380
		Significance probability (two-side)	0.0000		0.0000
		N	229	230	230
	Which do you think is more easy-to-understand for the general public, "corporate accounting" or "government (public sector) accounting"?	Correlation coefficient	0.3901	0.5380	1.0000
		Significance probability (two-side)	0.0000	0.0000	
		N	233	230	234

Chart-7 illustrates the results of the correlation analysis for these three questions. Each correlation is significant since its significance level is 1%, both for Kendall's rank correlation analysis and Spearman's rank correlation analysis. Accordingly, the hypothesis is rejected.

In summary, average Diet members and governors and/or mayors are familiar with government (public sector) accounting, but they don't necessarily think it is easy-to-use. In addition, they think that government (public sector) accounting is not necessarily easy-to-understand for the general public.

(4) Awareness of budget documents and accounts settlements

Next, we asked about awareness of budget documents and accounts settlements for government (public sector) accounting. Since Diet members are lawmakers and governors and/or mayors are administrators, most people think that they must be experts on both budget documents and accounts settlements. However, people have no idea in what way politicians are aware of these issues. Therefore the questions on these points are important.

1. How do you rate the budget and the account settlement in government (public sector) accounting?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Budget is much more important than account settlement	14	5.9	6.0	1	13	14
2	(2)Budget is more important	70	29.5	29.9	13	57	70
3	(3)Both are equally important	120	50.6	51.3	28	92	120
4	(4)Account settlement is more important	30	12.7	12.8	12	18	30
	Subtotal	234	98.7	100.0	54	180	234
	No response	3	1.3		2	1	3
	Total	237	100.0		56	181	237

Q3-1 is a question on awareness of the importance of budget and account settlement. Questions Q3-2 through Q 3-5 are on whether budget documents and accounts settlements are easy-to-understand.

4. Which are more easy-to-understand for you, "budget documents" or "accounts settlements"?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Budget documents	37	15.6	15.8	12	25	37
2	(2)Both equally	167	70.5	71.4	24	143	167
3	(3)Accounts settlements	12	5.1	5.1	3	9	12
4	(4)Neither	18	7.6	7.7	15	3	18
	Subtotal	234	98.7	100.0	54	180	234
	No response	3	1.3		2	1	3
	Total	237	100.0		56	181	237

5. Which do you think are more easy-to-understand for the general public, “budget documents” or “accounts settlements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Budget documents	43	18.1	18.5	11	32	43
2	(2)Both equally	74	31.2	31.8	9	65	74
3	(3)Accounts settlements	23	9.7	9.9	0	23	23
4	(4)Neither	93	39.2	39.9	34	59	93
	Subtotal	233	98.3	100.0	54	179	233
	No response	4	1.7		2	2	4
	Total	237	100.0		56	181	237

In the public sector where the Invisible Hand of God is not expected to function, it is budget-making that determines how to allocate resources and such budget-making is constantly the hottest topic in any Diet session or assembly. Due to this, we expected that most respondents would consider the budget to be “much more important” or “more important” in Q3-1 and consider the budget to be “more easy-to-understand” in Q3-2 through Q3-5.

However, in Q3-1 the majority says that “both are equally important” (51%). While more governors and/or mayors than Diet members consider the budget to be “much more important than account settlement” or “more important,” there is no statistically significant difference.

As to which are more easy-to-understand (Q3-4), 71% of the respondents feel that both budget documents and accounts statements are equally easy-to-understand. On the other hand, on which are more easy-to-understand for the general public (Q3-5), only 31% feel that both are equally easy-to-understand and as many as 40% consider neither one to be easy-to-understand for the general public.

The result that most Diet members and governors and/or mayors place more emphasis on “account settlement” than we previously expected is an issue needing our further examination. Among other things, we want to confirm whether or not they feel the need to confirm how the budget is spent in accounts settlements. In addition, we want to confirm how budget documents or accounts settlements are actually utilized at the scene of deliberations in a Diet session or assembly.

In the case of governors and/or mayors, in particular, it seems that they may recognize both budget documents and accounts settlements as being easy-to-understand since they need to have a thorough knowledge of them in order to implement the planned policies. For the same reason, however, it seems that they may consider budget documents and accounts settlements to be difficult to understand for the general public. Many governors and/or mayors think that “corporate accounting” is more easy-to-understand for the general public than “government (public sector) accounting,” as shown in the responses to Q2-9, probably because the latter is considered to entail some special knowledge.

We also asked, “What do you think of the introduction of some corporate accounting methods into government (public sector) accounting?” (Q3-6). This question is intended to check the level of completeness of government (public sector) accounting and the degree of expectation for corporate accounting methods as alternatives. Regarding this issue, we expected that most respondents would have great hopes for corporate accounting or would be ready to select and introduce certain of the better features of corporate accounting.

In reality, corporate accounting methods are considered to be “meaningful” by 35% and to be

“meaningful in some respects” by 62%, and nobody considers such methods to be “meaningless.”

In summary, most Diet members and governors and/or mayors consider budget documents and accounts settlements to be equally important and equally easy-to-understand and this result raises concerns about an overemphasis on budget documents.

