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Stakeholder and jurisdictional influence in IFRS standard setting: the case of IFRS 10

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Abstract

The purpose of this paper explores the due process of accounting standard-setting by determining whether a stakeholder group and/or jurisdiction is more influential than other stakeholders/jurisdictions based on their acceptance/rejection rates relative to other stakeholders/jurisdictions. The legitimacy theory explains the findings and asks what consequences any bias may have for the IASB. This study expands the standard-setting literature by making use of the Bamber and McMeeking (2016) weighted method to IFRS 10. This study uses content analysis to analyse public comment letters and adopts Bamber & McMeeking's (2016) methodology to control for the equal treatment of comments in answering the research questions. This paper answers the call to investigate allegations that the IASB standard-setting due process is influenced by specific stakeholders and jurisdictions, in this way, threatening their legitimacy. The limitation of this study is that the researcher considers IFRS 10 in isolation. As in prior work, the researcher concludes that although no single stakeholder/jurisdiction has a much greater influence over the IASB, there is some evidence of bias. Accounting firms appear to have significantly less influence than other stakeholders have. The IASB reacts less favourably to UK proposals than to those of the US. A lack of fairness (real or perceived) may jeopardise perceptions of the procedural legitimacy of the due process and, ultimately, impair the IASB's cognitive legitimacy.

Keywords: Weighted method, content analysis, due process, legitimacy, standard-setting, influential

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List of abbreviations and acronyms

Abbreviation / Acronym	Description
CPA Australia	Certified Practising Accountant
CL	Comment letter
DP	Discussion paper
ED	Exposure draft
EU	European Union
FASB	Financial Accounting Standards Board
GFC	Global financial crisis
IASB	International Accounting Standards Board
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ROTW	Rest of the world
RPBs	Regulatory and Professional Bodies
SA	South Africa
SEC	Securities and Exchange Commission
SIC	Standard Interpretations Committee
SPEs	Special purpose entities
UK	United Kingdom
US	United States

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Chapter 1: Background of the study

1.1 Introduction

The IASB (International Accounting Standards Board) is an independent global accounting standard-setter. It produces IFRS (International Financial Reporting Standards) standards which are currently adopted by over 166 countries, including the UK (United Kingdom), EU (European Union), SA (South Africa) and some US (United States) companies (IFRS, 2018h). The adoption of IFRS facilitates the allocation and movement of capital by enhancing comparability through a single set of high quality global accounting standards (MAFK International, 2018). Daske, Hail, Leuz, and Verdi (2013) state that adoption of IFRS results in a rise in liquidity and a deterioration in cost of capital.

In the process of the IASB developing and issuing an accounting standard, there is an intricate collaboration among several stakeholders[1] facilitated through the IASB's due process (Giner & Arce, 2012). The IASB believes that this collaboration is essential to achieving its objective of high quality accounting standards (Durocher & Fortin, 2011; Giner & Arce, 2012; IFRS, 2018c). The extensive consultation process contributes to the legitimacy of the IASB and IFRS. Lobbying has a significant impact on the IASB standard-setting process and the influences of various stakeholders needs to be monitored (Bamber & McMeeking, 2016; Giner & Arce, 2012).

This thesis studies the relative influence of different stakeholder groups and jurisdictions on the IASB's standard-setting due process of IFRS 10 *Consolidated Financial Statements*. There is a variety of ways in which stakeholders and jurisdictions can influence the IASB's standard-setting process[2] (Georgiou, 2004). Analysing the comment letters is widely regarded as an efficient and acceptable method (Stenka & Taylor, 2010).

IFRS 10 is chosen as the focus of this study as it is universally applicable to all industries, countries and is especially important for public markets in which groups are widespread. Also, "regulation on the concept of control provides rich patterns of lobbying behaviour due to its controversial nature and its significance to financial reporting" (Stenka & Taylor, 2010, p. 109).

This thesis utilises a recently modified method developed by Bamber and McMeeking (2016) which examines comment letters to identify differences in the acceptance rates of comments

[1] A person, group or organisation that has interest or concern in an organisation.

[2] For example, submitting comment letters, having meetings with board members or technical staff, commenting in the media or funding research studies (Georgiou, 2004).

made by different stakeholders and jurisdictions. This method is an improvement through its introduction of a weighting system to prevent the equal treatment of all comments, because the IASB is influenced by both the characteristics and importance of comments made. For example, comments related to spelling errors are not treated in the same way as comments which request the removal of a substantive accounting requirement (Bamber & McMeeking, 2016).

1.2 Problem statement

IFRS is a globally accepted and adopted accounting framework, reflecting its widespread legitimacy as a provider of high quality global accounting standards, as well as in the role of a protector of stakeholder interests (Danjou & Walton, 2012; Georgiou, 2010; Giner & Arce, 2012; IFRS, 2018h, 2018i; Richardson & Eberlein, 2011). As a voluntary body, the IASB requires continued constituent support. This makes the IASB susceptible to undue influences in order to maintain their legitimacy (De Villiers & Maroun, 2017; Meyer & Rowan, 1977; Sacho & Oberholster, 2008; Suchman, 1995).

An important process towards maintaining its legitimacy is its unbiased due process when setting standards. If the standard-setting process is perceived as being illegitimate, it reduces the trust which users of the IASB's standards have in the IASB and IFRS. If users do not trust that IFRS standards are developed without bias, constituencies may disregard IFRS as a legitimate accounting framework and this will negatively impact its legitimacy. This can negatively affect the number of voluntary adopters which will further reduce their legitimacy (De Villiers & Maroun, 2017; Larson & Kenny, 2011). As Malsch and Gendron (2011) state that objectivity is essential to various established forms of skill in society.

1.3 Aims of the study

This thesis addresses procedural legitimacy concerns of the IASB in relation to comment letters submitted in response to ED (exposure draft) 10. This study investigates whether any stakeholder group and/or jurisdiction has been more influential than others, using the modified method developed by Bamber and McMeeking (2016).

This study answers the call of Bamber and McMeeking (2016) to determine whether the results obtained from their research on acceptance rates in the development of IFRS 7 may be generalised to other standards. This paper also answers the call to investigate allegations which suggest that the IASB standard-setting due process is influenced by specific stakeholders and jurisdictions more than others, in this way threatening their legitimacy (Sacho & Oberholster, 2008; Watts & Zimmerman, 1978; Zeff, 2002, 2012).

There is a shortage of research investigating the involvement and influence of users of financial statements in the standard-setting process (Georgiou, 2010). By including users as

a separate stakeholder, the results of this thesis indirectly adds to this body of literature. In addition, this study indirectly researches the consequences of various jurisdictional respondents (Camfferman & Zeff, 2018).

1.4 Research questions

Is there evidence that specific stakeholder groups and/or jurisdictions are more influential than other stakeholder groups or jurisdictions in relation to the standard-setting process of IFRS 10?

This question is answered through the following four sub-questions:

a) Is there a difference in the acceptance/rejection rates of comments received by the IASB on the ED of IFRS 10 from different stakeholder groups?

b) Is there a difference in the extent to which different stakeholders' comments are discussed by the IASB and IFRS staff technical working groups in the development of IFRS 10?

c) Is there a difference in the acceptance/rejection rates of comments received by the IASB on the ED of IFRS 10 from different jurisdictions[3]?

d) Is there a difference in the extent to which different jurisdictions' comments are discussed by the IASB and IFRS staff technical working groups in the development of IFRS 10?

The hypotheses are as follows:
H1: There will be a statistical difference between the proportion of proposals accepted (rejected) from any stakeholder group.

H2: There will be a statistical difference between the proportion of proposals accepted/rejected and discussed(disregarded) from any stakeholder group.

H3: There will be a statistical difference between the proportion of proposals accepted (rejected) across minor, moderate and major proposals, from any stakeholder group.

H4: There will be a statistical difference between the proportion of proposals accepted (rejected) from any jurisdiction.

[3] 'Jurisdiction' rather than 'country' is used so the researcher followed the IASB's normal practice. 'Country' is not used because there is a need for a word which include the EU, regulatory regimes in Hong Kong and the rest of the People's Republic of China (Camfferman & Zeff, 2018).

H5: There will be a statistical difference between the proportion of proposals accepted/rejected and discussed (disregarded) from any jurisdiction.

H6: There will be a statistical difference between the proportion of proposals accepted (rejected), across minor, moderate and major proposals from any jurisdiction.

1.5 Assumptions, limitations and delimitations

- This study employs the method developed by Bamber and McMeeking (2016). This paper was subject to a double-blind peer review and is published in a high-ranking journal. After a careful review, there is no indication that the method is flawed. It is assumed to be valid.
- Some CLs (comment letters) have been withheld from publication (for example, CL 134) if publishing those CLs would be detrimental to the author(s) (IFRS, 2018c). This study is limited to the 148 comment letters sent to and published by the IASB on the ED of IFRS 10. Minutes from meetings and technical working group meeting minutes are also only those published by the IASB. All these were received directly from the IFRS Foundation.
- This paper does not provide a detailed explanation of the due process of the IASB, a detailed technical explanation of IFRS 10 nor explain the reasons why there might be specific stakeholders/jurisdictions which influenced the development of IFRS 10 more than others. These are beyond the scope of this thesis.
- Furthermore, this study does not consider the comments on the transitional provisions of IFRS 10. This does not have a material effect on the results of this study as the transitional provisions are applied for only a year and it is not expected that they will result in different insights into the due process.
- This study does not consider the comments related to disclosure because the disclosure of IFRS 10 is included in IFRS 12 *Disclosure of interests in other entities*. IFRS 12 provides a single disclosure standard for reporting entities with relationships with other entities, including subsidiaries, joint ventures, associates and unconsolidated structured entities.

In summary, Chapter 1 introduces the IASB, the standard-setting due process, IFRS 10 and the method that will be used in this study. The problem statement identifies the reduction of trust which users of the IASB's standards have in the IASB and IFRS If the standard-setting process is perceived as being illegitimate. Answering the calls of previous papers and the

shortage of research conducted explains the aims of this study. The research questions are identified and the assumptions, limitations and delimitations of the study are explained.

This study is structured as follows: Chapter 2 explains the literature review and Chapter 3 demonstrates the methodology. Chapter 4 analyses and discusses the results and the conclusion is outlined in Chapter 5.

Chapter 2: Literature review

The IASB has achieved a state of legitimacy as is reflected by the wide voluntary adoption of these standards (Larson, 2007). The IASB must, however, continue to maintain its legitimacy. A major aspect of the IASB's legitimacy stems from the technical rigour and "correctness" of their accounting standards. This is achieved through their extensive due process (Durocher & Fortin, 2011; Giner & Arce, 2012; IFRS, 2018c). This thesis uses legitimacy theory to frame the IASB's due process.

This chapter is structured as follows: Chapter 2.1 presents legitimacy theory and Chapter 2.2 lays out the IASB's due process when standard-setting. The significance of the development of the consolidation standard (IFRS 10) is highlighted in Chapter 2.3. Relevant technical provisions will be discussed as needed (Chapter 2.4). Chapter 2.5 discusses the influence of stakeholders and jurisdictions and Chapter 2.6 discusses the funding of the IASB.

2.1 Legitimacy theory

Suchman (1995, p. 574) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." There are three categories of legitimacy, namely pragmatic, moral and cognitive legitimacy (Suchman, 1995). This thesis focuses on two aspects – pragmatic and moral legitimacy.

