

2014

Adoption of International Financial Reporting Standards in Australia: structure, agency and unintended consequences

Sandra Chapple
schapple@uow.edu.au

Recommended Citation

Chapple, Sandra, Adoption of International Financial Reporting Standards in Australia: structure, agency and unintended consequences, Doctor of Philosophy thesis, Department of Accounting and Finance, University of Wollongong, 2014.
<http://ro.uow.edu.au/theses/3984>

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

**UNIVERSITY OF
WOLLONGONG**



Department of Accounting and Finance

**Adoption of International Financial Reporting Standards in Australia:
Structure, Agency and Unintended Consequences**

Sandra Helen Chapple

**This thesis is presented as part of the requirement for the
Award of the Degree of
Doctor of Philosophy
from the
University of Wollongong**

2014

CERTIFICATION

I, Sandra Helen Chapple, declare that this thesis, submitted in partial fulfilment of the requirements for the award of the Doctor of Philosophy, in the School of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Sandra Helen Chapple

ABSTRACT

Purpose: This thesis explores the adoption of International Financial Reporting Standards (IFRS) as one of the most significant decisions in the history of standard-setting in Australia. Although Australian standard setters were actively engaged with the notion of global harmonisation or convergence, their strategy in the early 2000s reinforced domestic discretion in respect of accounting standards. In 2002, however, the Financial Reporting Council (FRC) made a ‘sudden’ decision to adopt the complete suite of IFRS promulgated by the International Accounting Standards Board (IASB). The Australian financial reporting system was transformed from one controlled by a national regulator to one controlled by an international private sector body, negotiating multiple demands from a range of interest groups. A layered theoretical approach is used to explore the context of the decision, and in doing so, a number of unintended consequences are identified.

Approach: The thesis presents a critical history of the Australian adoption decision and its consequences. The primary theory used is Structuration Theory as advocated by Giddens (1976, 1979 and 1984) and modified by Stones (2005). To extend the examination beyond a typical structuration study, the thesis draws selectively from the work of Castells (1996, 1997 and 1998) and his exploration of the globalisation phenomenon. This layered theoretical approach underpins a series of steps (Stones, 2005) which direct the research from an analysis of the broad context of globalisation to the micro context of the FRC members, and which accommodate the complexities and the time/space sensitivities of the transformation of the system of financial reporting.

Conclusions: The globalisation phenomenon of the late 20th century generated radical transformations in the global society, including widespread acceptance of neoliberalist philosophy as the foundation for Western economic, political and cultural practices. The new global society featured the emergence of a network of supranational governance organisations, including the IASB, with the consequent loss of sovereignty for many nation-states. Manifestations in the Australian context extended to a raft of economic

policy changes, such as reform to corporate regulation that mandated a move towards a single set of worldwide accounting standards. The FRC was charged with this endeavour, and when faced with the crisis of corporate collapses, acted expeditiously to initiate changes to the financial reporting system in Australia.

The decision was an ‘in-principle decision’, and in the absence of detailed standards, set the scene for the emergence of consequences which were not, and could not be, anticipated at the time of the decision. Significantly, the subsequent role of the US Financial Accounting Standards Board (FASB) in the IASB standard-setting process, along with the considerable political influence of European interests, has served to blur the ‘principles-based’ approach to standard-setting envisioned by Australian standard setters at the time of the decision. Further, the decision has limited the ability of Australian standard setters to shape standards in accordance with domestic requirements. On a practical level, the IASB emphasis on the development of standards for large profit making entities has been problematic in the application of IFRS to the reporting practices of a variety of not-for-profit entities.

Research contributions: The thesis furthers the critical enquiry into histories of accounting, by contributing to a richer understanding of the Australian deference to IFRS. The layered theoretical framework offers a novel approach with which to analyse broad historical contingencies, the relevant institutional relationships and the agency of the FRC. The findings of this study also offer insight for other jurisdictions that are considering the adoption alternative.

Research limitations/future research: The analysis in this thesis is broad and retrospective, necessitating discretion while leaving open the possibility for a more comprehensive study into one or more elements of the structuration process. The research has provided an interpretation of IFRS adoption using publicly available information, however, an alternative account and different perspectives could be given with reference to actual recollections of FRC members, or by participant observation of the standard-setting process. While the thesis focuses on only one process of

structuration, the existence of a multitude of complex and competing structuration processes, each contingent on relevant contexts of action, provide possibilities for future research.

ACKNOWLEDGEMENTS

I would like to acknowledge the support of my supervisors, Dr Lee Moerman and Associate Professor Mary Kaidonis, who have given me guidance and encouragement on what has been a long and arduous journey. They have managed to cope with the ups and downs of my progress, always maintaining a belief in my work. I would also like to thank Professor Helen Irvine, who was with me at the beginning of my phd studies, taking me to 'base camp' of my Mount Everest. Also, I give special thanks to Professor Ed Arrington, who gave me advice towards the end of my writing and the confidence to see it through.

Thanks also to members of the School of Accounting and Finance at the University of Wollongong, who have provided all manner of support and encouragement during the time that I have been working on my thesis. To Kellie McCombie and Sanja Pupovac, thanks in particular for providing friendship in the times that I most needed it.

I would like to thank my beautiful sons, Alexander, Samuel and Joshua, who have become accustomed to seeing me at my desk. Although they had no insight into exactly what I was writing about, they never doubted that one day I would become 'Doc Sandy'.

TABLE OF CONTENTS

List of figures	xi
List of tables.....	xii
Glossary.....	xiii
Chapter 1 Introduction.....	1
1.1 The research aim	1
1.2 The internationalisation of accounting.....	3
1.3 International accounting and Australia	6
1.4 The consequences for Australian financial reporting – intended and unintended. .	8
1.5 Methodology	12
1.6 Structuration theory – an introduction	14
1.7 Castell’s theorising on globalisation – an introduction.....	20
1.8 Research method	22
1.9 Organisation of thesis.....	23
Chapter 2 Setting the scene	27
2.1 Introduction	27
2.2 History of accounting standard-setting arrangements in Australia	28
2.2.1 Standard setting by the profession to 1984	28
2.2.2 Standard setting by the government from 1984	30
2.3 The political nature of standard setting	34
2.4 Gaps in the literature	37
2.5 Extending the literature	39
2.6 Chapter Summary.....	40
Chapter 3 Methodology	42
3.1 Introduction	42
3.2 Positioning of the research	43
3.2.1 Classification of social science research	43
3.2.2 Classification of accounting research.....	45

3.3 Underlying assumptions of the thesis	48
3.3.1 Ontological assumptions	48
3.3.2 Epistemological assumptions	49
3.3.3 Methodological approach.....	49
3.4 Giddens and methodology	50
3.4.1 Giddens' guidelines for research.....	51
3.4.2 Methodological bracketing	52
3.5 Stones and methodology	54
3.5.1 Methodological bracketing	54
3.5.2 A wider historical and spatial frame	56
3.5.3 Research steps	57
3.5.4 Data selection and analysis	60
3.6 Chapter summary	63
Chapter 4 Theory	65
4.1 Introduction	65
4.2 Structuration theory.....	66
4.2.1 Theoretical synthesis.....	67
4.2.2 Agency	70
4.2.3 Routine, crisis and change.....	73
4.2.4 Unintended consequences	74
4.2.5 Structures	76
4.2.6 The duality of structure	82
4.2.7 The time/ space constitution of social systems	83
4.2.8 Limitatons of Giddens' Structuration Theory	87
4.3 Strong structuration – Stones' version of structuration theory	90
4.3.1 External structures.....	92
4.3.2 Internal structures.....	94
4.3.3 Active agency.....	97
4.3.4 Outcomes	98
4.4 Structuration studies in accounting.....	100
4.5 Globalisation	103
4.5.1 Globalisation	103
4.5.2 Theories of globalisation.....	103

4.6 Castells' theorising on globalisation	105
4.6.1 The Information Technology Revolution and The Informational Economy	107
4.6.2 Characteristics of the global economy – nation-states and supranational organisations	108
4.6.3 Spatial and Temporal Conditions in the Network Society.....	110
4.7 Chapter summary	112
Chapter 5 Globalisation – the broad context of the adoption decision	116
5.1 Introduction	116
5.2 Global politics and economics – the new capitalism	117
5.2.1 Political and economic developments.....	117
5.2.2 Neoliberalism	120
5.2.3 Nation-states, strategic alliances and supranational organisations	123
5.2.4 Corporate and Financial crises	126
5.3 Australian politics and economic policy in the late 20th century	129
5.4 Chapter summary	132
Chapter 6 External Structures.....	134
6.1 Introduction	134
6.2 External structures.....	135
6.3 Structure of international accounting governance.....	136
6.3.1 The IASB as a supranational governance body (and the G4+1).....	138
6.3.2 IFRS Foundation and affiliated bodies	144
6.3.3 The United Nations and the Organization for Economic Cooperation and Development (OECD).....	146
6.3.4 UK interests – the profession and the Accounting Standards Board (ASB)	148
6.3.5 US interests – the FASB and the SEC	151
6.3.6 Securities Regulators - IOSCO, the SEC and the New York Stock Exchange	155
6.3.7 European interests - the European Commission (EC), The European Financial Reporting Advisory Group (EFRAG) and related groups	157
6.3.8 Australian interests - the Australian Accounting Profession and the FRC	161
6.3.9 Section summary	162
6.4 Structure of Domestic Corporate Law	167

6.4.1 The Coalition Government and The Treasury	169
6.4.2 The Australian Accounting Profession	172
6.4.3 The AASB	176
6.4.4 The Australian Securities Exchange (ASX).....	177
6.4.5 The Group of 100 (G100)	178
6.4.6 The Australian Institute of Company Directors (AICD).....	179
6.4.7 The Australian Securities and Investment Commission (ASIC).....	180
6.4.8 Section summary	181
6.5 Chapter summary	184
Chapter 7 Agency, Actors and Internal Structures	187
7.1 Introduction	187
7.2 The broad context of the adoption decision	189
7.3 External structures.....	190
7.4 Time of crisis – catalyst for change	191
7.5 Agency - The adoption decision	194
7.6 The duality of structure	195
7.7 Actors - The members of the FRC at the time of the adoption decision.....	199
7.8 General dispositional internal structures of the FRC members	201
7.8.1 General dispositional signification structures	203
7.8.2 General dispositional legitimation structures.....	206
7.8.3 General dispositional domination structures.....	207
7.9 Conjuncturally specific internal structures of the FRC members	210
7.9.1 Analysis of the adoption decision	211
7.9.2 Conjuncturally specific signification structures.....	211
7.9.3 Conjuncturally specific legitimation structures	225
7.9.4 Conjuncturally specific domination structures.....	240
7.10 Chapter summary	249
Chapter 8 Outcomes - Unintended Consequences	252
8.1 Introduction	252
8.2 Unintended consequences	253
8.3 Intended consequences of the adoption decision	256

8.3.1 One set of high quality globally accepted international accounting standards, and comparable financial statements	256
8.3.2 Ability of Australian standard setters to influence the international standard-setting process	258
8.4 Unintended consequences – Failure to achieve one set of high quality, internationally accepted standards	259
8.4.1 High quality standards	259
8.4.2 One set of standards accepted in major international capital markets	261
8.4.3 Comparability	262
8.5 Unintended consequences – The influence of the US	263
8.6 Unintended consequences - The European influence	270
8.7 Unintended consequences - Australian alliances and representation	274
8.8 Unintended consequences - The public sector in Australia	278
8.9 Unintended consequences - Private sector not-for-profit entities	284
8.10 Unintended consequences - Small and medium enterprises	285
8.11 Chapter summary	287
Chapter 9 Conclusion	290
9.1 Introduction	290
9.2 Summary of chapters	290
9.3 The Research Questions:	294
9.3.1 Influence of the broad spatial and temporal context on the adoption decision	294
9.3.2 Change from policy of harmonisation to commitment to adoption	295
9.3.3 Unintended consequences of the adoption decision	298
9.4 Contributions to accounting literature	300
9.5 Contributions to methodology	302
9.6 Contributions to theory	304
9.7 Contributions to practice	305
9.8 Limitations of the study	307
9.8.1 Limitations of theory and methodology	307
9.8.2 Limitations of methodology and method	310
9.9 Possibilities for future research	313
9.10 Concluding comments	315
Reference list	318
Appendix 1 – FRC minutes of meetings: agenda items	345

List of figures

Figure 1 Accounting Schools and Sociological Paradigms	44
Figure 2 Research steps based on a modified version of Stones' research steps.....	59
Figure 3 The structuration process	66
Figure 4 Stratification model of the agent (Giddens, 1984, p5).....	72
Figure 5 The duality of structure (adapted from Giddens, 1977, p23).....	82
Figure 6 Stones' model of strong structuration (adapted from Stones, 2005, p85)	91
Figure 7 Modified process of structuration incorporating Stones' strong structuration	99
Figure 8 The process of structuration of the financial reporting system in Australia..	113
Figure 9 External structure of international accounting governance	164
Figure 10 External structure of domestic corporate law	182
Figure 11 The process of structuration of the financial reporting system.....	197
Figure 12 The structuration process - highlighting the general dispositional internal structures of the FRC members.....	209
Figure 13 The structuration process - highlighting the conjuncturally specific internal structures of the FRC members.....	248
Figure 14 Methodological approach.....	303

