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Investigating international accounting standard setting: the black box of IFRS 6

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Publication Details

Cortese, C. L. & Irvine, H. J. (2010). Investigating international accounting standard setting: the black box of IFRS 6. *Research in Accounting Regulation*, 22 (2), 87-95.

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This paper examines the role of powerful entities and coalitions in shaping international accounting standards. Specifically, the focus is on the process by which the International Accounting Standards Board (IASB) developed IFRS 6, Exploration for and Evaluation of Mineral Resources. In its Issues Paper, the IASB recommended that the successful efforts method be mandated for pre-production costs, eliminating the choice previously available between full cost and successful efforts methods. 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. A compelling explanation of this disparity between the visible inputs and outputs of the standard setting process is the existence of a “black box”, in which powerful extractive industries entities and coalitions covertly influenced the IASB to secure their own ends and ensure that the status quo was maintained.

Keywords

box, ifrs, 6, standard, setting, accounting, black, investigating, international

Disciplines

Business | Social and Behavioral Sciences

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**Investigating International Accounting Standard Setting:
The Black Box of IFRS 6**

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Acknowledgements: The authors would like to acknowledge the contribution of Associate Professor Mary Kaidonis and the helpful comments of an anonymous reviewer.

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Abstract

This paper examines the role of powerful entities and coalitions in shaping international accounting standards. Specifically, the focus is on the process by which the International Accounting Standards Board (IASB) developed IFRS 6, *Exploration for and Evaluation of Mineral Resources*. In its Issues Paper, the IASB recommended that the successful efforts method be mandated for pre-production costs, eliminating the choice previously available between full cost and successful efforts methods. 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. A compelling explanation of this disparity between the visible inputs and outputs of the standard setting process is the existence of a “black box”, in which powerful extractive industries entities and coalitions covertly influenced the IASB to secure their own ends and ensure that the status quo was maintained.

Keywords: IFRS 6; extractive industries; accounting standards.

1. Introduction

Accounting policies matter to corporations because they shape the distribution of income, wealth and perceptions of risks (Solomons 1978; Zeff 1978; Solomons 1983; Willmott and Sikka 1997; Zeff 2002). It is now widely accepted that the development of accounting policies is a residue of political negotiations and bargaining amongst corporations and a political elite (Beresford 1988; Sikka et al. 1989; Mitchell and Sikka 1993; Mitchell et al. 1994; Mitchell et al. 1998). The politics of accounting policymaking are given visibility by the operations of the standard setting bodies, which need simultaneously to accommodate diverse demands and also secure their own legitimacy by portraying themselves as pluralistic, rational and objective.

With the expansion of economic globalisation, a considerable body of literature on accounting policymaking has focused on the processes of the International Accounting Standards Board (IASB), essentially a private sector standard setting body (Ravlic 2000; Casabona and Shoaf 2002; Zeff 2002; Brown 2004; Brown and Shardlow 2005; Touron 2005; Brown 2006). Some of this literature exposes issues relevant across sectors and industries, such as accounting for intangible assets (Kwok and Sharp 2005; Chalmers and Godfrey 2006), financial instruments (Duangploy 2007; Landsman 2007), and business combinations (Briner and Fulkerson 2001; Maines et al. 2004). As specialised accounting standards have also begun to emerge for specific industries or segments, scholars have begun to examine the standard setting process for banking (Jeffery 2004; Landsman 2007), insurance (Mansfield and Lorenz 2004; Bodurtha 2005), not-for-profit (Anon 2006; Kilcullen et al. 2007) and small-medium-sized-business sectors (Sealy-Fisher

2006; Woolfe 2007). This paper contributes to this literature by examining the processes relating to the formulation of International Financial Reporting Standard 6 (IFRS 6) *Exploration for the Evaluation for and the Evaluation of Mineral Resources*. This standard is of particular significance to the extractive industries, which comprise oil, gas and mining companies.