(5) Japanese Government Financial Statements

The standards for preparation of financial statements for the national government’s general and special accounts and the “Accounting Standards” for special corporations, independent administrative institutions/agencies, etc. were drawn up by the Ministry of Finance’s Fiscal System Council (Subcommittee on Legislation and Public Sector Accounting) and others and the “Japanese Government Financial Statements” for account settlement for fiscal 2003 (ended March 2004) were published in September 2005 (coordinated by the Budget Bureau Public Sector Accounting Office, the Ministry of Finance).

The “Japanese Government Financial Statements” are accounts settlements prepared for general and special accounts, and special corporations and independent administrative institutions/agencies by ministry/agency by means of corporate accounting methods. These statements are financial statements including statements for general accounts, as well as consolidated statements for general and special accounts, and consolidated statements for special corporations and independent administrative institutions/agencies. These statements are compiled by the Ministry of Finance for transparent disclosure of the whole nation’s financial statements, extended to cover special accounts since fiscal 1999, and further extended to cover all other accounting units as mentioned above since fiscal 2003.

The preparation of the “Japanese Government Financial Statements” started as an approach utilizing some corporate accounting methods for the purpose of making “government (public sector) accounting” more easy-to-understand for the general public. While the questions about the Japanese Government Financial Statements are related to national politics, this issue is concurrently associated with the manner of disclosure by local governments. Based on this recognition, we also asked governors and/or mayors these questions.

In May 2006, “Report by the Research Group on New Regional Public Sector Accounting Systems” was published and local governments have started preparing documents equivalent to the Japanese Government Financial Statements. We expect that governors and/or mayors will become more interested in this issue.

(a) Awareness and utilization of the Japanese Government Financial Statements

1. Do you know about the “Japanese Government Financial Statements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Know very well	27	11.4	11.5	13	14	27
2	(2)Know well	101	42.6	43.0	36	65	101
3	(3)Have heard the name	50	21.1	21.3	3	47	50
4	(4)Don't know so well	47	19.8	20.0	3	44	47
5	(5)Don't know at all	10	4.2	4.3	0	10	10
	Subtotal	235	99.2	100.0	55	180	235
	No response	2	0.8		1	1	2
	Total	237	100.0		56	181	237

As for awareness of the Japanese Government Financial Statements (Q4-1), only half of the respondents “know very well” or “know well” (55% in total). As for utilization of the Japanese Government Financial Statements (Q4-3), only 22 politicians (9.3%) “use them often,” including 10 Diet members as low as 17.9%. From this, the Japanese Government Financial Statements seem relatively unknown to politicians.

3. Do you utilize the “Japanese Government Financial Statements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Often	22	9.3	12.0	10	12	22
2	(2)Not so often	107	45.1	58.2	34	73	107
3	(3)Never	53	22.4	28.8	8	45	53
4	(4)No idea	2	0.8	1.1	0	2	2
	Subtotal	184	77.6	100.0	52	132	184
	No response	53	22.4		4	49	53
	Total	237	100.0		56	181	237

With utilization of financial statements for special accounts (Q4-4), for special corporations (Q4-5) and for independent administrative institutions/agencies (Q4-6), only 20 politicians (8.4%), 12 politicians (5.1%) and 8 politicians (3.4%) respectively use them “often.” Articles pertaining to wasteful spending in special accounts or by special corporations, information disclosures lacking transparency, and so on fill the pages of newspapers quite often, yet it seems that the financial statements relating to these topics are not efficiently utilized.

(b) Understandability of the “Japanese Government Financial Statements”

7. Are the “Japanese Government Financial Statements” easy-to-understand for you?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Easy-to-understand	13	5.5	7.0	4	9	13
2	(2)Understandable with assistance	65	27.4	34.8	17	48	65
3	(3)Difficult to understand in part	94	39.7	50.3	26	68	94
4	(4)Impossible to understand	15	6.3	8.0	6	9	15
	Subtotal	187	78.9	100.0	53	134	187
	No response	50	21.1		3	47	50
	Total	237	100.0		56	181	237

8. Do you think that the “Japanese Government Financial Statements” are easy-to-understand for the general public?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Easy-to-understand	0	0.0	0.0	0	0	0
2	(2)Understandable with assistance	24	10.1	12.8	7	17	24
3	(3)Difficult to understand in part	82	34.6	43.6	19	63	82
4	(4)Impossible to understand	82	34.6	43.6	29	53	82
	Subtotal	188	79.3	100.0	55	133	188
	No response	49	20.7		1	48	49
	Total	237	100.0		56	181	237

We asked whether the Japanese Government Financial Statements are easy-to-understand for respondents (Q4-7) and for the general public (Q4-8). For these questions, we designed an ordinal scale composed of the following choices: (1) easy-to-understand, (2) understandable with assistance, (3) difficult to understand in part, and (4) impossible to understand.

As a result, an overwhelming majority feels that they are (2) “understandable with assistance” (35%) or (3) “difficult to understand in part” (50%) for the respondents themselves. Furthermore, a large majority feels that they are (3) “difficult to understand in part” (44%) or (4) “impossible to understand” (44%) for the general public.