List of tables

Table 1 FRC members June 2002	200
--	-----

Glossary

AARF	Australian Accounting Research Foundation
AASB	Australian Accounting Standards Board
AASC	Australian Accounting Standards Committee
AI	Agenda Items – FRC minutes (a list of FRC meetings is shown in Appendix 1)
AICD	Australian Institute of Company Directors
AISG	Accountants International Study Group
ASB	Accounting Standards Board (UK)
ASIC	Australian Securities and Investment Commission
ASRB	Accounting Standards Review Board
ASX	Australian Stock Exchange
CLERP	Corporate Law Economic Reform Program
CPA Australia	Certified Practicing Accountants Australia
EC	European Commission
EFRAG	European Financial Reporting Advisory Group
EU	European Union
FASB	Financial Accounting Standards Board (US)
FRC	Financial Reporting Council
G4	Group of 4 (Standard setters – Australia, Canada, UK,US)
G4+1	Group of 4 plus the IASC
G8	Members include finance ministers from Canada, France, Germany, Italy, Japan, Russia, UK, US.
G20	Members include Finance Ministers and Central Bank governors from Argentina, Australia, Brazil, Canada, China, EU, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, UK and US
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IASCF	International Accounting Standards Committee Foundation
ICAA	Institute of Chartered Accountants in Australia
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFRSF	International Financial Reporting Standards Foundation
IOSCO	International Organisation of Securities Commissions
IPSASB	International Public Sector Accounting Standards Board
PAAinE	Pro-Active Accounting Initiatives in Europe
PSASB	Public Sector Accounting Standards Board
SEC	Securities and Exchange Commission (US)
US GAAP	US Generally Accepted Accounting Principles

Chapter 1 Introduction

1.1 The research aim

The rapid uptake of International Financial Reporting Standards (IFRS) around the world since the early 2000s may be seen as part of “a general wave of standardisation that has taken place in broader, non-accounting contexts over the last 150 years” (Rodrigues and Craig, 2007, p740). This standardisation of financial reporting, set in the broader context of globalisation, reflects a growing interconnectedness between nations and the emergence of new forms of international governance. At the forefront of this movement is the International Accounting Standards Board (IASB), a private organisation based in London, with the self-imposed mission to develop and promote a single set of accounting standards for global use:

The objectives of the [IASB and] IFRS Foundation are to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles (IFRS Foundation, 2010d, paragraph 2).

The Australian professional accounting bodies¹ first entered into the realm of international accounting standard-setting in 1973 as founding members of the International Accounting Standards Committee (IASC), the forerunner to the IASB. Since that time the Australian accountancy profession and various Australian standard-setting bodies have been involved at the international level, and have generally worked with a policy of long-term harmonisation and convergence of Australian standards with

¹ The Institute of Chartered Accountants in Australia and the Australian Society of Accountants (now known as CPA Australia). There is a third professional body in Australia, namely the Institute of Public Accountants (formally the National Institute of Accountants), although in 1973 it was not active at the international level of accounting standard setting.

international standards. This tempered approach ended abruptly with the 2002 decision by the Australian Financial Reporting Council (FRC)² to adopt the complete suite of standards promulgated by the IASB, effective from 2005 (the adoption decision).

Apart from the possible economic consequences for Australian entities, the adoption decision had the potential to significantly transform the financial reporting landscape in Australia. Given that the 2002 decision was an ‘in-principle’ decision made prior to the release of the entire suite of the IASB standards, and that the development of standards is inherently a political process (Zeff, 1978; Fogarty et al., 1994; Larson, 1997; Kwok and Sharp, 2005; Brown, 2006; Cortese et al., 2010), it would be reasonable to expect that unintended consequences of the decision would emerge in due course.

This thesis is concerned with the adoption decision and has two primary aims. First, to explore the context of the adoption decision which involves consideration of the broad historical and political environment of standard-setting, including an analysis of the roles of people, organisations and institutions involved in the process, both locally and globally. The adoption decision, which is arguably the most significant in the history of accounting standard-setting in Australia, was made suddenly and contrary to previous policy, introducing an element of intrigue to the internationalisation narrative. Second, the thesis aims to reveal the unintended consequences of the adoption decision for the Australian regulatory framework and constituents, as distinct from those outcomes that were advocated in the official rhetoric. This latter issue has taken on heightened significance given the convergence program of the IASB and the Financial Accounting

² Financial Reporting Council (FRC) – this is a statutory body charged with oversight of the accounting standard setting process in Australia. The Australian Accounting Standards Board (AASB) is responsible for the development of a conceptual framework and accounting standards for Australian entities. Refer to section 2.2.2 for further discussion.

Standards Board (FASB), and will be of relevance to other countries considering the adoption alternative. It is also becoming apparent that there are genuine concerns in the domestic context about the complexity of IFRS and the extent to which IFRS compliant financial statements are actually used:

...the accounting standards are mind-boggling complex...[and] sorting through the inconsistent interpretations, false volatility and undue complexity of IFRS can be like searching for a black cat in a dark room (King et al., 2012, p48).

Chief Financial Officers (CFOs) of Australian companies suggest that IFRS compliant financial statements are not used by investors and analysts, who instead rely on alternative forms of information to provide an insight into the performance and position of their investments (PriceWaterHouseCoopers, 2007, Ernst and Young, 2007, King et al., 2012). Furthermore, the advocated benefits of adoption, such as “improving access for international capital markets, reducing the cost of capital, improving communication with investors and enhancing the quality of accounting standards...have been persistently questioned” (Jones and Higgins, 2006, p631). This cynicism has been particularly apparent from smaller companies operating in Australia (Jones and Higgins, 2006, p650).

To gain an insight into the current situation, a brief overview of early internationalisation efforts is provided (refer to Chapter 6 for more detailed coverage).

1.2 The internationalisation of accounting

The predecessor of the IASB, the IASC, was originally formed in 1973 to develop a set of accounting standards that would have universal application, provide a common reporting language, and facilitate the preparation, auditing and comparison of financial

reports from around the world. These international accounting standards would also be available to those countries that did not have an established set of national accounting standards of their own. During the latter part of the 20th century, the IASC was driven by the desire to achieve approval for its standards from the International Organization of Securities Commissions (IOSCO) (Whittington, 2005). This approval was finally gained in 2000, and the IASC (IASB) standards have been accepted to some extent by many of the world's securities exchanges³, except for those in the US⁴. The IASC (and subsequently the IASB) was also motivated by the “need for reliable and transparent accounting and financial reporting to support sound decision making by investors, lenders and regulatory authorities in the form of international accounting standards to address concerns emanating from the Asian financial and economic crisis” (IASB, 2003 as cited in Graham and Neu, 2003, p455).

The IASB assumed standard-setting responsibilities from the IASC in 2001. The restructured IASB, according to its chairman, Sir David Tweedie, was to start with a ‘clean slate’ and to operate as a ‘think tank’ to completely revise the standards inherited from the IASC (IASB, 2007b). However the decision by the European Union (EU) that all listed companies comply with IFRS from 2005 suddenly made it imperative for the IASB to compile a package of standards ready for use before that time. Working with

³ Eg. Companies listed on European stock exchanges must comply with IFRS as adopted by the EU (Deloitte, 2011). Other adopters of IFRS: Bermuda, India (for consolidated financial results only), Japan (some conditions), Netherlands, Sri Lanka, Switzerland (choice between IFRS or US GAAP) (Deloitte (2011).

⁴ In 2007 the SEC removed the requirement for foreign registrants to reconcile their financial statements with US GAAP, on the condition that those financial statements were prepared in accordance with IFRS.

what it had or could borrow, the IASB compiled the stable platform⁵. Since that time over 120 countries have come to require or permit the use of IFRS⁶ (refer also footnote 3), with many others following convergence agendas (IASB, 2011).

Of these convergence projects, the most significant is that between the FASB and the IASB. Given the size of the US capital market⁷, adoption of IASB standards by the US is integral to the notion of one set of global accounting standards. The US has been considering some form of internationalisation since the US Congress directed the Securities and Exchange Commission (SEC) in 1996 to give vigorous support to the development of high quality international accounting standards as soon as practical (Cox, 2007, p1). In 2002, the IASB and the FASB entered into the ‘Norwalk Agreement’ with a commitment to the development of high quality compatible accounting standards that could be used for both domestic and cross border financial reporting. This original commitment was affirmed in a number of subsequent agreements and accelerated by a request from the Group of 20 nations (G20) in the wake of the Global Financial Crisis 2007-2009 (GFC) (G20, 2009a)⁸. The G20

⁵ Included only those standards issued by the IASB by March 2004. The IASB made a commitment to a 21 month period of calm in which any new standards would not be applicable until 2006 (IASCF, 2003).

⁶ As discussed by Zeff and Nobes (2010, p178) there are a variety of mechanisms available to countries for accepting IFRS into their jurisdictions, namely “adopting the standard setter’s process, rubber stamping each standard, endorsing them (with the possibility of some differences), fully converging national standards, partially doing so, or merely *allowing* (italics in original) the use of IASBs standards”. The FRC and AASB typically refer to ‘adoption’, although Zeff and Nobes (2010) argue that the Australian situation is more akin to full convergence (taking the IFRS, changing the designation, adding references, inserting departures for not-for-profit entities, and tabling the standards in the Australian parliament).

⁷ Estimates vary, however the US capital market represented approximately 33% of the global capital market at the end of 2011 (NASDAQ and NYSE combined USD15640707 m compared with global USD47447326 m) (World Federation of Exchanges, 2011).

⁸ The IASB had advocated the use of fair value accounting (FVA) for financial instruments (IAS39 *Financial Instruments: Recognition and Measurement*), but acknowledged the role that FVA had played in the GFC, particularly in respect of fair value measurement of financial assets in a declining market, and

specifically requested completion of global convergence efforts by June 2011, although this timeframe has been extended to mid-2013 (IASB, 2012).

1.3 International accounting and Australia

In June 2002 the Australian FRC made the decision to adopt the complete suite of IASB standards, contrary to a previous commitment to convergence and harmonisation⁹, effectively reducing the standard-setting process of the Australian Accounting Standards Board (AASB) to a mere technical and advisory role. The commitment to convergence and harmonisation was initiated in 1995 with the issue of Policy Discussion Paper No. 1 *Towards International Comparability of Financial Reporting*, and formalised with the AASB Policy Statement 4, *International Convergence and Harmonisation Policy*, that directed the AASB to pursue the development of an internationally accepted single set of accounting standards in Australia. This policy, which explicitly referred to convergence and harmonisation, was ratified by the FRC at its meeting on 22nd March 2002. The policy directive specifically acknowledged that a single set of standards was “not likely to be achievable in the

the consequent sale of financial assets by financial institutions to maintain capital adequacy requirements IASB (2009d).

⁹ The AASB made a distinction between *International Convergence* and *International Harmonisation*. The former meant “working with other standard-setting bodies to develop new or revised standards that will contribute to the development of a single set of accounting standards for world-wide use”, whereas the latter referred to “a process which leads to these standards being made compatible with the standards of international standard-setting bodies to the extent that this would result in high quality standards” (AASB 2002, paragraph 2). Effectively, such an approach allowed for latitude for domestic circumstances and for when the IASB alternative was not perceived to be of high enough quality. Adoption, as per footnote 6, effectively meant taking the IASB standards, rebadging them (eg IAS16 rebadged as AASB116), and adding references or paragraphs to suit not-for-profit entities. The substance of the AASB standard was the same (except for additional paragraphs added for not-for-profit entities) and there was no discretion for domestic circumstances.

short-term” (AASB, 2002, paragraph 6) and further, that in some cases, international accounting standards may not even be appropriate for the domestic environment:

Where IFRS and/or IPSAS [International Public Sector Accounting Standards] are considered by the AASB not to represent international best practice, the interim objective is to work towards adopting standards that are considered by the AASB to be best international practice and to endeavour to influence the deliberations of the IASB and the PSC [Public Sector Committee of the International Federation of Accountants] to adopt what the AASB considers best international practice (AASB, 2002, paragraph 6).

Despite these reservations, the FRC made an in-principle decision for full adoption within three months of the aforementioned policy directive, that is, at its June 2002 meeting.

Although the FRC claimed that the catalyst for the decision was a similar adoption decision by the EU, it is suggested that it was in response to the crisis of corporate collapses in Australia in the early 2000s, and the shadow that this placed over the financial reporting system in Australia. Arguably, the adoption decision also meant that the political responsibility for the inevitable round of future corporate collapses would be diverted away from the Australian government to the IASB (Haswell and McKinnon, 2003, p11). Corporate history in Australia has shown a regulatory collapse and reform cycle (Sykes, 1994, 1998, Clarke et al, 2003 and Cooper and Deo, 2005), with corporate collapses followed by yet more government regulation. For example, in the wake of the collapses in the early 2000s the Australian Government, with ultimate responsibility for accounting standards, was the focus of demands to ‘fix’ the perceived causes of these collapses, such as poor corporate governance, misleading financial reporting and inadequate auditing (Jay, 2001, White, 2001, Commonwealth of Australia, 2003a, Cooper and Deo, 2005, Clarke et al, 2007). However, now that responsibility for the

scope and content of standards lies with the IASB, blame for any future collapses can be passed onto it rather than the Australian Government.