An important issue in extractive industries accounting is the way pre-production activities, also known as exploration and evaluation activities, are accounted for. Historically, there have been two methods employed, the full cost method and the successful efforts methodⁱ. Under the full cost method, all acquisition, exploration, and drilling costs, including those relating to unsuccessful activities, may be capitalised and carried forward until such time as they can be written off against revenue from successful projects (Flory and Grossman 1978). In contrast, under the successful efforts method, only those pre-production costs that relate directly to successful projects can be matched against revenue from the successful project (Katz 1985). While both approaches are based on the historical cost concept of accounting, the method that produces the most favourable results depends on whether the reporting entity is small and in its early stages of exploration, or larger and more able to absorb the cost of unsuccessful efforts (Katz 1985; Van Riper 1994). The full cost versus successful efforts issue first became controversial in the United States (US) in the late 1960s when the Financial Accounting Standards Board (FASB) sought to narrow accounting alternatives and require oil and gas companies to reporting according to the successful efforts method (Van Riper 1994). The effect on profits calculated under each method can be substantial; a recent switch in methods from full cost to successful efforts accounting caused one

UK oil producer to restate its profits from \$44 million to \$22 million (Neveling 2005).

The extractive industries is a sector dominated by global corporations and powerful extractive industries bodies whose income in many cases dwarfs the gross domestic product of many nation states (Cortese et al. 2009). The purpose of this paper is to examine the role these powerful entities and coalitions play in shaping international accounting standards and recognise that their contributions may not always be visible but their influence certainly exists and permeates the accounting standard setting process.

To advance the analysis, this paper is constructed in the following sections. First, the black box concept is proposed as a means for understanding and examining the international accounting standard setting process (Hodges and Mellett 2008). This is followed by a discussion of standard setting and IFRS 6, which contextualises the IASBⁱⁱ and its processes, presents an overview of the extractive industries and provides evidence of the enormous economic strength of this sector. The visible inputs, for example the exposure draft and public comments, are examined in light of the visible output of the standard setting process, IFRS 6. Concluding comments reflect on the disconnect between the visible input and visible output and infer the existence of a black box in the standard setting process within which the unseen influences of powerful constituents act as a countervailing force against visible opinion.

2. The black box

Much of the extant research on accounting and the extractive industries has been based on the assumption that “facts” can be gained by observation of consistencies and causal relationships, which are then assembled into generalisable empirical patterns of accounting practice (Chua 1986; Mouck 1992; Hopper et al. 1995; Lodh and Gaffikin 1997; Agger 1998). A multitude of investigations into accounting for the extractive industries emerged following the FASB’s controversial proposal in the late 1970s to eliminate the full cost method of accounting for pre-production activities and require entities to report under the successful efforts method. Many of these studies examined the market effects of the proposed change in accounting method (Baker 1976; Amernic 1979; Collins and Dent 1979; Dyckman 1979; Dyckman and Smith 1979; Lawrie 1986). Other research investigated the relationship between the choice of the full cost or successful efforts method and company characteristics such as size, age, exploration aggressiveness and/or success, and demand for capital (Deakin 1979; Lilien and Pastena 1981). Research also attempted to predict reasons for switching between accounting methods (Johnson and Ramanan 1988; Nichols 1993), and tested the relationship between successful efforts and full cost data and company share price (Berry et al. 1985; Bandyopadhyay 1994; Bryant 2003; Al Jabr and Spear 2004).

Given the positivist, statistics-based research that has dominated this area, there is space in the literature for a study of the *process* of setting an international accounting standard and the influences that shape IFRSs. It is important that the process be seen as subjectively created and grounded in social and historical practices (Hines 1988; Walker and Robinson 1993; Miller 1994; Walker and

Robinson 1994). It is important to recognise the efforts of participants within standard setting processes and their influence over the content of rules developed and also the institutional environment within which these rules are considered (Zeff 2002; Brown 2004; Brown and Shardlow 2005; Brown 2006).

Hodges and Mellett (2002) provide an example of research into the process of accounting standard setting. They examined the UK standard setting process and raised the notion that unseen or hidden influences could also play a role in the standard setting process. They stressed that investigations should not be restricted to observable lobbying activity and public submission statements, arguing that extant accounting standard setting literature did not sufficiently acknowledge influences that were not publicly visible (Hodges and Mellett 2002). In a follow up to their 2002 study, Hodges and Mellett (2005) conducted a series of interviews and found that there was considerable discussion between regulators and interested parties throughout the accounting standard setting process, much of which does not become part of the public domain. This evidence of informal lobbying supported their earlier claims that accounting standard setting research should also consider the unseen influences that occur within the regulatory process (Hodges and Mellett 2002).