In summary, it turns out that most Diet members and governors and/or mayors do not evaluate the Japanese Government Financial Statements favorably, since they are not necessarily easy-to-understand for the respondents and far more difficult to understand for the general public. None of the respondents considers them to be easy-to-understand for the general public.

9. Which are more easy-to-understand for you, “budget documents/accounts settlements” or the “Japanese Government Financial Statements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Japanese Government Financial Statements	7	3.0	3.7	5	2	7
2	(2)Both equally	61	25.7	32.4	24	37	61
3	(3)Budget documents/accounts settlements	92	38.8	48.9	12	80	92
4	(4)Neither	28	11.8	14.9	14	14	28
	Subtotal	188	79.3	100.0	55	133	188
	No response	49	20.7		1	48	49
	Total	237	100.0		56	181	237

10. Which do you think are more easy-to-understand for the general public, “budget documents/accounts settlements” or the “Japanese Government Financial Statements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Japanese Government Financial Statements	7	3.0	3.7	4	3	7
2	(2)Both equally	39	16.5	20.7	13	26	39
3	(3)Budget documents/accounts settlements	44	18.6	23.4	4	40	44
4	(4)Neither	98	41.4	52.1	34	64	98
	Subtotal	188	79.3	100.0	55	133	188
	No response	49	20.7		1	48	49
	Total	237	100.0		56	181	237

We also asked whether the Japanese Government Financial Statements are easy-to-understand for respondents (Q4-9) and for the general public (Q4-10), compared with budget documents/accounts settlements.

Our intention was to clarify how the respondents evaluate the adoption of corporate accounting methods, by comparing “budget documents/accounts settlements” prepared under government (public sector) accounting, the prevailing system, and the “Japanese Government Financial Statements” prepared using corporate accounting methods.

As to which are more easy-to-understand for respondents (Q4-9), 32% feel that “both are equally” easy-to-understand and 49% feel that “budget documents/accounts settlements” are more easy-to-understand. As to which are more easy-to-understand for the general public (Q4-10), a majority (52%) considers “neither” to be easy-to-understand, in contrast with 21% replying “both equally” and 23% replying “budget documents/accounts settlements.”

There is a difference between Diet members and governors and/or mayors with respect to the understandability for respondents. While a majority of governors and/or mayors feels that “budget documents/accounts settlements” are more easy-to-understand, a majority of the Diet members feels that “both are equally easy-to-understand.” A statistical analysis of this difference shows that the value for Pearson’s chi-square test is 26.52 and this difference is significant at the level of 1%.

Although the result of Q3-6 reveals that the respondents have some expectation for the adoption of corporate accounting methods, it appears that the Japanese Government Financial Statements prepared by applying such methods are not necessarily evaluated favorably. The reason for this still remains unclear.

(6) Sufficiency of disclosures

Finally, we asked about the sufficiency of ongoing disclosures and prospects for future utilization of the Japanese Government Financial Statements, etc.

The first question is intended to clarify whether disclosures in government (public sector) accounting are recognized as being sufficient. As no existing study has treated this issue, we considered it necessary to clarify this basic recognition.

We prepared the second question to enable us to verify our hypothesis that the reason for insufficient disclosure is that the Japanese Government Financial Statements are not well known and

are prepared solely for closing purposes.

To be more specific, we asked about the “sufficiency of disclosures in government (public sector) accounting” from the standpoint of a Diet member or a governor and/or mayor (Q4-11) and from the standpoint of the general public (Q4-12). The choices prepared for these questions are designed on an ordinal scale.

11. Do you think that disclosures in government (public sector) accounting are sufficient?							
		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Sufficient	5	2.1	2.6	1	4	5
2	(2)Insufficient in part	95	40.1	50.3	20	75	95
3	(3)Insufficient	82	34.6	43.4	34	48	82
4	(4)No need for disclosures	7	3.0	3.7	0	7	7
	Subtotal	189	79.7	100.0	55	134	189
	No response	48	20.3		1	47	48
	Total	237	100.0		56	181	237

12. Do you think that disclosures in government (public sector) accounting are sufficient for the general public?							
		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Sufficient	5	2.1	2.7	1	4	5
2	(2)Insufficient in part	82	34.6	43.6	14	68	82
3	(3)Insufficient	92	38.8	48.9	39	53	92
4	(4)No need for disclosures	9	3.8	4.8	1	8	9
	Subtotal	188	79.3	100.0	55	133	188
	No response	49	20.7		1	48	49
	Total	237	100.0		56	181	237

For the sufficiency of disclosures felt by the respondents (Q4-11), both the responses “insufficient in part” (50%) and “insufficient” (43%) are ranked almost at the top. For the sufficiency of disclosures for the general public (Q4-12), both the responses “insufficient in part” (44%) and “insufficient” (49%) are ranked almost at the top as well. There are slightly more respondents replying “insufficient” than those answering “insufficient in part” for the general public. In either case, however, disclosures are not recognized as being sufficient in general and may even be considered to be “insufficient.”

In Q4-13, we asked whether utilization of the Japanese Government Financial Statements, etc. will increase in the future. In Q4-14, we asked whether the utilization of budget documents will increase in the future if they are prepared in a form similar to the Japanese Government Financial Statements.