1.4 The consequences for Australian financial reporting – intended and unintended.

Australian standard setters committed to a suite of international standards whose scope, nature and content had not been finalised at the time of the decision – it was an ‘in-principle’ decision couched in the official rhetoric of the need for high quality standards, improved comparability of financial statements, and reduced cost of capital. It was expected that compliance with globally accepted standards would ensure that these benefits accrued to Australian entities when the major capital markets, especially that of the US, ‘came on board’. Additionally, as early adopters, Australian standard setters were positioned to influence the IASB in the early stages of the development and promulgation of international accounting standards. Thus early adoption was justified, despite the fact that the detail of the IASB standards was not revealed until sometime later. Ultimately, both intended and unintended consequences would emerge from such a situation.

The FRC anticipated that IFRS would significantly impact the financial statements of Australian entities (FRC, 2005), sometimes adversely with negative effects on share prices (FRC, 27/2/04, AI5). It was inevitable that the new standards would have some impact on the recognition, measurement and disclosure of items in the financial statements of compliant reporting entities, which in turn would result in economic consequences for stakeholders (Zeff, 1978). For example, the impact of IFRS on companies might be “changes to profit that affect the ability to pay dividends; a need to

revise profit incentive schemes; impact on loan covenants; and tax implications such as thin capitalisation issues” (Pound, 2004, p64). Dodd and Sheehan proposed that “a greater focus on fair value will increase volatility of results” (2004, p66), a proposition which eventuated during the GFC. In the Australian context, proposed changes to the standards gave rise to substantial lobbying from affected parties, particularly in areas such as intangibles and financial instruments where the economic consequences were expected to be significant¹⁰. Apart from the abovementioned consequences, the new IASB financial reporting framework has had significant repercussions for not-for-profit entities, public sector, and small and medium enterprises in Australia (AASB et al., 2008). To date, the focus of the IASB has been on the development of a conceptual framework and standards for large profit-making entities¹¹, and given that most countries adopting IFRS only require them to be applied by listed companies (Deloitte, 2011), this focus seemed warranted. However, in Australia, the AASB has the legislative mandate to develop sector-neutral standards, therefore adoption of IFRS impacted on all reporting entities, not just larger listed entities.

Further, the Australian standard setters effectively relinquished much of their control over accounting regulatory policy to the IASB. The FRC members made it clear that the complete suite of standards would be adopted:

¹⁰ For example, JBWere stockbrokers predicted that the new rules on financial instruments would cut profits of some major companies by more than 10% (Buffini, 2003, p6). Estimates of the write-downs in response to the new intangibles standard ranged from \$10 billion (Kohler, 2004, p1) to \$44 billion (Fry, 2003, p26).

¹¹ The IASB and FASB are committed to developing a conceptual framework and standards for “business entities in the private sector”, and once this has been achieved they will turn their attention to applicability of these to other sectors, such as the not-for-profit sector (IASB, 2008, paragraph 9).

‘...any cherry picking’ or partial adoption of the standards would substantially diminish the gains of IAS¹² adoption. Companies will not be compliant with international standards unless all standards are adopted in their entirety (FRC, 27/2/04, AI5)

This wholesale adoption of IASB standards meant that the system of financial reporting in Australia has been transformed from one privileging the domestic to the international, or in other words, participants in global capital markets. Given the ongoing convergence project between the IASB and the FASB, it is quite possible that future standards will be significantly influenced by the US interests, specifically the FASB and the SEC. It should also be kept in mind that various interest groups within continental Europe remain wary and even hostile to US influence over the IASB standard-setting process, and continue to actively participate in the international standard-setting process. The lobbying efforts of US and European interests, combined with the situation in which acceptance of IASB standards is a *fait accompli* in Australia, diminishes any bargaining power that Australian standard setters may have had.

This situation has also allowed for the erosion of the domestic standard-setting infrastructure (Haswell and McKinnon, 2003); already the AASB has changed from a body initiating and developing accounting standards to that of a review board, ‘rubber stamping’¹³ standards as they are issued from the IASB. While the AASB has exerted tremendous energy since 2002 on the initial IFRS transition process, the intensity of this work has been reduced. The AASB has realigned the nature of its work such that resources are now devoted to monitoring the work programs of the IASB, participating

¹² IAS – International Accounting Standards – standards issued by the IASC (forerunner to the IASB) were known as International Accounting Standards. IAS were adopted by the IASB on its establishment in 2001, and remain part of the body of IASB standards.

¹³ Perfunctory approval.

in various projects such as Extractive Industries (IFRS Foundation, 2011b) and Intangible Assets (IASB, 2007a) at the request of the IASB, and engaging in research and discussion in the realm of reporting for public sector reporting and small and medium enterprises. Consequently, the funding of the AASB may be reduced to reflect its diminished role and, with that, the potential to develop and maintain a strong technical and conceptual capital base may be limited. The ability of Australian accounting standard setters to reflect domestic interests and conditions will be somewhat diminished. The environment of rigorous debate and independent thought which the Australian profession and regulatory bodies have developed over time may be lost.

The adoption decision is one of the most significant events in the history of Australian standard setting, and as mentioned, it is quite likely that financial and economic consequences will emerge for the multiple stakeholders of IFRS compliant entities. These consequences have been explored by various accounting researchers (for example see Barth 2007, Soderstrom and Sun 2007, Chua and Taylor 2008, and Jacob and Madu 2009). This study digresses from this pathway of study to focus on the context, structures and agents involved in the decision, and to a consideration of the consequences of such action (especially those that were not intended, anticipated or acknowledged at the time of the decision).

To summarise, global convergence of accounting standards is a complex process, involving multiple agents with numerous and often competing agendas. It takes years of due process, negotiations, implementation, education and interpretations. It is also subject to the political, economic and social re-orderings brought about by globalisation.

Only the passage of time will reveal the consequences of such a process, many of which could not have been intended or anticipated in 2002. These considerations give shape to more specific research questions, namely:

- 1. What was the broad spatial and temporal context of the adoption decision in Australia?*
- 2. What factors influenced a change in Australian accounting standard setting policy from that of harmonisation with international accounting standards to wholesale adoption?*
- 3. What are some of the unintended consequences that have emerged from the adoption decision?*

This thesis adopts a critical research approach and draws on a layered theoretical framework, using the concepts of structuration theory and Castells' theorising on globalisation to explore the context and consequences of the adoption decision.

1.5 Methodology

Financial reporting and accounting are situated social practices, created by people and constantly reconstructed (Hines, 1988). They are shaped by the people and institutions which use them and the context in which they are used. These practices are also the medium for the (mis)communication of financial 'realities', benchmarks for evaluation of performance and vehicles for the exercise of power and authority. Accordingly, the methodological approach, or the "set of spectacles that forms the nature of the research methods for the empirical investigation" (Laughlin, 1995, p67), must enable the examination of the (re)constitution of such social practices. The methodological

approach is necessarily informed by the ontological and epistemological positioning of the researcher.

In this thesis, the ontological positioning straddles the objective/subjective perspectives of social reality, in the belief that reality is both constructed and constructing. Epistemological assumptions relate to beliefs about knowledge and “what is to count as acceptable truth by specifying the criteria and process for assessing truth claims” (Chua, 1986, p604). However, the notion of “truth” in the social sciences is an elusive concept; a more appropriate criteria for the evaluation of knowledge lies with the concept of utility (Llewellyn, 2003). As such, this thesis is not concerned with establishing a universal truth, but rather in gaining a new understanding of the adoption decision in Australia, with attention to its broader social, historical, economic and political contexts. Not only does such an understanding lead to a better understanding of individual features of the particular subject of study (Gaffikin, 1998), it is through this understanding that the possibility for transformation, or “reparative practical intervention in the world” arises (Stones, 2005, p192). The approach is necessarily qualitative; the complexities and breadth of the story would not be well served by a quantitative analysis.

The foregoing suggests a methodological approach for this thesis that has moderate theoretical definition (Laughlin, 1995), but which acknowledges the discretion of the researcher to move beyond the constraints of a particular theory and draw on other concepts as the need arises. Significantly, this approach provides scope to critique the rhetoric surrounding the adoption decision, and allows for an investigation into the

context and underlying agendas of interest groups associated with the standard-setting process.

Accordingly, the methodological approach adopted is critical in nature. More specifically, it falls into the realm of a critical history, with “the possibility of describing the past having looked at it through different lenses” (Gaffikin, 1998, p632 with reference to Merino, 1997). Consistent with this approach, the researcher makes explicit the theoretical framework (Merino, 1997, p604) to allow evaluation of the study. This thesis is guided by an integrated theoretical framework, drawing on concepts from Giddens’ structuration theory, Stones’ model of strong structuration, and Castells’ theorising on globalisation.

1.6 Structuration theory – an introduction

The primary theoretical framing used in the thesis is structuration theory, as developed by Giddens (1976, 1979, 1984) and refined by Stones (2005). Giddens introduces a number of concepts that he suggests can be used as sensitising devices for the doing of research. Such concepts are:

...the primary means of theorizing practices and practices are sites of struggle. Organizational practices such as ‘financial reporting’, ‘decision making’, ‘accountability’ are places where agency meets structure and are the primary point at which people in their everyday lives struggle to make a difference in the world – to make effective interventions in the course of history (Llewellyn, 1983, p 673).

Giddens’ theory centres on the concept of the duality of structure, which acknowledges the role of both agency and structure in the constitution and transformation of social systems. In any action or interaction, agents draw on structures, and in doing so

reconstitute or transform those structures. This is the process of structuration, but it is “important to be wary of seeing the sequence in terms of a discrete structural moment being succeeded by a discrete and entirely separate moment of agency, which is then succeeded by another discrete moment of agency, and so on” (Stones, 2005, p20). The emphasis on time-space positioning in structuration theory highlights the importance of acknowledging the context of social interactions when examining social change. Significantly structuration theory accommodates the emergence of unintended consequences of action, and the role that these have in the reproduction of social systems.

Giddens did not intend his theory to be used as an all-encompassing research framework and indeed did not provide the tools necessary to flesh out answers to many of the questions at hand, therefore it has been supplemented in this thesis by Stones’ (2005) version of ‘strong structuration’. Concepts from Stones’ model allow the level of analysis to move to the meso-level¹⁴, where Stones draws on the concept of position practices (positional identities and roles) to link external structures with agency and internal structures. This model also draws attention to position practice relations; that is the social nexus of interdependencies, rights and obligation, and asymmetries of power that the agent is situated within. It allows specific emphasis on the agent’s awareness of the ranges of potential courses of action, choices, alternative strategies and probable consequences of such courses of action (both intended and unintended).

¹⁴ This level of analysis falls between the micro and the macro levels of analysis. In this thesis, a meso-level analysis is used to link the micro (that is the agency of the FRC members) and the macro (the globalisation phenomenon and the broad external structures). Stones also used the term ‘meso’ to refer to that level of analysis between the abstract (such as that presented by Giddens) and the in-situ ontic (the empirically informed specificities). This meso-level of analysis makes it possible to link the abstract with the empirical (Stones, 2005, p77-78).

This structuration framework provides a range of concepts that can be used to investigate the adoption of IFRS in Australia. It accommodates attention to intermediate “historical, spatial and social forces, on the one hand, and the situated practices of individual agents, on the other” (Stones, 2005, p6), and the interplay between structure and agency. The adoption decision was made in the context of international efforts to develop one set of global accounting standards, and domestic policy decisions of successive Australian Governments. The decision was also made by a group of people, that is, members of the FRC, who acted within a specific conjuncture in making the adoption decision. Stones’ notions of position practices and position practice relations provide the tools necessary to examine the institutional context that the FRC members were situated within, and also the extent of their knowledge and the circumstances and events around them; that is, the options available to them.

The structuration process as it relates to IFRS adoption in Australia is one of broad scope and scale, and although this thesis acknowledges the interplay between structure and agency in this process, it is not the intention to analyse all elements equally. There is quite extensive research focussed on agency in the context of accounting standard-setting (Hines, 1988, 1991; Young, 1994, 2003). This work is of significance, in that human agency is, after all, the force that gives rise to standards in the first place. With some exceptions, (Arnold and Sikka, 2001) less research attention has been given to the study of structure in a standard-setting process, and, even less focus has been directed toward theoretical issues of structure and structuration (see Buhr, 2002 and Tollington, 2006 for notable exceptions, refer to section 4.4 for a synopsis of structuration studies in accounting). Given this research history, the focus in this thesis will be more on structure and less on agency, a partiality justified by Stones (2005, p142):

...problems of scope and scale would certainly prevent very broad spatio-temporal frames being translated in toto into the currency of strong structuration. Nevertheless, this would not prevent the researcher from selecting specific aspects of the context that provides the broader frame for one strong structuration study...

Further, Stones (2005, p144) notes that there are “many points within [a] structural context that could be selected as an object of study and analysed in more detail on the basis of some or all of the elements of the quadripartite cycle of structuration”. Similarly, Giddens’ structuration theory “can be drawn on as and when the sociologist feels that it (small bits, or whole chunks of it), would prove illuminating or helpful for a particular analysis” (Layder, 1994, p125). Effectively, both Giddens and Stones accept that in some studies it is appropriate to be discerning with regard to scope and structuration concepts used.

Accordingly, although the role of agency is examined in this thesis in Chapter 7, the strength of the thesis lies with critical attention to the structural conditions that have contextualised the adoption decision. Chapters 5 and 6 attend to the “histories of causal processes of structuration” (Stones, 2005, p126) or, as described by Archer, the “analytical histories of emergence” (1995 as cited in Stones, 2005, p126). The significance of structural conditions in the structuration process is highlighted by Stones as he comments on the work of Giddens and the latter’s ‘dignity of the agent’, noting that it:

...needs to be set against the diffuse societal influences within the agent derived from the external structures of signification, legitimation and domination. This societally embedded dimension is consolidated when the latter emphases are explicitly linked not only to the *a fronte* consciousness of the conjuncturally-specific but also to the general dispositions, accruing slowly, *a tergo*, over the years. These are dispositions that harbour novel and hybrid, but nonetheless enduring types of social solidarity, community, intimacy and

commitment that survive and transmute in the context of the new urban divisions of labour and conditions of life (2005, p195).

