International Economic Studies
Vol. 44, No. 1, Spring & Summer 2014
pp. 37-54
Received: 29-08-2013 Accepted: 12-05-2014

Political Consensus through Setting International Accounting Standards: the Case of IAS22

Kazem Doosthosseini*
Faculty of Economics, University of Allameh Tabataba'i, Tehran, Iran
Mohsen Khoshtinat
Iran Banking Institute, Central Bank of Iran, Tehran, Iran
Ghadir Mahdavi
Faculty of Economics, University of Allameh Tabataba'i, Tehran, Iran

Abstract
Harmonization of accounting financial reporting standards is defined as a way of decreasing the diversity between local accounting standards that facilitate cross-national capital flows and stimulate economic growth. Investigation into the accounting standard-setting strategies can be related practically to the study of harmonization, since the ability to dominate the International Accounting Standard Board (IASB) can create an obstacle in harmonization of accounting standards and subsequently the flow of capital worldwide. The study aims to reveal that a valid and effective accounting standard, which formerly issued, may reflect the needs and expectation of few interested powerful bodies due to the neutral comments and dearth of lobbyists in the process of setting the standard. Therefore the research investigates the working of the IASB, by exploring the standard setting process specifically in relation to the standard on business combinations which has been on the agenda over an extended period of time. The written submissions in response to 14 issues, proposed in Exposure Draft 61 (1997), to revise IAS 22 "Business Combination" are analyzed to understand whether various comments from different interested parties deliberately affect IASB's decision. The situations in which any of the lobbyists (e.g. Anglo-American bodies) may exert influence are discussed. The results confirm an overall support to the proposed issues by the participants. So there was a satisfactory degree of consensus between the lobbyists involved in IAS 22 in favor of what the IASB was attempting to do. It may raise our concerns about the effectiveness of the deliberation method in the process of setting IASs. This provides us evidence that the IASB acted independently and made its decisions rationally. However a managed type of consensus was seen, which is consistent with the covert view of excreting power and mimetic isomorphism, as a result of insufficiency of respondents and large numbers of neutral comments on the outcome of the consultation process. It then justifies the needs for a revision of the standard once more as happened in IFRS 3.

Keywords: Harmonization, Economic Consequences, Accounting Standards, IFRS, Standard-Setting, Business Combination.

JEL Classification: M48, M49

* Correspondent Author, k.doosthosseini@gmail.com

1. Introduction

In 1998, the International Accounting Standard Board (IASB) completed the major components of the core set of standards, as identified in an agreement with the International Organization of Securities Commissions (IOSCO). The July 1995 Agreement said that IOSCO would consider endorsing International Accounting Standards for cross-border capital raising and listing purposes in all global markets once the core set of Standards had been completed. For cross boarder listing, the IOSCO accepted International Financial Reporting Standards (IFRS) in year 2000. EU regulation started to hand over accounting standard setting authority to the IASB from year 2002. European listed companies then forced to adopt International Accounting Standards from 2005.

In late 1990s, FASB and SEC reconsidered some accounting issues including the FASB's deliberation for a new set of standards for business combinations (Johnston and Jones, 2006). In second half of 1990's, the IASB in its international harmonization efforts, re-looked at IAS 22 (e.g. some views on intangible and impairment of assets) as other standard setters made progress on their projects. As revised (1998), IAS 22 prohibited the immediate write-off of goodwill against equity, which was previously allowed. Goodwill must be recognized as an asset and amortized to income on a systematic basis over its useful life. IAS 22 requires the amortization period not to exceed five years, unless a longer period (not to exceed 20 years) can be justified. According to the 1998 changes, goodwill was revisited as part of the IASB's intangible assets project. The elimination of the pooling of interest method was suggested in an extensive study by G4+1[1] entitled the need for the convergence of accounting for business combinations. The IASB completed revisions to IAS 22 and planned to consider the point of convergence on methods discussed in the G4+1 Position Paper.

It was claimed that, in setting international accounting standards the IASB has been under influence of Anglo-American global players (Taylor 1987, Flower 1997). Flower (1997) believes that the agreement between the IASB and IOSCO to reduce the availability of alternative accounting practices in the IASs has been a pressure from the SEC. Prior to the global financial crisis, that contributed to a repoliticalization of accounting standard setting, the IASB was largely successful in maintaining its independence from political influence (Wittington, 2005). This was of importance because the IASB was established as an independent body whose authority rests upon all parties believing that it will act in a neutral and objective way.

The power games surrounding the transformation from IASC to IASB was recently considered by Camfferman and Zeff (2007) and Street (2006). Composition of the Board suggested that the IASB, despite its wide membership is likely to be heavily influenced by Westernized countries specifically by the US and UK views of financial reporting (flower 1997). Street (2006) studied the impact of the G4 on the IASB's formation and it's new Foundation Constitution and that the modifications to the liaison structure (because of cancelation of G4 partnership with the IASC) may impact the IASB's partnership with its G4 national standard setting partners. Jorissen et al. (2013) noticed that the reform process of the international accounting standard setter to alter its structure and operating mechanisms as to appeal Anglo-Saxon preferences (Bhimani, 2008; Chua and Taylor, 2008; Botzem and Quack, 2009) resulted in a process in which constituents familiar with the Anglo-Saxon tradition participate with higher intensity. Crawford et al. (2013) presented EU's struggle through highly politicized debate surrounding the adoption of IFRS 8. Since EC initiated its own consultation procedures, in a broadly institutional approach as part of a new endorsement process, the EU's position versus the IASB remained relatively weak.

Previous works on standard-setting procedures have mostly focused on national regulators, especially in English-speaking countries (Mcleay et al. 2000). In recent years the IASB has enhanced its status as a credible standard setting body for the promulgation of accounting regulation to attract global support. Investigation into the accounting standard-setting strategies can be related practically to the study of harmonisation, since the ability to dominate the IASB can create an obstacle in harmonisation of accounting standards (Larson and Kenny 1996).

2. Theoretical Framework

The research focuses on economic consequences, institutional and power theories, highlighting their relationship with an interest

[1] The G4+1 includes the Accounting Standards Boards of Canada and the UK, the Australian Accounting Standards Board, the Financial Accounting Standards Board (USA), the New Zealand Financial Accounting Standards Board and the International Accounting Standards Committee

perspective providing a more comprehensive framework to understand the lobbying behavior and the IASB's reaction.

The literature of accounting choice is usually fragmented into two divisions; economic consequences theory (positive accounting) and institutional theory. In a very few research do these theories meet or cross-fertilize, and hardly any studies use both theories to derive hypotheses on accounting choices (e.g. Collin et. al. 2009).

Theories of economic consequences focus upon the motivations of individuals for constituent participation in setting standards according to their interest. It is believed that economic consequences of policy decisions force accounting regulators to respond to the constituent pressure of some interested groups (Mcleay et al. 2000). The setting of accounting standards involves the restriction of the behavior of financial statement preparers, which may have economic and social consequences, due to the impact on wealth redistribution between interested parties (Watts and Zimmerman, 1986).

An influential aspect of institutional theory is its emphasis on situations in which an organization, in this instance the IASB, attempts to find legitimacy in the eyes of its constituents. Therefore the legitimacy of the IASB can be derived from the strong participation and consensus over the agenda of the Board. Institutional theory focuses on the interaction between organizations. In (new) institutional theory the formal structure of organization is seen to legitimately reflect the myths of their institutional environment instead of their work activities (Mayer and Rowan 1977). In this position organizations will adjust their operations in order to meet those outside demands (Fogarty 1992, Kenny and Larson 1993). In new institutional analysis "power and interests" that enable some constituents to recreate organizational structures according to their preferences have been slighted (Powell and DiMaggio, 1991).