Pragmatic legitimacy comprises of influence legitimacy and dispositional legitimacy. Adhering to stakeholder needs and using stakeholders' views creates influence legitimacy (Suchman, 1995). Influence legitimacy is maintained through the IASB's standard-setting due processes (De Villiers & Maroun, 2017) as these processes perceive to take stakeholders' views into account when setting standards. An entity which shares the interests of stakeholders and has a commendable character displays dispositional legitimacy (Suchman, 1995). Dispositional legitimacy results from the common goal of issuing high quality globally adopted accounting standards to facilitate efficient markets by means of easily comparable financial statements. When there is high participation by stakeholders in the standard-setting due process, there is

evidence of high quality standards (Giner & Arce, 2012). Therefore, dispositional legitimacy is also included by the standard-setting due process.

This study focuses on whether certain stakeholders/jurisdictions exert more influence over the standard-setting due process of the IASB than do others. As a result, the moral legitimacy of the IASB is relevant. Moral legitimacy includes procedural legitimacy (Suchman, 1995). Procedural legitimacy deals with the belief that an entity producing socially expected results must also use socially accepted methods to achieve those results (Suchman, 1995). This implies that for society to continue accepting the IASB's standards, the IASB needs to ensure that, in developing their standards, they follow an accepted process.

2.2 The standard-setting due process

The focus of this paper is the acceptance rates of comments made by stakeholder groups and jurisdictions on the exposure draft of the consolidation standard – ED 10. The acceptance rates and consideration of comments received from different stakeholders and jurisdictions provide some insight into the execution of the IASB's due process. While the documented process relates to procedural legitimacy, the execution of and adherence to those processes are just as important, if not, more important than maintaining their pragmatic and moral legitimacy.

The IASB's due process is an open process, with all meetings held in public and generally available via webcast (Deloitte, 2018a). This transparency facilitates a form of informal monitoring by all interested parties who can submit complaints to the IFRS Foundation, should they feel there has been a weakness in the process.

To develop a standard, the IASB follows a specific process designed to reduce the risk of biased, inappropriate and impractical standards (the IFRS Foundation's structure is found in Appendix A, figure 1) (IFRS, 2018g). It is clear from figure 1 that there is a separation of duties between the IFRS Foundation Trustees and the IASB. The trustees are concerned with funding and the IASB is not. This separation reduces the risk that the IASB will unduly be influenced by wealthy stakeholders/jurisdictions in an attempt to maintain funding (IFRS, 2018g). The SEC (2012) report does however state that one of the reasons why the SEC rejected IFRS's adoption in the US was due to concern they had over the governance structure of the IASB.

The standard-setting process begins with research programmes designed to: identify potential financial reporting problems, identify how significant issues are (magnitude, affected parties, and line items), whether there is a significant divergence in practice and to gain an understanding of how the financial reporting landscape is evolving. Once an issue is identified,

a DP (discussion paper), request for information or research paper may be issued. Not all research programmes result in a DP (IFRS, 2018f).

Once the IASB evaluates the research, together with comments on the DP, changes to an existing standard or a new standard are developed. These proposals are then made available in an ED for public comment (IFRS, 2018f). Comments received are considered based on the quality of the comments and not on who the submitter of the comments is (Hoogervorst & Prada, 2015). Ultimately, a new standard is issued, or a current standard is amended.

Following a standards issue, there are post-implementation reviews (IFRS, 2018f). These reviews help understand any possible unintended consequences and strengthen the due process going forward through this cumulative knowledge building process.

2.3 IFRS 10- Consolidated financial statements

IFRS 10 provides the principles for the preparation and presentation of consolidated financial statements. It deals with determining when one entity has control over another and uses control as the basis for requiring consolidated financial statements (IASB, 2018). IFRS 10 is chosen as the focus of this study for reasons stated in section 1.1. The project on IFRS 10 was introduced to the IASB's agenda in April 2002 (Deloitte, 2018b). Six years later, following the GFC (global financial crisis) of 2007/8, ED 10 was published on 8 December 2008 for public comment.

ED 10 proposes a brand new standard for dealing with consolidations. The main changes involves redefining control and providing a more detailed approach to determining whether a company controls another entity. This detailed approach may be seen as providing a step-by-step approach.

The deadline for submission of comments was the 20 March 2009. On the 29 September 2010, the staff draft of the Consolidated Financial Statements was published. The staff draft highlights the decisions made by the board on IFRS 10. These decisions are then subject to change before the board issues the final standard. IFRS 10 was published on the 12 May 2011, replacing its predecessor IAS (International Accounting Standards) 27[4] and SIC-12 (Standard Interpretations Committee) and is effective for financial years beginning on or after the 1 January 2013.

[4] IAS 27 was renamed Separate Financial Statements and prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when preparing separate financial statements.

Importantly, the IASB did not issue a DP on IFRS 10 (as highlighted in CL 2)[5] as would be expected due to both it forming part of their due process as well as due to the importance and significance of IFRS 10's nature. Some have noted this as a concern claiming that the due process should have been appropriately followed by the IASB. This may be due to perceived pressure to being seen as being responsive to consolidation concerns highlighted during the GFC and other scandals at the time (see also Chandra, Ettredge, & Stone, 2006; Schwarz, 2002).

The user group in the ROTW category states that in order to maintain self-confidence in the reporting of organisations, the IASB needs to follow its due process of standard setting which allows adequate time for interested stakeholders to analyse and comment upon any planned changes. They were aware that the IASB was requested to evaluate the accounting for consolidations by the Financial Stability Forum but the time taken on such an important project[6] has been too short.

2.4 Perceived dual method of control under IAS 27 and SIC-12

IFRS 10 includes the guidance of SIC-12 and SIC-33 (IASB, 2018). The different prescriptions of the concept of control in IAS 27 and SIC-12 encourages the development of IFRS 10. IAS 27 defines control as "the power to govern the financial and operating policies of an entity to obtain benefits from its activities" (IASB, 2018 par B1218). However, SIC-12 defines control using a risks and rewards model (IASB, 2018). This results in some preparers seeing two different models which may allow them the opportunity to achieve a predetermined accounting outcome (IASB, 2018).

The 2007/8 GFC reveals the risks of entities not consolidating SPEs (Special purpose entities) specifically designed to obtain off-balance sheet financing for the parent company. As a result, some groups may be more geared than was being presented in the consolidated financial statements. So there is the call for the IASB to address the accounting and disclosure of off-balance sheet financing in groups (IASB, 2018). However, the acceleration of the publication of ED 10 is not surprising as standard-setters usually respond to corporate failures with changes to standards (Bengtsson, 2011; Shaked & Sutton, 1981). In spite of this, prior researchers accept that standard-setting cannot always produce appropriate principles

[5] An Australian professional body stated that the due process was not adequately followed in developing ED 10, and they requested a DP to be released in conjunction with the FASB.

[6] One of the noted issues of IAS 27 is the interpretation by some that IAS 27 read with SIC-12 meant there are two different models to determine control preparers could choose from. This choice may allow some manipulation of reported results (further discussed in Chapter 2.4).

(Waymire and Basu, 2008). This is highlighted by Gornik-Tomaszewski and Larson (2014) stating that IFRS 10 can be problematic to implement as IFRS 10 is all-inclusive, principles-based, is not clear and requires the use of judgement.

In the wake of the 2007/8 GFC, stakeholders question the IASB's legitimacy because the financial statements did not reflect early warning flags of the impending crisis and, as a result, there is pressure on the IASB to respond requiring the IASB to balance the pressures on them of acting timeously yet still maintaining procedural legitimacy.

2.5 Influence of specific jurisdictions and stakeholders

Some studies claim that certain stakeholders (for example, users) do not often involve themselves in the standard-setting process (Botzem & Quack, 2009; Durocher & Gendron, 2011; C. Ryan, Dunstan, & Stanley, 2000; Weetman, Davie, & Collins, 1996). The lack of submission of comments will affect the acceptance rate of such stakeholders' comments and will, therefore, imply that such stakeholder has a relatively lower amount of influence in the standard-setting process - but through no fault of the IASB (Weetman et al., 1996).

Some studies only concentrate on one group of stakeholders at a time (Ang, Sidhu, & Gallery, 2000; Hill, Shelton, & Stevens, 2002; Larson, 1997; Ndubizu, Choi, & Jain, 1993), political interaction and standard-setters' reaction to stakeholders' comments (Chee Chiu Kwok & Sharp, 2005; Hope & Gray, 1982; Jupe, 2000; Pong & Whittington, 1996; Weetman, 2001), or the incentive and features of the stakeholders taking part in lobbying (Ang et al., 2000; Georgiou, 2005; Larson, 1997; MacArthur, 1988; Watts & Zimmerman, 1978). Prior studies also deal with stakeholder involvement and lobbying on IFRS (Georgiou, 2010; Hansen, 2011; Jorissen, Lybaert, Orens, & Van Der Tas, 2012; Larson, 2007; Zeff, 2010). However, there are few researchers who examine the standard-setting process of the IASB (Bradbury & Harrison, 2012).

The research differentiates among stakeholders because they are likely to have different incentives or motivations when making comments about accounting standards (Watts & Zimmerman, 1979). For example, users may want more detailed information disclosures while preparers may deem such disclosure unnecessarily expensive and resist these disclosures (Chee Chiu Kwok & Sharp, 2005). RPBs (regulatory and Professional Bodies) are likely to require information which will allow them to protect investor interests and they are an important stakeholder group because the IASB has no authority to implement its standards in any country and has to depend on the national regulators of accounting standards to recommend and implement IASs (Chee Chiu Kwok & Sharp, 2005). The need for power is, therefore,

important for non-legislated[7] standard-setters. It is essential for international standards to be acceptable and recommended by stakeholders and jurisdictions (Martinez-Diaz, 2005). However, prior studies do not find that the IASB was more considerate of regulators, even though the adoption of IFRS relies heavily on these (Giner & Arce, 2012; Stenka & Taylor, 2010).

It is argued that while the due process is transparent, only those stakeholders with significant monetary and intellectual resources can take part in the process and that this allows them to protect their interests (Burlaud & Colasse, 2011; Giner & Arce, 2012; Sacho & Oberholster, 2008; Stenka & Taylor, 2010). There is, however, an expectation that the IASB rejects comments which are based only on self-interest and, if such arguments are implemented, there is a risk that the standard created a benefit for one stakeholder at the expense of another (Giner & Arce, 2012; Hoogervorst & Prada, 2015; Watts & Zimmerman, 1978). This risk may negatively affect the influence and procedural legitimacy of the IASB.

Young (2006) studies the divide between the user stakeholder group and standard-setters. The conclusion that users and standard-setters disagree over aspects of standards is startling, considering that standards are developed to help users. Users and standard-setters should share a view on fair values as both groups are functioning within the same capital market-driven setting in which present market information is valuable for forecasting future productivity(Georgiou, 2018). Georgiou (2018) points out that users do not value fair values as anticipated by standard-setters as they are concerned about accounting numbers which aid them in assessing how the entity has performed, rather than about accounting numbers which deliver market valuations of individual assets and liabilities. The divide between standard-setters and users exists because standard-setters seem to ignore user needs and users appear uninterested in the outcomes of the standard-setting processes(Durocher, Fortin, & Côté, 2007; Durocher & Gendron, 2011). However, this divide does not result in open disagreement and lobbying from users(Georgiou, 2018). If the results of this study suggest that users are not satisfied with IFRS 10, the researcher may not conclude that lobbying took place. In addition, the results of this study should also not show much participation from the user stakeholder group, given their lack of interest in the results of the standard-setting process (Georgiou, 2018).

The disagreement between standard-setters and users does not lead to lobbying, not because standard-setters can afford to ignore users' needs (Young, 2006) or are mistaken about how users practise accounting information (O'brien, 2009), or because users are indifferent, or are compliant to accounting (Durocher et al., 2007; Durocher & Gendron, 2011), but rather

[7] Accounting standard-setters not prescribed by a country's legislation.

because accounting assessment is certain to be branded by harsh views (Georgiou, 2018). However, preparers and accounting firms have more interest in and exercise more lobbying in the standard-setting process (Georgiou, 2018).