Thus, the ‘dignity of the agent’ or, the capacity of a knowledgeable agent to act/interact (Giddens, 1984), is always situated in what has come before. The internal structures drawn on by the agent have to some extent been created and shaped by their context; their conjuncturally specific knowledge (ie. the knowledge specific to the position practice they occupy) explicitly linked to the external structures (conditions of action) and their general dispositional knowledge shaped over the longer term by diffuse societal influences. Having said this, it is important to remember that although knowledge of individual actors may be shaped by context, it is not reducible to it; it is also bounded by unconscious desires and unacknowledged conditions of action (Giddens, 1984, p282), as reflected in Giddens’ stratification model of the agent (refer to section 4.2.2 and Figure 4). Thus, this thesis affords heightened awareness of external structures and the manifestations of globalisation as they concern the internationalisation of accounting standards.

With respect to the agency element of the structuration process, ‘theorist’s conduct analysis’ is used as an alternative to close ‘agent’s conduct analysis’. With the former, the researcher is encouraged to make supposition from afar about the broad frames of meaning of the agent-in-context (ie. the FRC). While the level of hermeneutic analysis is low, Stones (2005, p144) suggests that this approach is quite acceptable to identify situational tendencies. As suggested in section 7.1, with too much detail, it may be difficult ‘to see the wood from the trees’.

Of particular interest in this study is the ‘unintended consequences’ of the adoption decision (discussed in Chapter 8). As suggested by both Giddens (1994) and Stones (2005) ‘unintended consequences’ should always be interpreted within the flow of ‘intentional’ conduct. But how is it possible to ‘know’ the intentions of others? How can the ‘intentions’ of a group, such as the FRC, be reduced to singular intentions? It is acknowledged that the language of ‘intentions’ and ‘consequences’ creates a rather tenuous and indeed fragile intellectual grounding for the analyses and claims about the adoption decision, and this is of concern to this study. Nonetheless, this thesis has adhered to a language of ‘intentions’ and ‘consequences’ for two reasons.

First, this thesis privileges the view that the transition to international standards is a structural imperative of participation in global markets. Structures of financial capitalism require a standardisation of information flows that will interpret national specificity and local heteronomy as informational inefficiency (Lundholm, 1991). Accordingly, there is a simple economic reason for the singularity of international reporting standards (refer to Chapter 5). Second, the rhetoric of ‘decentred self’ or of ‘structural imperatives’, is publicly unpalatable in justifying the move to international reporting standards. Thus, the discourse of standard-setting (and the legitimacy of authority) remains mired in the rhetoric of ‘intentions’ and ‘consequences’, as if the will and value preferences of standard setters could somehow contain enough moral force to ‘contain’ structural imperatives. If that is the necessary ‘public’ rhetoric, then it is retained in this thesis. However, the reader should remember throughout that it has never been possible to have confidence in any knowledge of ‘intentions’, and that constraint is particularly important when we speak of the ‘intentions’ of whole groups, as in the case of this thesis and the ‘intentions’ of the FRC.

Of further concern for the researcher is the inability of structuration theory to deal with studies that extend across vast historical and geographical spaces. Given that the internationalisation of accounting is situated within the globalisation phenomenon, and that this study privileges the structural imperatives of global capital, it was necessary to draw on a theory of globalisation to broaden the scope of the study.

1.7 Castell's theorising on globalisation – an introduction

The work of Manuel Castells (1996, 1997, 1998) is used to provide insight into the broader context of international standard-setting and the systems of governance demanded by such activities, especially given that what transpires at the domestic level is now determined by an international body. While Castells does not label his body of work as 'theory', for the purposes of this thesis it will be referred to as *Castells' theorising on globalisation*. Castells' work has been selected as it provides the framework for analysis of international accounting standards in the context of globalisation and the new information and technology infrastructures. These infrastructures have provided the conditions for time/space convergence, where interactions between agents who are physically and temporally distant occur, and local social practices have the potential to be shaped by the distant. These infrastructures have also facilitated the transfer of information across national borders in real time, and modern forms of communication, most notably the world-wide web, have allowed interactions between people in different locales in an almost immediate manner.

This transformation in information and technological infrastructures, along with the fall of communist economic systems, set the scene for the emergence of the new form of informational capitalism and the adoption of neoliberalist policies across much of the

Western world. Neoliberalist ideology rests on the self-correcting ability of the markets and the logic of competition, with little or no government imposed restrictions (Golob et al., 2009, Peck and Tickell, 2002). Ravenscroft and Williams argue that the triumph of neo-liberal discourse not only provided “the background for many (if not most) policy discussions”, [it] “naturalised a particular worldview, thus placing its essentially moral nature beyond debate” (2009, p775-776). Further, neoliberalist ideology informed developments in accounting policy and regulation, transforming accounting’s dominant purpose from ‘accountability’ to ‘information usefulness’ (Ravenscroft and Williams, 2009) as reflected in the decision useful objective in the revised IASB *Conceptual Framework*.

Castells (1996, 1997, 1998) suggests that although globalisation is the central driving force behind major economic, cultural, social and political changes that are affecting people worldwide, it does not indicate global convergence or the emergence of a single world society. He also posits that as some individuals, communities/countries are integrated into global networks of power and prosperity, others are excluded and marginalised. New forms of governance emerge at national, regional and global levels. In respect of international accounting standards, the IASB has emerged as the dominant force with the potential to wield vast amounts of power. As other supranational organisations such as the World Bank, the International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD) advocate or support the use of IFRS and the ‘Western way’ of doing accounting, they “serve to create and sustain asymmetries and imbalances across international borders” (Graham and Neu, 2003, p467). These implications extend well beyond the economic, with fundamental changes to the social fabric, and to the political and legal frameworks of many

countries. Therefore, in order to address the first research question relating to the broad context of the adoption decision, Castells' theorising on globalisation is drawn upon.

1.8 Research method

The study involved an examination of both primary and secondary data. Where possible, the research extended to a retrospective study of documents which were available in the public domain (eg. published minutes of FRC meetings, parliamentary transcripts, press releases, web-based information, government policy documents and media reports). In Western countries, such documents are vehicles of public accountability, and are therefore considered to be legitimate source materials. In some situations (such as historical data relating to the IASC and other agents involved in the international standard-setting arena) secondary data was the only feasible source of information.

Specifically, this thesis relies on the research steps as provided by Stones (2005) (refer to section 3.5.3) which direct the analysis from the broad reaches of globalisation to the agency of the FRC members.

1.9 Organisation of thesis

The remainder of this thesis is organised as follows. Chapter 2 provides a background to the study by outlining standard-setting in Australia until the time of the adoption decision. As this thesis is to some extent concerned with the political nature of standard-setting, the chapter also outlines the relevant literature in this area, particularly that relating to the Australian context. However, as discussed in the chapter, the adoption decision was not purely political in nature; it was also shaped by economic, historic and cultural contexts over an extended period of time, and influenced by a variety of agents situated within multiple complex relationships.

The account given of IFRS adoption in Australia is consistent with a critical history of accounting, digressing from the accepted narrative of the internationalisation of accounting. The methodological approach of the thesis is presented in Chapter 3, with specification of the ontological and epistemological commitment of the researcher. The chapter outlines the methodological guidance provided by Giddens (1994) and the more definitive research framework as suggested by Stones (2005). Attention is then focussed on the specific research steps as offered by Stones, and how these are supported by an layered theoretical framework based on concepts drawn from the work of Giddens, Stones and Castells.

Chapter 4 explores the concepts of structuration theory as offered by both Giddens and Stones, and in the process identifies the limitations of this theory, including its inability to deal with broad temporal and spatial contexts. The theoretical framework of the thesis is thus extended by reference to relevant concepts from Castells' (1996, 1997, 1998)

theorising on globalisation. Such a layered theoretical framework is used as it allows for an examination of the internationalisation of accounting and its manifestation in the Australian context.

Chapter 5 begins an analysis of the empirics of the adoption decision, by providing an outline of the broad spatial and temporal context. As the decision was situated in a movement towards the internationalisation of accounting, it resides within the context of globalisation, a phenomenon which arguably had been manifest for the better part of the 20th century. The discussion highlights the restructuring of world orders and the pre-eminence of neoliberal ideology which came to underpin the operation of global capital markets and domestic policy platforms, such as those of successive Australian governments and, which set the conditions for the emergence of new global governance organisations, such as the IASC (IASB). The discussion in the chapter is directed by concepts drawn from Castells' (1996, 1997, 1998) theorising on globalisation, and it begins to frame the answer to the first research question: *What was the broad spatial and temporal contexts influence the adoption decision in Australia?*

Chapter 6 gives attention to the broad canvas specifically as it relates to financial reporting and accounting standards. In this chapter the multitude of actors on both the global and domestic stages of accounting standard-setting, and the complexities of relationships that the FRC was firmly ensconced within, are acknowledged. In terms of structuration theory, this chapter examines the external structures which were influential in the adoption decision, namely those of international accounting governance and domestic corporate law. This chapter touches on the first research question, but more specifically addresses the second research question: *What factors influenced a change in*

Australian accounting standard setting policy from that of harmonisation with international accounting standards to wholesale adoption?

A micro-level of analysis is provided in Chapter 7, through an examination of the members of the FRC, their internal structures and how these structures were drawn upon in making the adoption decision. The discussion in this chapter acknowledges that even though agents may be faced with conditions that seem beyond their control, they always have the capacity to act or refrain from acting; they have the ability to make choices among available options. Thus, the FRC members when faced with the crisis of corporate collapses in Australia in the early 2000s, had available to them a number of options with respect to international accounting standards. This chapter is directed towards the second research question, as above.

Chapter 8 addresses the third research question: *What are some of the unintended consequences that have emerged from the adoption decision?* These consequences are set against the ‘intended outcomes’ of the adoption decision as reflected in the official rhetoric. The reader, however, should be mindful of the dangers of attributing ‘intentions’ to a group such as the FRC, and a more useful descriptor might be publicly acknowledged ‘rationales’. Having said this, the chapter explores some of the outcomes of the decision, such as those relating to the ongoing convergence project between the IASB and the FASB. The chapter acknowledges the influences of the other significant players at the international level of standard-setting, particularly those interests that are part of the continental European bloc. The ramifications of US and European dominance are of relevance to other sites/jurisdictions which are adopting or converging with IFRS and, in substance, losing control over their domestic standard-setting

capabilities. Attention is also drawn to the consequences in the Australian context of sector-neutral standards; IFRS are primarily designed for profit-making listed companies, however in Australia domestic policy mandates application to all sectors.

The conclusion highlights the contributions of the thesis to each of accounting literature, methodology, theory and practice, as well as acknowledging the research limitations and suggesting opportunities further research.

As is evident from this chapter, international processes in general, and how they influence Australian accounting in particular, require a broad theoretical and cultural scope for credible analysis. However, such processes are already and always located within the local histories of the agents, structures, and episodes that precede them and thus make them possible. For that reason, the analysis which follows in Chapter 2 takes a step back and explains the local, historical context of accounting regulation in general and accounting standard-setting in particular within Australia. Such explanation is necessary to extend scholarly understanding of the situation of and consequences likely to flow from Australia's embrace of international accounting standards.

Chapter 2 Setting the scene

2.1 Introduction

The aim of this chapter is to provide relevant background, focussed primarily on standard-setting arrangements in Australia and the literature relating to the political nature of standard-setting. Standard-setting arrangements in Australia have been controlled and shared at different times by two interest groups, broadly classified as the professional accounting bodies and government bodies, and are now technically within the control of the latter via the FRC. This shifting balance of power between the two primary interest groups reflects the significance of political influences in the standard-setting arena (Stoddart, 2000). The political aspect of the standard-setting process, particularly with respect to discrete aspects of the process (eg. submission of comment letters), has been the focus of an emerging subset of the accounting literature, and an introduction to this is provided in this chapter.

This chapter proceeds as follows. First, a brief chronology of changes in the standard-setting infrastructure in Australia is provided in section 2.2. This is followed by an introduction to the literature on the political nature of standard-setting in section 2.3. Section 2.4 considers the gaps in this literature, and section 2.5 suggests how the current thesis adds to the literature on the standard-setting process thesis adds to the literature on the standard-setting process.

2.2 History of accounting standard-setting arrangements in

Australia

Standard-setting in Australia during the last part of the 20th century was fraught with political debate, with respect to both regulatory arrangements and the nature and content of standards. This section highlights the political tussle between the professional bodies and the government (and associated bodies) over the standard-setting process up until the time of the adoption decision, while section 2.3 moves on to a consideration of the literature concerning the political nature of the standard-setting process and consequent standards. This background underscores the significant changes that have occurred as a result of the adoption decision, and is extended by a more detailed discussion of the key players in Chapter 6.