13. Do you expect that utilization of the “Japanese Government Financial Statements” and “financial statements” of special accounts, special corporations and independent administrative institutions/agencies will increase in the future?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Likely to increase	43	18.1	22.8	20	23	43
2	(2)Less likely to increase	75	31.6	39.7	25	50	75
3	(3)Unlikely to increase	36	15.2	19.0	7	29	36
4	(4)No idea	35	14.8	18.5	3	32	35
	Subtotal	189	79.7	100.0	55	134	189
	No response	48	20.3		1	47	48
	Total	237	100.0		56	181	237

14. Do you expect that the utilization of “budget documents” will increase in the future if they are prepared in a form similar to the “Japanese Government Financial Statements”?

		Frequency	Percentage	Effective Percentage	National	Local	Total
1	(1)Likely to increase	33	13.9	17.6	16	17	33
2	(2)Less likely to increase	84	35.4	44.9	21	63	84
3	(3)Unlikely to increase	25	10.5	13.4	5	20	25
4	(4)No idea	45	19.0	24.1	12	33	45
	Subtotal	187	78.9	100.0	54	133	187
	No response	50	21.1		2	48	50
	Total	237	100.0		56	181	237

In Q4-13, 23% think it is “likely to increase,” 40% think it is “less likely to increase,” and 19% think it is “unlikely to increase.” In Q4-14, 18% think it is “likely to increase,” and 45% think it is “less likely to increase,” and 13% think it is “unlikely to increase.” In this way, a majority considers that utilization of such documents will not increase so much. Nonetheless, 23% (43 politicians) in Q4-13 and 19% (33 politicians) in Q4-14 consider that it will increase. The number of these respondents is greater than the number of those who actually use the Japanese Government Financial Statements (Q4-3, 22 respondents), those who consider the Japanese Government Financial Statements to be easy-to-understand for them (Q4-7, 13 respondents), and those who consider the Japanese Government Financial Statements to be easy-to-understand for the general public (Q4-8, no respondents). These figures can be interpreted as the respondents’ expectation, in that they appear to want to wait until they have observed future utilization before passing judgment.

In the majority’s opinion derived from the responses to Q3, budget documents and accounts settlements for government (public sector) accounting are relatively meaningful as a management accounting method, but are not sufficient as a financial accounting method, and the adoption of some corporate accounting methods are expected to overcome this insufficiency. However, insofar as we look at the responses to the questions about the Japanese Government Financial Statements using some corporate accounting methods, such financial statements are not evaluated so favorably.

In this regard, it should be noted that politicians may possibly be unable to evaluate the Japanese Government Financial Statements properly due to lack of knowledge and low utilization, as

shown in the results for Q4-13 and Q4-14.

In summary, we are able to confirm that most Diet members and governors and/or mayors consider disclosures in government (public sector) accounting to be insufficient in general and that the Japanese Government Financial Statements introduced as a new approach still remain unfamiliar to them.

(7) Manifestos and accounting information for Diet members

We asked Diet members about how they use accounting information in preparing manifestos.

In the election of September 2005, each political party published its manifesto in which its election promises were specifically and systematically compiled. Unlike traditional election promises, a manifesto is not a candidate’s personal promise but a commitment made by the political party and as such the manifesto contains more specific plans and numerical targets. The preparation of a manifesto should probably be associated with the budget since a policy proposed in a manifesto must be supported by budgetary backing in order for it to be put into practice as a real policy. From another angle, if priorities between multiple policies are decided under a limited total budget, the key point is then how to treat a policy that does not have sufficient budgetary backing in the manifesto.

Therefore we asked whether respondents take into consideration “the costs to be expended for individual policies” (Q5-1), “the priority among policies” (Q5-2), “budgets” (Q5-5) and “government (public sector) accounting” (Q5-6) when preparing a manifesto.

1. When preparing a manifesto, do you take into consideration the costs to be expended for individual policies?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	21	37.5	41.2
2	(2) Take partly into consideration	30	53.6	58.8
3	(3) Don't take into consideration	0	0.0	0.0
4	(4) No idea	0	0.0	0.0
	Subtotal	51	91.1	100.0
	No response	5	8.9	
	Total	56	100.0	

2. When preparing a manifesto, do you take priorities between policies into consideration?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	28	50.0	53.8
2	(2) Take partly into consideration	24	42.9	46.2
3	(3) Don't take into consideration	0	0.0	0.0
4	(4) No idea	0	0.0	0.0
	Subtotal	52	92.9	100.0
	No response	4	7.1	
	Total	56	100.0	

5. When preparing a manifesto, do you also take the budget into consideration?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	29	51.8	55.8
2	(2) Take partly into consideration	22	39.3	42.3
3	(3) Don't take into consideration	0	0.0	0.0
4	(4) No idea	1	1.8	1.9
	Subtotal	52	92.9	100.0
	No response	4	7.1	
	Total	56	100.0	

6. When preparing a manifesto, do you also take government (public sector) accounting into consideration?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	13	23.2	26.0
2	(2) Take partly into consideration	27	48.2	54.0
3	(3) Don't take into consideration	7	12.5	14.0
4	(4) No idea	3	5.4	6.0
	Subtotal	50	89.3	100.0
	No response	6	10.7	
	Total	56	100.0	

As shown above, the great majority take these elements into consideration ((1)and(2)) when preparing a manifesto. Now that a manifesto is different from a traditional election promise; we could say that it is a commitment to the general public supported by proper budgeting, etc.