In institutional context, DiMaggio and Powell (1983) suggest three mechanisms through which structural isomorphic change takes place. a) Coercive isomorphism resulting from political influence and problems of legitimacy. b) Mimetic isomorphism persuades organizations towards similarity as a low-risk and low-cost reaction to environmental resulting uncertainty. c) Normative isomorphism resulting from professionalization. Coercive isomorphism exists in accounting standard setting in a very direct sense when private organizations exert influence through the organizations established to provide advice and guidance. The influential parties provide mimetic influence when standard setters or their respondents involve efficient deliberation on "the things in need of fixing". Normative influence may continue to shape standard setting by evolving accounting academics and professions in this context (Fogarty, 1992).

Power is introduced in various shapes, which are viewed in different kinds of power-based studies (Robson and Cooper 1989). Power in organizational and social studies can be also characterized in the shapes of overt or covert (e.g. elitist). In elitist model of power, the elites gain their leadership via knowledge, precedence, innovation, etc. Elitist model shows society as composed of a coherent leadership or elite and an undifferentiated mass of people, the latter with limited influence.

A further understanding of the political dimensions requires a basic awareness of the nature of the power, style and the ideology of interested parties. Alternatively there are some criticisms of the politics involved in the decision making process used in the approval of IASs, in which the needs of the majority of the respondents of IASB are ignored due to the exertion of power by some outside or inside pressure groups (Cortese and Irvine, 2010) or, more likely, a "domination" of IASB by US accounting standards, the FASB (Lange and Howieson, 2006). Therefore it is also the intention to use a theoretical framework of power similar to that used by Hope and Gray (1982) and Weetman (2001).

Development of IAS 22 and scope of the research

The standard of business combination has been a subject of argument for a long period of time because national accounting bodies, as well as G4 and the IASB, have issued numerous Exposure Drafts that have resulted in repeated changes to this standard. Therefore it may be argued that this can be a critical subject, which requires investigation.

The development of IAS 22 (Business Combinations) is shown briefly in Table 1.

Table 1: Development of IAS 22 (Business Combinations)

Standard Issued/Revised	Effective Date	Exposure Draft (ED)	Comments / Amendments
IAS 22 (Nov. 1983)	1.1.1984	E22-Business combination 1978,	The purchase, pooling, and the new-entity method proposed Control defined as voting power. Directly or indirectly more than 50%
		E22 1979,	An exchange of voting share required to effect a merger as a uniting of interests
		E22 1980, Final ED22 1981,	In a uniting of interests, the purchase method would also be allowed. In an acquisition the purchase method was the only allowed method. In uniting of interests, the new-entity method, the pooling method, and sometimes even the purchase method are applicable.
		ED32- Comparability of financial statements 1989,	Elimination of all alternative treatments that represent free choices.
IAS 22 (revised Dec. 1993)	1.1.1994	E45-Business combination June 1992	The use of the purchase method for a uniting of interests prohibited. Definition of a uniting of interests narrowed, and the concept of control redefined.
IAS 22 (revised Sep.1998).	1.7.1999	E61-Business combinations Aug. 1997	Consequential changes resulting from IAS 36 (1998), IAS 37 (1998), and IAS 38 (1998). The recognition of identifiable assets and liabilities in an acquisition; the determination of the fair values of assets and liabilities acquired; Amortization and impairment of goodwill and treatment of negative goodwill recognized.
IFRS 3(March 2004) superseded IAS 22 1998	31.3.2004	E3-Business combinations Dec. 2002	Pooling-of-interests method disallowed (Using only the acquisition method), the fair value of acquired assets and assumed liabilities and contingent liabilities to be measured at the date of acquisition. The excess of the acquirer's interest in the net fair values of the acquiree's assets and liabilities over accumulated cost to be recognized immediately in profit/loss. Impairment testing for goodwill required.
		ED June 2005	Combinations by contract alone and of mutual entities (without consideration of dual listed shares) are included in the standard. It does not apply to the formation of a joint venture, combinations of entities or businesses under common control.
IFRS 3 (revised Jan. 2008)	1.7.2009	ED Jan. 2007	The excess of the acquirer's interest in the net fair values (referred to as bargain purchase) to account for that excess by first reducing the goodwill related to that business combination to zero, and then by recognizing any excess in income.
IFRS 3 (2010)	1.7.2010		Measurement of Mandatory purchases of Non-controlling Interests (NCI) resulted from a joint project with the US FASB. Unreplaced and voluntarily replaced share-based payment awards. Transitional requirements for contingent consideration from a business combination that occurred before 1.7.2009
IFRS 3 (2013)		October 2011 ED May 2012	IFRS 3 post-implementation review added to the IASB agenda

Source: Authors

Within repeated changes in standard of business combination, the most arguments were against its 1998 revision. The disputers hint the most significant mergers of USA which took place in the last half of 1990s, the IASB's core set of standards in 1998 following the agreement with IOSCO in July 1995 and G4+1 proposed standard on the board's agenda.

Different prospective of standard setters and their self-interests

In line with harmonization of accounting standards, the IASB and others are narrowing the differences. For example in Business Combinations, this happened after US GAAP disallowing the pooling method to account for mergers, and UK GAAP requiring the capitalization of goodwill. US GAAP had allowed business combinations to use the pooling-of-interests accounting up to June 30, 2001. However, with the issuance of FASB No. 171, the pooling method has been eliminated and goodwill no longer amortized but subject to an impairment test (writing down to their fair value). Later, under UK GAAP, an impairment occur almost similarly. US GAAP permits no subsequent reversal of impaired assets, while the UK permits reversals for goodwill and intangibles.UK GAAP required fair values for acquired assets and liabilities, writing off (positive) goodwill immediately against reserves or amortized over its economic useful life and restricted the acquirer's ability to make provisions for losses and integration costs. The treatment of writing off goodwill against reserves in business combination is no longer adopted by the IASB.

The deep-rooted American accounting standards for business combinations was relevant to the cycles of maximum number of Acquisitions and Mergers, which took place in USA in 1929, in the last half of 1960s and in the first half of 1980s. The most significant mergers of USA took place in the last half of 1990s, when the strong stock market supported the high incidence of big brands mergers and acquisitions.

The potential economic consequences of different issues proposed in ED 61, mainly the fair value accounting for non-financial tangible and intangible assets, the significance of goodwill that emerges in an acquisition of assets and its amortization to profit, can be matters of major consideration. A cash flow with balance sheet and income statement effects, may also be afforded to firms using the different methods for recognizing the fair value and depreciation/ amortization of the acquired assets when the merger is recorded as a taxable recognition. Other explanation is that the changes in fair values should be reflected in changes in future performance. When the acquisition is taxable, the additional depreciation and goodwill amortization resulted from the accounting requirement of the purchase method will reduce the ultimate tax liability of the combined firm.

Acquisition in pooling transaction is inferred from market prices. The profit or loss arising from incorrect determination of fair value of acquired assets in a combination is forwarded to subsequent sale of those assets by merging the values in separate balance sheets. In addition an acquiring company will have different depreciation charge against its profits and consequently different income tax and different profit-asset ratio will be shown.

3. Literature Review

Submissions on exposure drafts, or formal lobbying, are the most observable form of lobbying and have formed the main basis for much prior lobbying research (Morris 1986).

The main area of literature concentrates on previous studies that show the role of lobbying and lobbyists in the process of setting accounting standards (e.g. Kenny and Larson 1993 and 1995), factors that influence standard setting (e.g. Fogarty 1992) and the incentive factors for lobbying activity (e.g. Francis 1987, Georgiou and Roberts 2004). Some research has addressed the factors motivating lobbyists to respond on exposure drafts and described the resultant impact on decisions made by standard setters (e.g. Puro 1984, Francis 1987, Lindahl 1987, Deegan et al. 1990 and Johnston and Jones 2006).