This research makes use of different stakeholders and different jurisdictions with different cultural norms and modes of business, justifying the use of different jurisdictions. Because of this, they are likely to favour different accounting prescriptions (Gray, 1988). This raises concern as the IASB requires social acceptance to survive and this can pressurise the IASB to include more accounting choice in its standards to please more stakeholders, possibly lowering the comparability (and quality) of its standards and displaying observable bias (Chatham, Larson, & Vietze, 2010). This may reduce the cognitive legitimacy of the IASB over time if there is a perceived decrease in quality. This also reflects the tension between keeping many different stakeholders and jurisdictions happy (allowing choices) and maintaining quality to maintain cognitive legitimacy.

Sacho and Oberholster (2008) highlight the political involvement of jurisdictions in IASB. The IASB allows such involvement/influence to prevent powerful parties circumventing accounting requirements they find difficult. Based on the prior literature, there is reason to believe that different stakeholders and jurisdictions may have different motivations, needs and comments over EDs. It is also possible that some stakeholders and jurisdictions may have more resources available to them and can use these in an attempt to garner more influence over the IASB's standard-setting process. This could detrimentally impact the sustainability of the IASB as, if the IASB seems to favour one stakeholder/jurisdiction over another, disenfranchised stakeholders and jurisdictions are likely to be less accepting of IFRS (Ramanna & Sletten, 2009). The convergence project with the US FASB (Financial Accounting Standards Board) is an example some may perceive as the US as having more influence than others. This risk appears to be low as convergence with the FASB is not substantially achieved with respect to IFRS 10, reflecting the IASB's reliability (Pacter, 2013).

However, Bamber and McMeeking (2016) found that it is more likely for the IASB to discuss comments received from the US than comments from the UK. It is also believed that the US and UK have, in the past, influenced practice and research in financial accounting (B. Ryan, Scapens, & Theobald, 2002). It is likely that the US relatively influenced the standard-setting due process of IFRS 10 more than the UK for reasons which might be biased. Durocher and Gendron (2011) state that it has been said by standard-setters that their standard-setting process is designed to ensure comparability. Therefore, it is likely that there is no evidence that a certain jurisdiction (relatively) unduly influenced the standard-setting process in the development of IFRS 10 but that comparability did. Pelger (2016) supports this idea.

Prior research aims to help the understanding of the difficulty of lobbying within the UK accounting standard-setting process. This prior research uses content analysis to analyse comment letters to four EDs. These are also related to the concept of control used to standardise the choice of consolidation in the UK (Stenka & Taylor, 2010). This prior literature confirms that the concept of control is an uneasy area of instruction and the emphasis of such a study is not on whether certain stakeholders/jurisdictions are more influential than others in the consolidation standard. As a result, this paper addresses this gap but acknowledges the contribution of the prior research.

With the issue, by the IASB, of IFRS 5 *Non-current assets held for sale and discontinued operations*, it is noted that this is similar to the main requirements of SFAS 144 Accounting for the impairment or disposal of long-lived assets. In addition, IFRS 8 *Operating segments* is a replication of the US Standard SFAS 131 Disclosures about segments of an enterprise and related information (Sacho & Oberholster, 2008). Moreover, the IFRSs have a basis of conclusion, as well as implementation guidance, which is the same format followed by the SFASs (Sacho & Oberholster, 2008). However, the US is, arguably, the first major economy with well developed capital markets, public accountability and regulations (accounting and legislation). Crawford, Ferguson, Helliar, and Power (2014) state that in IFRS 8 they saw the attempt of the EU to challenge the power of the IASB.

Sacho and Oberholster (2008) further state that developing countries which implement IFRS may find it difficult because the IASB normally does not take these countries into account in developing a standard. This statement emphasises the reason for this study because it is concerning if the comments made by developing countries are dismissed because the IASB is biased and is influenced by the type of stakeholder making a comment and not the nature and characteristics of the comment made.

2.6 Funding

The IFRS Foundation is a non-profit international organisation mainly funded through voluntary contributions[8] (IFRS, 2018a; Larson & Kenny, 2011). This poses a threat to the IASB's independence as some stakeholders and jurisdictions may see this as an opportunity to gain additional influence over standards developed by the IASB (Sacho & Oberholster, 2008). As more countries adopt IFRS, this may result in more voluntary contributions from these countries, in this way reducing this threat because voluntary contributions is part of the FASB model and accepted by the IASB with the main aim of making the IASB an independent

[8] They also earn income from the sale of subscription services, publications and licensing of their intellectual property (IFRS, 2018e).

standard-setter (Camfferman & Zeff, 2018). Wingard, Bosman, and Amisi (2016) raise the concern that national standard-setters, global businesses, global accounting companies and learning organisations are able to second their staff to the IASB thereby providing them with direct lobbying opportunities.

The IFRS Foundation trustees recognise that they need to address perceived bias and are moving from voluntary private sector contributions to national commitments. National funding arrangements are established country by country in a procedure over which the trustees have no control. From 2006, the IFRS Foundation trustees continue with their funding goals for countries, roughly calculated according to their respective Gross Domestic Product, and began working with government agencies, national standard-setters, stock exchanges and other national bodies which will displace the voluntary funding of the IASB organisation (Camfferman & Zeff, 2018). As a result, compulsory contributions[9] are growing and voluntary contributions are reducing, diminishing concerns of this form of influence over the standard-setting process (Larson & Kenny, 2011).

Larson and Kenny (2011) conclude that the design of funding provides no indication of undue influence by any party or region, a conclusion supported by Camfferman and Zeff (2018). All the same, the connection between funding and influence and, by consequence, legitimacy, remains intricate and worthy of continued monitoring (Camfferman & Zeff, 2018). The SEC (2012) report does however state that one of the reasons why the SEC rejected IFRS's adoption in the US was due to concern they had over the funding structure of the IASB.

In conclusion, there is a lack of conclusive research on the influence of stakeholders in the process of setting accounting standards. There is research which finds influence from preparers (Chee Chiu Kwok & Sharp, 2005; Zeff, 2010), large accounting firms and users (Saemann, 1999) or no influence (Coombes & Stokes, 1985; Giner & Arce, 2012) but it is rare for prior studies to consider cross-respondent group analysis as this study does (Stenka & Taylor, 2010).

In summary, Chapter 2 introduces the legitimacy of the IASB and the legitimacy theory. The IASB's due process when standard-setting is laid out. The significance of the development of IFRS 10 is highlighted. Relevant technical provisions, the influence of stakeholders and jurisdictions and the funding of the IASB are discussed.

[9] Countries, such as Italy, South Africa, Sweden, and the U.K. are applying compulsory broad-based payer financing systems(Larson & Kenny, 2011).

Chapter 3: Methodology

This study used a content analysis to analyse CLs submitted to the IASB in response to ED 10, minutes of relevant IASB Board meetings and notes from technical working group meetings. Inferential statistics was used to determine whether specific stakeholder groups/jurisdictions were more influential than other stakeholder groups/jurisdictions in relation to the standard-setting process for IFRS 10. This thesis adopted Bamber & McMeeking's (2016) methodology to control for the equal treatment of comments answering the research questions.

3.1 Sources of data

Archival data was used, comprising of IFRS 10 public comment letters (Source 1), minutes of the IASB Board meetings (Source 2) and notes from technical working group meetings (Source 3). The data is publicly available on the IFRS website[10]. The final source was IFRS 10 issued in May 2011 (Source 4).

3.2 Data collection

This study used content analysis to collect and code the data. Content analysis was appropriate as it allowed the researcher to identify and code suggestions for changes to ED 10 (obtained from Source 1), as well as whether those suggested changes by each stakeholder/jurisdiction were discussed (Source 2 and 3) and accepted or not (Source 4) (Creswell, 2009).

The categorisation of comment letters

Some stakeholders have more knowledge and experience than others (Burlaud & Colasse, 2011; Giner & Arce, 2012; Sacho & Oberholster, 2008; Stenka & Taylor, 2010). Therefore, the IASB will (and should) permit certain stakeholders to have higher levels of influence than others (Larson, 2002).

Each comment letter was read on a line-by-line basis to identify each request for a change in Source 1. These were then classified into one of two nominal categories: outcome-oriented or other[11]. This thesis was only concerned with outcome-orientated comments. The *other*

[10]Obtained from http://archive.ifrs.org/Current-Projects/IASB-Projects/Consolidation/Exposure-Draft/Comment-Letters/Pages/Comment-Letters.aspx.

[11] This is different from the classification used by Bamber and McMeeking (2016) which classified responses into the two mentioned categories, as well as, a theory-oriented category. The reason for this difference lied in the focus of the research being on outcome-oriented comments as these are the comments which show influence. It is these comments which materially affect the principles of IFRS 10.

category did not allow the researcher to measure relative influence on the standard-setting due process (Bamber & McMeeking, 2016).

Outcome-oriented comments are those comments that request changes to be made to ED 10[12]. As the IASB was influenced by both the characteristics and importance of comments made by stakeholders/jurisdictions, outcome-orientated comments were analysed using the ordinal scale in Table 1 (Bamber & McMeeking, 2016).

Table 1: A classification system for the relative strength of responses (Bamber & McMeeking, 2016, p. 66).

Nature and weight level	Description	Example(s) (paragraph references relate to the text from the Exposure Draft)
Minor = 1	Comments which did not alter the meaning of the requirement.	• Calls for spelling/grammatical changes which did not significantly change the meaning of the requirement. • For example, in CL 5 there was a request to retain the basic information in paragraphs 30-31 in the body of the ED and moving paragraphs 32-38 to Appendix B Application guidance, which was an essential part of the planned standard.
Moderate = 2	Comments which proposed reasonable changes to either meaning or interpretation.	• Calls for spelling/grammatical changes which did change the meaning of the requirement in a significant way. • For example, CL 23 stated that the ED should be worded with care to ensure that only options which should be considered in evaluating the control of an entity are, in fact, taken into account. • Called for more guidance on the application. • For example, CL 1 stated that the ED anticipated a test where the reporting entity proved that it is obliged to act in the "best interests" of the other parties. It was uncertain how the "best interests" of the other parties was determined. • Called for clarification/classification of terms. • For example, CL 2 requested clarity about the word 'cease' used in the ED.
Major = 3	Comments which requested important changes. Called for changes to how something was applied (either increasing its power or decreasing it)	• Called for spelling/grammatical changes which changed the meaning of the requirement significantly. • For example, CL 2 requested that B5 of the ED be amended and read '…may indicate involvement with an entity …'i.e. the outcome should be reliant on all the facts and the circumstances. • Called for more requirements.

[12] For example, CL 2 (dated on the 24 February 2009) was classified as an outcome-oriented comment because CPA (Certified Practising Accountant) Australia, the Institute of Chartered Accountants and the National Institute of Accountants requested guidance on the requirement to present consolidated financial statements in ED 10.

		• For example, CL 143 requested that there be a scope exemption for investment companies in the new standard on consolidation. • Called for requirements to be deleted. • For example, CL 19 stated that a quantifiable assessment of returns was not appropriate in measuring control but that more guidance was required about practical consequences.

Major comments might of received more consideration and, therefore, treating these as equal to minor or moderate comments may distort findings and conclusions[13] (Bamber & McMeeking, 2016). The weighted coding system of Bamber and McMeeking (2016) differentiated this method from prior studies which did not distinguish between minor spelling changes and requests for changes which had substantial effects on the application of principles and outcomes.