However, our expectation differs from the responses we received for “how do you treat a policy without budgetary backing” (Q5-3) and “what should be done with a policy without budgetary backing” (Q5-4).

We initially imagined that the majority would “refrain from describing a policy without budgetary backing in the manifesto” or “describe it in the manifesto, but exclude it from prioritized policies” if the costs of implementing policies are taken into consideration. In particular, to our question “What should be done?” (Q5-4), we forecast that the great majority would answer that they would refrain from describing a policy in the manifesto, despite the fact that, to our question of how the policy is actually treated (Q5-3) they would answer that in reality they describe it in the manifesto.

However, almost the same number of respondents replied “(1) describe it in the manifesto as it is,” “(2) describe it in the manifesto, but exclude it from prioritized policies” and (3) refrain from describing it in the manifesto. On top of that, a larger number of respondents said that even such a policy should be described in the manifesto for Q5-4 (what it should be) than for Q5-3 (how it is actually treated). To be short, as many as 31% of the responding Diet members (or 65%, if those who exclude such policies from prioritized ones are added) make it a practice to describe policies without budgetary backing in a manifesto, and as many as 35% (or 73%, if those who exclude such policies from their prioritized ones are added) answer that they should be described.

3. When preparing a manifesto, how do you treat a policy without budgetary backing?

		Frequency	Percentage	Effective Percentage
1	(1) Describe it in the manifesto as it is	16	28.6	31.4
2	(2) Describe it in the manifesto, but exclude it from prioritized policies	17	30.4	33.3
3	(3) Refrain from describing it in the manifesto	15	26.8	29.4
4	(4) No idea	3	5.4	5.9
	Subtotal	51	91.1	100.0
	No response	5	8.9	
	Total	56	100.0	

4. When preparing a manifesto, what should be done with a policy without budgetary backing?

		Frequency	Percentage	Effective Percentage
1	(1) Describe it in the manifesto as it is	18	32.1	34.6
2	(2) Describe it in the manifesto, but exclude it from prioritized policies	20	35.7	38.5
3	(3) Refrain from describing it in the manifesto	14	25.0	26.9
4	(4) No idea	0	0.0	0.0
	Subtotal	52	92.9	100.0
	No response	4	7.1	
	Total	56	100.0	

We examined if there would be any difference among the political parties in terms of these opinions, and the results are shown in Charts-8 and-9.

Hypothesis H₀: With respect to opinions on how a policy without budgetary backing is actually treated when preparing a manifesto, there is no difference among the political parties.

As illustrated in Chart-8, this hypothesis is not rejected.

Hypothesis H₀: With respect to opinions on what should be done with a policy without budgetary backing when preparing a manifesto, there is no difference among the political parties.

As illustrated in Chart-9, this hypothesis is not rejected either. We find no difference among multiple political parties' opinions.

Chart8: Descriptions in manifestos for policies without budgetary backing (actual status)

		Political Party					Total
		Liberal Democratic Party	Democratic Party	New Komeito	Social Democratic Party	Nonparty	
When preparing a manifesto, how do you treat a policy without budgetary backing?	(1)Describe it in the manifesto as it is	6	6	2	2	0	16
	(2)Describe it in the manifesto, but exclude it from prioritized policies	3	12	0	1	1	17
	(3)Refrain from describing it in the manifesto	2	11	2	0	0	15
	(4)No idea	1	2	0	0	0	3
	Total	12	31	4	3	1	51

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)
Pearson's chi-square test	11.3016	12	0.50326
Likelihood ratio	13.7822	12	0.31483
Linear-by-linear association	0.3310	1	0.56507
Number of effective cases	51		

Chart9: Descriptions in manifestos for policies without budgetary backing (ideal approach)

		Political Party					Total
		Liberal Democratic Party	Democratic Party	New Komeito	Social Democratic Party	Nonparty	
When preparing a manifesto, how do you treat a policy without budgetary backing?	(1)Describe it in the manifesto as it is	6	6	2	3	1	18
	(2)Describe it in the manifesto, but exclude it from prioritized policies	5	15	0	0	0	20
	(3)Refrain from describing it in the manifesto	2	10	2	0	0	14
	(4)No idea	0	0	0	0	0	0
	Total	13	31	4	3	1	52

Chi-square test

	Value	Degrees of freedom	Asymptotical significance probability (two-sided)
Pearson's chi-square test	14.5090	8	0.06943
Likelihood ratio	17.1744	8	0.02834
Linear-by-linear association	2.2535	1	0.13331
Number of effective cases	52		

Chart10: Correlation table between an ideal approach and the actual status of manifestos

		When preparing a manifesto, what should be done with a policy without budgetary backing?				
		(1)Describe it in the manifesto as it is	(2)Describe it in the manifesto, but exclude it from prioritized policies	(3)Refrain from describing it in the manifesto	(4)No idea	Total
When preparing a manifesto, how do you treat a policy without budgetary backing?	(1)Describe it in the manifesto as it is	15	1	0	0	16
	(2)Describe it in the manifesto, but exclude it from prioritized policies	2	14	1	0	17
	(3)Refrain from describing it in the manifesto	0	3	12	0	15
	(4)No idea	1	1	1	0	3
	Total	18	19	14	0	51