In an institutional context, lobbying activity may provide evidence about the importance or viability of the organization being lobbied. Influential aspects of institutional theory in some of recent studies recognize the relation status between standard setters and their constituencies (e.g. Fogarty, 1992). Tandy and Wilburn (1992) stated that participation in the standard-setting process is necessary to ensure the legitimacy of the standards.

Some prior research has used economic consequence model to indicate that self-interest motivations have served for lobbyists (Watts and Zimmerman 1978, Fogarty 1992, Kenny and Larson 1995 and Georgiou and Roberts 2004). The economic consequences research, however, has focused primarily on management's optional policy choices or the impact of regulatory changes on stock prices (Watts and Zimmerman, 1978). Beattie et al. (2006) did a questionnaire survey to obtain ex ante evidence on the likely impact of regulatory reform regarding lease-accounting in the UK (ASB 1999). They indicated that both preparers and users as lobbyists believe that the proposals would lead to significant economic consequences for key parties. Francis (1987) demonstrated that both firm size and the potential for adverse financial statement consequences explain the decision to lobby. Watts and Zimmerman (1987) suggest that management compensation, information production cost, regulation taxes and political costs are factors that influence a manager's decision to lobby on accounting issues. In an analysis of the characteristics of lobbyists in the UK and the USA, Sutton (1984) noticed that procedures of financial statements versus consumers of such statements, large producers versus small producers and undiversified producers versus diversified producers are more likely to lobby. The decision to not lobby may relate to the smallness of the firms as they were simply not motivated to lobby due to less significant economic consequences (Francis, 1987). Puro (1984) argued that the private incentives of auditing firms (for example expanding demand for their services) cannot be a reason to have identical responses, as other FASB lobbyists (e.g. public accounting firms and the clients), to proposed regulation which is in contrast to the agency problem. Johnston and Jones (2006) realized that lobbying expenditures are associated with firms' incentives to lobby on the FASB and SEC accounting pronouncements. Gavens et al.(1989) suggested that constituents' awareness of their ability to influence the standard setters would also impact on their decision to make submissions on proposed standards.

The economic consequences model and the assumption of self-interest motivations have been also explored in some power based research (e.g. Hope and Gray1982; Robson1993). As long as accounting standards have potential effects on the firms' future cash flows, standard setting is met by corporate lobbying and the standard regulators could not withstand the pressure (Jones et al, 1999). While it is desirable to build accounting standards (especially IASs) based on an overall consensus, there are evidences that show such aim was not achieved due to some political pressures (e.g. Hope and Gray, 1982; Rahman 1998). The emergence of political factors in standard setting can be derived from the importance of the economic consequences of accounting standards. Hope and Gray (1982) analyzed variously the response of companies and accounting firms in the context of an analytical framework of power. They examined the lobbying behavior of outside pressure groups and the impact these parties had on the ASC's policy decisions regarding R&D expenditures. They concluded that a substantial modification in the ASC's position on R&D was caused by the exercise of power by specific pressure groups. Hussein and Ketz (1980) used an elitist model of power to test the hypothesis that the "Big Eight" (later "Big Six") accounting firms in the USA were the top influential leaders of the FASB. They discovered that the "Big Eight" have no monopoly power over the Board and therefore the accounting standard-setting process was pluralistic. The study by Hussein and Ketz (1980) confirms the view of pluralism in which the actual use and exercise (or lack) of potential power makes a difference in the decision process.

In the prior studies, the application of "power'' is linked to control, politics and interest. There seems to be also a great confusion about the role of politics in accounting standard setting despite the broad silent awareness that the process is "political". Hendriksen and Van Breda (1992) believe that even technical issues are rooted in the political process since, following exhaustion of technical processes, dissatisfied users possess rights to political solutions. Rahman (1998) explained the paradoxical nature of the failed UN attempt to regulate Transnational Corporation (TNCs) by invoking Dahl's political model of power (the pluralist decision-oriented framework of power). He concluded that the group holding majority votes was neutralized from exercising these rights by pressure and threat of withdrawal from all negotiations by the minority group. The results reinforce the view that all member nations at the UN may well have voting rights, but whether these rights are exercised or not depends on their socio-economic and political position at that time. Weetman (2001) in a critical framework of power analyses all the responses of a consultative group on each of the issues in FRS 3 (Reporting Financial Performance, ASB 1992) in order to simulate the standard-setting process and to understand the support or lack of support by the standard setter's view. Ramanna (2008) presented evidence in relation to the FASB issuing SFAS 142 in response to political pressure over its proposal, which was partly due to SEC concerns over pooling misuse, to abolish pooling accounting.

In lobbying process studies, some empirical research offer insight into the relative success of active groups by analyzing the integration of comments in the final accounting standard (see for example McEnro and Martens, 1998). Some studies clarified whether, in approving the accounting standards, submitted comments have been taken into account (e.g. Weetman 2001, Zeff 2001, Cortese and Irvine 2010). Other studies attempted to demonstrate which mechanism(s) may help the development of accounting standards (e.g. Weetman et al 1996, Kohlbeck and Warfield 2010). Fogarty (1992) discussed factors which influenced standards setting in the FASB. He indicated that normative traditions of accounting theory have exerted less influence on standard setting because of the independence of the FASB from accounting profession and involvement of non-accountants in FASB. US Senate in 1976 indicated that public accounting firms exert the most significant influences on standard setters in the US. In both of these two views, an economic consequence model and assumed self-interest motivations have been followed for those who choose to lobby (Kenny & Larson, 1995).

A few longitudinal studies analyses motivating factors for proposing standard. For example Allen and Ramanna (2013) analyzed 149 FASB exposure drafts proposed from 1973 (the FASB's inception) to 2007. They identified that professional FASB members with backgrounds in financial services are more likely to propose standards that decrease "reliability" and increase "relevance," partly due to their tendency to propose fair-value methods, and opposite results for political characteristics of professional FASB members affiliated with the Democratic Party.

Other researchers have recognized that exposure draft responses may involve more than votes of position and have therefore conducted analyses of the content of respondents' submissions (e.g. Sutton 1984, O'Keefe and Soloman 1985, MacArthur 1988). Holmes and Lambert (1992) identified that respondents generally supported the underlying concepts and voted without attempting to justify their lobbying position. It has been observed that in written submissions there is a general absence of responses by users of financial statements or their representatives (Sutton, 1984; Tutticci et al., 1994). Tutticci et al. (1994) employed content analysis based on the nature of the response and the support or non-support given to each issue analyses. The respondents assumed that the conceptual argument would align with the standard setters' "accepted" view. (Currie et al. 1987 cited in Tutticci et al 1994) asserted that researchers generally determined the lobby positions of respondents on exposure drafts by classifying them as casting votes for, against or neutral (see Deegan et al. 1990; Mian and Smith, 1990; Puro, 1984). Weetman et al. (1996) probed why the users as interested parties in the standard setting process failed to make written submissions on a strongly user-oriented document despite the open invitation to do so. She analyses the nature of the lobbying argument put by preparers and identified significant differences between written submission and ASB users' comments.

There are a number of other researches into lobbying activities for the development of ASB in UK, FASB in US, and ASRB in Australia (Mcleay et al. 2000). Most of them followed lobbying from management's perspective (e.g. Francis, 1987; Deakin, 1989; Kelly, 1985), the various levels of influence of different parties on the standard setters (e.g. Puxty et al. 1987, Martens and McEnroe,1998). Martens and McEnroe (1991and1998) have conducted studies in the context of accommodating special interest groups such as the securities industry and its lawyers. They suggested that the ASB acted as an agent of capital when changes were made to the final statement on auditing standards (SAS Nos. 54 and 72).