The Categorisation of respondents

The coding process classified CLs into stakeholder and jurisdiction categories (see columns 6-7, Table 2) (Bamber & McMeeking, 2016). The common stakeholder groups used in comparable studies were maintained: accounting firms, preparers, users and RPBs (regulatory and professional bodies) (Bamber & McMeeking, 2016; Chee Chiu Kwok & Sharp, 2005). However, the researcher separated regulatory and professional bodies. This is different from prior studies. The researcher separated regulatory and professional bodies because the results showed that regulators submitted 206 comments and professional bodies submitted 254 comments. So it was important that they were kept separate to preserve the quality of the results of this study.The researcher compared ED 10 with IFRS 10 on a word-by-word basis to identify any changes made to ED 10. Changes implemented were compared to the changes requested to identify accepted changes (see column 4, table 2). The researcher reviewed data Sources 2 and 3 to determine whether the comments had been discussed at IASB meetings and technical working group meetings (see column 8, table 2) (Bamber & McMeeking, 2016).

[13] For example, the request for guidance on the requirement to present consolidated financial statements in CL 2 was coded as 2 because this comment called for more guidance on the application of the requirement to present consolidated financial statements. It is not limited to a stylistic change (Minor =1) but stops short of a call for the development of new principles/concepts (Major =3).

Coding instrument

Table 2 is the coding instrument which recorded the type of changes proposed by each comment submitted in a CL, the stakeholder classification, jurisdiction in which the stakeholder is located and whether proposed changes were accepted or rejected.

Table 2: Extract from the final level summary of the manual coding process (Bamber & McMeeking, 2016, p. 71).

Paragraph number (ED 10)	**Scope of requirement (s)**	**Section/ Requirement**	**Accepted/ rejected changes**	**Minor, moderate, or major change?**	**Jurisdiction which proposed the change?**	**Stakeholder who proposed the change?**	**Were these changes discussed at an IASB board meeting or a working group meeting?**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
The paragraph number in ED10.	What the requirement was about.	The specific section of the requirement	Accepted/ rejected	1/2/3 (ordinal)	1/2 (placeholders no ranking)	1/2 (placeholders no ranking)	Yes/No
B3; B7; B11	voting rights held as an agent - assessing control-power without most of the voting rights	Guidance	Accepted	2	1	1	No
4	Control definition	definition clarification	Rejected	2	2	1	Yes

Where respondents only stated that an issue is problematic/ unclear or not enough detail was provided (with no further discussion), this was taken as an "other" comment as these are not requesting a change but are providing an opinion.

3.3 Data analysis: Addressing research questions

Similar to Bamber and McMeeking (2016) the data analysis of this study was conducted in a two-stage process.

Stage 1

To answer the research questions in Chapter 1.5, the researcher calculated an expected frequency and compared this frequency to the actual frequency[14]. Using the method of Bamber and McMeeking (2016, p. 66), the researcher used the Pearson's Chi-Squared test to investigate "whether the observable variability in the levels of success across stakeholder groups and across jurisdictions" was significant. The test was used only to establish associations among the variables. The variables under review are summarised below.

Variable Y	**Variable X**

[14] Actual accepted number of requests.

The below examined the relative influence of stakeholder groups and jurisdictions	
The frequency of actual versus expected accepted (rejected) proposals on a total basis (use table 2, column 4)	Stakeholder group (use table 2, column 7)
The frequency of actual versus expected acceptance (rejection), across minor, moderate, and major proposals (use table 2, column 4 and 5)	Stakeholder group (use table 2, column 7)
The frequency of actual versus expected, discussed (ignored) comments (use table 2, column 8)	Stakeholder group (use table 2, column 7)
The frequency of actual versus expected accepted (rejected) proposals on a total basis (use table 2, column 4)	Jurisdiction (use table 2, column 6)
The frequency of actual versus expected acceptance (rejection) across minor, moderate, and major proposals (use table 2, column 4 and 5)	Jurisdiction (use table 2, column 6)
The frequency of actual versus expected, discussed (ignored) comments (use table 2, column 8)	Jurisdiction (use table 2, column 6)

The researcher calculated the "expected" stakeholder/jurisdiction acceptance rate, for example, as the total number of users' outcome-oriented comments, for example, divided by the total number of outcome-oriented comments, multiplied by the total number of accepted outcome-oriented comments across all stakeholder groups (Bamber & McMeeking, 2016). This was because the levels of success across stakeholder groups and jurisdictions must have been fair.

The Spearman's Rho was then run to identify correlations among the variables, and to confirm the results of the Pearson's Chi-Squared test.

If this analysis highlighted significant associations between comments which are accepted (rejected)/ discussed (ignored) and the stakeholder groups/jurisdictions stage 2 of the analysis was used to confirm these results.

Stage 2

This study questioned whether some stakeholders and jurisdictions were more influential than others in the standard-setting process. The researcher measured relative influence by comparing the comments accepted/rejected by a stakeholder group/jurisdiction (table 2) to the total comments made (table 2) (Bamber & McMeeking, 2016; Chee Chiu Kwok & Sharp, 2005; Giner & Arce, 2012; McLeay, Ordelheide, & Young, 2000). The researcher also determined whether such comments have been discussed by the IASB and the technical working groups (table 2). Hypotheses were as follows:

H1: There was a statistical difference between the proportion of proposals accepted (rejected) from any stakeholder group.

H2: There was a statistical difference between the proportion of proposals accepted/rejected and discussed(disregarded) from any stakeholder group.

H3: There was a statistical difference between the proportion of proposals accepted (rejected), across minor, moderate and major proposals from any stakeholder group.

H4: There was a statistical difference between the proportion of proposals accepted (rejected) from any jurisdiction.

H5: There was a statistical difference between the proportion of proposals accepted/rejected and discussed (disregarded) from any jurisdiction.

H6: There was a statistical difference between the proportion of proposals accepted (rejected), across minor, moderate and major proposals from any jurisdiction.

To evaluate whether there were any statistical differences between the proportion of proposals accepted/rejected from each stakeholder and jurisdiction group (Chapter 4, H1-H6), a Kruskal-Wallis or Mann-Whitney U test was used. The test was run six times where the type of stakeholder/jurisdiction was the independent or grouping variable and the scores (representing the number of responses) were the separate dependent variables. The Kruskal-Wallis (H) test did not tell the researcher which specific groups of the independent variables were statistically significantly different from each other; it only told the researcher that, at least, two groups were different. Results are presented in the tables in Chapter 4. The Jonckheere-Terpstra test was used as a rank-based nonparametric test to determine if there was a statistically significant trend between the groups (Bamber & McMeeking, 2016).

A Kruskall-wallis test was used to test H1, H3, H4 and H6. A Mann-Whitney U test was used to test H2 and H5[15]. To control for the possibility of a type 1 error, the tests were run using a 5% and 1% level of significance.

Independent variable (X)	**Dependent variable (Y)**
Stakeholder group (use table 2, column 7) (H 1)	The scores which represented the accepted (rejected) responses (obtained from table 2, column 4)

[15] The Kruskall-wallis test could not be run for H2 and H5 due to the difference in the type of variable.

Stakeholder group (use table 2, column 7) (H 2)	The scores which represented whether the accepted/rejected responses were discussed (disregarded) at the board meetings/technical working group meetings (obtained from table 2, column 8)
Stakeholder group (use table 2, column 7) (H 3)	The scores across the minor, moderate and major responses accepted (rejected) (obtained from table 2, column 4 and 5)
Jurisdiction (use table 2, column 6) (H 4)	The scores which represented the accepted (rejected) responses (obtained from table 2, column 4)
Jurisdiction (use table 2, column 6) (H 5)	The scores which represented whether the accepted/rejected responses were discussed (disregarded) at the board meetings/technical working group meetings (obtained from table 2, column 8)
Jurisdiction (use table 2, column 6) (H 6)	The scores across the minor, moderate and major responses accepted (rejected) (obtained from table 2, column 4 and 5)

An ANOVA could not be run because a Kolmogorov–Smirnov test confirmed that the data were not normally distributed. The Kruskal-Wallis test (H test) was used. The Kruskal-Wallis test (a non-parametric test) was appropriate as it was also suitable for ordinal/nominal data and the test was not sensitive to distributions that were not normal (Leedy & Ormrod, 2015; McDonald, 2014).

If the researcher found that the null hypothesis was rejected, the researcher concluded that the dependent variables varied as the independent variables varied. Therefore, the type of stakeholder/jurisdiction which submitted a comment affected the IASB's decision to accept (reject) / discuss (ignore) such comments.

Finally, the researcher considered whether a regression model would be more suitable than a Kruskal Wallis test. A regression analysis requires the data to be linear, multivariate normal, have no or little multi-collinearity, have no auto-correlation and exhibit homoscedasticity. This was not the case for the data selected (Bamber & McMeeking, 2016), with the result that a regression model was not adopted.

3.4 Population and sampling

The population of this research was the 148 IFRS 10 public comment letters, 38 minutes of IASB Board meetings and 69 notes from technical working group meetings. All 148 observations were analysed.

3.5 Assumptions

The Kruskal-Wallis test is a non-parametric test so the data are not assumed to come from a distribution which can be described by two parameters, mean and standard deviation. The data is not normally distributed (McDonald, 2014). However, the Kruskal-Wallis test does assume that the different groups of data have the same distribution. Groups with different standard deviations have different distributions (McDonald, 2014).

With the Pearson's Chi-Squared test, data needs to be randomly selected, the information in the cells needs to be in frequencies, a subject needs to fit into only one category, the study groups must be independent and the expected value of the cell needs to be 5 or more in at least 80% of the cells and no cell must have an expected value of less than one (McHugh, 2013).

3.6 Scope and limitations

The limit with using the Kruskal-Wallis test was that only some differences in distribution was noticed. For example, if two populations had equal distributions with the same centre but one is much broader than the other, their distributions are not the same. The Kruskal–Wallis test did not detect any difference between them (McDonald, 2014). Also, there are limits to the use of Pearson's Chi-Squared test. The Pearson's Chi-Squared test was susceptible to sample size. In other words, the findings may not be fundamentally significant although they may be found to be statistically significant (McHugh, 2013).

3.7 Validity and reliability

The use of comment letters

- Most of the research conducted on the influence stakeholders/jurisdictions have over the standard-setting due process has used public comment letters to measure the levels of such influence (Bamber & McMeeking, 2016; Chee Chiu Kwok & Sharp, 2005; Jorissen et al., 2012; Tutticci, Dunstan, & Holmes, 1994; Yen, Hirst, & Hopkins, 2007). As a result, it appears that the population on which this study is conducted is consistent with similar studies and this adds to the validity of this research.
- The use of CLs to answer the research questions is criticised for not reflecting the stakeholders' points of view (Bamber & McMeeking, 2016). However, Giner and Arce (2012) argued that stakeholders are driven by self-interest and that participants in the due process usually provide replies which support their positions (Watts & Zimmerman, 1978).

- Validity was strengthened as there is no Hawthorne effect as those who submitted comment letters did not know about this research study and so could not change their comments because of it (Leedy & Ormrod, 2015).

The use of content analysis

- A limitation in content analysis lied in the fact that interpretation was required which may have incorporated researcher bias (Bamber & McMeeking, 2016). Bamber and McMeeking (2016) argued that the problem lied in the possible absence of reliability of the research method. The researcher reduced this threat by making use of a two-tier process. The two-tier process involved two researchers (primary and supervisor) coding 5 comment letters and comparing their coding to ensure that the coding methodology was applied accurately and consistently. The primary researcher and supervisor discussed the suitability of the coding system and its capacity to capture and explore the issues associated with legitimacy (Bamber & McMeeking, 2016). The primary researcher also re-coded a sample of the same CLs on two different occasions to ensure that the primary researcher was coding consistently.
- When the content in the CLs was put into the different categories, there was no overlap of the categories and this increased the reliability of the study (Jennifer Vonk, 2018).

Respondents

- Giner and Arce (2012) pointed out that some participants in the comment process respond more than once. However, this did not distort the data as the researcher based the research on acceptance rates of the content in the CLs submitted by certain stakeholders and certain jurisdictions and not on the number of CLs submitted.

