

2009

Form over substance, the politics of international accounting setting

Hajar Roudaki

University of Wollongong, hajar@uow.edu.au

Kathleen A. Cooper

University of Wollongong, kcooper@uow.edu.au

Lee C. Moerman

University of Wollongong, leem@uow.edu.au

Publication Details

Roudaki, H., Cooper, K. A. & Moerman, L. C. (2009). Form over substance, the politics of international accounting setting. 2009 AFAANZ Conference (pp. 1-20). Adelaide: AFAANZ.

Form over substance, the politics of international accounting setting

Abstract

This paper lays the foundation of the move towards international standards and an international body being dependent upon the involvement of politics. Callon's translation model is adapted to develop the concept that the underlying purposes and objectives that international bodies have been established by would not be achieved as a result of powerful players. According to Robson (1991, p.552) the "process of translation is common to many instances of accounting problematisation and accounting change"

Keywords

substance, over, politics, form, international, accounting, setting

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Roudaki, H., Cooper, K. A. & Moerman, L. C. (2009). Form over substance, the politics of international accounting setting. 2009 AFAANZ Conference (pp. 1-20). Adelaide: AFAANZ.

Form over Substance, the Politics of International

Accounting Setting

Abstract

This paper lays the foundation of the move towards international standards and an international body being dependent upon the involvement of politics. Callon's translation model is adapted to develop the concept that the underlying purposes and objectives that international bodies have been established by would not be achieved as a result of powerful players. According to Robson (1991, p.552) the "process of translation is common to many instances of accounting problematisation and accounting change".

Introduction

The first move toward international accounting professionalism was in 1904 when the International Congress of Accountants took place in St. Louis as a "forum for the exchange of thoughts and experiences" (Mueller 1979, p.2). The congress was the place for accountants to present their papers and exchange ideas regarding different accounting topics such as depreciation problems, inflation accounting, and "to reach broad conclusions on desired common aims" (Sempier 1979, p.22). The International Congress of Accountants led to a call for a movement towards harmonisation of accounting practices that was parallel with the growth of national accountancy bodies in the late 1950s. The US accountancy profession was trying to achieve harmonisation with other major accounting standard setters in a very few areas (Street and Shaughnessy 1998). According to Camfferman and Zeff (2007) the US accountancy profession became the first in the world to formally adopt a more internationalist approach to accounting standard setting in 1962. Nonetheless, it was the president of the Institute of

Chartered Accountants in England and Wales (ICAEW), Sir Henry Benson¹ who initiated the formation of the Accountants International Study Group (AISG) in 1966. AISG comprised representatives from institutes in only the UK, the US, and Canada (Thomas 1970; Braithwaite and Drahos 2000; Camfferman and Zeff 2007). Benson knew that other nations would be upset at having just these three representatives and explained that “I had a fixed idea that we should start in a small way and expand later” (Walton 1996, p.31). Correspondingly, the remainder of the paper will focus on the move towards setting an international body as an answer to increasing the comparability of accounting standards across nations in the context of Actor Network Theory (ANT) in particular Callon’s translation model. In ANT, translation is the mechanism by which the networks progressively take form, resulting in a situation where certain actors control others.

Using actor-network theory as a theoretical framework

Given that the standard setting process operates for the benefit of some groups in society and to the detriment of others (Cooper and Sherer 1984; Hopper et al. 1987), Actor Network Theory (ANT) is adopted as the theoretical framework for this paper. ANT was developed in the early 1980s as a contribution to the sociology of knowledge by French sociologists Michel Callon, Bruno Latour, and John Law (Sismondo 2004, p.65) as a way of helping to describe how actors form alliances and involve other actors and non-human actors (artifacts) to strengthen such alliances, as well as securing their interest. ANT has been used to examine accounting issues by Robson (1991), Ezzamel (1994), Chua (1995) and Spira (1999).

ANT focuses attention on the assumption that no one acts alone and actors create a network to interact. The process of building and changing a network is political in nature, as the actors use persuasive language to interact and influence other actors in the network. The theory is concerned with the influence of actors both within and between networks that form and re-form (Spira 1999). Accordingly, stability and social order are continually negotiated as a social process of aligning interests and the ongoing processes of translation, are key resources of social

¹ According to Thomas (1970) Sir Henry Benson as one of the leading accountants in Britain, was the father of AISG.

order. In ANT, translation is the mechanism by which the networks progressively take form, resulting in a situation where certain actors control others. The choice of the word “translation” derives from Callon (1986a), who defines it as “the method by which an actor enrolls others” (Callon 1986a, p.xvii). Callon (1986b) used the translation model in case studies to explain certain situations.