Some studies extend the lobbying literature into the international accounting standard-setting arena to examine the role of lobbying in the IASB's due process. For example Taylor (1987), declared that the IASB is supported by international accounting firms from a self-interest perspective with the purpose of enhancing their own prestige and competitive preference over local national firms, reducing training costs, generating more demand for their audit services and maintaining private control over the accounting standard-setting process. Guenther and Hussein (1995) analyzed the responses of comment letters received by the IASB on ED 32 (IAS 2, inventory methods, 1989). The results suggest that the theoretical support for the LIFO inventory method, as well as its use, is restricted to those countries in which LIFO provides a tax advantage. Kenny and Larson (1993 and 1995) attempted to show that in the development of international accounting regulation, certain groups (large multinational companies, professional organizations and standards setting bodies) have more influence than others. Kenny and Larson (1993) analyzed the comment letters received by the IASB regarding ED 35 (in the process of promulgating IAS 31-Financial Reporting of Interests in Joint Ventures) to question about its adaptation to environmental pressures and to establish whether the IASB is a serious regulatory organization in the eyes of its constituents, which is consistent with an institutional theory. They did not find much overall support for an economic consequence theory, although some specifics of their research did fit. Kenny and Larson (1995) in one other related aspect tried to establish whether the IASB has adequate constituent participation and if the IASB's change in due process affects its desired visibility and legitimacy. They examined the level of constituent participation, by analyzing the comment letters sent in response to fourteen exposure drafts, both in terms of gross numbers of responses and characteristics of respondents. Noël et al. (2010) tried to understand the political aspect of IAS-setting when the economic and social actors are the forefront of the negotiations. They question the legitimacy of international accounting standardization, and the ethical problems it poses, in the infamous exception case allowed by IFRS 6 (exempting applicants from paragraphs 10–12 of the IAS 8). Bengtsson (2011) suggest that political bodies (e.g. EU) began to regain control over IAS setting and to view accounting standards as a contributing factor that amplified the consequences of the global financial crisis. Jorissen et al. (2013) examined whether geographic biases in constituent participation threaten the input legitimacy of the IAS setting process. They demonstrated that biases are present in this process due to differences in institutional regimes of countries or unequal access due to differences in participation costs (proxied by the level of familiarity with the accounting values embedded in IFRS, with the system of private standard setting, and with the English language). Cortese and Irvine (2010) analyzed IASB's Issues Paper, in which eliminating the choice of full cost in IFRS 6 was recommended and that the successful efforts method be mandated for pre-production costs. They concluded that in spite of the endorsement of this view by a majority of the constituents, who responded to the Issues Paper, the final outcome changed nothing with choice being retained. This clarifies the existence of a "black box", in which powerful extractive industries and coalitions covertly influenced the IASB. Georgiou (2010) reported the results of a questionnaire survey of the perceptions of, and participation in, the IASB process of a sample of UK investment management firms. The findings suggest that the major factor inhibiting investment firms from participating is the cost of lobbying, not self-satisfaction that the IASB is 'on their side' and will naturally safeguard their interests. Besides, the respondents consider the accounting profession, European and US accounting standard-setters to be the dominant interest groups in the IASB standard-setting process.

Although there is variety in the models applied and in different jurisdictions, a fundamental fact is that the standard-setting body itself has an agenda to work to which may constrain the consensus-based approach. It was then emphasized that the researcher should pay attention to the comments, which are not stated formally, are unclear or are stated with reservation. Researchers are encouraged to consider the impacts of economic consequences of different issues of accounting standards as lobbyists' incentives and the probable limitations in achieving the maximum contribution in producing accounting standards.

4. Methodology and Methods

Reviewing the process of setting IASs shows that normally comments are received from national standard setters and other interested parties such as Capital Markets and Securities Commissions, Multinational Companies, International Organizations and Banks. Following the receipt and review of submitted comments on an ED, the IASB issued a final standard.

Following previous works, the method will involve the analysis and categorization of written responses by lobbyists to the proposed accounting standards. This work is an explanatory - analytical study of the standard setting process, with a specific focus on ED 61 issued in 1997 to revise the accounting standard for business combination.

Research questions raised about what were the impacts of different groups of lobbyists, how the Board made decision after receiving comment letters and which changes were made by the IASB due to the needs of lobbyists. The research attempts to question the legitimacy of the IASB and clarify the appropriateness of the IASB's procedures.

Respondents to the ED 61 will be categorized by type of organization and country of origin in order to find a logical association between characteristics of respondents and their votes.

The comment letters are collected from the IASB's archive in the publication department. Those who did not lobby or those who lobbied informally are outside of the scope of this research, since they encompass a wide range and extensive groups that cannot seemingly be as powerful as formal lobbyists.

The submissions on the ED 61 are examined by classifying them in five groups from "completely agree" to "completely disagree" using content analysis. The supportive rate of respondent groups on each of the issues in the proposed standard will be compared with the amended IAS. One application of content analysis is to analyze the responses to determine whether respondents provide supporting arguments for the positions they held on individual issues or whether they merely stated their positions without offering any justification. The problems, economic consequences of each issue, logical and technical effects and recommendations of respondents may be gained from comments submitted with reservations or recommendations.

A Chi square (X^2) test is a non-parametric technique which detects whether there is a significant association between two categorical variables. The test statistic can be defined as H0: The comments of two samples come from a common distribution; and H1: The comments of two samples do not come from a common distribution.

For the purpose of this study chi square ($X^{2)}$ test will be used to ask whether each group of lobbyists shows significant association or difference with other groups. The result may confirm the divergence of the views of American respondents and other regional groups or dissimilarities between the comments of Anglo-American bodies and other nation groups.

The submissions on ED 61 are analysed by classifying their votes to the following general subjects. The lobbying activities are examined by analysing 24 descriptive comment letters with regard to each of 14 issues, from (A) to (D) below:

A) the recognition of identifiable assets and liabilities in a business combination that is an acquisition;

B) the determination of the fair values of assets and liabilities acquired;

C) the treatment of goodwill subsequent to its initial recognition as an asset, focusing particularly on the amortization and impairment testing requirements; and

D) the treatment of negative goodwill.

The preface to ED 61 highlighted 14 specific issues on which the views of respondents were sought, abbreviated with alphabetic symbols as follows:

A-1) Future operating losses and reorganization and integration costs expected to be incurred as a result of the acquisition should not be dealt with by the recognition of liabilities in the fair value exercise. A provision should be recognized when and only when an enterprise has a present legal or constructive obligation to transfer economic benefits as a result of past events (Para. 27 & 30).

B-1) the fair value of an identifiable asset or a liability existing at the date of acquisition is not affected by the acquirer's intentions for the future use of the asset or the liability (para. 38).

B-2) a- Determining the fair values of land and buildings and plant and equipment (para. 39 (e) and (f))

B-2) b- Determining the fair values of acquired intangible assets (para. 39 (g)).

B-2) c- Determining the fair values of employee benefits (para. 39 (h)).

B-2)d- Determining the fair values of onerous contracts and other liabilities of the acquiree (para. 39 (k)).

C-1)- The implicit requirement to carry goodwill at cost less any accumulated amortisation and any impairment losses (para. 41A).

C-2) a - Goodwill should be amortised (as an expense preferably by using straight-line method)over the best estimate of its useful life with a rebuttable presumption that the useful life will not exceed 20 years from initial recognition (para. 42, 42A , 42B and 45C).

C-2) b (i) - If goodwill is amortised over more than 20 years it should be tested for impairment at least annually (para. 45A (b) and 48A).

C-2) b (ii) - the evidence that rebuts the presumption that the useful life of goodwill will not exceed 20 years from initial recognition as well as the information for impairment of goodwill should be disclosed (para. 45A (c),72A(c), 72A and 72B).

C-3) a - Guidance for determining the useful life and the amortisation method of goodwill (para. 45B).

C-3) b - the implicit requirement to review the amortisation period and the amortisation method on a systematic basis (para. 45C and 46A).