In summary, Chapter 3 deals with the sources of the data used in this study, how the data was collected and the data analysis that was performed in order to answer the research questions. The population used as well as the assumptions, scope and limitations of the data are described. The validity and reliability of the data are discussed.

Chapter 4: Analysis and discussion of results

This chapter presents descriptive statistics to summarise the data and provide context for further analysis. This is followed by a discussion of the actual vs expected frequencies, the chi-squared tests, spearman's Rho and it concludes with the results and discussion of the Kruskal-Wallis and Mann-Whitney U test.

4.1 Results (Stakeholders)

Table 3 below presents the summarised descriptive statistics. This table presents the total number of CLs submitted, the total number of requested changes broken down into minor, moderate and major change requests and how many of the requested changes are discussed by the IASB.

Table 3 shows that preparers submit the least amount of CLs (2.7%). Users have the most accepted requested changes (63.46%) while regulators have the least (61.17%).

Table 3: Accepted/rejected responses per stakeholder group

Stakeholder	Number of CLs	The number of proposed changes which were accepted or rejected by category of change										Number of proposed changes discussed by IASB/working groups	
		Accepted			Accepted Total		Rejected			Rejected Total	Grand Total*	Yes	No
		Minor	Moderate	Major			Minor	Moderate	Major				
Preparer	4	1	33		**34**			20	1	**21**	**55**	20	35
Accounting firm	7	6	66		**72**		5	35	5	**45**	**117**	49	68
Regulator	28	9	115	2	**126**		5	61	14	**80**	**206**	105	101
Professional body	32	6	149	4	**159**		6	75	14	**95**	**254**	117	137
User	77	19	360	10	**389**		7	177	40	**224**	**613**	306	307
Grand total	**148**	**41**	**723**	**16**	**780**		**23**	**368**	**74**	**465**	**1245**	**597**	**648**

* This table was prepared in ascending order using the grand total column

The recorded levels of participation are consistent with similar prior studies, except with regards to the users group (Chee Chiu Kwok & Sharp, 2005; Stenka & Taylor, 2010; Tutticci et al., 1994; Yen et al., 2007).

From the 148 CLs submitted in response to ED 10[16], 1245 outcome-orientated comments were made[17]. Users submitted the most CLs (77[18] in total or 52%, table 3), whereas this group participated least in prior studies. Users also submitted most change requests (613 requested changes / 49% of the total requested changes made, table 3). This submission of requests was also inconsistent with prior studies on users' involvement (Bamber & McMeeking, 2016; Botzem & Quack, 2009; Durocher et al., 2007; Durocher & Gendron, 2011; C. Ryan et al., 2000; Weetman et al., 1996).

Preparers participate less (4 / 148 CLs and only 55/1245 (4%) requested changes, table 3) than found in previous studies (for example, submitting 55/475 requested changes (12%) in a prior study) (Bamber & McMeeking, 2016; Chee Chiu Kwok & Sharp, 2005; McLeay et al., 2000; Weetman, 2001). The IASB accept 62% of preparers' requests (although they only submit 4% of the requested changes). Interestingly, accounting firms and regulators contribute 9% and 16% respectively, yet they have similar acceptance rates (62% and 61% respectively). The results of this study reject hypothesis 1 (discussed below) as there appears to be no evidence of bias.

Regulators have an acceptance rate of 61.17%. Regulators are an important stakeholder group, especially in light of IFRS being a voluntarily adopted accounting framework (Chee Chiu Kwok & Sharp, 2005). The regulator's acceptance rate is the lowest acceptance rate consistent with prior studies which found that the IASB is not more considerate of regulators (Giner & Arce, 2012; Stenka & Taylor, 2010).

Accounting firms submit the most lengthy CLs, a 28-page CL submitted by KPMG, consistent with prior studies (Hansen, 2011). Stakeholders expect accounting firms to have a high acceptance rate, considering their relative power (Bamber & McMeeking, 2016; Georgiou,

[16] The responses to question 12 on the invitation to comment is not considered as part of this study because they relate to IAS 28.

[17] There is 1492 outcome-orientated comments. Requests for changes to be made to disclosure is excluded, resulting in 1245 comments.

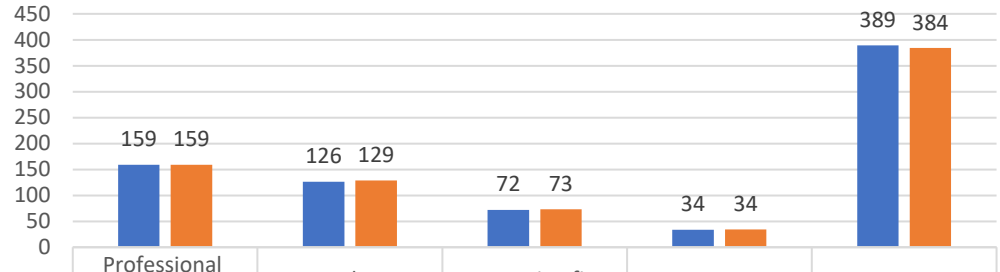
[18] High / low participation in standard setting is based on the number of CLs submitted and not the number of changes requested as this may distort the actual level of participation observed.

2018). However, similar to the Bamber and McMeeking (2016) study, accounting firms have the second lowest acceptance rate (61.54%).

This study shows that the acceptance rates of the different stakeholder groups in this study are only marginally different so very little can be inferred from the basic descriptive statistics because of the difference in participation of the stakeholder groups from prior studies to this study, as well as the goal of this study[19], Charts 1-3 present the actual vs expected frequency per stakeholder group.

Chart 1 shows that the actual versus expected accepted proposals[20] per stakeholder group shows minor differences (1%-accounting firm and user group; 2%-regulator) (Chart 1 below).

Chart 1: Actual vs expected frequency per stakeholder group



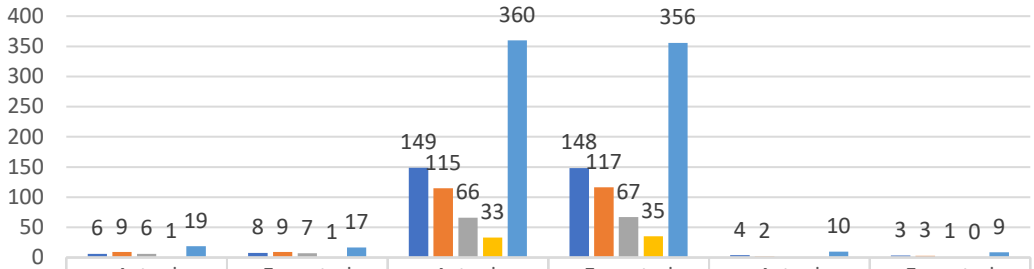
	Professional body	Regulator	Accounting firm	Preparer	User
Actual frequency	159	126	72	34	389
Expected frequency	159	129	73	34	384

Chart 2 indicates that a comparison across the minor category shows that professional bodies have the greatest difference (25%) (Chart 2). There is only a few observations and this reduces the usefulness of making such inferences. In the moderate category, preparers have the greatest difference (6% difference) (Chart 2). The major category shows that professional bodies and regulators have the greatest difference of 33% (Chart 2).

[19] To provide a sufficient and appropriate response to the research questions.

[20] Using the method described by Bamber and McMeeking (2016). Total number of outcome-orientated comments (for example, user) divided by the total number of outcome-orientated comments, multiply by the total number of accepted outcome-orientated comments.

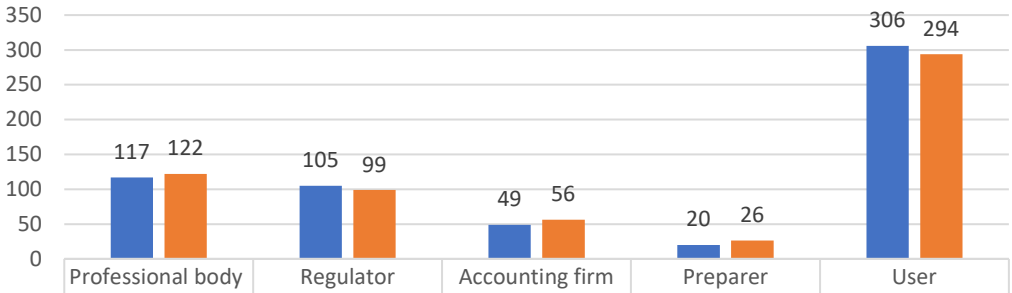
Chart 2: Actual vs expected frequecy of minor, moderate and major requests per stakeholder



	Actual frequecy	Expected frequency	Actual frequency	Expected frequency	Actual frequency	Expected frequency
	Minor(1)		Moderate(2)		Major(3)	
Professional body	6	8	149	148	4	3
Regulator	9	9	115	117	2	3
Accounting firm	6	7	66	67		1
Preparer	1	1	33	35		0
User	19	17	360	356	10	9

Chart 3 shows that a comparison of the discussed proposals has great differences with preparers (23%), professional bodies (4%), regulators (6%), accounting firms (13%) and users (4%) (Chart 3).

Chart 3: Actual vs expected frequecy of discussed requests per stakeholder



	Professional body	Regulator	Accounting firm	Preparer	User
Actual frequency	117	105	49	20	306
Expected frequency	122	99	56	26	294

The descriptive statistics provide context and guide initial understanding. It is important to consider whether there is an association, correlation and statistical difference among the acceptance/rejection rates and the stakeholder groups (Table 4, 5 and 6).

Table 4: Stakeholder v acceptance rate on a total basis		
Significance at the 1% Level (**) or 5% level (*).		
Pearson Chi-Square[21]	Value=1.059	p>0,1
Correlation- Spearman's Rho[22]	Value=-0.003	p>0.1
Kruskall-wallis[23]	Value=1.058	p>0.1

Preparers are outliers because the number of accepted requested changes is much lower than those of other stakeholders. On the other hand, users are outliers because the number of accepted requested changes is much higher than those of other stakeholders. All the same, there is a weak association (x=1.059, p=0.901; p>0, Table 4) and weak correlation between the proposals accepted and the type of stakeholder (r_s= -0.003, p>0.1, Table 4 above). A more refined test is performed by focusing on the nature of changes requested per stakeholder (Table 5 below).

Table 5: Stakeholder v nature of proposal						
Significance at the 1% Level (**) or 5% level (*).						
Pearson Chi-Square[24]	Value=226.771			p<0.01**		
Correlation- Spearman's Rho[25]	Value=0.051			p<0.01**		
Kruskall-wallis[26]		Professional Body	Regulator	Accounting firm	Preparer	User
	Value	49.801	32.985	11.174	15.429	119.799

[21] Association between accepted (rejected) proposals on a total basis and stakeholders.

[22] Correlation between accepted (rejected) proposals on a total basis and stakeholders.

[23] The scores which represent the accepted (rejected) responses and stakeholders.

[24] Association between accepted (rejected) proposals across minor, moderate, and major proposals and stakeholders.

[25] Correlation between accepted (rejected) proposals across minor, moderate, and major proposals and stakeholders.

[26] The scores across the minor, moderate and major responses accepted (rejected) and stakeholders.

	P	<0.01**	<0.01**	<0.01**	<0.01**	<0.01**
Jonckheere-Terpstra	Value=126455.000			p<0.01**		

However, there is a correlation between the number of accepted minor, moderate and major requested changes and the type of stakeholder (r_s= 0.051, p<0.1, Table 5 above). Users make most minor, moderate and major accepted requested changes. We can predict that, if a user makes a minor, moderate or major requested change, these will probably be accepted. If a preparer makes a moderate requested change, it will probably be rejected, and if a preparer/accounting firm makes a major requested change it will most likely not be accepted. There are no accepted major requested changes for preparers and accounting firms. However, with regards to accounting firms, this may be a specific attempt to project an independent appearance as there would be a negative impact on the legitimacy of the IASB and accounting firms if there is evidence of procedural bias towards comments received from accounting firms (Bamber & McMeeking, 2016; Burlaud & Colasse, 2011; Georgiou, 2010).