2.2.1 Standard setting by the profession to 1984

The main professional accounting associations in Australian, the Institute of Chartered Accountants (ICAA) and the Australian Society of Accountants (ASA) (forerunner to CPA Australia) were established in 1928 and 1952 respectively ¹⁵ and, between them today, represent approximately 205,000 professional accountants¹⁶. These bodies worked collaboratively over the years on the development of accounting standards via joint standard-setting boards¹⁷ and with the support of a joint research body, the

¹⁵ The predecessor of the Institute of Chartered Accountants was the Australasian Corporation of Public Accountants which was established in 1907. The predecessor of the Australian Society of Accountants was the Incorporated Institute of Accountants, Victoria, which was established in 1886.

¹⁶ The membership of the Institute of Chartered Accountants in 2013 was approximately 61000 members (ICAA, 2013, p2). The membership of CPA Australia in 2013 was approximately 144000 members (CPA Australia, 2014).

¹⁷ The Australian Accounting Standards Committee (AASC) was established 1973 and the Accounting Standards Board (AcSB) was established 1978.

Australian Accounting Research Foundation (AARF). Representatives of the professional bodies participated in internationalisation efforts, initially as founding members of the IASC, and later as members of the G4+1¹⁸ and the IASB.

Despite the combined efforts of the two professional bodies, there were claims that their standards were untimely and unused by companies (Craig and Clarke, 1993, Henderson et al., 1995, Collett et al., 2001). There was no legislative backing for the standards, and the professional bodies' disciplinary powers extended only to members. However, the responsibility for the preparation of financial statements was held by directors (as per the relevant companies' legislation¹⁹) who were not always members of the professional accounting bodies, so noncompliance with the standards by directors did not always fall within the disciplinary ambit of the professional bodies. In addition, the profession did not specifically require compliance with the standards, but rather stipulated required disclosure of noncompliance (ASA, 1979 as cited in Henderson et al., 1995, p9). Thus, members of the profession were free to avoid the use of standards as long as they disclosed the matter in the relevant financial statements. The high rate of

¹⁸ G4+1- This body was comprised of representatives from the UK, US, Canada, Australia and the IASC with the aim to develop discussion papers on accounting issues and to provide input to the international standard setting process.

¹⁹ Companies' legislation in Australia has taken different forms over the last century, primarily as a result of various attempts at the creation of uniform legislation between the Australian states. Under the Australian Constitution the Commonwealth Government does not have the power to create legislation for companies, so up until the early 1960's each Australian State created its own legislation. During 1961-1962 each state established similar companies legislation, entitled *Companies (State) Act (1961) or (1962)*, which was commonly referred to as the Uniform Companies Acts. In 1981 this scheme was replaced by the co-operative scheme, whereby the Commonwealth Government created the *Companies Act (1981)*, and each state passed legislation which applied the Commonwealth law as a State law. In 1991 the National Scheme of Companies regulation came into play, based on the *Corporations Act (1989)* and the *Australian Securities Commission Act 1989 (Commonwealth)*, in which the Commonwealth amended the foregoing legislation to limit it to the Australian Capital Territory (ACT), and each state passed its own application legislation. In 2001 each state referred their power to legislate for companies to the Commonwealth Government. The current legislation applying to companies is referred to as the *Corporations Law*, with the main legislation being the *Corporations Act 2001(Cth)* and the *Australian Securities and Investment Act 2001(Cth)* (Tomasic et al, 2002, pp 17-28).

noncompliance by professional accountants in the context of corporate fraud and mismanagement prompted the NSW Corporate Affairs Commission to lobby the National Companies and Securities Commission (NCSC) (Attorneys-General of State and Federal Governments) to establish a board to review the approval phase of accounting standards (Craig and Clarke, 1993, Henderson et al., 1995) .

2.2.2 Standard setting by the government from 1984

In 1984 the Ministerial Council of the NCSC established the Australian Accounting Review Board (ASRB). Craig and Clarke suggest that this was:

...a very significant event in the history of the accounting profession in Australia. It was a very dynamic political response to perceived community concerns about the inability of the professional accounting bodies to effect self-regulatory standards (1993, p56) .

The ASRB was funded by the Government and responsible to the Federal Attorney's General Department (Collett, 1995). Its members comprised a chairman, two representatives from the professional bodies, and four members drawn from panels of names submitted by organisations such as the Australian Securities Exchange (ASX), the Business Council of Australia, the Institute of Directors in Australia, the Australian Merchant Bankers Association and the Australian Shareholders Association (Craig and Clarke, 1993, Henderson et al., 1995). The ASRB was granted significant control over the setting and approval of accounting standards by virtue of the *Companies and Securities Legislation (Miscellaneous Amendments) Act 1983*. This legislation included the requirement that company accounts be prepared in accordance with 'applicable approved accounting standards' (issued only by the ASRB), as long as compliance resulted in a true and fair view of the financial performance and position of the

company (True and Fair override²⁰). Thus, although the profession's AcSB continued to develop standards for use by members, the ASRB effectively had control over standards that were to be used in the preparation of statutory financial statements.

The profession resented this loss of control, and it made it very difficult for the ASRB to function effectively. The professional bodies refused to hand over copyright of their existing standards and “appeared to delay and equivocate on every matter referred to them by the ASRB” (Craig and Clarke, 1993, p56). As a result, the ASRB was very unproductive. Eventually, the profession managed to influence new appointments to the ASRB to the extent that “virtually all members of the Board might reasonably be expected to have some community of interests with the professional associations” (Walker, 1987, p282). In other words, the government body of the ASRB had been captured by the profession that it had been established to regulate.²¹

In 1988 the profession-sponsored body, the AcSB, disbanded, and the ASRB remained the sole standard-setting board in Australia. Its membership was increased to nine members, with the profession controlling two of these positions. The profession contributed technical and administrative support and funding of \$1.3 million²² per year (Craig and Clarke, 1993, p57). McGregor (1995, p17) describes this period as “a joint arrangement”, in which a government statutory body, the ASRB, was supported by the profession.

²⁰ True and Fair Override – before legislative amendments in 2001, reporting entities could avoid the use of applicable approved accounting standards if to do so would fail to provide a True and Fair view of their financial performance and position (as per Section 298(2) *Corporations Act 1989*).

²¹ Consistent with regulatory capture theory (Walker, 1987; Godfrey and Langfield-Smith, 2005; Dal Bo, 2006; Cortese et al, 2010).

²² Unless specified, all references to \$ are to Australian dollars.

In 1991 standard-setting arrangements were again revised. The ASRB was replaced by the Australian Accounting Standards Board (AASB) and membership increased to 11 members to allow representation from user groups. Most significantly, after concerns over significant noncompliance with standards by companies (Stoddart, 2000; Deegan, 2008), revisions to the *Corporations Act (1989)* removed the ‘True and Fair’ override, and the use of AASB standards became mandatory. This meant that accounting standards acquired the force of law, and that even if company directors believed that application of one of the standards resulted in misleading financial statements, the company was still required to comply with the standard (directors had the option to provide explanatory material in the notes to the financial statements). The legal backing of the standards also imposed a far greater responsibility on the standard setters; they had to ensure that standards issued would be suitable for a vast range of industries and contexts, and for the varying needs of different preparers and users of financial statements.

In 1993 the Australian Labor²³ Government instigated the Corporate Law Simplification Program in an effort to make the law easier to understand and compliance less costly. The *First Corporate Law Simplification Act* was passed in 1995 and significantly reduced the reporting burden of proprietary companies (Stoddart, 2000). Further reform by the Labor Government was halted with a change of government in 1996. The new Coalition Government²⁴ supported the Simplification Program, however renamed it the

²³ Australian Labor Party – a social democratic party, with traditional policies of social intervention and more recently economic liberalism (Australian Labor Party, 2010) .

²⁴ Coalition Government - the Government was formed by a coalition of the Liberal and National Parties of Australia who traditionally espouse centre-right conservative policies. The leader of the Coalition government was the Honourable John Winston Howard, Prime Minister 11/3/96 to 3/12/07 (Commonwealth of Australia, 2010).

Corporate Law Economic Reform Program (CLERP)²⁵ and extended the reform to the setting of accounting standards.

The *Corporate Law Economic Reform Program Act 1999 (CLERP Act 1999)* was passed in 1999, introducing substantial changes to the *Corporations Law 1989* and the *Australian Securities and Investment Act 1989*. In particular, the *CLERP Act 1999* stipulated changes to the standard-setting infrastructure in Australia, effective from 1st January 2001. The Financial Reporting Council (FRC) was established to oversee the standard-setting process, and the PSASB was disbanded. The new *ASIC Act 2001* outlined the functions and powers of both the FRC and the AASB. Specifically, s225 stated that the FRC was to work towards the development of a single set of worldwide accounting standards and promote the adoption of international best practice in Australia. Despite the fact that the legislation did not specify a preferred set of standards, nor the means of achieving best practice, nor a timeframe for action, the FRC acted quickly to adopt the standards of the IASB in June 2002 (effective 1st January 2005). This was a “shock decision” (Godfrey and Langfield-Smith, 2005, p1975), which involved a change in policy from ensuring consistency with IASB standards to outright adoption (refer to section 1.3). The role of the AASB was reduced to review of IFRS (which are the result of political compromise at the international level), and release with minor modifications if necessary for use by Australian entities. In effect, control over the nature and content of Australian standards now rests with the IASB.

²⁵ CLERP - Corporate Law Economic Reform Program – an initiative of the Australian Federal Government to improve Australia’s business and company regulation. It was announced by the Federal Treasurer in March 1997.

2.3 The political nature of standard setting

Accounting standard setting is a social process, and thus implicitly political. As suggested by Fogarty et al (1994, p24) “any specific action within a broader social environment suggests a contextual meaning of politics. This implies that the realm of the political cannot be separated from the social”. Changes to the regulatory arrangements in Australia, including the shifting power among participants have, to a large extent, been effected by political pressures as indicated in the previous section. The ‘political’, however, extends well beyond the structuring of regulatory arrangements, and as Walker and Robinson (1993) suggests, may include voting behaviour of members of rule-making bodies, influences on the outcomes of standard setters, agenda formation, interaction of international bodies with domestic bodies, and the effectiveness of such interaction. The accounting literature has addressed these elements of the political process to varying extents as discussed below.

Within the accounting literature, Zeff (1978) was one of the first to address the political nature of accounting standard setting, with his seminal paper on the influence of economic consequences in the standard-setting process. Since that time disparate offerings to the accounting literature have addressed the notion of ‘political’ as it applies to the standard-setting process. Significantly, acknowledgement of the political perspective:

...disregards the unrealistic view that financial information is prepared and presented within a social and political vacuum. Political conflicts are regarded not as constraints on the technical process, but as fundamental to the nature of regulation and choice (Chand and Cummings, 2008, p175).

Fogarty et al (1994) classify the literature on the political nature of standard setting into three categories. First, there are those who challenge the idea of an apolitical standard-setting process (see Hines 1989; Fogarty 1992). The second category relates to those studies which identify the existence and operation of special interests and the lobbying process (see Hussein and Ketz 1980; Moody and Flescher 1986; Hill et al 2002). However, they tend to be without “the explicit guidance of theory” (Fogarty et al., 1994, p27). Fogarty et al’s (1994) third category of studies includes those that attempt to overcome these conceptual limitations by drawing on wider theoretical structures. Studies within this third category tend to focus on national standard-setting processes. For example, Hope and Gray (1982) examine the role of power and politics in the process of setting a particular standard in the UK drawing on the concept of power as an omnipresent unifying force. Durocher et al (2007) attempt to build an explanatory theory to describe the participation of users in the standard-setting process in the Canadian context, with reference to micro-behavioural and macro-organizational research. Van Lent (1997) examines the lobbying behaviour of participants in the Dutch standard-setting process through the lens of pluralist theory. Elbannan and McKinley (2006) take a slightly different tack with their attempt to develop a theory that identifies the variables that stimulate corporate resistance to FASB standards, particularly cognitive, social and political drivers.

With increasing prominence of international accounting standards, the literature has expanded to include studies that examine the political influences on the international standard-setting process, some drawing on broader theoretical structures. Larson (1997, 2007) examines constituent participation in the setting of international accounting standard interpretations and the role of this in the IASB’s (IASC’s) quest for legitimacy.

Kenny and Larson (1993) consider lobbying efforts by developing nations in the international standard-setting process, while Georgious (2010) examines lobbying behaviour of UK firms with respect to the IASB standard-setting process. Brown (2006) draws conclusions about the ability of constituent groups to influence the IASB and the Australian FRC via membership and funding of the respective boards. Kwok and Sharp (2005) examine the influence of key stakeholder groups on the standard-setting process of the IASC, with particular consideration of the distribution and exercise of power in this process. Cortese et al (2010) examine the influence of powerful players in the setting of IFRS6 *Extractive Industries* through the lens of capture theory.

Studies in the Australian context tend to focus on political influences on the reform of the standard-setting infrastructure, by reference to submission letters and in most cases in the absence of theoretical framing. Collett et al (1998) analyse respondent submissions to the CLERP Policy Paper, noting the ability of corporate Australia to influence the nature of corporate reform. Stoddart (2000) also analyses respondent submissions to the CLERP proposals, and although reference is made to “conceptualisations of the regulatory processes such as corporatism and inter-organisational domain conflict” (Stoddart, 2000, p732), the theoretical underpinning is relatively weak. Brown and Tarca (2001) draw on public and private interest theories of regulation to analyse submission letters to CLERP proposals. Within a broader paper on regulatory capture in the globalisation of accounting standards, Godfrey and Langfield-Smith (2005) examine the political drivers of accounting standard-setting reform initiatives.