D-1) Elimination the option for negative goodwill and propose a new treatment and allowed alternative treatments that combines certain features to measure negative goodwill and to recognize it in income in accordance with an analysis of the events and circumstances that gave rise to it and the nature of the identifiable assets acquired (para.51A, 51A(a) ,51A(b) and 51B).

D-2) disclosure requirements on negative goodwill (para.72).

The model of classification is borrowed from the studies of Weetman 2001 and Tutticci et al., 1994. Both "agree" comments will be analyzed statistically to find out the supportive rate of different respondent groups on each of issues in the proposed standard. The category ``agree with reservations'' is added to ``agree'' and the total compared with ``disagree'' using a X^2 test on pair wise comparison of groups. The result shows that whether there is significant difference between respondent groups.

Table 2: Grouped respondents based on their types of activities and their country of origin

Respondents	Region	No.	Proposed Issues													
			A-1)	B-1)	B-2)a	B-2)b	B-2)c	B-2)d	C-1)	C-2)a	C-2) b(i)	C-2) b(ii)	C-3) a	C-3) b	D-1)	D-2)
Members+ Other Accounting Bodies:		11														
Federation des Experts Compatibles Europeans (FEE)	EU		DA/R	A/R	NC	NC	NC	A/R	NC	NC	NC	A/R	NC	NC	NC	A/R
Institute of Chartered Accountants in Australia (ICAA)	AUST		A/R	NC	NC	NC	NC	NC	CA	A/R	NC	NC	CA	CA	CA	A/R
Institute of Certified Public Accountants (ICPAI)	US		A/R	NC	A/R	DA/R	NC	A/R	A/R	DA/R	NC	A/R	NC	A/R	A/R	A/R
Malaysian Institute of Accountants (MIA)	Other		A/R	A/R	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Camara dos Revisores Officials de Contas	EU		CA	CA	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Sought African Institute of Chartered Accountants (SAICA)	Other		CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA
Foreningen Auktoriserade Revisorer (FAR)	EU		AR	AR	AR	AR	AR	AR	CA	CA	CA	NC	NC	NC	DA/R	NC
Treuhand-Kammer	EU		CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA
Institute of chartered Accountants in England & Wales (ICAEW)	UK		AR	AR	AR	NC	AR	AR	NC	CA	AR	AR	NC	NC	AR	NC
American Institute of Certified Public Accountant (AICPA)	US		NC	DA/R	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Institute of Management Accountants (IMA)	US		DA/R	C/D	C/D	NC	C/D	C/D	NC	DA/R	A/R	NC	NC	NC	A/R	A/R
Accounting Firms and Accountants:		1														
Dov Khana & Co, CPA	Other		DA/R	DA/R	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	DA/R	NC
Industry Representative Groups:		3														
International Association of Financial Executives Institutes(IAFEI)	Other		DA/R	DA/R	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Group of 100	AUST		DA/R	DA/R	A/R	NC	NC	NC	NC	NC	A/R	NC	NC	NC	NC	DA/R
Financial Executives Institute (FEI)	US		NC	NC	NC	NC	NC	NC	NC	DA/R	DA/R	DA/R	NC	NC	DA/R	DA/R
Other Representative Groups:		2														
International Valuation Standards Committee (IVSC)	UK		NC	A/R	A/R	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Faculty and Institute of Actuaries	UK		NC	NC	NC	NC	A/R	NC	NC	NC	A/R	A/R	NC	NC	NC	NC
Banks and Financial Institutions:		2														
Commonwealth Bank of Australia	AUST		NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Union Bank of Switzerland (UBS)	EU		NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
Industry and Commerce-Companies:		4														
Broken Hill Proprietary	AUST		A/R	NC	NC	NC	NC	NC	NC	NC	A/R	NC	NC	NC	NC	NC
Daimler Benz	EU		NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	DA/R	NC
BAT Industries	UK		CA	CA	A/R	CA	CA	CA	CA	CA	CA	NC	NC	NC	CA	CA
IBM	US		CA	CA	CA	CA	CA	CA	DA/R	DA/R	DA/R	DA/R	NC	DA/R	A/R	A/R
Individuals:		1														
Walter Schuetze	US		NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	DA/R	NC
Total		24														

Notes: Classification of the comments in an alphabetical form (the numbers after the alphabetical signs show the reference in which the supporting arguments of respondents identified).
Completely Agree (CA), Agree with Reservation (A/R), No Comment (NC), Disagree with recommendation (DA/R) and Completely Disagree (C/D)
Source: Auhors

5. Data Analysis

Similar to the studies Weetman (2001) and Kenny and Larson (1993), the respondents were grouped in Table 2 above based on their types of activities and their country of origin with the purpose of statistical testing. An overall view of the responses shows that the accountancy bodies have been more supportive than other respondent groups. There is, however, a lack of agreement from other respondents especially from industrial groups and commerce companies which is unexpected in the context of business combination. Moreover, for each of the 24 lobbyists, there was an opportunity to comment on all of the foregoing 14 issues in ED 61, but some respondents preferred not to do so.

The twenty four submitted letters in comparison with the potential number of votes (e.g. compared to 72 participants for IFRS 3 in 2004), which could have been received by the IASB, shows the lack of responses from IASB worldwide supports. The IASB had more than 120 members from over 80 countries, containing business communities and companies, professional accounting bodies, financial executives, financial analysts, stock exchanges, securities regulators, lawyers, bankers and other independent organizations by the time this standard was approved. Involvement of two other standards in IAS 22 (revised 1998) should have expanded its desirability. An analysis of the submitters, demonstrates that thirteen members of consultative group did not participate in formal lobbying too. Big and group companies are expected to respond more, because they are considered as the main interested bodies. The standard of business combination, relates mostly to the groups of companies in which mergers are typically happened and a notable amount of tangible and intangible assets as well as relevant depreciation / amortization cost are revealed in their financial statements.

Therefore it can be assumed that many interested bodies did not focus on lobbying because they do lobbying only when enough benefit to justify the cost can be received. The assumption of self-interest motivation in lobbying activities is not defensible in this study, since management's incentives in the economic consequences theory is considered where it is cost benefit. The dearth of responses, especially from big companies and industrial groups, implies that the IASB had not been a serious regulatory organization in the eyes of these bodies. Coupled with the IASB's effort to achieve institutional legitimacy, the lack of corporate respondents might be an obstruction for this aim. A wider analysis of the intentions of lobbyists and non-lobbyists would probably aid for an explanation of whether there is "real interests" of many of the groups in and out of the process and if there is, why their interests are actually similar or different.

The concept of influence in setting accounting standard is mostly explained by lobbyists' types of activities and their benefit. The results confirm an overall support to the proposed issues by the participants, although different interpretation of neutral comments can change the result to overall oppose. For example if the "no comment" category is taken as silence, indicating acceptance with no dissent, then the majority go for ED 61 matters. However, it could be argued that a situation of "no comment" reflects a matter which is not relevant or material to the respondent. In that scenario it is preferable to exclude the "no comment" category from the analysis. It seems that the IASB interprets "no comment" as the "acceptance with no dissent" because the revised standard has validated the proposed changes.

For the statistical purposes and in order to gain meaningful result, the data in Table 1 transferred to Table 2 in a way that the 24 voters in favor or against the issues were summarized and reclassified in 5 country groups. Table 2 show a different classification based of locality of respondents because it is believed that the presumed influence in the process of setting accounting standard may be explained by powerful national accounting standards. Consistent with the letters of respondents, the majority of lobbyists referred to their own national accounting standards. Grouping of respondents based on countries may not be suitably interpreted, if it does not show a common interest of all lobbyists in each geographic region. Moreover there are some international organization, with a headquarter in one country, but the members are from different parts of the world. It cannot also be linked for the situation in which some companies, like Daimler Benz, adopt other globally accepted accounting standard (e.g. FASB). Instead, we can imagine a situation in which IASB members do not fully adopt the standards. There are some evidence to show that certain IASB's adopters, are using IASs with amendments. For example Chinese standards setters have recognized the existence of both mergers and acquisitions and allow the pooling of interests method for business combinations, despite the prohibition of these methods by the IASB. This appears to have been based on political economic factors related to the need for industrial reorganization in China rather than a desire to serve the needs of global capital markets (Baker et. al. 2010).