It may also be that by the time this exposure draft was released, accounting firms already held formal and informal discussions with the IASB about their concerns, leaving fewer to be raised by comment letters. In addition, the issues not already incorporated into the standard following informal/formal discussions may be those contentious issues the IASB has already considered and rejected, leading to lower acceptance rates than other groups.

Discussion of the requested changes increases the perceived procedural legitimacy of the IASB so another test was run, focusing on whether the requested changes accepted/ignored were discussed (Table 6 below).

Table 6: Discussed per stakeholder						
Significance at the 1% Level (**) or 5% level (*).						
Pearson Chi-Square[27]	Value=78.823			P<0.01**		
Correlation-Spearman's Rho[28]	Value== 0.230			p<0.01**		
Mann-Whitney U test[29]		Professional Body	Regulator	Accounting firm	Preparer	User
	Value	9761.000	5857.500	1566.000	400.000	52102.500
	P	<0.01**	<0.05*	<0.1**	<0.1**	<0.1**

[27] Association between discussed (ignored) comments and stakeholders.

[28] Correlation between discussed (ignored) comments and stakeholders.

[29] The scores which represent whether the accepted/rejected responses were discussed (disregarded) and stakeholders.

There is an association (x=78.823, p=0.000, table 6) and significant correlation (at the 1% level, r_s= 0.230, table 6) between the proposals discussed and the proposals accepted/rejected. This means that requested changes that are accepted are discussed. This is further supported by the fact that 42% of accounting firms' proposals are discussed. When analysed on a relative basis, the highest rate at which requested changes are discussed by the board/working group is 51% so there appears to be little risk of the concerns of accounting firms being rejected without appropriate consideration. Requests discussed by the IASB before they are rejected/accepted increases the perceived procedural legitimacy of the IASB.

The above results are confirmed by the difference in the acceptance rates not being statistically significant (H = 1.058, p>0.05, table 4). The null hypothesis is not rejected, and the type of stakeholder which submits a requested change does not affect the IASB's decision to accept/reject such requested changes (Hypothesis 1). Chapter 2.5 assumes that the lack/excess of submission of requested changes will affect the acceptance rate of stakeholders' requested changes and will, therefore, imply that this stakeholder has a relatively lower/higher amount of influence in the standard-setting process. In this study, the lack of participation by preparers does not appear to result in users attempting to increase the standing of their opinions and influence the IASB standard-setting process indirectly (Weetman et al., 1996). Furthermore, a perceived lack of involvement by preparers in the process is consistent with the findings of Bamber and McMeeking (2016) who argue that preparers might respond less because of the increase in the number of submissions by regulators and professional bodies[30] who are likely to comment on their behalf. Similar to the findings of Bamber and McMeeking (2016), regulators and professional bodies submit 40,54% of the CLs and 36,95% of the requested changes to IFRS 10.

Users' requested changes cover a wide range of areas. That said, 20/77 user CLs request the exclusion of investment entities. The results of this study show that the 20 requested changes are rejected by the board and rejects hypothesis 1. Of the 20 requested changes, 19 are discussed by the board (increasing the validity of the rejection decision and decreasing the risk of observable bias with users or the ROTW) and rejected. The discussion of a request before it is rejected increases the procedural legitimacy of the IASB, as stakeholders perceive their comments as being considered and then rejected as opposed to simply being rejected without consideration. These requested changes have also affected the perceived relative influence of users and the ROTW groups. However, it is essential to bear in mind that the consolidation project is conducted in two parts. The objective of the ED10 project is to revise

[30] Entities which are presenting the views of their members (Bamber & McMeeking, 2016).

the definition of control and improve disclosure. The subject of investment entities and whether they should be omitted from the consolidation requirements is separated from this main project (IFRS, 2018b). As a result, the relative influence (accepted/rejected requested changes) of users/ROTW may be caused rather by these groups commenting on issues not yet up for discussion in this ED 10[31]. This may also reflect the disparity between the technical and professional skills of these groups in comparison to other groups.

There is a statistically significant difference between the proportion of accepted proposals across the minor, moderate and major proposals per stakeholder group (Hypothesis 3) (all stakeholder groups at a 1% level of significance ($H=11.174$, $p<0.01$ for accounting firms for example, table 5)). In other words, the null hypothesis for all stakeholders is rejected. The nature of the proposed change (minor, moderate, major) appears to affect whether a stakeholder's proposal is accepted/rejected. The user group has a significantly higher H test statistic ($H=119.799$, table 5). Therefore, the nature of the proposed change (minor, moderate, major) appears to affect the proposals accepted/rejected for users. There is a direct relationship between the scores across the minor, moderate and major responses acceptance rate and the stakeholder groups at the 1% level of significance ($p<0.01$). Most of the requested changes made by users are moderate requests[32] (537/613 requested changes). This may be because users prefer to reduce the need for judgement and so they may request more guidance on the application of IFRS 10. The interest displayed by users may result in a due process affected more powerfully by lobbying actions which can result in biased standards and a lower acceptance (Eisenschmidt & Krasodomska, 2017).

There is a statistical difference between the proportion of proposals accepted/rejected and discussed/ignored by the professional body stakeholder group, preparer, user and accounting firm stakeholder groups at the 1% level ($U=9761.000$ (professional body); $U=1566.000$ (accounting firm); $U=400.000$ (preparer); $U=52102.500$ (user), $P<0.01$, table 10).

[31] Stakeholders primarily respond to the 12 questions (The 12 questions extend over one and half pages and run to almost 507 words). Therefore, it is not reproduced in full. The exposure draft is obtained from http://archive.ifrs.org/Current-Projects/IASB-Projects/Consolidation/Exposure-Draft/Documents/ED10_STANDARD_1208.pdf (IFRS, 2018d)) However, unlike in prior EDs where a final open-ended question is posed (Bamber & McMeeking, 2016), no such question is present in ED 10. This did not prevent stakeholders from providing additional comments and feedback, even if irrelevant.

[32] Comments which propose reasonable changes to either meaning or interpretation.

There is also a statistical difference from the regulator stakeholder group at the 5% level (U=5857.500, P<0.05, table 10) so the null hypothesis is rejected as there is a statistical difference between the proportion of proposals accepted/rejected and discussed/ignored per stakeholder group (Hypothesis 2). Therefore, the type of stakeholder influences whether the IASB discusses or ignores a proposal, affecting the procedural legitimacy of the IASB.

4.2 Results (Jurisdictions)

Table 7 presents the summarised descriptive statistics. This table presents the total number of CLs submitted, the total number of requested changes broken down into minor, moderate and major change requests and how many of the requested changes are discussed by the IASB.

From table 7 we see Europe submits most CLs (33%) while the US and Australia submits least (both at 9.46%). UK has most accepted requested changes (70.45%) while the ROTW has least (53.71%).

Table 7: Accepted/rejected responses per jurisdiction

Jurisdiction	Number of CLs	The number of proposed changes which were accepted or rejected, by category of change										Number of proposed changes discussed by IASB/working groups	
		Accepted			Accepted Total		Rejected			Rejected Total	Grand Total*	Yes	No
		Minor	Moderate	Major			Minor	Moderate	Major				
US	14	3	60	1	**64**		2	20	10	**32**	**96**	54	42
Australia	14	7	95	5	**107**		1	82	7	**90**	**197**	73	124
ROTW	39	6	116	1	**123**		2	82	22	**106**	**229**	119	110
UK	32	14	190	1	**205**		7	65	14	**86**	**291**	127	164
Europe	49	11	262	8	**281**		11	119	21	**151**	**432**	224	208
Grand total	**148**	**41**	**723**	**16**	**780**		**23**	**368**	**74**	**465**	**1245**	**597**	**648**

* This table was prepared in ascending order using the grand total column

Table 7 illustrates that moderate European requested changes (119) are rejected more (in absolute terms) than those from the other jurisdictions. Furthermore, minor requested changes submitted by the UK (14) appear to be accepted more.

Given the convergence project with the US' FASB[33] and the acceptance rate of the US being the second highest (67%) there is a risk of perceived bias. Bamber and McMeeking (2016) found that it is more likely for the IASB to discuss requested changes received from the US, than requested changes from the UK (56.3% and 43.6% respectively, table 7). This may be due to their well-developed market and because they are experienced in providing appropriate comments.

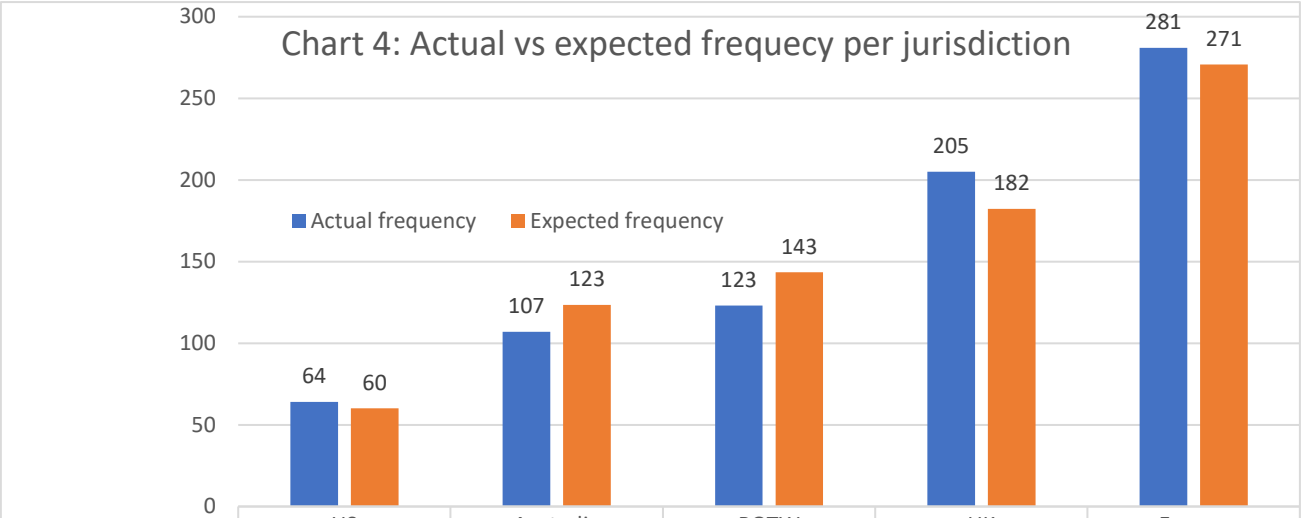
The IFRS Foundation's 2009[34] revenue amounted to £16 583 544 (IFRS, 2009). This revenue originates from three core sources: voluntary contributions from adopting jurisdictions around the world, voluntary contributions from accounting firms and self-generated revenue from the sale of subscription services and books/eBooks. The US (jurisdiction-£1 846 698) and accounting firms (stakeholder-£5 690 127) contribute most to the IFRS Foundation in 2009 (IFRS, 2009). Therefore, the acceptance rate of the US being 66.67% (second highest) increases the risk of perceived bias as it may appear that the US has more influence over the standards developed by the IASB in line with their funding. However, accounting firms having a 61.54% acceptance rate reduces this risk because their acceptance rate is second lowest (Sacho & Oberholster, 2008).

Due to the difference in participation of the jurisdictions and to address the research questions, Charts 4-6 present the actual vs expected frequency per jurisdiction.

Chart 4 shows that a comparison of the actual accepted proposals per jurisdiction (Chart 4) with the expected accepted proposals per jurisdiction have greater differences than those identified with the stakeholder groups (Australia 13%, the ROTW 14% and the UK 13%).