Hodges and Mellett (2005) use the “black box” as a metaphor for accounting standard setting to provide a way of making sense of the complexities of social interaction that permeate the standard setting process but that are difficult to determine through empirical investigation (Hodges and Mellett 2008). Standard setters are viewed as part of an “accounting world” in which constituents and

lobbyists interact with the standard setting body to shape the outcome of the regulatory process (Hodges and Mellett 2008, 3).

The economics literature suggests the regulatory capture hypothesis as a means for understanding how regulators are persuaded by entities to issue regulations that benefit the regulated (Posner 1974; Mitnick 1980; Uche 2001). Applied in accounting research, Walker (1987) used regulatory capture theory to argue that the profession so heavily influenced the development of the Australian Accounting Standards Review Board (ASRB) that its research capabilities, Board membership, procedures, priorities and outputs could not be considered independent of the accounting profession it was intended to regulate. Also recognising the relevance of regulatory capture theory in studies of accounting were Mitchell et al. (1994), in their study of accounting professionalisation, Richardson and McConomy (1992), in their review of potential theories of accounting regulation., and Roberts and Kurtenbach (1998) in their examination of CPA lobbying strength.

While regulatory capture theory as proposed by Mitnick (1980) and applied by Walker (1987) requires direct observation, or “proof”, of the regulatory processes taking place (or perhaps *not* taking place), this level of involvement in studies of accounting standard setting is rarely possible. By identifying the visible inputs to the process, influential forces that arise within it can be inferred to provide an explanation of the accounting standard that eventuates (Hodges and Mellett 2002, 2005, 2008). The concept of the black box permits recognition of the socially constructed nature of accounting standard setting and explicitly recognises that hidden lobbying activity that occurs, which is more pervasive than that reflected in

the public domain (Walker 1987; Walker and Robinson 1994; Weetman et al. 1996; Rahman 1998; Walker and Mack 1998; Weetman 2001; Hodges and Mellett 2002; Georgiou 2004, 2005). This approach is particularly useful for the study of extractive industries accounting which has been a contentious and highly politicised issue since the FASB proposals in the 1970s (Van Riper 1994). The black box is presented in Figure 1.

Insert Figure 1 here

In this conception, the black box is proposed as an explanation for a standard setting outcome in cases where there is no apparent connection between the visible inputs into the standard setting process and the output from the process. It provides a space in which other unseen pressures can be considered as having influenced the process. The influences that contribute to the black box may occur some time before the standard setting process actually begins, for example when setting the agenda (Cousins and Sikka 1993; Weetman 2001). Visible influences can be found in public submissions made in response to exposure drafts, while unseen influences occur covertly as a result of “behind the scenes” lobbying by constituents and advocacy groups. This type of lobbying activity is well supported in accounting standard setting literature (Bryant 1981; Brown 1982; Solomons 1983; Sutton 1984; Tutticci et al. 1994; Van Riper 1994; Walker and Robinson 1994; Weetman et al. 1996; Hodges and Mellett 2002; Zeff 2002; Brown 2004; Georgiou 2004, 2005; Hodges and Mellett 2005; Cortese et al. 2009).

Hodges and Mellett (2002, 2008) inferred the existence of these unseen influences by examining the outcome of accounting standard setting processes. The visible input into the standard setting process, represented by exposure drafts, was

examined in conjunction with the visible output, the eventual IRFS. If an inconsistency was observed or the outcome was contrary to expectations, it was inferred to be the result of unseen influences occurring within the standard setting black box (Hodges and Mellett, 2008). The eventual IFRS may be the result of overt or covert influence. Overt influence is evident when the outcome of the standard setting process is consistent with the explicit submissions made by constituents. This implies that there was no visible opposition to the proposals and submissions or that any opposing players were less significant than those represented in the responses (Hodges and Mellett, 2008). In contrast, an outcome affected by covert influence arises when unseen pressures shape the eventual standard such that the result is contrary to visible input and submissions. Covert influence may also be a consequence of support for visible input, thereby reinforcing and strengthening the positions taken by visible participants (Hodges and Mellett, 2008).