Table 3: Total number of groups of responses (based on different regions) over 14 identified issues

Respondents	No.	Proposed Issues													
		A-1)	B-1)	B-2)a	B-2) b	B-2)c	B-2)d	C-1)	C-2) a	C-2) b(i)	C-2) b(ii)	C-3)a	C-3) b	D-1)	D-2)
American lobbyists	6														
No. of overall support		2	1	2	1	1	2	1	0	1	1	0	1	3	3
No. of neutral votes		3	3	3	4	4	3	4	2	3	3	6	4	1	2
No. of overall oppose		1	2	1	1	1	1	1	4	2	2	0	1	2	1
British lobbyists	4														
No. of overall support		2	3	3	1	3	2	1	2	3	2	0	0	2	1
No. of neutral votes		2	1	1	3	1	2	3	2	1	2	4	4	2	3
No. of overall oppose		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other European Lobbyists	6														
No. of overall support		3	4	2	2	2	3	2	2	2	2	1	1	1	2
No. of neutral votes		2	2	4	4	4	3	4	4	4	4	5	5	3	4
No. of overall oppose		1	0	0	0	0	0	0	0	0	0	0	0	2	0
Australian lobbyists	4														
No. of overall support		2	0	1	0	0	0	1	1	2	0	1	1	1	1
No. of neutral votes		1	3	3	4	4	4	3	3	2	4	3	3	3	2
No. of overall oppose		1	1	0	0	0	0	0	0	0	0	0	0	0	1
Other lobbyists	4														
No. of overall support		2	2	1	1	1	1	1	1	1	1	1	1	1	1
No. of neutral votes		0	0	3	3	3	3	3	3	3	3	3	3	2	3
No. of overall oppose		2	2	0	0	0	0	0	0	0	0	0	0	1	0
Total	24														
No. of overall support		11	10	9	5	7	8	6	6	9	6	3	4	8	8
No. of neutral votes		8	9	14	18	16	15	17	14	13	16	21	19	11	14
No. of overall oppose		5	5	1	1	1	1	1	4	2	2	0	1	5	2

Source: Authors

Since American, British and European bodies have been involved with local accounting standard in their home countries; a reclassification of respondents based on their countries may show the voters' incline in the process of lobbying.

Table 3 shows that the volume of responses, vary considerably from one issue to the next. Therefore no significant support or oppose rates from different regional groups of lobbyists can be recognized. For the purpose of analyzing the convergence of responses, Table 4 was prepared.

With 24 available responses, there is a maximum possible number of 336 votes for all the 14 issues. The distribution over the 336 comments, according to the different groups of respondents, is shown in Table 4 below.

Table 4: Total number and percentages of responses which are analyzed based on different indications of opinion and locality of lobbyists

Respondents	Completely Agree + Agree with Reservation				Neutral comments		Completely Disagree + Disagree with recommendation		Total	
	Including no comments		Excluding no comments							
American lobbyists	64	19.00%	19	5.65%	45	13.39%	20	5.95%	84	25%
British lobbyists	56	16.67%	25	7.44%	31	9.23%	0	0.0%	56	16.67%
Other Europeans	81	24.11%	29	8.63%	52	15.48%	3	0.89%	84	25%
Australian lobbyists	53	15.77%	11	3.27%	42	12.5%	3	0.89%	56	16.67%
Other lobbyists	51	15.18%	16	4.76%	35	10.42%	5	1.49%	56	16.67%
Total	305	90.77%	100	29.76%	205	61.02%	31	9.22%	336	100%

***Sour*:** Authors

Pair wise statistical analyses to understand the level of association between the responses of these groups is exposed in Table 5.

The Anglo-American is used to denote the cultural sphere shared by the United Kingdom, the United States, and English Canada. Anglo Saxon countries include five core English-speaking countries have a common socio-political heritage: Australia, Canada, New Zealand, the United Kingdom, and the United States. All of the above except the United States were former colonies of the UK.

Table 5: The results of Chi-Square tests on pair wise comparison of groups of countries

Lobbyists' Groups	Proposed Issues													
	A-1)	B-1)	B-2)a	B-2)b	B-2)c	B-2)d	C-1)	C-2) a	C-2)b(i)	C-2)b(ii)	C-3)a	C-3)b	D-1)	D-2)
Between Country Group														
Chi-Square (Pearson) value	5.123	12.24	6.175	4.844	9.179	6.650	3.392	15.81	9.709	9.458	2.667	4.368	6.009	4.893
Significance (p-Value)	0.744	0.141	0.628	0.774	0.327	0.575	0.907	0.045**	0.286	0.305	0.615	0.822	0.646	0.769
Likelihood ratio	6.746	16.53	5.832	5.353	9.535	7.536	3.171	16.243	9.218	9.731	3.681	4.753	7.792	5.519
Significance (p-Value)	0.564	0.035	0.666	0.719	0.299	0.480	0.923	0.039**	0.324	0.284	0.451	0.784	0.454	0.701
Fisher's Exact test	5.224	11.32	6.621	5.746	8.843	7.180	4.670	10.748	7.225	6.995	3.033	5584	6.035	5.130
Significance (p-Value)	0.851	0.122	0.748	0.971	0.369	0.674	1	0.110	0.559	0.562	0.795	1	0.770	0.893
Anglo-American Versus Others														
Chi-Square (Pearson) value	2.522	0.046	3.102	1.463	2.804	2.057	1.573	6.759	3.464	3.686	2.449	1.859	2.372	0.490
Significance (p-Value)	0.283	0.977	0.212	0.481	0.246	0.358	0.455	0.034**	0.177	0.158	0.118	0.395	0.305	0.783
Likelihood ratio	2.592	0.46	3.484	1.814	3.166	2.415	1.928	8.212	4.188	4.409	3.537	2.239	2.395	0.489
Significance (p-Value)	0.274	0.977	0.175	0.404	0.205	0.299	0.381	0.016**	0.123	0.110	0.060	0.329	0.302	0.783
Fisher's Exact test	2.355	0.228	2.983	1.468	2.716	2.010	1.517	6.259	3.037	3.296	2.347	1.740	2.355	0.811
Significance (p-Value)	0.320	1	0.276	0.779	0.250	0.499	0.625	0.056*	0.214	0.178	0.239	0.591	0.320	0.830
Anglo-Saxon Versus Others														
Chi-Square (Pearson) value	1.671	2.789	1.371	1.463	0.747	0.960	0.887	3.429	2.479	1.629	0.882	0.830	1.671	1.886
Significance (p-Value)	0.434	0.248	0.504	0.481	0.688	0.619	0.642	0.180	0.290	0.443	0.348	0.660	0.434	0.390
Likelihood ratio	1.716	2.876	1.736	1.814	1.111	1.321	1.249	4.875	3.199	2.353	0.872	1.192	1.716	2.608
Significance (p-Value)	0.424	0.237	0.420	0.404	0.574	0.517	0.536	0.087*	.202	0.308	0.350	0.551	0.424	0.271
Fisher's Exact test	1.682	2.736	1.330	1.468	0.790	0.989	0.942	3.219	2.097	1.371	0.845	0.929	1.682	1.565
Significance (p-Value)	0.571	0.269	0.805	0.774	1	0.814	1	0.166	0.397	0.662	0.550	1	0.567	0.572

Source: Authors

The difference in the relative frequencies for each pair-wise comparison was analyzed using a series of chi-square tests. The results of the Chi-Square tests on pair wise comparison of different groups have been shown in table 4 above. Likelihood ratio and Fishers' exact tests were also undertaken, which are considered to be more appropriate for small samples. These results are similar to the chi-square results, typically with lower p-values.