Actors try to create a central network so that all the actors agree that the network is worth building and defending. According to Callon (1986a, p.26) “translation is a definition of roles, a distribution of roles and the delineation of a scenario” the actors try “to oblige an entity to consent to detour”. For Latour the role of translation is central, since translation points toward the operation of language in creating equivalences between entities that are otherwise different (Robson 1991, p.550). Moreover, the translation model also permits an explanation of how a few obtain the right to express and to represent the many silent actors they have mobilised. The translation model presents a successful command resulting from the actions of a chain of agents, each of whom translates or shapes the interest according to their own objectives (Callon 1986b). Hence, to translate is to displace, but it is also to express in one’s own language what others say and want, so to establish oneself as a spokesperson (Stanforth 2006, p.39). Translation is not always successful. It often fails and may cease at any moment. According to Callon (1986b) the process of translation, to create an actor network, consists of four moments, problematisation, interessement, enrolment, and mobilisation. Every moment of the translation process requires persuasive language for success and subsequent movement to the next moment. Every moment will assure that the newly created network will be sustained. The moments of translation has been blended with the move towards formation of an international body in the next section.

Moments of translation in relation to formation IASC

Problematisation moment

During the problematisation moment, the principal actors promotes themselves to be indispensable to the other actors by defining the nature of the problem and problem faced by

others as well as the solution and establishing roles and identities for other actors in the network. Sir Henry Benson the principal actor found the establishment of an international accounting body, an answer to the problem he portrayed as the lack of procedures and principles “for the guidance of partners and staff world-wide who were engaged in professional work” (Camfferman and Zeff 2007, p.31). He also mentioned

...[b]usiness, like everything else, has to be conducted by reference to certain rules and regulations, else chaos reigns. If a multinational company is raising money on world markets there must surely be some international standards by which its operations are judged (Walton 1996, p.31).

In order for Sir Henry to be successful in applying his solution he needed actors with the same interest such as representatives of the Canadian and American accounting institutes. The principal actor forces other actors to accept a way forward. As a consequence, the primary actor tries to become an obligatory passage point (Callon 1986b) between the other actors and the network that is being built, so that it becomes indispensable.

In February 1967, the AISG was formed (Carsberg 1996). The AISG was an obligatory passage point introduced by Sir Henry to solve the identified problem for the other actors. It is this point that brings the actors together and thus helps minimise the threat of predators. The purpose of the AISG was “institut[ing] comparative studies as to accounting thought and practice in participating countries, to make reports from time to time which...would be issued to members of those institutes” (Thomas 1970, p.60).

Interessement moment

The process of problematisation, however, does not of itself secure the process of translation. There is a need for the principal actor to persuade others that the problem exists and that change is required. According to Callon (1986b) this moment is called interessement. At this moment the principal actor locks others into place by “build[ing] devices which can be placed between

them and all other entities who want to define their identities otherwise” (Callon 1986b, p.208). In this regard, Sir Henry stated at the International Congress of Accountants held in Sydney, in September 1972, that “the widespread demand for internationally accepted standards became clear in a way that was almost telepathy” (Camfferman and Zeff 2007, p.45). It was in the course of this congress that accounting leaders conceived the idea of forming an international body to develop and publish a comprehensive set of accounting standards that would produce high-quality financial statements to encourage wider use throughout the world (Sharpe 1998).

During an informal and confidential meeting of high-level representatives from the AISG arranged by Benson, the role of the AISG was expanded to the formulation of international accounting standards and gaining assurance of world wide acceptance of the standards. This was the starting point for the International Accounting Standards Committee (IASC); and at a meeting in London in June 1973, the text of the agreement to establish IASC² was finalised and Benson was designated the first chairman.

The IASC was characterised as a “major step towards the harmonization of international accounting practice” (cited in Camfferman and Zeff 2007, p.54). One of the IASC objectives was

...to develop, in public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world’s capital markets and other users make economic decisions (IASC 2000, p.1).

The primary purpose of the IASC was to issue generic standards that would have multiple options as guidance to professional accountancy bodies in developing countries (Zeff 1998). In terms of the translation model, the IASC was a way of involving other actors and to persuade them by using different devices that the interests and the solutions defined by the principal actor were in fact well in line with their own interests. According to Callon (1986b, p.208), the

² With establishment of IASC, AISG was disbanded in 1976 by mutual agreement between AISG members.

principal actor tries to persuade other actors to see the problem and its solution in their way and for this reason “they [principal actors] carefully define the identity, the goals or the inclinations of their allies [other actors]”.