Hodges and Mellett (2008) used this framework to analyse the UK Accounting Standard Board's proposal for accounting for contracts under the UK's Private Finance Initiative. They chose this example because of the significant potential implications from the standard and the likely controversy that would pervade the process of setting it. Further, the proposed accounting treatment was to require contractual assets and obligations to be either on balance sheet or off balance sheet, which facilitated the cause and effect analysis of the black box approach. The case study used by Hodges and Mellett (2008) to illustrate their understanding of the accounting standard setting process has similarities with the IASB's extractive industries project, which is discussed in the following section.

3. Setting a standard for the extractive industries

The methods of accounting for extractive activities have been the subject of debate for over forty years. As noted, the US oil and gas industry was at the centre of the full cost versus successful efforts controversy. Following Middle-East oil embargo in 1973, the Securities and Exchange Commission (SEC) was given the task of developing accounting standards that would support the nation's oil and gas industry (Flory and Grossman 1978). The SEC subsequently delegated responsibility for setting the standard to the FASB, but retained the right of final approval (Van Riper 1994; Cortese et al. 2009). The FASB's exposure draft, *Financial Accounting by Oil and Gas Producing Companies*, proposed to narrow accounting alternatives and require use of the successful efforts method (Flory and Grossman 1978; Van Riper 1994; Cortese et al. 2009). Following the release of the exposure draft, an intense lobbying effort was launched by the smaller, independent oil and gas companies that relied on the full cost method to grow their assets and attract investment for exploration activities (Van Riper 1994; Cortese et al. 2009). However, the FASB conducted studies to support its exposure draft and in December 1977 issued Statement No.19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, which effectively eliminated the full cost method for financial reporting. Lobbying against the standard continued and in what has been described as one of the "most intensely politicised accounting arguments ever" (Van Riper 1994, 64), the SEC eventually withdrew its support for FASB Statement No. 19 and permitted continued use of either the full cost or successful efforts method (Flory and Grossman 1978; Smith 1981; Larcker and

Revsine 1983; Katz 1985; Van Riper 1994; Cortese et al. 2009). The International Accounting Standards Committee (IASC)'s attempt to address this issue at the international level marks a revisiting of this historical controversy.

In 1998, the extractive industries project was added to the formal agenda of the International Accounting Standards Committee (IASC), which later became the IASB. The international prominence, economic influence, and divergent practices of the extractive industries were listed by the IASC as factors contributing to the importance of the project, which sought to redress the disparity in accounting measurement and disclosure practices prevalent in the sector (IASC 2000). An internationally representative committee was established to lead the project and, in November 2000, the Extractive Industries Issues Paper was published. Referring again to Figure 1, the Issues Paper represents the visible input into the process of setting an international accounting standard for the extractive industries.

One of the Issues Paper chapters sought respondents' preferences when accounting for pre-production activities. As a result of the failed FASB standard, US companies are able to choose between the full cost and successful efforts methods when accounting for exploration and evaluation activities. Companies in the UK and Canada may also chose between these methods, while Australian companies most often report under the area-of-interest method, a derivative of the successful efforts method. In total, 52 constituents responded to the Issues Paper, however only 46 respondents commented on this issue. Their preferences are summarised in Table 1.

Insert Table 1 here

In the Issues Paper, the IASC made visible its preference for a single method of accounting for pre-production activities consistent with the successful efforts method. As indicated in Table 1, 78 percent of respondents indicated a preference for the successful efforts method or its derivative, the area of interest method. The remaining 22 percent of respondents argued for retention of choice between the successful efforts and full cost methods. The majority of constituents arguing for retention of the full cost method were oil and gas companies or petroleum industry lobby groups. This was consistent with the greater use of the full cost method by petroleum companies and their industry's historic domination of the full cost versus successful efforts debate (Van Riper 1994). The visible influences and input can be summarised as follows: the IASC put forward an Issues Paper indicating a preference for a single method of accounting for pre-production activities consistent with the successful efforts method, and 78 percent of public submissions commenting on this issue agreed with the proposal of the IASC. Based on the visible inputs to the standard setting process, it would be reasonable to expect the issuance of an IFRS requiring successful efforts accounting. However, the accounting standard, IFRS 6, *Exploration for and Evaluation of Mineral Resources*, that was issued in 2004 and effective from 1 January 2006, did not take any position on the successful efforts versus full cost issue and instead permitted a continuation of a choice between methods. In other words, the standard codified existing accounting practice for extractive industries entities and in a manner reminiscent of the FASB and its failed Statement No. 19, the IASB has been unable to achieve a narrowing of accounting alternatives for the extractive industries. This result leads to the questioning of why the IASB acted, or declined to act, in this way. The black box provides one explanation of this outcome as the result of covert or "unseen"

influences occurring behind the scenes in the standard setting process (Hodges and Mellett 2002; 2008). An examination of the political and economic power of extractive industries entities and the relative resource dependency of the IASB lends weight to the inference that the IASB's due process could be covertly influenced by powerful constituents.