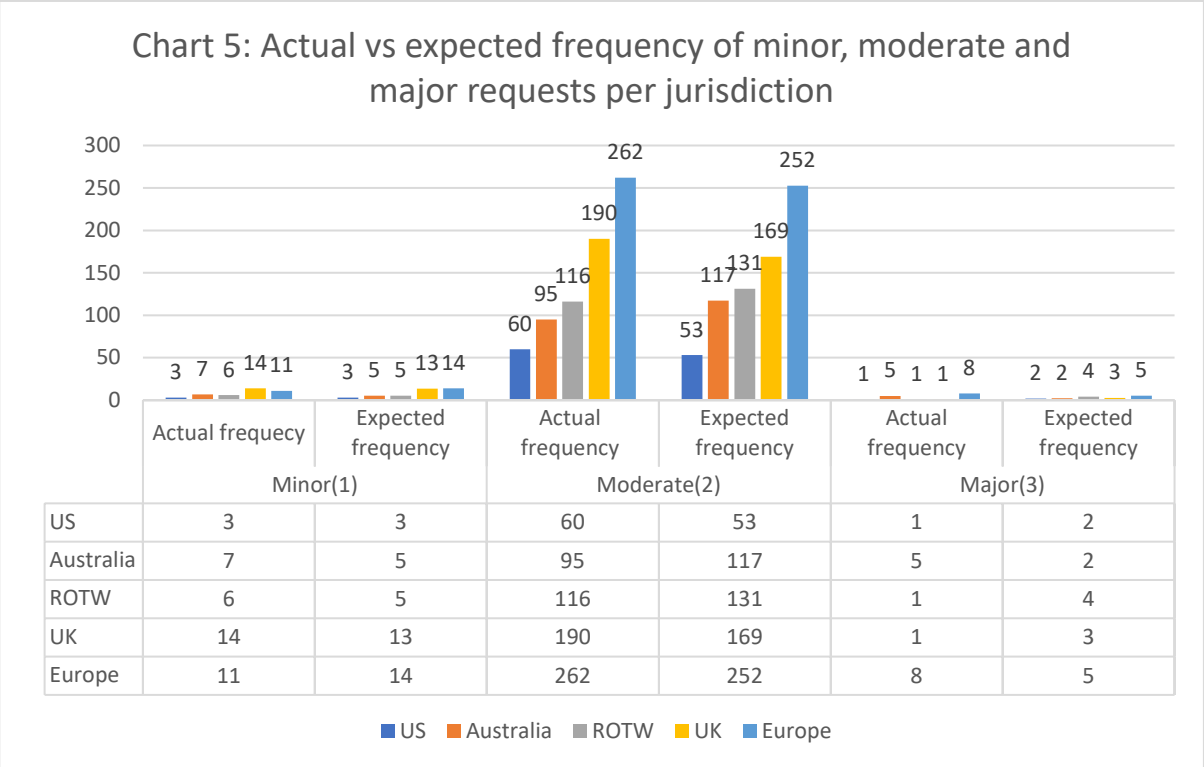
[33] Of the thirty Board meetings during the discussion period, seventeen discussed stakeholder feedback and proposed amendments to ED 10. Of the seventeen board meetings, eight are joint meetings with the FASB.

[34] The period for commenting on ED 10 ended in 2009. Therefore, the annual report for 2009 was used to discuss the funding structure of the IASB.



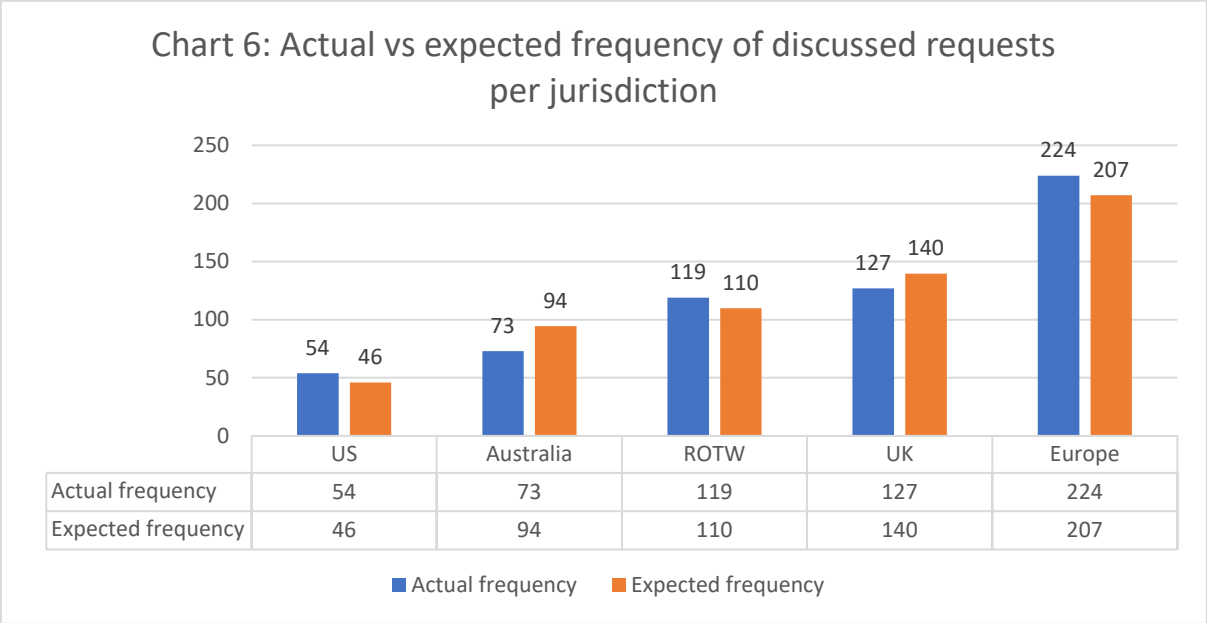
	US	Australia	ROTW	UK	Europe
Actual frequency	64	107	123	205	281
Expected frequency	60	123	143	182	271

Chart 5 indicates that a comparison across the minor category shows that Australia has the greatest difference of 40% (Europe (21%), the ROTW (20%) and UK (8%)) (Chart 5). However, there are only a few observations, making it difficult to make inferences. The moderate category shows that, again, Australia has the greatest difference with 19% (US (13%), UK (12%), ROTW (11%) and Europe least (4%)) (Chart 5). There are few observations in the major category, making it difficult to make inferences. A comparison across the major category shows that Australia has a great difference of 150% (US (50%), UK (67%), ROTW (75%) and Europe (60%)) (chart 5).



	Actual frequecy	Expected frequency	Actual frequency	Expected frequency	Actual frequency	Expected frequency
	Minor(1)		Moderate(2)		Major(3)	
US	3	3	60	53	1	2
Australia	7	5	95	117	5	2
ROTW	6	5	116	131	1	4
UK	14	13	190	169	1	3
Europe	11	14	262	252	8	5

Chart 6 shows that the discussed proposals indicate great difference from Australia at a rate of 22% (US (17%), ROTW (8%), UK (9%) and Europe (8%)) (Chart 6).



The descriptive statistics provide context and an initial understanding. It is important to consider whether there is an association, correlation and statistical difference between the acceptance/rejection rates and the jurisdictions (Table 8, 9 and 10).

Table 8: Jurisdiction v acceptance rate on a total basis		
Significance at the 1% Level (**) or 5% level (*).		
Pearson Chi-Square[35]	Value=31.394	p<0.01**
Correlation- Spearman's Rho[36]	Value= 0.089	p<0.01**
Kruskall-wallis[37]	Value=31.373	P<0.01**
Jonckheere-Terpstra	Value=453334.500	p<0.01**

[35] Association between accepted (rejected) proposals on a total basis and jurisdictions.

[36] Correlation between accepted (rejected) proposals on a total basis and jurisdictions.

[37] The scores which represent the accepted (rejected) responses and jurisdictions.

There is an association (x= 31.394, p=0.000, table 8) and correlation (at the 1% level (r_s= 0.089, table 8)) between the proposals accepted/rejected and the jurisdiction. The relationship between the two variables indicates that the type of jurisdiction affects whether the requested changes are accepted (requested changes made by Europe are more likely to be accepted, interestingly not Australia). A more refined test is performed by focusing on the nature of changes requested per stakeholder (Table 9 below).

Table 9: Jurisdiction v nature of proposal

Significance at the 1% Level (**) or 5% level (*).

Pearson Chi-Square[38]	Value=226.771			p<0.01**		
Correlation-Spearman's Rho[39]	Value=-0.069			p<0.01**		
Kruskall-wallis[40]		US	Australia	ROTW	UK	Europe
	Value	27.105	20.689	54.583	62.052	66.975
	P	<0.01**	<0.01**	<0.01**	<0.01**	<0.01**
Jonckheere-Terpstra	Value= 3171.000			p<0.01**		

There is a correlation at the 1% level between the nature of the proposals and the type of jurisdiction (r_s= -0.069, table 9). We can predict that if a stakeholder in the UK makes a minor requested change, it has a great probability of being accepted. If a stakeholder in the US makes a minor requested change, it is most likely to be rejected. We can predict that if a

[38] Association between accepted (rejected) proposals across minor, moderate, and major proposals and jurisdictions.

[39] Correlation between accepted (rejected) proposals across minor, moderate, and major proposals and jurisdictions.

[40] The scores across the minor, moderate and major responses accepted (rejected) and jurisdictions.

stakeholder in Europe makes a moderate requested change, it will be accepted. If a stakeholder in the US makes a moderate requested change, it will most likely not be accepted.

Discussion of the requested changes increases the perceived procedural legitimacy of the IASB so another test was run focusing on whether the requested changes accepted/ignored are discussed (Table 10 below).

Table 10: Discussed per jurisdiction						
Significance at the 1% Level (**) or 5% level (*).						
Pearson Chi-Square[41]	Value=78.823			p<0.01**		
Correlation-Spearman's Rho[42]	Value=0.230			p<0.01**		
Mann-Whitney U test[43]		US	Australia	ROTW	UK	Europe
	Value	1536.500	5326.000	8265.000	10609.500	23086.500
	p	>0.1	<0.01**	<0.01**	<0.01**	<0.01**

There is an association (x=78.823, p=0.000, table 10) and correlation (at the 1% level, r_s= 0.230, table 10) between the proposals discussed and the proposals accepted/rejected. This means that requested changes discussed are accepted (increasing the procedural legitimacy of the IASB). It is important to note that the IASB is an international accounting standard-setter and accepting the requests made by certain jurisdictions, like the US, could be only an attempt made by the IASB to remain comparable with other jurisdictions (Durocher & Gendron, 2011; Pelger, 2016). In addition , the belief that the US and the UK have, in the past, influenced practice in financial accounting does not appear to hold true (B. Ryan et al., 2002).

The above results are confirmed by a significant statistical difference found at the 1% level ((H = 31.373, p<0.01, table 8)) between the proportion of proposals accepted from any jurisdiction (Hypothesis 4) The null hypothesis is rejected and the type of jurisdiction which submits a requested change affects the IASB's decision to accept/reject such requested changes. There is also a direct relationship between the proposals accepted and the type of jurisdiction (confirming the above test) and the trend is significant at the 1% level (T_{JT}= 453334.500, p<0.01)).

There is a statistical difference found between the proportion of proposals accepted across minor, moderate and major proposals, from any jurisdiction (p<0.01) (Hypothesis 6). In other words, the null hypothesis is rejected (Europe has the highest H test statistic H=66.975, table

[41] Association between discussed (ignored) comments and jurisdictions.

[42] Correlation between discussed (ignored) comments and jurisdictions.