Enrolment and Mobilisation moment

During the period 1973 to 1995, AISC standards were gaining recognition but were not enforceable by law at either the local or international level. In other words, compliance was voluntary. Furthermore, AISC standards were full of options and of distinctly limited influence (Stevenson 2007). It has been argued by Camfferman and Zeff (2007, p.181) that by 1988 none of the members of the IASC, including Australia, reported having adopted any of the IASC’s standards as their national requirements. According to Benson (cited in Camfferman and Zeff 2007, p.182).

...Nationals of every country prefer their own ways just as they prefer their own food, wine and customs...No government will willingly give up its sovereignty and yield the right to decide what happens in its own country

Also, according to a survey published in IASC’s *Insight*, the few countries that had adopted the IASC standards were not significant in terms of world market capitalisation (Spencer 1998). In this context, Callon (1986b, p.211) notes, “no matter how constraining...convincing the argument would be, success is never assured” since each actor could choose either to submit to integration into the actor network as defined or to refuse the translation.

This view is reflected in the actions of the IASC. For example, the IASC understood that to have impact in the developed world, there was a need to establish a close relationship with securities market regulators such as the US Securities and Exchange Commission (SEC). The IASC, therefore, sought SEC approval, so that foreign registrants could adopt IASC standards without reconciling to US GAAP when seeking listing on US stock markets. In relation to the translation model, the IASC wanted to ensure that intercessionment was successful and that the next moment, enrolment, occurred.

Enrolment involves a definition of roles of each of the actors in the newly created network. During this moment, the principal actors define “a set of interrelated roles” that are attributed to the other actors who would accept them (Callon 1986b, p.211). Enrolment according to Michael (1996, p.53) entails both the ‘capturing’ of the other and the other’s ‘yielding’. Therefore, by involving the SEC as a representatives or spokesperson to act as a unit of force, the IASC was ensuring continued support to the underlying ideas of other enrolled actors. According to Callon this is the fourth and last moment of translation, mobilisation of allies.

At mobilisation, the principal actors use a set of methods, such as persuasive language, to ensure that allied spokespersons act according to the agreement and do not betray the principal actors’ interest (Callon 1986b). As pointed out by Callon (1986b, p.216) in order to be a spokesperson, to speak for others, there is a need to

first silence those in whose name we speak...it is more difficult to speak in the name of entities [actors] that do not possess an articulate language: this supposes the need for continuous adjustments and devices of intersement that are infinitely more sophisticated.

The spokespeople become the leaders of the network. Without this network and the interests of leaders, the interests of other actors would be unfulfilled (Fox, 2000). According to Cooper (1994, p.37), this final moment can be the most critical in the translation process. It effectively is the culmination of the prior moments, whereby the interests of other actors are translated into those of the spokesperson. In this way, the spokesperson has attained the temporary willingness of other actors to obey their commands.

IASC-IOSCO Work Program

For international standards to be recognised by the SEC, there was a need for the IASC to eliminate most of the alternatives in the standards, and to enhance the quality. In so doing, it would ensure comparable reporting, and assist companies to be listed on US stock exchanges (Camfferman and Zeff 2007). In this regard, between 1987 and 2000, the International Organisation of Securities Commissions (IOSCO), of which the SEC is a member, occupied the

centre stage in the IASC's aims and deliberations (Camfferman and Zeff 2007). A technical committee was set up by IOSCO during 1987 to develop a comprehensive set of standards that would enhance disclosure.

During 1988, IOSCO held its annual conference in Melbourne. Henry Bosch, then chairman of Australia's corporate regulator was the host of the conference. An important paper³ on 'Harmonization of Accounting and Auditing Standards' was presented at this conference urging "IOSCO to support IASC as the appropriate standard setters and to support their acceptance by IOSCO's members" (Camfferman and Zeff 2007, p.301). The paper was significant in that it tried to explain that international standards were not of a quality required by the SEC and consequently, there was a need for progress in development of international accounting standards that were acceptable to both the SEC and IOSCO. This paper contributed "to the start of the process by which IOSCO formally looked to the IASC for progress towards the international harmonization of accounting standards" (Camfferman and Zeff 2007, p.304). It was during this time that the involvement of national standard setters such as the FASB and the UK Accounting Standards Board (ASB) was increasing.