3.1 The extractive industries

The extractive industries represent a significant share of global capital, and include many of the world's largest companies such as ExxonMobil, the Royal Dutch/Shell Group, and BP plc. The economic strength of the major extractive industries companies is such that many are richer and more powerful than the states and even countries that seek to regulate them (Global Policy Forum 2006). Table 2 presents the top twenty extractive industries companies, drawn from the Fortune 500 Top Global Companies list for 2006ⁱⁱⁱ.

Insert Table 2 here

As shown in Table 2, in combination, these twenty extractive industries companies recorded revenues in 2005 of \$2,123 billion and profits of \$211 billion. Comparing the combined revenues of these global companies with United States Gross Domestic Product of US\$11 trillion (World Bank 2005) gives some perspective of the enormous economic strength of these major international entities.

The political influence of this sector flows on from its economic strength. Extractive industries coalitions have been active lobbyists in regulatory debates concerning issues such as global climate change, taxation policy, and sustainable

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development, with many, such as the American Petroleum Institute, formed specifically for the purpose of influencing public policy and regulatory processes for the benefit of over 400 members (American Petroleum Institute 2006). As individual companies, extractive industries entities are very powerful; as a group, their collective strength increases exponentially. Most of the companies that responded individually to the Issues Paper were also members of one or both of the major industry coalitions that responded: the American Petroleum Institute, and the Oil Industry Accounting Committee (see Table 1). Further, instead of responding individually, hundreds of members companies chose to have their voice heard through their industry coalition. Interestingly, both of these extremely powerful coalitions fervently supported the retention of choice.

In terms of resource dependency, the IASB, operating under the not-for-profit banner of the IASC Foundation (IASCF), is financially supported by private contributions from chartered accounting firms and business enterprises internationally (IASCF 2002). In 2006, the year IFRS 6 came into effect, the IASC Foundation received contributions totalling over US\$16,000,000 from 283 corporations, associations, and other institutions, including a number of the world's leading multinational corporations (IASCF 2003). Table 3 lists mining, oil and gas companies, and other relevant constituents who have provided financial support to the IASC/IASB since the extractive industries project was initiated in 1998.

Insert Table 3 here

Many of the financial supporters listed in Table 3 were also respondents to the Issues Paper, as indicated in Table 1 and are some of the world's largest companies.

It is questionable whether the IASB's funding arrangements result in democratic and unbiased standard setting given that the rule-maker is being financed by those it intends to rule. At the very least a dependency relationship is established between the IASB and its benefactors which may see the marginalisation of critical issues, such as environmental accounting, in favour of issues that align with the preferences of finance providers (Brown and Shardlow 2005; Brown 2006).

Approximately 60 percent of the IASB's 2006 funding was received from the Big 4^{iv} accounting firms, making this group of benefactors a significant provider of financial resources to the IASB, and therefore in a considerable position of power over the IASB (Carpenter and Feroz 2001). In turn, these Big 4 firms earn part of their revenue from extractive industries companies in exchange for audit and consultancy services.

In addition to the financial contributions, other resources provided by extractive industries companies to the IASC included personnel, with three extractive industries companies represented on the Steering Committee which was responsible for the development of the Issues Paper and the eventual IFRS. The inclusion of extractive industries representatives in the accounting standard setting process is, of course, reasonable given the specialised training and expertise required of personnel such as engineers, geologists and surveyors. However, it does provide another avenue through which the regulatory process is outsourced to those to be regulated. These layers of covert influence permeate the international accounting standard setting process so insidiously that they are not raised as potential reasons for particular outcomes, or in this case non-outcomes. In the context of the black box, it is possible that the process of setting IFRS6 has been influenced by unseen

countervailing forces that have been of equal or greater significance than those represented by the written submissions.