Correlation coefficient

			When preparing a manifesto, how do you treat a policy without budgetary backing?	When preparing a manifesto, what should be done with a policy without budgetary backing?
Kendall's tau-b	When preparing a manifesto, how do you treat a policy without budgetary backing?	Correlation coefficient	1.00000	0.75017
		Significance probability (two-sided)		0.00000
		N	51	51
	When preparing a manifesto, what should be done with a policy without budgetary backing?	Correlation coefficient	0.75017	1.00000
		Significance probability (two-sided)	0.00000	
		N	51	52
Spearman's rho	When preparing a manifesto, how do you treat a policy without budgetary backing?	Correlation coefficient	1.00000	0.78829
		Significance probability (two-sided)		0.00000
		N	51	51
	When preparing a manifesto, what should be done with a policy without budgetary backing?	Correlation coefficient	0.78829	1.00000
		Significance probability (two-sided)	0.00000	
		N	51	52

Chart-10 shows the correlation between the ideal manifesto and the reality.

Hypothesis H₀: With respect to how to treat a policy without budgetary backing when preparing a manifesto, there is no correlation between the actual status (what it is) and the ideal approach (opinion on what it should be).

As illustrated in Chart-10, this hypothesis is rejected at a significance level of 1%. A close correlation can be found between the responses to these two questions. This means that there is no gap between the reality and the ideal on whether a policy without budgetary backing is to be

described in a manifesto or not. If a respondent makes it a practice to describe any policy even without budgetary backing in a manifesto, he/she is generally of the opinion that it “should be described” in a manifesto. If a respondent makes it a practice to exclude such a policy from prioritized policies in a manifesto, he/she is generally of the opinion that it “should be excluded from prioritized policies.” If a respondent makes it a practice to refrain from describing such a policy in a manifesto, he/she is generally of the opinion that it “should not be described in a manifesto.”

A great majority of the respondents takes the budget into consideration when preparing a manifesto. Despite this, one-third of the respondents actually describes policies without budgetary backing in a manifesto and is of the opinion that they should be described in a manifesto, and another one-third excludes such policies from prioritized policies but still describes them in a manifesto and is of the opinion that such an approach is correct. Since these results may be inconsistent with each other, they need further examination.

This leads us to ask the skeptical question, “Do the parties really present practical policies with budgetary backing even in a manifesto-based election?” In summary, the results of this survey have caused us to doubt whether a manifesto is really different from a traditional election promise.

(8) “Original policies” of governors and/or mayors and accounting information

We asked governors and/or mayors about the original policies they are currently promoting and their awareness of financial resources and utilization of private-sector sources, etc. for such policies.

Each region’s governors and/or mayors have put forward many original policies appropriate to the region’s actual situation. In recent years, the so-called “trinity reform” that redefines the relationship between the local and national governments has been gaining momentum as part of the administrative reforms boosted by the Koizumi Cabinet. Under these circumstances, the local governments’ revenue sources are shifting to independent sources and an environment that encourages each region to put forward their own original policies is gradually developing.

Looking at the situation in other countries, the U.K., New Zealand and others have been implementing NPM, or new public management, since the middle of 1980s. NPM is a philosophy to enhance the efficiency and quality of administrative services by introducing private-sector managerial approaches (performance-based approach, utilization of market mechanism, customer-oriented approach, etc.) into the administration field. In Japan too, the philosophy of NPM is beginning to take a hold, whether consciously or unconsciously.

The questionnaire survey shows that 60% are “positive,” and 39% are “somewhat positive,” about promoting “original policies,” accounting for almost all respondents. The original policies ranked at the top are policies for environmental issues or for the aging society with declining birthrate, including policies for education, the environment, welfare of the elderly, preschool-age children’s welfare, etc. Each respondent mentions an average of three original policies.

1. Are you positive about promoting “original policies”?

	Frequency	Percentage	Effective Percentage
1 (1) Positive	107	59.1	59.8
2 (2) Somewhat positive	69	38.1	38.5
3 (3) Negative	3	1.7	1.7
4 (4) No idea	0	0.0	0.0
Subtotal	179	98.9	100.0
No response	2	1.1	
Total	181	100.0	

2. In which areas are you promoting “original policies”? (Multiple answers allowed)

		Frequency	Percentage	Effective Percentage
b50201	(1)Education	107	61.1	20.1
b50202	(2)Welfare of the elderly	71	40.6	13.3
b50203	(3)Preschool-age children’s welfare	77	44.0	14.5
b50204	(4)Disabled person’s welfare	34	19.4	6.4
b50205	(5)Environment	88	50.3	16.5
b50206	(6)Lifelines (cleaning, etc.)	26	14.9	4.9
b50207	(7)Crime prevention	52	29.7	9.8
b50208	(8)Facilities improvement	39	22.3	7.3
b50209	(9)Others	38	21.7	7.1
	Subtotal	532	304.0	100.0
	Those who responded	175	96.7	
	Those who didn’t respond	6	3.3	
	Total	181	100.0	

The budget scales of those original policies range from “less than 10 million yen” to “500 million yen or more.” Therefore it is not always the case that an original policy is on a large budget scale. Major financial resources for those original policies are local taxes that may sometimes be combined with local allocation taxes or local bonds.