The direct involvement of the members of national standard setters helped IASC increase the level of technical discussions at the meetings. This enhancement led to collaborative work on accounting standards between national standard setters and IASC. However, the involvement of two powerful national accounting boards, the FASB (USA) and ASB (UK), in the collaborative work, caused the IASC to take different positions at different times. This was described by Camfferman and Zeff (2007, p.355) as "IASC sometimes veer[ing] towards the one, and sometimes towards the other".

During 1995, the IASC made an agreement with IOSCO at a meeting in Sydney, Australia⁴. The Work Program 1995-1999, was to assist the IASC to promote international accounting standards and set a 1998 deadline for completion of core standards (Sharpe 1999; Camfferman and Zeff

³ According to Camfferman and Zeff it was an important paper since the author of the paper in the previous conferences had sensed that "the accounting discussions lacked direction and a sense of purpose" (2006, p.301).

⁴ The venues of the IASC board meetings were rotated around the world. During 1987-2000, 2 meetings were held in Sydney.

2007; Godfrey and Keryn 2007; Stevenson 2007). The agreement was welcomed by the EU which announced that it was planning to “examine the possibility for European companies...to prepare their consolidated accounts on the basis of International Accounting Standards” (Carsberg 1996, p.80).

Up to this time, the requirements for listing on US stock exchanges included a need for companies to prepare secondary financial statements in accordance with US GAAP. US GAAP was developed without any European input (Camfferman and Zeff 2007). In this respect, the European Commission⁵ (EC) strengthened its presence at IASC’s board meetings in November 1995. The EU announced a change in its policy on accounting harmonisation by allowing European multi-national companies to use IASC standards. According to Flower (1997, p.281), “European accountants, both academics and professionals, have noticeably failed to appreciate the significance of the European Commission’s proposals” and have seen the policy as a setback for the European Union.

However, not everyone was against the revised policy since it was seen as a way for the EU to be influential in the world (Flower 1997). The announcement included a proposal to set up a committee that would “examine and seek” future Exposure Drafts (ED) published by the IASC, so

an agreed Union position on [ED] can thus be conveyed to the IASC. This will allow the Union progressively to gain a position of greater influence on the IASC’s work, including the determination of its agenda, so that its output will increasingly reflect the EU viewpoint (Commission of the European Communities 1995, p.6).

At this time, Michael Sharpe was the Chairman of IASC. Sharpe, as the president of The Institute of Chartered Accountants in Australia and a member of the Australian Securities and Investments Commission’s Takeover Panel, was urged by Benson during 1995 to accept an

⁵ European Commission is the executive branch of the EU, as explained in the list of abbreviations.

invitation to represent Australia on the IASC board (Camfferman and Zeff 2007, p.215). Sharpe encouraged nominees from national accounting bodies to the board. David Tweedie, chairman of the ASB, was one of the nominees from the UK. Sharpe (1998, p.17) stated that “the IASC is the appropriate international organisation to set and interpret international accounting standards for use throughout the world”. The agreement prompted the European Commission to look to the IASC as the source of a comprehensive set of international accounting standards. Also, the Australian government was considering proposing legislation to tie its standard setting body more tightly to the standards that were issued by IASC (Zeff 1998). According to Sharpe (cited in Camfferman and Zeff 2007, p.327)

The whole matter of the [IASC-IOSCO] announcement really says that the IASC is going to be the leading standard-setting body in the world...Companies should now feel confident the IASC and IOSCO are fully committed to developing IAS that will be acceptable everywhere in the world and recognize the efficiencies that may be obtained from using IAS. Sharpe (cited in Camfferman and Zeff 2007) believed that there would be no need to have national standard setters and that international accounting standards needed to be adopted in full without amendment. According to Ravlic (1999, p.25) “IOSCO recognition is seen as the first essential step to convince the US Securities and Exchange Commission that IASC accounting standards are an acceptable alternative to US GAAP”.

By 1999 the call for IASC to become the dominant international standard setting body, rather than functioning as the harmoniser or catalyst for convergence, was noticeable (Dunk and Kilgore 1999)⁶. This idea was mainly supported by the SEC as the spokesperson, and the established network actors such as the UK’s ASB and Australia’s AASB. This was the start of the turning point for the IASC’s restructuring plans and the SEC played a key role in accepting and supporting the proposal in order to keep the network together.