4. Concluding comments

The attempts of the IASC to address the disparity in extractive industries accounting has provided an opportunity to revisit the successful efforts versus full cost debate that had plagued the sector since the 1960s when the US standard setter sought to eliminate full cost accounting by the oil and gas industry. When IFRS 6 was eventually issued by the IASB 2004, the existing and flexible accounting practices were not only allowed to continue, they were codified into an international accounting standard. This lack of action on the part of the IASB was in contrast to the visible submissions made by constituents in response to the Issues Paper in which the majority (78 percent) supported the IASC's proposal to incorporate only the successful efforts method into an international accounting standard for the extractive industries. The "black box" metaphor facilitates consideration of this accounting standard setting process, providing a way to view the input and output at the same time as considering the influences that may infiltrate the process to affect the outcomes (Hodges and Mellett 2008). While some of these influences will be visible, such as the comments letters, and their effects will be visible in the outcomes, the hidden or unseen influences must also be recognised as at least or perhaps more influential than the overt ones, and they are identifiable by their "footprints" left on the outcome (Hodges and Mellett 2008, 18). In the case of the extractive industries, one explanation for the inaction of the IASB is the "invisible" influence of the major players in the standard setting process. Analogous to the US

situation in the 1960s, the successful efforts versus full cost issue has now been raised and unresolved at the international level.

A limitation of this research also presents an opportunity for further research. A valuable extension of this research would be assessing the standard setting process as a participant observer. While publicly available information has the advantage of offering relatively unproblematic access, gaining an “insider” perspective would add important insights to the research findings and overcome the limitation of inference that comes with this research. Ultimately, presented in this paper is only a hypothesised version of what may have influenced the standard setting process. Until more in depth research is conducted and the black box actually penetrated, alternative hypotheses, such as the timing constraints and politics associated with the move to harmonisation, may also provide valid explanations for the outcome of this standard setting process.

Other aspects of the extractive industries project may also be explored using the research approach and theoretical framework developed in this research. A pertinent and timely issue for the extractive industries concerns accounting for removal and restoration expenses, which is an area of substantial accounting flexibility. This area is also likely to be of interest to many and varied stakeholder groups including extractive industries companies, environmental groups, and non-government organisations. The black box concept could also be applied to other topics, such as intangibles or not-for-profit entities, both of which have been dropped from the active agenda of the IASB. While the politicisation of accounting standard setting is widely acknowledged, the revelation that economically dominant

groups can covertly wield such power is a sobering one in the light of the worldwide promotion and adoption of International Financial Reporting Standards.

ⁱ A derivative of the successful efforts method, known as the Area of Interest method, was developed by Australian accounting standard setters in the 1970s. This method allows costs to be capitalised when they relate to a successful venture, which is defined within a specific area of interest such as a single mine or a separate oil or gas field (Australian Accounting Standards Board, 1989).

ⁱⁱ The International Accounting Standards Board (IASB) was formed in 2001. Its predecessor, the International Accounting Standards Committee, was initially responsible for adding the extractive industries project to its agenda.

ⁱⁱⁱ Fortune 500 provides an annual list of the world's largest companies according to revenue, profit, stockholders' equity, assets, and number of employees.

^{iv} The Big 4 professional accounting firms include PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG, and Ernst & Young. At the time the Issues Paper was first proposed, Andersen was another major international accounting firm that comprised part of the (then) Big 5.