Other studies which focus on specific issues in the Australian context include: Deegan (1990), with an examination of submission letters relating to proposed disclosure requirements; Groen and Lamis (1994) who outline the events surrounding the disallowance of an accounting standard, AASB1015 *Acquisition of Assets*, by the Australian Senate; Collett et al (1998) who suggest lessons to be learned from Australian standard-setting experiences, including the political fallout from the introduction of Statement of Accounting Concepts 4: *Definition and Recognition of the Elements of Financial Statements* (SAC4) and the disallowance of AASB1015; and Ryan et al (1999) who use content analysis to document constituent participation in the due process of an exposure draft relating to the Australian public sector. Howieson and Langfield-Smith (2003) and Haswell and McKinnon (2003) both examine the adoption decision, the former in the context of government economic policy and the latter in the context of political expediency.

2.4 Gaps in the literature

A plethora of Australian studies on standard setting focus on the examination of submission letters as a proxy for political activity. According to Walker and Robinson, this stage of submissions “is actually a relatively insignificant part of the overall political process” (1993, p32). Furthermore, there is evidence that submission letters are from a limited range of respondents, with “low levels of participation from both preparers of financial reports and supposed users of accounting information” (Walker and Robinson, 1993, p29). Howieson (2009) and Cooper and Robson (2006) suggest that a far more significant area for study relates to agenda formation, which ultimately determines which topics and regulatory strategies even ‘make it to the table’ for discussion. Further, Elbannon and McKinley (2006) consider lobbying outside of the

formal submission process of significance. Thus, there remains broad scope for consideration of the political aspects of standard-setting beyond that revealed by an examination of submission letters within a discrete time frame.

The extant literature on the standard-setting process in the Australian context generally lacks theoretical definition, although occasionally it is provided by reference to theories of interests (eg. Brown and Tarca, 2001) or conflict (eg. Stoddart, 2000). While this approach is suitable for examining changes to a particular accounting standard, it is inadequate for an examination of the decision to adopt international accounting standards. Due to the scale, multiple influences, complexities and consequences of the adoption decision, a broader theoretical framing is required.

In addition, the aforementioned literature focuses on political aspects of the process, with limited attention to the broader context of standard setting. As highlighted by Caramanis (2002, p380) there is a lack of in-depth studies of “the impact of international forces on local accounting practices, discourses and institutions, especially that deal with contemporary processes and events”. This thesis moves beyond the local, using structuration theory and Castells’ theorising on globalisation to explore the international influences on the adoption decision.

Furthermore, the studies mentioned above tend to focus on one particular institution, such as the IASC or the AASB, without attention to the “polycentric, network or coordinated character of regulation work and the complex of relations between national agencies” (Caramanis, 2002 as cited in Cooper and Robson, 2006, p431). Although it is impossible to comprehensively address the complexities of the relationships that exist in

the world of international accounting standard setting, this thesis provides insight into the most significant conditions and relationships relevant to a discussion of the adoption decision.

2.5 Extending the literature

The adoption decision, although influenced to some extent by early submissions on CLERP (as mentioned above), was the outcome of the interactions of multiple actors on multiple stages over an extended period of time. As suggested, the decision was shaped by political processes within a much broader historical, social and economic context. This thesis navigates this context with the use of structuration theory and concepts drawn from the work of Castells.

The adoption of the IASB standards in Australia occurred in the context of globalisation and corresponding changes in the global economic and political landscapes, and various efforts relating to the internationalisation of accounting standards. Driving these changes were the underlying ideologies of economic globalisation, international governance, and most significantly, neoliberalism, as discussed in Chapter 5. The movement towards one set of global accounting standards involved the actions and interactions of multiple actors across global political, economic and professional spaces, and the intersection of a number of circumstances and events over a period of at least 30 years. These meso-influences are addressed in Chapter 6. Further, in Chapter 7 the thesis explores how the decision was shaped by the individual members of the FRC, their backgrounds and experiences. As can be seen, an examination of the adoption decision in Australia requires analysis from the macro-level of globalisation down to the

micro-level of individual FRC members, and the complex web of actions, interactions, events and circumstances over an extended period of time.

This thesis adopts a qualitative approach to allow for a rich description of the complexities of the transformation process and its ensuing consequences. In addition, it adopts a methodology which accommodates and embeds the concepts of critical analysis, to provide scope for the exploration and critique of the prevailing rules, beliefs, power differentials and ideologies, and their role in the transformation of financial reporting in Australia. Consequently, this thesis extends the literature on the accounting standard-setting process in a number of ways; it moves beyond an analysis of discrete components of the standard-setting process (eg, submission letters); it acknowledges the broader social, political, economic and historical context of standard-setting; and it has the potential for resonance in other institutional settings. Furthermore, it exposes the consequences of the adoption decision, in particular those that were unintended at the time of the decision.

2.6 Chapter Summary

This chapter provides a brief history of Australian standard-setting arrangements up to the time of the adoption decision, highlighting the effects of political influences on these arrangements. The chapter builds on the notion of political influences in the standard-setting arena with reference to relevant accounting literature, but as noted, this literature is often limited to a restricted component of the overall process, namely the submission of comment letters. Furthermore, much of the literature focuses on standard setting in domestic contexts, with only a few papers exploring international standard-setting arrangements.

This thesis extends beyond the examination of a discrete element of the process to one much broader. It acknowledges that the adoption decision was not purely political in nature; it was also shaped by economic, historical and cultural contexts over an extended period of time. Further, it is suggested that the decision was influenced by far more than a handful of submission letter correspondents; actors large and small, international and domestic interacted in multiple spaces, drawing on numerous and often conflicting rules and resources to affect outcomes.

The synoptic historical account provided in this chapter backgrounds the more in-depth discussion of the history of Australia's involvement with international standard setting that will be the subject matter of Chapters 5 to 8. Since this is a study perhaps best understood as critical history framed by structuration theory, Chapters 3 and 4 will provide a comprehensive discussion of methodology and theory as adopted in this thesis. Structuration theory is not a narrowly circumscribed intellectual position; rather, it is designed to accommodate a range of concerns and approaches. For that reason, the reader should understand the approach to structuration theory as partial and offered in the context of what it can contribute to the more important concern of this thesis, namely the provision of insight into the Australian context of international standard setting.

Chapter 3 Methodology

3.1 Introduction

The current chapter presents the methodological approach, or the “set of spectacles” (Laughlin, 1995, p67) through which the research is viewed. A critical methodology is adopted to allow for an exploration and critique of the agents and structures involved in the transformation of the financial reporting system in Australia. It is historical in nature, but unlike a traditional narrative of events, draws on different lenses to provide new insight into the adoption story. Accordingly, the researcher is drawn to research that is qualitative in nature, acknowledging the subjective nature of research and allowing for rich description of a complex situation. Theoretical definition is provided by reference to Giddens’ (1976, 1979, 1984) structuration theory, Stones’ (2005) strong structuration and Castells’ (1996, 1997, 1998) theorising on globalisation (these will be elaborated in Chapter 4). As this thesis explores broad spatial and temporal contexts, an array of source material, both primary and secondary, is used to inform the study..

This chapter proceeds as follows. First, a brief overview of extant accounting research is provided in section 3.2 with reference to the Burrell and Morgan (1979) framework for classifying social science research (as referred to in Hopper and Powell, 1985). Section 3.3 positions the current thesis within this framework, outlining the underlying philosophical assumptions. This is followed by a discussion of Giddens’ methodological reflections in section 3.4, and that of Stones’ in section 3.5. Section 3.5.3 and 3.5.4 describe respectively the research steps and method.

3.2 Positioning of the research

As highlighted by Lodh and Gaffikin (1997, p464), any research reflects the worldview of the researcher and his or her underlying assumptions about ontology, epistemology and methodology. Not only is all research “partial” (Laughlin, 2004, p65), but the methodology adopted will draw attention to particular aspects of the research and overlook others (Lowe, 2004), thus the imperative to specify assumptions underlying any research and the role of the researcher. In order to position the current research, a general discussion of social science research, followed by a discussion of accounting research, is provided.

3.2.1 Classification of social science research

The Burrell and Morgan (1979) framework has been used extensively in the social sciences to categorise research and was adapted to the accounting realm by Hopper and Powell (1985, p485). This framework, as shown in Figure 1, uses two dissecting dimensions and results in four broad sociological paradigms. The horizontal dimension reflects the aspects of reality (ontology), knowledge (epistemology) and human behaviour, along a subjective/objective continuum. The vertical dimension reflects the different and opposing approaches to society, again along a continuum, from one of radical change (generated by fundamental divisions of interests, conflicts and unequal distributions of power), to one of regulation, order and stability. The resulting four paradigms are radical humanism, radical structuralism, interpretive and functionalism.

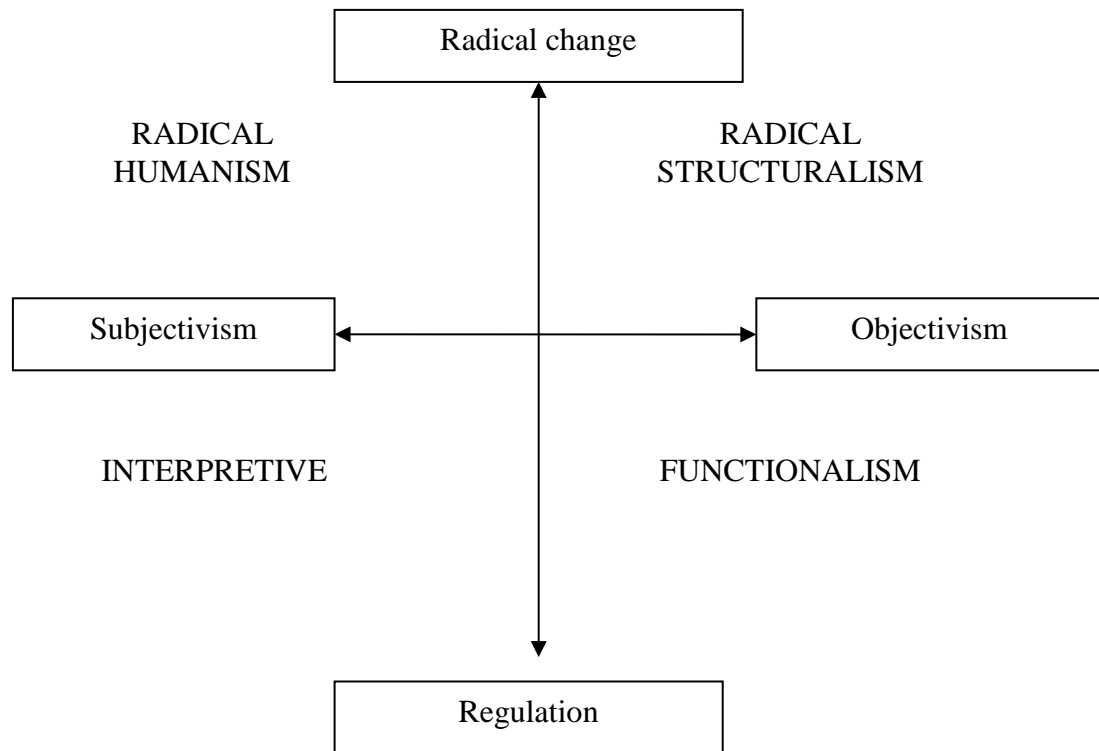


Figure 1 Accounting Schools and Sociological Paradigms

Source: Hopper and Powell (1985, p432), adapted from Burrell and Morgan (1979)

In their application of the Burrell and Morgan (1979) framework, Hopper and Powell (1985, p451) note their unease with the mutually exclusive division of the radical humanism and radical structuralist theories, which they dismiss on the grounds that such a division “carries the danger that concerns of radical structural analysis are seen as incompatible or irreconcilable with those stressing consciousness, rather than seeing both as dialectical aspects of the same reality”. Similarly, Chua (1986, p603) identifies her dissatisfaction with “mutually exclusive dichotomies (determinism v voluntarism)”. Giddens also dispenses with this divide, as reflected in his concept of the duality of structure (which is discussed later in section 4.2.6), and as such studies using structuration theory fall within the top half of this schema.

3.2.2 Classification of accounting research

Hopper and Powell (1985) provide a comprehensive classification of accounting literature up to the time of their paper, noting that most accounting research fell into the category of functionalism, or as it is commonly referred to, mainstream research. Research within this paradigm reflects the assumption of an objective reality of societies, organisations and control systems, outside that of the experiences of the individual, whose behaviour is seen as predictable and largely at the mercy of external forces (Hopper and Powell, 1985, p441-2). Such research follows a positivistic design to methodology, and is usually reflected by the hypothetico-deductive research method. (Chua, 1986, p608). Furthermore, functionalist research in accounting does not acknowledge the part that the researcher plays in creating a picture or reality of accounting, nor the influence that this might have on the perceptions of others and the reconstitution of the practices of accounting.

Mainstream researchers do not usually consider that the choices they exercise in the production of information have value (Lodh and Gaffikin, 1997). Little consideration is given to broader social issues, the organisational or societal role of accounting or issues of conflict and power. There has been little attention to the social and political forces generating change, apart from a small body of literature on the political nature of standard-setting (outlined in chapter 2).