4. What is the budget scale of the major “original policies” referred to in Q5-3?

		Frequency	Percentage	Effective Percentage
1	(1) Less than 10 million yen	25	13.8	15.2
2	(2) Less than 100 million yen	66	36.5	40.2
3	(3) Less than 500 million yen	29	16.0	17.7
4	(4) 500 million yen or more	44	24.3	26.8
	Subtotal	164	90.6	100.0
	No response	17	9.4	
	Total	181	100.0	

5. What are the financial resources for the major “original policies” referred to in Q5-3?

		Frequency	Percentage	Effective Percentage
b50501	(1)Local taxes	125	74.9	60.7
b50502	(2)Local allocation taxes	36	21.6	17.5
b50503	(3)Government grants	4	2.4	1.9
b50504	(4)Local bonds	34	20.4	16.5
b50505	(5)Others	7	4.2	3.4
	Subtotal	206	123.4	100.0
	Those who responded	167	92.3	
	Those who didn’t respond	14	7.7	
	Total	181	100.0	

7. Do you agree with the philosophy of “New Public Management” to reflect private-sector managerial approaches in local government operations?

		Frequency	Percentage	Effective Percentage
1	(1) Agree	82	45.3	46.1
2	(2) Somewhat positive	93	51.4	52.2
3	(3) Neutral	2	1.1	1.1
4	(4) Somewhat disagree	1	0.6	0.6
5	(5) Disagree	0	0.0	0.0
	Subtotal	178	98.3	100.0
	No response	3	1.7	
	Total	181	100.0	

In addition, we asked about the awareness of utilization of private-sector managerial approaches and private sector vitality.

More than 90% of the respondents “agree” or “somewhat agree” on the philosophy of New Public Management to introduce private-sector managerial approaches to local government operations (Q5-7).

On the question of whether they consider the use of private-sector managerial approaches for practical purposes (Q5-8), more than 90% of the respondents consider such approaches fully or in part.

On the question of whether they consider utilizing private-sector vitality (Q5-9), almost all the respondents consider the same fully or in part.

8. Do you take into consideration private-sector managerial approaches for local government operations?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	58	32.0	32.6
2	(2) Take partly into consideration	110	60.8	61.8
3	(3) Don't take into consideration	8	4.4	4.5
4	(4) No idea	2	1.1	1.1
	Subtotal	178	98.3	100.0
	No response	3	1.7	
	Total	181	100.0	

9. Do you consider utilizing private-sector vitality for projects implemented by the local government?

		Frequency	Percentage	Effective Percentage
1	(1) Take fully into consideration	88	48.6	49.4
2	(2) Take partly into consideration	89	49.2	50.0
3	(3) Don't take into consideration	1	0.6	0.6
4	(4) No idea	0	0.0	0.0
	Subtotal	178	98.3	100.0
	No response	3	1.7	
	Total	181	100.0	

These results show the proactive stance of governors and/or mayors in that they are consciously promoting their original projects and trying to improve efficiency and enhance resident welfare by utilizing private-sector wisdom and capabilities.

Conclusion

Our survey this time indicates some new approaches for collaborative research. This is because we were able to clarify that politicians' awareness is different from the typical impression that many researchers and experts have had. Some specific findings from this survey are as follows.

(a) Respondents' profile

Our survey shows no regional bias in the respondents, but it is characterized by the fact that a large percentage of respondents belong to the Democratic Party.

(b) Politicians' accounting knowledge

We were able to confirm the following facts: politicians have a good accounting knowledge in general, there is no disparity in the accounting knowledge possessed by Diet members or governors and/or mayors, and most of them acquired their accounting knowledge through on-the-job experience.

(c) Familiarity with accounting

Both Diet members and governors and/or mayors are familiar with government (public sector) accounting, but they don't necessarily consider it easy-to-use. Moreover, they don't necessarily consider government (public sector) accounting to be easy-to-understand for the general public.

(d) Budget documents and accounts settlements

Both Diet members and governors and/or mayors recognize that both budget documents and accounts settlements are equally important and equally easy-to-understand. We should not forget to look carefully at concerns over politicians' overemphasis on budget documents.

(e) Japanese Government Financial Statements

In the opinion of most Diet members and governors and/or mayors, the Japanese Government Financial Statements are not necessarily easy-to-understand for them and even more difficult to understand for the general public. This shows that most Diet members and governors and/or mayors do not evaluate the Japanese Government Financial Statements favorably. It is important to note that none of the respondents considers the Japanese Government Financial Statements to be easy-to-understand for the general public.

(f) Disclosures

Most Diet members and governors and/or mayors consider that disclosures in government (public sector) accounting are insufficient in general. The Japanese Government Financial Statements introduced as a new approach still remain unknown to most respondents.