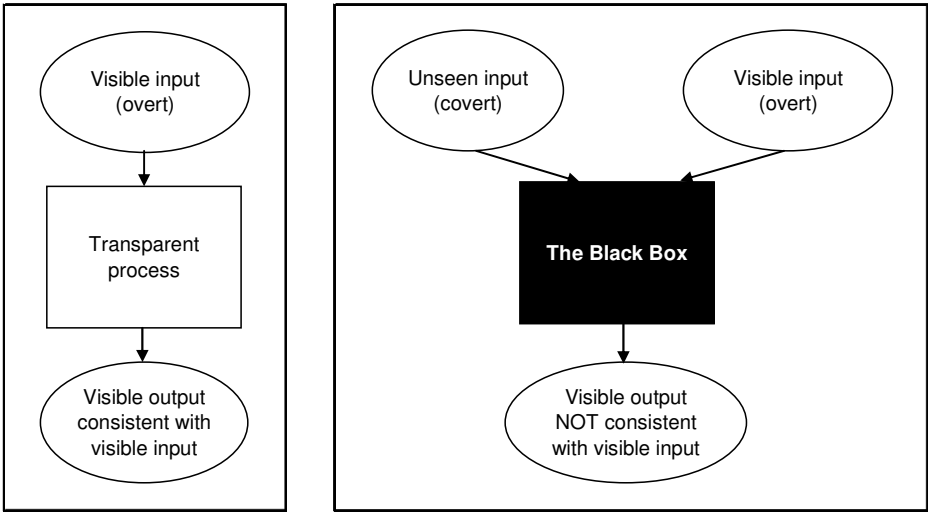


Figure 1. The Black Box of accounting standard setting
(Adapted from Hodges and Mellett, 2008)

Table 1: Extractive industries constituents and preferred accounting treatment

Constituent	Location	Primary activity	Preferred treatment
American Petroleum Institute	US	Industry lobby group	Retention of choice
Anglo American Platinum Corporation Limited	South Africa	Mining company	Successful efforts
Anglo American plc	UK	Mining company	Successful efforts
Anglo Gold Limited	South Africa	Mining company	Successful efforts
Association of Chartered Certified Accountants	UK	Professional body	Successful efforts
Australasian Joint Ore Reserves Committee	Australia	Professional body	Area of interest
Australian Gold Council	Australia	Professional body	Area of interest
Balfour Holding Inc	US	Engineering firm	No response
BHP Limited (now BHP Billiton)	Australia	Mining company	Area of interest
Canadian Institute of Chartered Accountants	Canada	Professional body	Retention of choice
Conoco Inc.	US	Petroleum company	Successful efforts
Conoco Inc.	US	Petroleum company	Successful efforts
Deloitte Touche Tohmatsu International	Intl	Accounting firm	Successful efforts
Dr Geoff Frost/Ms Martine Hardy	Australia	Academic	No response
ENI	Italy	Petroleum company	Successful efforts
Enterprise Oil plc	UK	Petroleum company	Successful efforts
Esso Imperial Oil (subsidiary of ExxonMobil)	Canada	Petroleum company	Retention of choice
Exxon Mobil Corporation	US	Petroleum company	Successful efforts
FACPCE	Argentina	Professional body	Successful efforts
Fédération des Experts Comptables Européens	Europe	Professional body	Successful efforts
Föreningen Auktoriserade Revisorer	Sweden	Professional body	No response
Gold Fields Limited	South Africa	Mining company	Area of interest
Goldfields Limited	Australia	Mining company	Area of interest
Group of 100	Australia	Lobby group	Successful efforts
Inst of Chartered Acc in England & Wales	UK	Professional body	Retention of choice
Institut der Wirtschaftsprüfer	Germany	Professional body	No response
Institute of Chartered Accountants in Australia	Australia	Professional body	Successful efforts
Institute of Chartered Accountants of Pakistan	Pakistan	Professional body	Successful efforts
Institute of Chartered Accountants of Zimbabwe	Zimbabwe	Professional body	Successful efforts
International Valuations Standards Committee	UK	Professional body	No response
Japanese Institute of Certified Public Accountants	Japan	Professional body	No response
John S Herold Inc	US	Engineering firm	Successful efforts
Kenneth Arne	Kazakhstan	Individual	Area of interest
Kerr-McGee North Sea (UK) Limited	UK	Petroleum company	Retention of choice
KPMG International	Intl	Accounting firm	Retention of choice
Melrose Resources Plc	UK	Petroleum company	Retention of choice
Minerals Council of Australia	Australia	Industry lobby group	Area of interest
Normandy Mining Limited	Australia	Mining company	Successful efforts
Paladin Resources plc	UK	Petroleum company	Retention of choice
PetroChina Company Limited	China	Petroleum company	Successful efforts
PricewaterhouseCoopers	South Africa	Accounting firm	Area of interest
PricewaterhouseCoopers	Australia	Accounting firm	Retention of choice
Professor Terry Heazlewood	Australia	Academic	Successful efforts
Rio Tinto	UK	Mining company	Successful efforts
RWE - DEA AG	Germany	Utilities provider	Successful efforts
RWE AG	Germany	Utilities provider	Successful efforts
RWE Rheinbraun AG	Germany	Utilities provider	Successful efforts
Sasol Mining Limited	South Africa	Mining company	Successful efforts
South African Chamber of Mines	South Africa	Industry lobby group	Area of interest
South African Institute of Chartered Accountants	South Africa	Professional body	Area of interest
UK Oil Industry Accounting Committee	UK	Industry lobby group	Retention of choice
Woodside Petroleum Ltd.	Australia	Petroleum company	Successful efforts
Total respondents			52
Total respondents to specific issue			46
Total respondents preferring retention of choice			10 (22%)
Total respondents preferring successful efforts			26 (56%)
Total respondents preferring area of interest			10 (22%)