With this focus on positivist methodology and the unquestioning acceptance of the associated assumptions, there is a danger that reality, and in the case of this thesis the development and adoption of international accounting standards, will only be seen as objective. As articulated by Dillard (1991, p9), “unless accounting is viewed through

alternative, different perspectives of reality than the distortions which accounting presents as reality will continue to reinforce and reify the social system from which it emanated". An alternative to functionalist research in accounting has been offered by interpretive accounting researchers, who embrace methodologies such as phenomenology, ethno-methodology, hermeneutics and symbolic interactionism. Using methods such as case studies, interviews and questionnaires, researchers within this paradigm provide an insight into the human side of accounting, the impact of systems on people and acknowledgement of different realities (Hopper and Powell, 1985). Within the interpretive paradigm, social reality is created by human action and interaction, and knowledge is assessed via the "extent to which actors agree with explanations of their action" (Chua, 1986, p614). Although interpretive accounting research has drawn to the fore the social creation of accounting, individual perspectives have limited meaning or relevance outside the context examined, and such research has failed to engage with the broader social context or conflict, and how these affect the individual perspectives. This "neglect legitimates and sustains the current capitalist social, economic and political order, inhibiting meaningful change" (Dillard, 1991, p13).

Hopper and Powell (1985) made one of the earlier requests for a more radical investigation into accounting practice. While acknowledging that "it would be naïve to expect that the 'fresh' approaches to accounting research will eventually constitute the single correct orthodoxy or that they will be capable of being slotted into functional work" (Hopper and Powell, 1985, p456), they suggested that the value of such approaches lies in the friction and debate which they can generate over the relatively unquestioned assumptions of mainstream accounting. At the time of their study they

noted the paucity of accounting research adopting a radical perspective, and their call for critical or radical research into accounting was supported by others (Tinker, 1980; Hopwood, 1983; Cooper and Sherer, 1984; Chua, 1986). Accounting researchers did indeed take up this call, and the ‘critical accounting movement’ emerged over the latter part of the twentieth century. Lodh and Gaffikin (1997) provide a brief summary of the various approaches adopted in this movement, and whilst these approaches are diverse, they all reflect the need to consider accounting in a broader societal context and demanded that development of theory needs to be considered open and refutable (Lodh and Gaffikin, 1997, p436). These studies embrace the top two quadrants of the Hopper and Powell (1985) framework (adapted from the Burrell and Morgan (1979) framework), and include those using structuration theory as advocated by Giddens.

While clearly distinguishing his work from the critical theory as advocated in the writings of the Frankfurt School²⁶, Giddens categorises himself as a critical theorist, stressing the link between social research and social critique (1984, p287). He is not concerned with “formulating practical programs of social transformation as advocated by the Frankfurt School” (Giddens in Held and Thompson 1989, p292-3), but rather requests that contemporary social scientists break free from traditional lines of inquiry and “rework its schemes of analysis...and to engage in new forms of counterfactual thinking to provide a stimulus to social transformation” (Giddens cited in Held and Thompson, 1989, p293). While critical researchers in the Marxist tradition would typically “bring to consciousness...restrictive conditions” (Chua, 1986, p621) as a

²⁶ The Frankfurt School was a group of social theorists and philosophers including Horkheimer, Adorno, Marcuse and Habermas, working in Germany in the early 20th century. Writers within the School rejected traditional Marxist explanations for social developments and concerned themselves with neo-Marxist philosophies of emancipation (Scheepers et al, 1990; Laughlin, 1995).

stimulus for social transformation, Giddens relies on the double hermeneutic²⁷ to effect change.

3.3 Underlying assumptions of the thesis

As mentioned in section 3.2, it is important for any researcher to specify the assumptions underlying his or her research. Accordingly, the assumptions of the current research are set out in the following.

3.3.1 Ontological assumptions

With reference to the Hopper and Powell (1985) framework, the ontological positioning of this thesis is on the objective/subjective axis, where reality is both constructed and constructing. This is reflected in Giddens' concept of the duality of structure, in which the rules and resources drawn upon in the production and reproduction of social systems are at the same time the outcome of such a process. Financial reporting and accounting are situated social practices, held together by the rules and resources (ie. structures) of contemporary business, politics and economics. Actors draw on these structures, as due process for standard-setting is established, accounting standards are negotiated, financial reports are constructed and interpreted, justifications for particular stances are taken, allegiances are formed or ethical conduct is evaluated. As actors draw on such structures to support their actions and interactions, they effectively reconstitute those structures.

²⁷ The double hermeneutic refers to the double process of translation or interpretation that is involved in research – the researcher first of all has to interpret the social meanings or context that is the subject of the research, and then this interpretation re-enters and thus changes that social setting (Giddens, 1984, p284).

3.3.2 Epistemological assumptions

Epistemological assumptions, “decide what is to count as acceptable truth by specifying the criteria and process for assessing truth claims” (Chua, 1986, p604). Giddens (1984, preface) suggests that the typical quest in the natural sciences for established generalisations is not particularly relevant to the social sciences. On the other hand, conceptual schemes such as that offered by structuration theory can be used to order and inform processes of inquiry into social life, and are thus of service to empirical research (Giddens, 1984, pxvii). Giddens goes to great lengths to ensure the internal logic of his concepts and maintains that these concepts are to be regarded “as sensitizing devices to be used in a selective way in thinking about research questions or interpreting findings” (Giddens in Bryant and Jary, 1991, p213). That is, the theories and concepts in this thesis help to frame or locate ways of understanding phenomena, but the interpretation is not predetermined.

3.3.3 Methodological approach

The methodological approach taken, or the “way an investigation is carried out” (Dillard, 1991, p12) in any research study is informed by the underlying ontological and epistemological assumptions, and the degree of theoretical definition desired. This theoretical definition shapes the nature of the methods used and the role of the researcher in the research (Laughlin, 1995). High theoretical definition, for example, means that the method of investigation is largely predetermined and the researcher is mostly irrelevant to the process of investigation (Laughlin, 1995, p67). This thesis is not in this vein. The methodological approach in this thesis is critical in nature and provides a critical history of the transformation of the system of financial reporting in Australia.

As discussed in the next section, Giddens pays little regard to methodological concerns, thus leaving considerable discretion to the researcher. He does however draw attention to the double hermeneutic, in which the reflections and understandings of the researcher seep into and possibly change people's perceptions of reality. Giddens suggests (1984) that this occurs at the intersection of two frames of meaning, namely that of the researcher and of the lay person, where understanding slips between the two. Further, the researcher's version of any story is dependent on their temporal and spatial context; a story told today will be different to that told at another time, as the researcher's own understandings and resources change (Buhr, 2002, p36). The researcher also needs to acknowledge underlying assumptions and methodology, as a particular way of seeing is also a way of not seeing other things (Laughlin, 1995). The following section introduces Giddens' views on methodology

3.4 Giddens and methodology

According to Giddens (as cited in Held and Thompson, 1989, p296), structuration theory "is not intended as a method of research, or even as a methodological approach". Further, Giddens suggests that he has "an eclectic approach to method, which again rests upon the premise that research enquiries are contextually oriented" (as cited in Held and Thompson, 1989, p296). Giddens is not concerned with an assessment of the virtues and drawbacks of different types of methodologies or techniques, and suggests that "qualitative and quantitative methods should be seen as complementary rather than antagonistic aspects of social research" (Giddens, 1984, p287 and p334). He stipulates that there is not only "one format of research which everyone henceforth should adopt" (*ibid*, p327). Structuration theory "can be drawn on as and when the sociologist feels

that it (small bits, or whole chunks of it), would prove illuminating or helpful for a particular analysis” (Layder, 1994, p125). Such flexibility, however, does not sit well with some, and it has been argued that Giddens’ theory lacks “the degree of specification required for empirical work” (Gregson, 1989, p240), rendering it virtually useless, a criticism that will be addressed later in this section.

3.4.1 Giddens’ guidelines for research

Despite his reluctance to fully engage with methodological issues, Giddens insists that his theory can be of service to empirical research and in this respect he presents some rather general guidelines (Giddens, 1984, p284-287).

First, he maintains that all social research necessarily has an anthropological aspect, and as a communicator of any social reality the researcher needs to be conscious of how this communicating is done, the interpretations made, the language used and the descriptions provided. The researcher participates in the double hermeneutic, as concepts introduced by him/her are appropriated by lay persons and so become part of the social reality that they initially propose to understand. In any social research, two levels of interpretation are involved, that is of the agent and of the researcher. As the researcher makes his/her interpretation, this is “appropriated within social life itself” (Giddens, 1984, p284) and implicitly effects change. Accordingly, the researcher acknowledges the critical nature of this thesis by virtue of the double hermeneutic, and is sensitive to the subjective nature of the communications made.

Second, Giddens (1994, p285) suggests that it is important for the researcher “to be sensitive to the complex skills which actors have in coordinating the contexts of their

day-to-day behaviour”. In terms of the stratification model of the agent (refer to section 4.2.1), the researcher needs to consider what was intended by the actor, how the actor monitors and reflects upon his/her interactions and what the unintended consequences of actions might be. Given that this thesis is exploring an event retrospectively, and that many of the actors are difficult to access, their intentions cannot be ascertained by asking them directly. As such, this aspect of the research was conducted by supposition from afar, or as Stones terms it, theorist’s conduct analysis.

Third, Giddens believes that the researcher needs “to be sensitive to the time/space constitution of social life” (1984, p285), and to do this the researcher should study the contextual features of locales through which actors move in their daily paths and in which these locales stretch away across time/space. This thesis engages directly with the time/space constitution of social life, by acknowledging the various actors, their positions in life, relationships, asymmetries of power, events, interactions, institutions, structures and so on that come together in a particular conjuncture, within the broader context of globalisation, in the process of structuration relating to financial reporting (refer chapters 5, 6 and 7).

3.4.2 Methodological bracketing

While the above guidelines provide a “set of spectacles” for the doing of research, the view through such spectacles is certainly not a focussed one. How exactly is a researcher to find out about the knowledge of the actors, their intentions and their reflections? How is the researcher to identify the contextual features of an agent’s interactions? In an effort to refine his methodological guidelines, Giddens proposes two forms of methodological bracketing in the conduct of research;

- a) strategic conduct analysis
- b) institutional analysis

Methodological bracketing is useful as it allows the researcher to focus on particular aspects of the research endeavour, in this case agency and structure, without distraction from other aspects. The extent to which the researcher explores each dimension will depend on his or her underlying interests.

Strategic conduct analysis basically involves studying the “way in which actors draw upon structural elements – rules and resources – in their social relations” (Giddens, 1979, p80) and placing “in suspension institutions as socially reproduced” (Giddens, 1984, p378). The analysis of strategic conduct means bringing to the fore the discursive and practical consciousness of actors, and “to strategies of control within defined contextual boundaries” (Giddens, 1984, p43).

Institutional analysis, on the other hand, “places in suspension the skills and awareness of actors, treating institutions as chronically reproduced rules and resources” (Giddens, 1984, p375). Giddens argues first for an analysis of strategic conduct, then with recognition of the duality of structure, and finally moving the analysis outwards to determine how practices followed are embedded in wider reaches of time and space; that is, their relationship to institutional practices (1984, p297).

Apart from these rather abstract directions, Giddens does not further develop methodological aspects of his theory. He is content to let his concepts serve as ‘sensitizing devices’ to be used to for the doing of research. Criticisms have been raised

regarding Giddens' methodological bracketing. For example, Cohen (1989 as cited in Stones, 1991, p675) argues that Giddens fails to give consideration to the methodological brackets necessary to analyse the time/space patterning of social systems, and proposes the use of system analysis to fill this role. The following section discusses additional methodological guidance provided by Stones.

3.5 Stones and methodology

3.5.1 Methodological bracketing

Stones (2005) also finds fault with Giddens' methodological bracketing, although he acknowledges the utility of such bracketing:

Brackets provide sets of regulative and selective guidelines that can direct the researcher to some dimensions of a social object rather than others...Bracketing allows one to focus more sharply on the issue of which abstract and meso-level ontological concepts are 'relevant' to a piece of research...This purposeful selection and limiting of focus allows one to be clearer about the significance of any piece of empirical evidence cited in support of a claim about the object of study (Stones, 2005, p121).

Further, Stones (2005, p81-82) suggests that the duality of structure requires that:

...any adequate attempt to investigate the process of structuration at the substantive level will have to engage, at least at a minimal level, with a combination of hermeneutics and structural diagnostics. It seems that empirical studies that don't do this are simply not structuration studies.

Stones' objection lies with Giddens' use of institutional analysis, which treats institutions as "chronically reproduced rules and resources" (Stones, 2005, p123). As an alternative, he proposes the use of 'agent's context analysis'; that is, an analysis facing outwards from the agent (Parker, 2006, p133). This analysis focuses on external structures and contexts from the perspective of the agent, that is, what the agent knows

about his or her context (supporting Giddens' notion of knowledgeability as discussed in section 4.2.2). Stones suggests that with this approach, investigation can be made into the social nexus of interdependencies, rights and obligations, asymmetries of power, and the social conditions and consequences of action in the terrain that faces the agent (Stones, 2005, p122). This approach, suggests Stones, "allows the social researcher a perspective from which to identify and assess the range of relevant causal influences, the potential courses of action, the probable consequences of both, and to judge these assessments against those of the agent" (2005, p122). This type of analysis is "not in the business of finding out what is going on 'inside the heads' or under the furrowed brows of the agents who create the visible patterns of social events" (Stones, 1991, p675). For example, in assessing a strategy taken by an actor, the researcher could identify the possible courses of action available to that actor in a certain situation, and might conclude that the agent had no realistic alternative but to take a particular course of action in the circumstances; any other option would have had disastrous consequences (Stones, 2005, p125). This type of theorising reflects the intractability of structures and their consequences to the best laid plans of agents.