⁶ Since IASC standards were not enforceable by law and compliance was voluntary by national standard setters.

The IASC held a five day meeting during November 1999 to discuss the restructuring proposals. The third day of the meeting was open to the public. According to Anthony Cope, a member of the FASB since 1993, (cited in Camfferman and Zeff 2007, p.491) the board was not given anything in writing but a series of bullet points was outlined in the meeting. The terms of the outline were fixed and non-negotiable and were supported by the SEC. The board had to vote up or down and according to Nobes (2000, p.11) “this is rather like getting turkeys to vote for Thanksgiving”.

On one hand, Europeans were not comfortable with the board being confronted with the proposal on a ‘take it or leave it’ basis. On the other hand, the board members were concerned that their questions were not answered and that they did not have the opportunity to consult with their corresponding national boards (Camfferman and Zeff 2007, p.492). In the end, the proposal was accepted by the board members. It is important to note that the actual proposal was not presented during the meeting nor was it known to the chairman. However the proposal was supported by representatives of the G4⁷, David Tweedie, the FASB, Anthony Cope, and SEC Chief Accountant, Lynn Turner (Camfferman and Zeff 2007).

In March 2000, the IASC board unanimously approved the new constitution for the restructured board. The objectives of the new board were to develop, in the public interest, a single set of high quality, transparent, comparable and enforceable global accounting standards “which will help participants in capital markets and others to make economic decisions” (International Accounting Standards Committee 1998, p.6). Also, to promote the use and rigorous application of these standards “to bring about convergence between national accounting standards and International Accounting Standards” in order to achieve high quality solutions (International Accounting Standards Committee 1998, p.6). During this time Arthur Levitt, Lynn Turner and FASB chairman, Edmund Jenkins, asked David Tweedie to become the first chairman of the

⁷ Group of 4. In 1992 the UK ASB Chair, David Tweedie, and the Canadian AcSB Chair joined FASB in a meeting at FASB offices to work jointly on provisioning issues. This meeting led to the development of the G4 working group to solve accounting problems.

newly structured IASC. He accepted the offer during one of the meetings in June 2000. The new members of the board were appointed during this meeting to launch the board by January 2001.

The new structure was based on the SEC proposal to have twelve full time members and two part time members (Godfrey and Chalmers 2007). Out of the fourteen members of the board, nine came from G4 countries. According to Walton (2004, p.11) “the key strategic issue...[with acceptance of the SEC proposal] was that financial statements prepared...[utilizing international standards] should be accepted on stock exchanges all over the world without modification”. In May 2000, the IOSCO assessment of IAS was completed and it announced a recommendation to its members “to allow multinational issuers to use IAS for preparation of their financial statements for cross-border offerings and listings” (Commission of the European Communities 2000, p.4).

Meanwhile, in June 2000, the EC announced a “proposal to introduce the requirement that all listed EU companies report in accordance with (endorsed) IAS and provide an option to allow (or require) unlisted companies to report in accordance with IAS” (Commission of the European Communities 2000, p.9). The proposal required all listed companies to prepare their consolidated accounts in accord with the IAS that was applicable to the EU environment and legislative framework (Commission of the European Communities 2000). It was argued that

EU authorities must have the means to exercise the necessary regulatory oversight and correct any material deficiencies or concerns in relation to IAS...to oversee the adoption of new standards and interpretations, intervening only when these contain material deficiencies or have failed to cater for features specific to the EU environment (Commission of the European Communities 2000, p.7).

The proposal was going to be introduced by the end of 2000. This was a step towards the achievement of one set of worldwide standards and the acceptance of the EU as an active member of the international body, IASC, in setting the accounting standards.

In April 2001 the IASB took over the IASC's responsibility for setting international standards, which were re-named, International Financial Reporting Standards (IFRS)⁸. The primary difference between IASs and IFRSs was that IFRSs referred to the new standards issued by the IASB. The International Accounting Standard Committee Foundation was established to oversee the IASB in accordance with the new constitution. The new constitution, as explained by Sir David Tweedie, "was actually written for us by the Americans, the SEC and the FASB, and it was about one single set of high-quality global standards, worldwide" (Sawers 2008). In this regard, the IASB announced that it was committed to developing, in the public interest, a single set of high-quality, global accounting standards that required transparent and comparable information in general purpose financial statements (International Accounting Standards Board 2001). The IASB objective was to develop accounting standards that were consistent, comprehensive, and based on clear principles to enable financial reports to reflect underlying economic reality (Tweedie 2006).