The critical values for X^2 at 5% significance level are seen between most of the groups with regard to the issue C-2)a, which proposed "Goodwill should be amortized (as an expense preferably by using straight-line method) over the best estimate of its useful life with a rebuttable presumption that the useful life will not exceed 20 years from initial recognition". Therefore it can be found that the country groups of lobbyists had a meaningful difference, with 95% confidence, in their votes for this particular issue. It is understandable because the American Accounting Standards (e.g. APB 16 and APB 17) were recommending that the goodwill must be capitalized and amortized in maximum period of 40 years. While the American lobbyists were not mostly in favor of proposed issue C-2)a, the IASB's 20-year ceiling with 6 positive and 14 neutral votes against 4 negative votes became acceptable presumption via 1998 revision of IAS 22. Therefore it does not permit assignment of an infinite useful life to goodwill.

Since other statistical comparisons show no significant association between representative groups, for other proposed issues the representative groups show significantly less disagreement.

Therefore the result rejected the assumption of closeness between opinions of American and British bodies, but it confirmed that there are no significant differences between Anglo-American respondents and other bodies. The result also shows that the value of X^2 test for the comparison between Anglo-American lobbyists and other lobbyists is far less than critical value. Therefore it must be accepted that there is a match between the comments of these bodies. The Neutral comments are not added to agree comments in this comparison, therefore there would be more association between respondent groups if it counted.

To reassert this findings future research may investigate next EDs, particularly those were issued after IOSCO-IASB agreement. It is therefore possible to conduct a longitudinal study of the standard setting process and to investigate the nature of the various changes to that process introduced by the IASB.

6. Conclusion

The apparent result of analyses indicated that there was a satisfactory degree of consensus between interested parties involved in process of revising IAS 22, in favor of what the IASB was attempting to do. The lack of responses from commercial companies and the industrial groups spreads doubt on the perceived economic consequences of the IASB's standard. Alternative explanations may be that many of these companies have no complaints about the proposed issues, do not perceive themselves to be affected by the standard, or do not see themselves to have significant impacts on IAS, and thus were not part of the voters.

There are certain other cautions to this result. First, the small population of constituent participation mean that influential observations were possibly driving reported outcome. The bulk of the comments were from professional and accounting bodies, who have had a little more influence than other actors. Second, the content analysis of written submissions shows that the respondents, except for professional and accounting lobbyists, almost provided neutral comments and present routine positions on different issues within the ED. This proves markedly that the majority of amendments in IAS 22 have inevitably been adhering the proposed issues. From the view point of input legitimacy, which is achieved when inputs received reflect the view of all stakeholders, the lack of a diversity of constituents might be an obstacle for IASB's legitimacy.

Merely concentrating on one-dimensional view of power which focus on the open conflict does not give a complete picture of the deliberation that occurred at the time of the ED 61. A different picture of power in standard setting, which is precedency or pioneering advantage of front-runners, can be considered in this study. In the “elitist” model of power, the political power is concentrated in the hands of a few “elites”, who almost inevitably succeed in “getting their way” on all important issues due to their leadership. Where there are less practiced voters, a precedent based selection is normally happened in which the votes of participants would generally be based upon originates and adherence to pioneers. This is confirmed, therefore, that the SEC and FASB, due to their priority and leadership, are the most influential players. One needs to bear in mind that some views were institutionalized or taken from forerunners (e.g. US accounting standard) and it confirms somehow the mimetic isomorphism between the important lobbyists (e.g. accounting profession) and the FASB. The FASB, with its strategic position, was seen to be able to covertly dominate proceedings and influence on implementation the ED and subsequently the standard. Therefore the IASB made a rational decision in setting the standard, closely as proposed in ED 61, but it was in a way that the lobbyists (and even non-lobbyists) routinely acted in favor of Anglo-American / G4 standard players.

References:

1. Allen A., Ramanna K., (2013), “Towards an Understanding of the Role of Standard Setters in Standard Setting,” *Journal of Accounting and Economics*, 55 (1), 66-90.
2. Baker C. R., Biondi Y., Zhang Q., (2010), “Disharmony in International Accounting Standards Setting: The Chinese Approach to Accounting for Business Combinations”, *Critical Perspectives on Accounting*, 21(2), 107-117.
3. Beattie V., Goodacre A., Thomson S. J., (2006), “International lease-accounting Reform and Economic Consequences: The Views of U.K. Users and Preparers”, *The International Journal of Accounting*, 41(1),

75-103
4. Bengtsson E., (2011), "Repoliticalization of Accounting Standard Setting-The IASB, the EU and the Global Financial Crisis", *Critical Perspectives on Accounting*, 22(6), 567-580.
5. Bhimani, A., (2008), "The Role of a Crisis in Reshaping the Role of Accounting", *Journal of Accounting and Public Policy*, 27, 444–454.
6. Botzem S., Quack S., (2009), "(No) Limits to Anglo - American accounting? Reconstructing the history of the International Accounting Standards Committee: A review article", *Accounting, Organizations and Society*, 34(8), 988-998.
7. Camfferman K., Zeff S. A., (2007), Financial Reporting and Global Capital Markets. A History of the International Accounting Standards Committee 1973–2000, Oxford: Oxford University Press.
8. Clegg S.R., (1989), Frameworks of Power, Sage Publications, London.
9. Collin S. Y., Tagesson T., Andersson A., Cato J., Hansson K., (2009), "Explaining the Choice of Accounting Standards in Municipal Corporations: Positive Accounting theory and institutional theory as competitive or concurrent theories", *Critical Perspectives on Accounting*, 20(2), 141-174
10. Cortese C., Irvine H., (2010), "Investigating International Accounting Standard Setting: The Black Box of IFRS 6", *Research in Accounting Regulation*, 22(2), 87-95
11. Crawford L., Ferguson J., Helliar C.V., Power D.M., (2013), Control over Accounting Standards Within the European Union: The political controversy Surrounding the Adoption of IFRS 8, Critical Perspectives on Accounting,
12. Chua, W., Taylor, L., (2008). "The Rise and Rse of IFRS: an Examination of IFRS Diffusion". *Journal of Accounting and Public Policy*, 27(6), 462–473.
13. Deakin E. B., (1989), "Rational Economic Behaviour and Lobbying on Accounting issues: evidence from the oil and gas industry", *The Accounting Review*, Vol. LXIV (1), 137-51.
14. Deegan C., Morris R. and Stokes D., (1990), "Audit Firm Lobbying on Proposed Disclosure Requirements", *Australia Journal of Management*, 15(2).
15. DiMaggio P. J., Powell W. W. (1983), "The Iron cage Revisited: Institutional isomorphism and collective rationality in organisational fields". *American Sociological*, 48, 147-160
16. Flower J. (1997), "The future shape of harmonisation: the EU versus the IASC versus the SEC", *The European Accounting Review*, 6(2), 281–303
17. Fogarty T., (1992), "Financial Accounting Standard Setting as an Institutionalized Action Field: Constraints, Opportunities and Dilemmas", *Journal of Accounting and Public Policy*, 11(4), 331-55.
18. Francis J. R., (1987), "Lobbying against proposed accounting standards: the case of employers' pension accounting", *Journal of Accounting and Public Policy*, 6, 35-57.
19. Gavens J. J., Carnegie G. D. and Gibson R. W., (1989), Company Participation in the Australian Accounting Standard-Setting Process, Accounting and Finance, November, pp. 47-58.
20. Georgiou G., (2010), "The IASB standard-setting process: Participation and perceptions of financial statement users," *The British Accounting Review*, 42(2), 103-118.
21. Georgiou G., Roberts C. B., (2004), "Corporate lobbying in the UK: an analysis of attitudes towards the ASB's 1995 deferred taxation proposals", *The British Accounting Review*, 36(4), 441-453.
22. Guenther D. A. and Hussein M. E. A. , (1995), "Accounting Standards and National tax Laws"; *The IASC And the Ban on LIFO, Journal of Accounting and Public Policy*, (4), 115-141.
23. Hendriksen E. S. and Van Breda M. F. (1992), Accounting Theory, 5th ed., Irwin, New York, NY.
24. Holmes S., Lambert C., (1992), "ED48: A Case Study in Retrospective Ratification", Proceedings AAANZ Conference, Palmerston North, New Zealand.
25. Hope T., Gray R., (1982), "Power and Policy Making: The development of an R & D Standard", *Journal of Business Finance and Accounting*, 9 (4), 531-558
26. Hussein M. and Ketz J. E., (1980), "Ruling Elites of the FASB: A Study of the Big Eight", *Journal of Accounting, Auditing & Finance*, 3(), 354-67.
27. Johnston D4., Jones D. A., (2006), "How does accounting fit into a firm's political strategy? ", *Journal of Accounting and Public Policy*, 25(2), 195-228.
28. Jorissen A., Lybaert N., Orens R., Tas L., (2013), "A Geographic Analysis of Constituents' Formal Participation in the Process of International Accounting Standard Setting: Do We Have a Level