Table 2: Top 20 extractive industries companies according to industry, country, revenues and profit

Fortune 500 Rank	Company	Industry	Country	Revenues 2005	Profits 2005
				<i>(\$ millions)</i>	<i>(\$ millions)</i>
1	Exxon Mobil*	Petroleum refining	US	339,938	36,130
3	Royal Dutch/Shell Group	Petroleum refining	Netherlands	306,731	25,311
4	British Petroleum plc	Petroleum refining	UK	267,600	22,341
6	Chevron (now ChevronTexaco)	Petroleum refining	US	189,481	14,099
10	ConocoPhillips* (formerly Conoco Inc)	Petroleum refining	US	166,683	13,529
12	TOTAL	Petroleum refining	France	152,361	15,250
27	ENI*	Petroleum refining	Italy	92,603	10,920
39	China National Petroleum	Petroleum refining	China	83,557	12,950
64	E.ON	Energy	Germany	66,313	9,204
70	Statoil	Petroleum refining	Norway	61,033	4,769
77	Marathon Oil	Petroleum refining	US	58,958	3,032
86	Petrobrás	Petroleum refining	Brazil	56,324	10,344
105	RWE*	Energy	Germany	50,346	2,772
115	Lukoil	Petroleum refining	Russia	46,284	6,443
118	Nippon Oil	Petroleum refining	Japan	45,071	1,471
120	Petronas	Petroleum refining	Malaysia	44,280	11,565
153	Indian Oil	Petroleum refining	India	36,537	1,115
195	BHP Billiton plc*	Mining, crude oil	Australia	29,587	6,398
196	Anglo American plc*	Mining, crude oil	UK	29,434	3,521
			Total	2,123,121	211,164

* Responded to the Extractive Industries Issues Paper, as indicated in Table 1

Table 3: Constituents providing financial support to the IASC/IASB 1998-2006

Constituent	Industry	Nature of annual contribution	Year of contribution									
			1998	1999	2000	2001	2002	2003	2004	2005	2006	
Anderson	Accounting	US\$1m	1998	1999	2000	2001	2002					
Deloitte Touche Tohmatsu*	Accounting	US\$1m - US\$1.5m	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Ernst & Young	Accounting	US\$1m - US\$1.5m	1998	1999	2000	2001	2002	2003	2004	2005	2006	
KPMG*	Accounting	US\$1m - US\$1.5m	1998	1999	2000	2001	2002	2003	2004	2005	2006	
PricewaterhouseCoopers*	Accounting	US\$1m - US\$1.5m	1998	1999	2000	2001	2002	2003	2004	2005	2006	
AngloAmerican plc*	Mining	Supporter	1998	1999	2000	2001	2002	2003	2004	2005		
BHP Billiton plc*	Mining	Supporter	1998	1999	2000	2001	2002	2003	2004	2005		
British Petroleum plc	Petroleum	Underwriter	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Conoco Inc (now ConocoPhillips)*	Petroleum	Supporter					2002					
ENI*	Petroleum	Supporter	1998	1999								
E.ON	Energy	Underwriter			2000	2001	2002	2003	2004	2005	2006	
Exxon Mobil Corporation*	Petroleum	Supporter	1998	1999	2000	2001	2002	2003	2004	2005		
Petroleo Brasileiro S.A.	Petroleum	Supporter			2000	2001	2002	2003	2004	2005	2006	
Rio Tinto*	Mining	Supporter						2003	2004		2006	
RWE AG*	Energy	Underwriter	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Royal Dutch/Shell Group	Petroleum	Underwriter	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Texaco (now ChevronTexaco)	Petroleum	Supporter	1998	1999								
TOTAL*	Petroleum	Underwriter			2000	2001	2002	2003	2004	2005		

* Responded to Extractive Industries Issues Paper, as indicated in Table 1

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