Keeping the network together

During 2000, John Morrissey, deputy chief accountant of the SEC announced the comments and issues that were made on international accounting standards. According to Morrissey, there was a uniform view "on the issues of whether or not IAS are now of sufficiently high quality and whether the SEC should accept IAS without reconciliation to US GAAP, most Europeans say 'yes, definitely' while most US respondents say 'not yet'" (Morrissey 2000). For this reason, the SEC encouraged the IASC and the FASB to converge their standards to move towards standards of a higher level quality. This concept, according to Europeans within the IASC, was evidence of the SEC not being satisfied. The SEC wanted assurance that the IASC would be structured as a standard setter producing 'high quality' standards having "an independent decision making body, an active advisory function, a sound due process, an effective interpretive function, independent oversight representing the public interest, and adequate staffing" (Camfferman and Zeff 2007, p.469).

⁸ The standards that was issued by IASC is called IAS and the standards there were issued by IASB is called IFRS.

In July 2002 a board member of the IASB, Robert Herz, was appointed as the chairman of the FASB, with a mandate to achieve convergence of US GAAP and international standards. This resulted in the IASB and FASB jointly issuing a memorandum of understanding known as the Norwalk agreement, by which the two boards pledged convergence of their accounting standards and coordination of their work program (Godfrey and Chalmers 2007). The convergence project was aimed at minimising the differences between IFRSs and US GAAP.

The production of high-quality standards to improve the consistency and quality of financial reporting worldwide was a way of developing new solutions to accounting issues where standards failed to provide sufficient transparency to make informed economic judgments (Larson and Street 2006, p.37; Tweedie 2006). Tom Jones, vice-chairman of the IASB, said: "I am one of the extreme optimists about convergence because I see a very strong desire around the world to get the one set of standards. The world is desperate for this to happen" (cited in Anonymous 2005). Also, Sir David Tweedie, remarked,

This underscores another significant step in our partnership with national standard setters to reach a truly global set of accounting standards. ...I am extremely confident now that we can eliminate major differences between national and international standards, and by drawing on the best of U.S. GAAP, IFRSs and other national standards, the world's capital markets will have a set of global accounting standards that investors can trust (Financial Accounting Standards Board 2002).

In consultation with the SEC and the European Commission, the IASB and the FASB agreed that trying to eliminate existing differences between two standards in need of significant improvement was not the best use of the FASB's and the IASB's resources. Instead a new common standard should be developed that improves the financial information reported to investors (Tweedie 2006). Related to this point, the IASB had been modifying several of its standards in line with US GAAP. For instance, regarding consolidated accounts and business combinations, the IASB had proposed an exposure draft for IFRS 3 that is almost identical with

of SFAS 141⁹ (Haswell 2006, p.56). So, countries that are under pressure to harmonise might either adopt the US standards directly, with the problems attached¹⁰, or adopt them through US influence over IFRS.

Conclusion

The objective of this paper was to elaborate on the process of establishment of an international body in charge of setting accounting standards for the world. This was undertaken with particular reference to the actor network theory particularly Callon's translation model. The paper has taken into account the political environment that existed between 1966 until 2002.

In examining the transition from AISG to IASC and IASB, it can be observed that the strong key players were influencing and persuading other players to join their network for their own desire. This point is clear during 1973 to 1995, when the IASC standards did not have enforcement power and the standards were not recognised by the SEC. The recognition of IASC standards became important to the companies who were seeking listing in the US as well as the nations accounting standard setting bodies. Accordingly IOSCO came into play to ensure the enhancement and acceptability of the international standards by the SEC. An agreement, known as the Work Program 1995-1999, between IOSCO and the IASC required the IASC to revise the international standards until 1998. International accounting standards that were established during this period was mainly influenced by major nation's standard setting bodies such as FASB (USA) and ASB (UK). According to the translation model, this was a way of keeping the network together. However, this issue would raise questions about the quality of standards that were issued as well as the independency of IASC (later on IASB) at the time. According to Burggraaff (1982, p.62), chairman of IASC during 1981-1982,

...[w]e are developing international accounting standard that are meant to be truly international. That implies that we have no intention of copying the standards of any

⁹ Statement of Financial Accounting Standards (SFAS) No. 14 is the present standard in relation to the Business Combinations.