Playing Field? ", *Journal of Accounting and Public Policy*, 32(4), 237-270.

29. Jones S., Romano C. and Ratnatunga J., (1999), Accounting Theory - a Contemporary Review, Harcourt Brace & Company, Australia.
30. Kelly L., (1985), "Corporate Management Lobbying on FAS No. 8: Some Further Evidence", *Journal of Accounting Research*, 23, 619-633.
31. Kenny S. Y., Larson R. K., (1993), "The Development of International Accounting Standards: An Analysis of Constituent Participation in Standard-Setting", *The International Journal of Accounting*, 33, 283-301.
32. Kenny S. Y., Larson R. K., (1995), "Lobbying Behavior and the Development of International Accounting Standards- the Case of the IASC's Joint Venture Project", *European Accounting Review*, 3, 531-554.
33. Kohlbeck M., Warfield T., (2010), "Accounting Standard Attributes and Accounting Quality: Discussion and Analysis Research in Accounting Regulation", 22(2), 59-70.
34. Larson R. K., Kenny S. Y., (1996), "Accounting Standard-Setting Strategies and Theories of Economic Development: Implication for the Adoption of International Accounting Standards, Advances in International Accounting", 9, 1-20.
35. Lindahl F.W., (1987), "Accounting standards and Olson's theory of Collective Action", *Journal of Accounting and Public Policy*, 6, 59-72.
36. MacArthur J. B., (1988), "An Analysis of the Content of Corporate Submissions on Proposed Accounting Standards in the UK", *Accounting and Business Research*, 18(71), 213- 26.3.
37. McEnroe J., Martens S. C., (1998), "An Examination of the Auditing Standards Promulgation Process Involving SAS No. 69", *Journal of Accounting and Public Policy,* (17), 1-26.
38. Martens S., McEnroe J., (1991), "Interprofessional Struggles Over Definition: Lawyers, Accountants and Illegal Acts". *Critical Perspectives on Accounting*, 2(4), 375-384.
39. Martens S. C. and McEnroe J. E., (1998), "Interprofessional Conflict, Accommodation, and the Flow of Capital: the ASB vs. the Securities Industry and its Lawyers, Accounting, Organizations and Society", 23(4), 361-76.
40. Mcleay S., Ordelheide D. and Young S., (2000), "Constituent Lobbying and its Impact on the Development of Financial Reporting Regulations: Evidence from Germany, Accounting", *Organizations and Society*, (25), 79-98
41. Meyer J. W., Rowan B., 1977, "Institutionalized Organizations: Formal Structure as Myth and Ceremony", *American Journal of Sociology*, (83), 340-363.
42. Mian S. L. Smith C. W., (1990), "Incentives Associated with Changes in Consolidated Reporting Requirements", *Journal of Accounting and Economics*, 13, 249-66.
43. Morris, R, (1986), "Lobbying on Proposed Accounting Standards", *The Chartered Accountant in Australia*, 46-51.
44. Noël C., Ayayi A. G., Blum V., (2010), "The European Union's Accounting policy Analyzed From an Ethical Perspective: The Case of Petroleum Resources", *Prospecting and Evaluation, Critical Perspectives on Accounting*, 21(4), 329-341.
45. O'Keefe, T. B., Soloman S. Y., 1985 (), "Do Managers Believe the Efficient Market Hypothesis? Additional Evidence", *Accounting and Business Research*, Spring 85, 67-79.
46. Powel W. DiMaggio P., (1991), The New Institutionalism in Organizational Analysis, The University of Chicago Press, Ltd., London.
47. Puro. M., (1984), "Audit Firm Lobbying before the Financial Accounting Standards Board: An Empirical Study", *Journal of Accounting Research*, 22(2), 624-46.
48. Puxty A. G., Willmott H. G., Cooper D. J. and Lowe T., (1987), "Modes of Regulation in Advanced Capitalism: Locating Accountancy in four Countries", *Accounting, Organizations and Society*, 12(3), 273-91.
49. Rahman S. F., (1998), "International Accounting Regulation by the United Nations: a Power Perspective, Accounting", *Auditing & Accountability Journal*, 11(5), 593-623.
50. Ramanna K., (2008), "The implications of Unverifiable Fair-Value Accounting: Evidence from the Political Economy of Goodwill Accounting", *Journal of Accounting and Economics,* 45, 253–281.
51. Robson K., (1993), "Accounting Policy Making and Interest: Accounting for R&D", *Critical Perspectives on Accounting*, 4(1), 1-27.
52. Robson K., Cooper D. J., (1989), Power and Management Control in W. F. Chua, A.

Lowe & A. Puxy (Eds.) Critical Perspectives in Management Control, Macmillan Press, pp.47-114.

53. Street D. L., (2006), "The G4's Role in the Evolution of the International Accounting Standard Setting Process and Partnership With the Iasb", *Journal of International Accounting, Auditing and Taxation*, 15(1),109-126.
54. Sutton T. G., (1984), "Lobbying of Accounting Standard Setting Bodies in the UK and the USA: Downsian analysis", *Accounting, Organizations and Society*, 9(1), 81-95.
55. Tandy P. R., Wilburn N. L., (1992), "Constituent Participation in Standard Setting: the FASB's first 100 Statements". *Accounting Horizons*, 6, 47-58.
56. Taylor S. L., (1987), "International Accounting Standard and Alternative", Abacus 23/2.
57. Tutticci, I., Dunstan K., Holmes S., (1994), "Respondent lobbying in the Australian Accounting Standard-Setting Process: ED49, Accounting", *Auditing and Accountability Journal*, 7(2), 86-104.
58. Watts R., Zimmerman J. L., (1978), "Towards a Positive theory of the Determination of Accounting Standards". *The Accounting Review*, 53(1), 112-134.
59. Watts R. L., Zimmerman J. L., (1986), Positive Accounting Theory, Prentice-Hall Inc.
60. Weetman P., (2001), "Controlling the Standards-Setting Agenda: the Role of FRS 3", *Accounting-Auditing and Accountability Journal*, 14(1), 85-108.
61. Weetman P., Davie E. S. and Collins W., (1996), "Lobbying on Accounting Issues, Accounting", *Auditing and Accountability Journal*, 9(1), 59-76.
62. Whittington G., (2005), "The Adoption of International Accounting Standards in the European Union", European Accounting Review; 14(1), pp.127–53.
63. Zeff S., (2001), The Prospect of Political Lobbying on Proposed Standards at the International and Country Levels: a Challenge to the IASB, Paper presented to the EIASM workshop on Accounting Regulation, Sienna, Italy.