(g) Manifestos

Most Diet members take into consideration budgets and accounting when preparing a manifesto. Yet a majority of them would specify statements about a policy without budgetary backing in a manifesto, either by describing the policy as it is or by giving it lower priority, and they consider such an approach to be adequate. Since this result shows some inconsistencies, we must investigate it further.

(h) Governors and/or mayors

Governors and/or mayors are positive in implementing their original policies and also

positive in introducing private-sector managerial approaches and utilizing private-sector vitality.

What is important is how we interpret these findings and how we tackle future tasks in response to these findings. In general, politicians are knowledgeable about and familiar with government (public sector) accounting, contrary to our expectation, while they are aware that government (public sector) accounting is not easy-to-understand for the general public. They are also aware that disclosures in government (public sector) accounting are still insufficient. Does this mean that politicians neglect to make efforts to disseminate public sector accounting information?

This also means that politicians fail to use a device that could democratize politics even when it is available for them to use. This clearly highlights the existence of accounting issues also in the field of politics.

We believe that our survey is significant in that we were able to confirm such politicians' awareness.

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Questionnaire Items

- Q1 Questions about the respondent's profile (Descriptions omitted)
- Q2
- 1 Do you have knowledge about "corporate accounting"?
 - 2 How did you study "corporate accounting"?
 - 3 Do you have knowledge about "government (public sector) accounting"?
 - 4 How did you study "government (public sector) accounting"?
 - 5 Do you have knowledge about accounting other than "corporate accounting" and "government (public sector) accounting"?
 - 6 How did you study accounting other than "corporate accounting" and "government (public sector) accounting"?
 - 7 Which is more familiar to you, "corporate accounting" or "government (public sector) accounting"?
 - 8 Which is more easy-to-use for you to use, "corporate accounting" or "government (public sector) accounting"?
 - 9 Which do you think is more easy-to-understand for the general public, "corporate accounting" or "government (public sector) accounting"?
- Q3
- 1 How do you rate the budget and the account settlement in "government (public sector) accounting"?
 - 2 Are "budget documents" easy-to-understand for you?
 - 3 Are "accounts settlements" easy-to-understand for you?
 - 4 Which are more easy-to-understand for you, "budget documents" or "accounts settlements"?
 - 5 Which do you think are more easy-to-understand for the general public, "budget documents" or "accounts settlements"?
 - 6 What do you think of the introduction of some corporate accounting methods into "government (public sector) accounting"?
- Q4
- 1 Do you know about the "Japanese Government Financial Statements"?
 - 2 Do you know that the "Accounting Standards" for the Japanese Government have been established?
 - 3 Do you utilize the "Japanese Government Financial Statements"?
 - 4 Do you utilize the "financial statements" of special accounts?
 - 5 Do you utilize the "financial statements" of special corporations?
 - 6 Do you utilize the "financial statements" of independent administrative institutions/agencies?
 - 7 Are the "Japanese Government Financial Statements" easy-to-understand for you?
 - 8 Do you think that the "Japanese Government Financial Statements" are easy-to-understand for the general public?
 - 9 Which are more easy-to-understand for you, "budget documents/accounts settlements" or the "Japanese Government Financial Statements"?
 - 10 Which do you think are more easy-to-understand for the general public, "budget documents/accounts settlements" or the "Japanese Government Financial Statements"?
 - 11 Do you think that disclosures in government (public sector) accounting are sufficient?
 - 12 Do you think that disclosures in government (public sector) accounting are sufficient for the general public?
 - 13 Do you expect that utilization of the "Japanese Government Financial Statements" and "financial statements" of special accounts, special corporations and independent administrative institutions/agencies will increase in the future?
 - 14 Do you expect that the utilization of "budget documents" will increase in the future if they are prepared in a form similar to the "Japanese Government Financial Statements"?
- Q5
- 1 When preparing a manifesto, do you take into consideration the costs to be expended for individual policies?
 - 2 When preparing a manifesto, do you take priorities between policies into consideration?
 - 3 When preparing a manifesto, how do you treat a policy without budgetary backing?
 - 4 When preparing a manifesto, what should be done with a policy without budgetary backing?
 - 5 When preparing a manifesto, do you also take the budget into consideration?
 - 6 When preparing a manifesto, do you also take government (public sector) accounting into consideration?
- Q6 Questions as to whether the respondent's name can be disclosed or not, and so on (Descriptions omitted)

Questions Q2 through Q4 are to both Diet members and to governors and/or mayors.

In Q5, we asked governors and/or mayors about some original policies and their financial resources as described below.

- Q5
- 1 Are you positive about promoting "original policies"?
 - 2 In which areas are you promoting "original policies"? (Multiple answers allowed)
 - 3 Among the "original policies" referred to as above, which area are you promoting most earnestly? (Select only one)
 - 4 What is the budget scale of the major "original policy" referred to in Q5-3?
 - 5 What are the financial resources for the major "original policy" referred to in Q5-3?
 - 6 When did you start to promote "original policies"?
 - 7 Do you agree with the philosophy of "New Public Management" to reflect private-sector managerial approaches in local government operations?
 - 8 Do you take into consideration private-sector managerial approaches for local government operations?
 - 9 Do you consider utilizing private-sector vitality for projects implemented by the local government?