¹⁰ For instance SFAS 141 did not have a definition of 'control' as part of the explanation for the business combination standard (for further details refer to Haswell 2006). Overall the standard gave rise to similar problems that have been associated with the US GAAP that led to abuses by corporations such as Enron.

individual country, even if such country has a long and profound experience in this field. Of course, in developing a standard we carefully examine the material available in all countries in which the profession is highly developed, such as the U.S. or England or Canada.

This quote contradicts with the procedures that have taken place by IASC (now as IASB) to set a one set of accounting standards. IASB has been directly adopting standards that are being setup by US as a way of getting recognised by SEC. In another words, IASB with respect to setting international accounting standard has not achieved one of its core objectives of setting a “high quality...global accounting standards” (IASC 2000, p.1) and this point is obvious by taking into account the current economic crises that has incurred in the US.

Reference List

Anonymous 2005, 'IASB Taking Its Eye Off the Ball With Convergence Project', *The Accountant*.

Braithwaite, J & Drahos, P 2000, *Global business regulation*, Cambridge University Press, Cambridge.

Burggraaff, JA 1982, 'IASC development: an update', in D Alexander & Nobes, C (ed), *International Financial Reporting Standards: Context, Analysis and Comment*, London, 2008, Routledge, pp.61-66.

Callon, M 1986a, 'The Sociology of an Actor- Network: The Case of the Electric Vehicle', in M Callon, Law, J&Rip, A (ed.), *Mapping the Dynamics of Science and Technology*, London, The Macmillan Press Ltd.

Callon, M 1986b, 'Some Elements of a Sociology of Translation: Domestication of the Scallops and the Fishermen of St Brieuc Bay', in J Law (ed.), *Power, Action and Belief: A New Sociology of Knowledge?*, London, Routledge & Kegan Paul PLC, pp. 196-233.

Camfferman, K & Zeff, SA 2007, *Financial reporting and global capital markets : a history of the International Accounting Standards Committee, 1973-2000*, Oxford University Press, Oxford.

Carsberg, B 1996, 'The Role and Future Plans of the International Accounting Standards Committee', in I Lapsley (ed.), *Essays in accounting thought: a tribute to W.T. Baxter*, Edinburgh, Institute of Chartered Accountants of Scotland, pp. 68-84.

Chua, WF 1995, 'Experts, Network and Inscriptions in the Fabrication of Accounting Images:A Story of the Representation of Three Public Hospitals', *Accounting Organizations and Society*, vol.20, no.2/3, pp. 111-145.

Commission of the European Communities 1995, *Accounting Harmonisation: A New Strategy vis-a-vis International Harmonisation*.

Commission of the European Communities 2000, *Communication from the Commission to the Council and the European Parliament. EU Financial Reporting Strategy: The Way Forward*.

Cooper, DJ & Sherer, MJ 1984, 'The Value of Corporate Accounting Reports: Arguments for a Political Economy of Accounting', *Accounting, Organisations and society*, vol.9, no.3/4, pp. 207-232.

Ezzamel, M 1994, 'Organizational Change and Accounting: Understanding the Budgeting System in its Organizational Context ', *Organization Studies*, vol.15, no.2, pp. 213-240

Financial Accounting Standards Board 2002, '*FASB and IASB Agree to Work Together Towards Convergence of Global Accounting Standards*', News Release, 10 October 2002, accessed 8/04/2008, <http://www.fasb.org/news/nr102902.shtml>.

Flower, J 1997, 'The Future Shape of Harmonization: The EU Versus the IASC Versus the SEC', *The European Accounting Review*, vol.6, no.2, pp. 281-303.

Fox, S 2000, 'Communities of Practice, Foucault and Actor-Network Thoery', *Journal of Management Studies*, vol.37, no.6, pp. 853-867.

Godfrey, J & Chalmers, K 2007, 'Globalisation of Accounting Standards: An Introduction', in J Godfrey&Chalmers, K (ed.), *Globalisation of Accounting Standards*, Cheltenham, UK Edward Elgar.

Godfrey, JM & Keryn, C 2007, 'Globalisation of Accounting Standards: An Introduction', in JM Godfrey&Keryn, C (ed.), *Globalisation of Accounting Standards*, Cheltenham, UK, Edward Elgarpp. 1-14.

Haswell, S 2006, 'Over-Complexity in Accounting Standards and the Emerging Duopoly of US GAAP and IFRS', *Australian Accounting Review*, vol.16, no.2, pp. 49-59.