[43] The scores that represent whether the accepted/rejected responses were discussed (disregarded) and jurisdictions.

9). There is a direct relationship between the number of minor/moderate/major accepted proposals and the jurisdictions ($p<0.01$).

There is a statistical difference between the proportion of proposals accepted/rejected and discussed/ignored from Australia, the UK, Europe and the ROTW at the 1% level (U=5326.000 (Australia); U=8265.000 (ROTW); U=10609.500 (UK); U=23086.500 (Europe), P<0.01, table 10). There is a statistical difference at the 5% level of a professional body in Europe (U=1305.000, P<5%); at the 1% level of an accounting firm in the UK (U=784.500, P<0.01); at the 5% level of preparers in Australia (U=109.500, P<0.05) and there is also a statistical difference at the 1% level of users in Australia, the UK, Europe and the ROTW (U=2233.000 (Australia); U=1185.000(ROTW); U=2400.500(UK); U=3653.000(Europe), P<0.01). The null hypothesis is rejected (Hypothesis 5).

However, political involvement by jurisdictions is not unique to the IASB (Sacho & Oberholster, 2008). The IASB may allow the US to be more influential in standard-setting as the IASB fears that the US will not apply accounting requirements they find burdensome. The objective of IFRS 10 is to establish principles for the consolidation of financial statements, and the standard requires the preparer to look at all facts and circumstances in making a decision on consolidation (IASB, 2018). However, the respondents who requested making the standard less prescriptive did so with the goal of ensuring that IFRS 10 is principle-based and not rule-based. For example, CL 70 (UK; professional body) suggests that it would be easier to apply the principles for options and convertible instruments if the final standard was less prescriptive about how to apply this principle. Therefore, suggesting that if accepted by the IASB it would be for reasons of providing a better-quality standard rather than being influenced by a certain jurisdiction.

The ROTW[44] stakeholder group has the lowest acceptance rate (53.7%) and the proposals made by the ROTW are discussed at a rate of 52% (the second highest discussion rate). The ROTW makes 229 requested changes and of these requested changes 3.49% of these requested changes are minor requested changes. This study may indicate that developing countries are not considered in developing IFRSs. However, the proposals made by the ROTW are discussed at the IASB board meeting at a relatively high rate, implying that they are not simply ignored but regarded as inadequate (increasing the preceived procedural legitimacy of the IASB).

In summary, Chapter 4 presents descriptive statistics to summarise the data and provide context for further analysis. A discussion of the actual vs expected frequencies, the chi-

[44] Includes developing countries.

squared tests, spearman's Rho and the results and discussion of the Kruskal-Wallis and Mann-Whitney U test are presented.

Chapter 5: Conclusions and recommendations

5.1 Summary of findings

The user stakeholder group has the highest number of accepted proposals and acceptance rate. However, when compared to the other stakeholders, this is not significantly different (with Hypothesis 1 being rejected). The results of this study show that if users make a minor/moderate/major requested change, it is more likely to be accepted. The nature (minor/moderate/major) of the requested proposals made by stakeholders affects the acceptance/rejection decision (Hypothesis 3 was accepted, and users have the highest H value). Hypothesis 2 is accepted as the stakeholder group affects whether the accepted/rejected proposal is discussed/ignored (users have the largest U value).

Europe has the highest number of accepted proposals (281) but the UK has the highest acceptance rate (70%). The type of jurisdiction affects the IASB's decision to accept/reject the proposal (with the acceptance of Hypothesis 4). The nature (minor/moderate/major) of the proposal accepted/rejected is affected by the type of jurisdiction (with Hypothesis 6 being accepted and Europe having the largest H value). In addition, the type of jurisdiction affects whether accepted/rejected proposals are discussed by the IASB/working group or not (with the acceptance of Hypothesis 5 and Europe has the largest U value).

5.2 Implications and contributions

This study uses a better method to evaluate the participation of respondents in the standard-setting due process than straightforward vote-counting. This study provides an indication of whether there might be gross bias or not. By the use of legitimacy theory, it can be concluded that recognisably higher levels of influence can risk stakeholders' perception of the procedural legitimacy of the standard-setting process. However, it is essential to understand that merely correlating higher influence with a fall in the perception of procedural legitimacy might be oversimplifying the matter because there is an intricate and private decision making component to the standard-setting process and context; the knowledge and experience of the respondents are considered.

The more active respondents are in the due process of the IASB, the more legitimate the due process appears to be (Suchman, 1995). Procedural legitimacy is preserved by a fair and transparent due process which does not display bias (Bamber & McMeeking, 2016; Chee Chiu

Kwok & Sharp, 2005; Suchman, 1995). Previous studies measure the relative influence of stakeholder groups on a vote-counting basis. This is done by determining whether the requested changes are accepted (Chee Chiu Kwok & Sharp, 2005). This study focuses on outcome-orientated comments, whether the IASB and their representatives discuss these stakeholder groups' requested changes and whether they are accepted from both stakeholder and jurisdictional perspectives. In line with prior studies, this research concludes that, although there is no single definite stakeholder/jurisdiction which has more significant influence over the IASB, there is some evidence of possible bias (Chee Chiu Kwok & Sharp, 2005; Giner & Arce, 2012). However, research shows that standard-setting influence is context-specific and, due to the human-element, it will likely never be completely unbiased (Sacho & Oberholster, 2008; Weetman, 2001; Zeff, 2002, 2012).

Prior studies indicate that the choices and procedures of those setting standards need to appear to be fair and free from bias (Bamber & McMeeking, 2016; Danjou & Walton, 2012; McENROE, 1993; Suchman, 1995; Tutticci et al., 1994). If one form of legitimacy is weak (for example, pragmatic, moral or cognitive), their legitimacy as a whole may be affected (Bamber & McMeeking, 2016; De Villiers & Maroun, 2017).

Despite concerns that the IASB favours accounting firms in the due process (Bamber & McMeeking, 2016), this study finds that these firms are least influential. However, users play a significant role in the standard-setting process. The increase in participation by users may stem from the fact that users are mainly concerned with the consolidation requirements and submit most CLs for clarity. Prior studies do not show high participation from users, claiming that they lack interest in the results of the standard-setting process (Georgiou, 2018). However, IFRS 10 may be more understandable and relatable to users and so attracted more interest. This may be due to consolidation being a generally well understood concept and one in which users also understand the significant impact its accounting procedures can have on group financial statements.

A suitable funding regime for the Foundation is essential to ensure the independence of its standard-setting process. Such a regime must enable the Board members and Foundation staff to involve stakeholders throughout the world in the shaping of financial reporting standards and to commence all other related activities essential to achieve the organisation's aims. Independence allows the formation and conservation of high-quality IFRS Standards through a comprehensive, global consultation process, as well as all other activities accepted by the organisation to advance the worldwide acceptance of IFRS Standards (IFRS, 2018e). This study shows that accounting firms and the US do not show significant influence on the IASB and it appears as though the funding regime is suitable.

Many CL authors accept the reasons for the accelerated pace to conclude the consolidation project but emphasise that due process should still be followed (there is no DP preceding the ED and the comment period is 90 days instead of the usual 120 day period) (preparer-Australia-CL4; user-ROTW-CL9; professional body-Europe-CL20; regulator-UK-CL15; professional body-ROTW-CL34; regulator-Europe-CL7; regulator-ROTW-CL17; preparer-Europe-CL13; user-Australia-CL5). However, CL 57 did show support and gratitude for the cooperative way in which the Board and staff have taken this project forward. They point out how the decision to hold informal discussions and more organised round table meetings to petition feedback is a definite advance and one they believe will see the development of a high quality standard.

Two respondents believe that the implementation of IAS 27 and SIC 12 is globally satisfactory and did not justify the urgency in finalising IFRS 10 (preparer-Europe-CL13; professional body-UK-CL94). CL13 states that they are not aware of any signal which suggests consolidation prescriptions of IFRS contributed to the GFC[45] of 2007/8. Nor are they aware of any significant divergence in practice due to IAS 27 and SIC-12.

Prior studies found that those stakeholders with greater monetary and intellectual resources are more able to participate in the standard-setting process and to protect their interests (Burlaud & Colasse, 2011; Giner & Arce, 2012; Sacho & Oberholster, 2008; Stenka & Taylor, 2010). CL 40, 10, 9 and 5 reflect evidence of self interest change requests and comments. However, the requested changes by CL 5 are rejected at a rate of 60%, the requested changes by CL 9 are rejected at a rate of 25% and the requested changes by CL 10 are rejected at a rate of 57%. These differing rates suggest the IASB is able to identify self interest requests and respond accordingly (Giner & Arce, 2012; Hoogervorst & Prada, 2015; Watts & Zimmerman, 1978). The IASB maintains their moral legitimacy by not being swayed by inappropriate (biased or not in the public's best interests) change requests (Bamber & McMeeking, 2016; Larson, 2002).

5.3 Areas for future research

The limitation of this study is that IFRS 10 is considered in isolation. Future researchers should explore whether the results of this study can be generalised to other standards. The method of manually coding and evaluation is not appropriate for large datasets. The researcher has to make use of his/her technical knowledge to understand the requested change. This method can be onerous. Small samples of data make more advanced statistical analysis methods less employable and the outcomes of those results weaker (Bamber & McMeeking, 2016).

[45] The GFC began in the US where predominately US-GAAP is applied.

Some CLs have been withheld from publication as explained in Chapter 1.5. Future researchers should explore comment letters, minutes of meetings and technical working group meeting minutes that have been withheld. Future researchers should investigate the reasons why there might be specific stakeholders/jurisdictions which influenced the development of IFRS 10 more than others. Chapter 1.5 explains that this study did not consider the comments on the transitional provisions of IFRS 10. Future researchers should confirm that this does not have a material effect on the results of this study. Future researchers should consider the comments related to disclosure because the disclosure of IFRS 10 is included in IFRS 12.

In summary, Chapter 5 presents the findings of the study, the implications and contributions as well as the areas for future research.

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Appendix A

Figure 1: IFRS Foundation structure

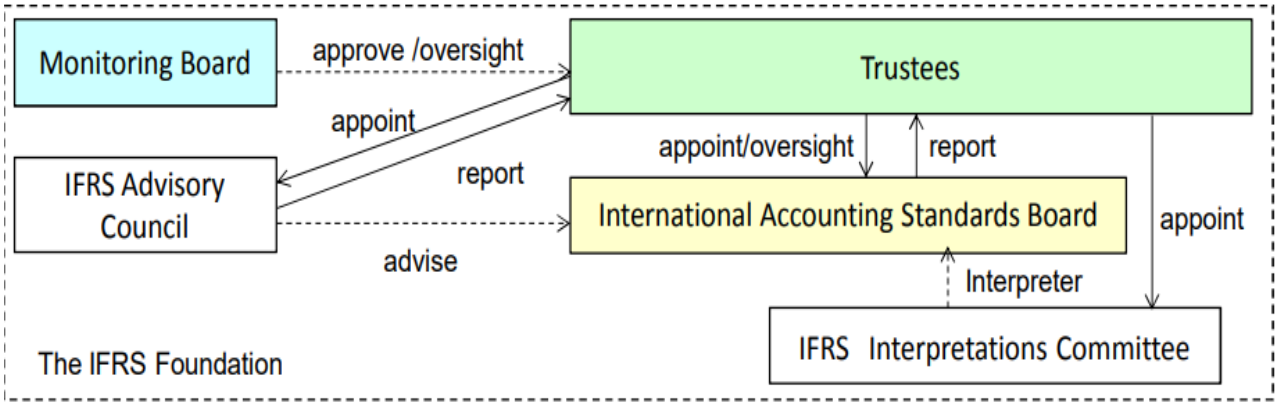


Figure 1: http://www.meti.go.jp/english/policy/economy/corporate_accounting/pdf/121114_07.pdf