Hopper, T , Storey, J & Willmott, H 1987, 'Accounting for Accounting: Towards the Development of a Dialectical View', *Accounting, Organisations and society*, vol.12, no.5, pp. 437-456.

International Accounting Standards Board 2001, '*IASB Invites Additional Comment on Discussion Paper on Share-Based Payment*', Press Release, 20 September 2001, accessed 12/03/2008, <http://www.iasplus.com/pressrel/pr0109.pdf>.

International Accounting Standards Committee 1998, '*Shaping IASC for the Future: A Discussion Paper issued for comment by the Strategy Working Party of the International Accounting Standards Committee*', Discussion Paper, December 1998, accessed 12/03/2008, http://www.iasplus.com/restruct/1998swp_1.pdf.

International Accounting Standards Committee 2000, *IASC Constitution*, IASC, London.

Larson, RK & Street, DL 2006, 'The Roadmap of Global Accounting Convergence', *The CPA Journal*, vol.76, no.10, pp. 36-43.

Michael, M 1996, *Constructing identities : the social, the nonhuman and change*, Sage, London.

Morrissey, JM 2000, '*International Reporting: The Way Forward*', Speech by SEC Staff, accessed 15/02/2008, <http://www.sec.gov/news/speech/spch443/htm>.

Mueller, GG 1979, 'St. Louis to Munich: The Odyssey of the International Congresses of Accounting', *The International Journal of Accounting Education and Research*, vol.15, no.1, pp. 2-11.

Nobes, C 2000, 'Strategy War: The Future of IASC', *Accounting and Business*, vol.3, no.1, pp. 11.

Ravlic, T 1999, 'Australia: Harmonisation from Discord?', *Accounting and Business*, no.September, pp. 24-26.

Robson, K 1991, 'On the Arenas of Accounting Change: The Process of Translation', *Accounting, Organisations and society*, vol.16, no.5/6, pp. 547-570.

Sawers, A 2008, 'Sir David Tweedie, IASB Chairman', *Accountancy Age*, vol.April 17.

Sempier, RN 1979, 'The International Federation of Accountants: Operating Procedures and Current Progress', *The International Journal of Accounting Education and Research*, vol.15, no.1, pp. 22-31.

Sharpe, M 1998, 'Looking for harmony: Building a global framework', *Australian Accountant*, vol.68, no.2, pp. 16.

Sharpe, M 1999, 'Is Australia moving too far ahead of the United States in the convergence to International Accounting Standards?', *Australian Accounting Review*, vol.9, no.3, pp. 69.

Sismondo, S 2004, *An Introduction to Science and Technology Studies*, Blackwell Publishing Ltd, Oxford.

Spencer, K 1998, 'The view from the AASB: Take it easy, get it right', *Australian Accountant*, vol.68, no.2, pp. 20-22.

Spira, L 1999, 'Ceremonies of Governance: Perspectives on the Role of the Audit Committee', *Journal of Management and Governance*, vol.3, no.3, pp. 231-260.

Stanforth, C 2006, 'Using Actor-Network Theory to Analyze E-Government Implementation in developing Countries ', *Information Technologies and International Development*, vol.3, no.3, pp. 35-60.

Stevenson, KM 2007, 'The IASB: Some Personal Reflections ', in JM Godfrey&Chalmers, K (ed.), *Globalisation of Accounting Standards*, Cheltenham, UK Edward Elgar, pp. 34-45.

Street, DL & Shaughnessy, KA 1998, 'The Quest for International Accounting Harmonisation: A Review of the Standard Setting Agendas of the IASC, US, UK, Canada, and Australia, 1973-1997', *The International Journal of Accounting*, vol.33, no.2, pp. 179-209.

Thomas, RD 1970, 'The Accountants International Study Group-The First Three Years', *The International Journal of Accounting Education and Research*, vol.6, no.1, pp. 59-65.

Tweedie, D 2006, 'Statement of Sir David Tweedie Chairman, International Accounting Standards Board, Before the Committee on Banking, Housing and Urban Affairs of the United States Senate', JUNE 2006, accessed 13/06/2006, http://banking.senate.gov/public/_files/ACFF22D.pdf.

Walton, P 1996, 'Accountancy- the most exciting profession in the world', in D Alexander & Nobes, C (ed), *International Financial Reporting Standards: Context, Analysis and Comment*, London, 2008, Routledge, pp.30-33.

Zeff, SA 1998, 'The Coming Confrontation on International Accounting Standards', *The Irish Accounting Review*, vol.5, no.2, pp. 89-117.