Stones accepts Giddens' concept of 'strategic conduct analysis', renaming it 'agent's conduct analysis'. Agent's conduct analysis draws on Giddens' concept of knowledgeability, however focuses on the internal structures accessible by the agent. Attention is given to the agent and his/her general dispositional frames of meaning (section 4.3.2), conjuncturally specific structures relevant to the situation (section 4.3.2), actions and interactions. This level of analysis is hermeneutic in nature, although Stones (1995, p144) concedes that in some situations an in-depth hermeneutic analysis is not possible, and indeed may not be necessary to discern situational tendencies or the

process of structuration. As an alternative he advocates ‘theorist’s conduct analysis’ in which “the attributed frames of meaning are based more on supposition from afar than on the close analysis of agents in structured situ” (Stones, 2005, p144). Giddens also acknowledges the acceptability of making such suppositions:

All social research presumes a hermeneutic moment, but the presumption may remain latent where research draws upon mutual knowledge that is unexplicated because researcher and research inhabit a common cultural *milieu* (1984, p328).

In the current study, theorist’s conduct analysis will be used to gain an understanding of the agents’ roles and positioning in the transformation of financial reporting in Australia. In this respect, this thesis relies on an examination of public discourse, such as minutes of meetings, as it is accessible and can be taken to reflect the internal structures of the agents involved in the structuration of financial reporting.

3.5.2 A wider historical and spatial frame

The other aspect of methodology that Stones addresses relates to situating structuration studies in a wider historical and spatial frame. In order to examine the role of both agency and structure, structuration studies need to engage in a combination of hermeneutics and structural diagnostics, and as such lie within the domain of ‘intermediate temporality’ of historical processes (Parker, 2000 as cited in Stones, 2005, p81). That is, a structuration study provides the concepts to move from a micro-level of analysis (which might engage a hermeneutic interpretation of the text of an agent), through to a much broader examination of structural conditions of action. Structuration theory, as such, allows an investigation of relations between specific events and agents, or between events (Stones, 2005, p82) within a discrete time frame, but it is not possible to move beyond that.

In this regard Stones (2005) eschews ‘theoretical partisanship’, instead encouraging the use of a combination of theories to provide a stronger framework for study. It is for this reason that this thesis draws on the concepts from Castells’ theorising on globalisation, to make explicit the manifestations of these broader frames within the practical action horizon of the agent as perceived by the agent (Stones, 2005, p83) (refer chapters 5 and 6). Stones also warns about treating the larger frame as “necessarily containing practices and situational logics that are somehow inevitable and immutable...[for example] concrete logics of capitalist systems or forces of globalisation or the flows of network society” (1985, p143). He reminds the reader that “all of these clusters of practices and their situational logics involve structures and agents in open systems engaged in quadripartite processes of structuration” (Stones, 2005, p143). Most situational logics are more complex than they appear at first sight – when looked at in a particular historical or social context the logic becomes much more contingent.

3.5.3 Research steps

To refine the methodological aspect of his framework, Stones suggests research steps which may be undertaken independently or in combination with one another (composite strategy):

1. Identify general dispositional frames of meaning for agent-in-focus. Attention here would allow the researcher to gain an understanding of the worldview of the agent in focus: how it has been shaped and how it could be changed. This step uses agent’s conduct analysis (or theorist’s conduct analysis).
2. Identify conjuncturally specific internal structures of agent-in-focus, along with the agent’s perception of the possibilities allowed by and constraints imposed by the external structures in a particular conjuncture. This step may also involve identifying the relationships between clusters of position practices and how they affect the agent. Attention in this area might be on various possibilities for action and

potential consequences of such action. This step uses agent's conduct analysis (or theorist's conduct analysis).

3. Identify relevant external structural clusters and position practices that constitute them; the authority relations within them and material resources at the disposal of the situated agents. Attention here might involve examining the actors in context, their dispositions and conjuncturally specific structures. This uses agent's context analysis.
4. Specify the objective possibilities open to and the constraints upon the agent in focus. Make judgements about the independent and irresistible causal influence of the entities that make up the external structures. This uses agent's context analysis (adapted from Stones, 2005, p123-127).

The composite strategy is useful to address questions about causality of phenomena over a particular time period, or what is referred to as the 'intermediate temporality' of historical processes (Parker as cited in Stones 2005, p81). This is a scale of temporality within which one could specify both relations between events and agency, and relations between events themselves. For example, a researcher may choose to focus on two events separated by large tracts of space, which are demonstratively related to one another, such as "the effects of the decisions or actions of one global agent on another global agent or on a local agent" (Stones, 2005, p82). Investigation can be undertaken to identify the causal process of structuration that has produced "a particular decision, interactional sequence, set of spatial or temporal arrangements, or event" (Stones, 2005, p126).

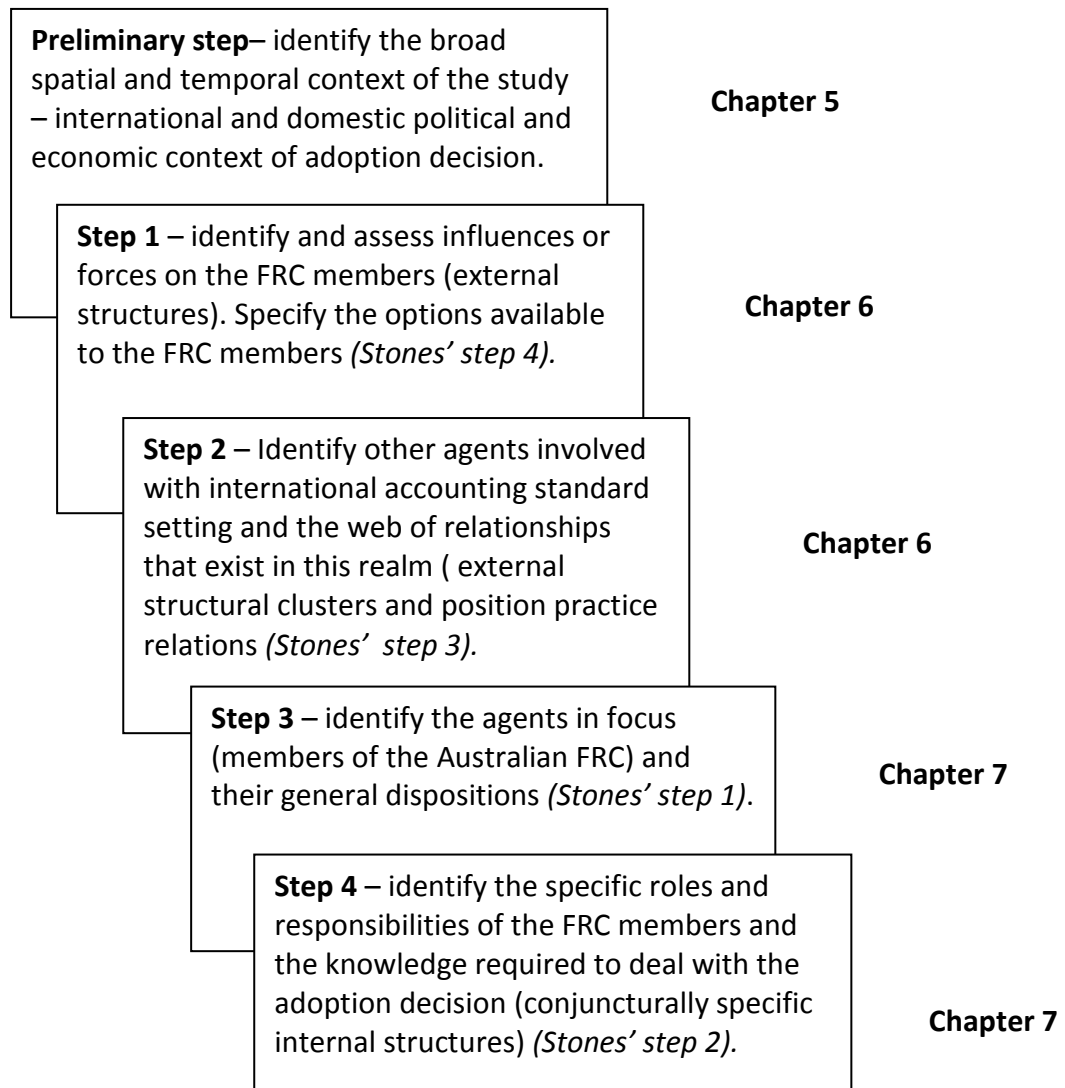


Figure 2 Research steps based on a modified version of Stones’ research steps

This type of investigation is the heart of this thesis, that is, an examination of the process of structuration regarding the transformation of financial reporting in Australia. Application of Stones’ steps to the study is represented in Figure 2, however as the lens of focus in the current study moves from the broad context to the micro-context, the order of examination is different to that offered by Stones (section 3.5.3). Figure 2 also identifies the respective chapter for each step of the research.

3.5.4 Data selection and analysis

Both primary and secondary data was utilised during the course of this research, and in all instances this data was available in written form in the public domain. This text or discourse was analysed to draw out the salient aspects relevant to each research step, particularly as it related to the various aspects of globalisation and structuration.

Given the spatial and temporal breadth of coverage in the earlier steps (Preliminary Step to Step 2 as addressed in chapters 5-6) significant reliance was placed on secondary data. Information was collected from a wide range of journal articles, books and websites. With respect to the latter, searches were conducted on organisational websites, particularly those organisations which comprised the network of relationships related to international accounting and domestic corporate law reform. Websites accessed included that of the IASB, FASB, SEC, IOSCO, EFRAG, IFAC, FRC, AASB, CPA Australia and the ICAA. This information was used to piece together the jigsaw of relationships and organisational roles relevant to the study, along with incidental references to a host of other materials, such as extracts from the financial press, media/press releases of organisations and government officials and official reports (such as the reports into the failure of HIH Insurance, issued by the Commonwealth Government in 2003, and the Parliamentary Joint Committee Report on Corporations and Financial Services in 2005). As this data is of secondary nature, its limitations must be acknowledged. Websites in particular reveal only selected release of carefully scripted information. Parliamentary hansards, while verbatim transcripts, should always be interpreted within the context of parliamentary debate and political manoeuvrings.

Steps 1 and 2 of the research process (addressed in Chapter 6), required the identification and description of key agents in the international and domestic standard setting arenas. Of particular importance to this aspect of the discussion is the emergence and operation of the IASC (IASB). Much of the data related to the IASC is not available in the public domain, and as such the researcher relied to some extent on a comprehensive history provided by Camfferman and Zeff (2007), with any such citations duly referenced. It is acknowledged that originality cannot be claimed in respect of this material, however the story of the Australian adoption decision would be incomplete without consideration of these influences and contextual specificities.

Step 3 of the research process outlined the general dispositions of the FRC members at or around the time of the adoption decision. This step could only be satisfactorily addressed by a close hermeneutic analysis, utilising for example comprehensive observations and /or interviews with FRC members. However, given that the research was conducted some years after the event, such methods could not be utilised. In order to provide some commentary on this aspect of structuration (albeit general), the researcher made assumptions from afar about this element of the structuration process. This stage was somewhat facilitated by the professional and educational background of the researcher, who occupied the same cultural *milieu* (ie. professional accounting) as the FRC members.

Step 4 of the research process attended to the conjuncturally specific agency of the FRC members. This aspect of the research aimed to identify the rules and resources drawn on by the FRC members as they made the adoption decision. The source material for this part of the research was primarily FRC minutes, and on occasion, parliamentary

transcripts. Analysis centred on the strategies that the FRC members used to ‘make their case’.

With respect to FRC meetings, all minutes from 25/10/99 (the first meeting of the FRC) to the 6/12/04 (18 months after the official adoption decision) were read in their entirety. All references to items of interest, including internationalisation/harmonisation/convergence, actions of international regulatory bodies (Eg. IASB, FASB, EFRAG) and associated officials, communications with stakeholders (both domestic and international), funding and strategy of both the FRC and AASB, AASB chairman reports, public sector issues and membership of FRC and AASB were extracted and compiled in a spreadsheet for analysis (meeting number, date of meeting, agenda item and extract). All selected references were examined by the researcher and categorised according to relevant structuration structures (signification, legitimation and / or domination) and related modalities (interpretive schemes, norms and facilities) (refer to section 4.2.6 for a discussion of these elements of structuration). This categorisation was used to inform the discussion in section 7.8 relating to internal structures of the FRC members.

The Australian parliamentary website (parlinfo.aph.gov.au) was systematically searched for transcripts related to financial reporting, the FRC/AASB and corporate law reform during the period 2000-2004. These transcripts were read in their entirety, with relevant data extracted and categorised according the structuration categories as identified in the preceding paragraph. Additional searches were made in the parliamentary website for discussion related to the original CLERP bill during the

period 1988 -2000. Relevant commentary was used to inform relevant discussions in the thesis.

3.6 Chapter summary

As indicated, this thesis is a critical history of the adoption decision in Australia, embedded within the broader internationalisation story. This history is told through a different lens in order to provide an alternative understanding of a taken-for-granted scenario. Some methodological guidance is drawn from the work of Giddens, although as noted, this guidance is not fully developed. To overcome this deficiency, the methodological guidelines provided by Stones are used to give more direction to the research. Stones supports the notion of methodological bracketing as an aid to empirical research, choosing the brackets of ‘agents conduct analysis’ and ‘agents context analysis’, the former focusing on an inward looking view, the latter on an outward looking view (Parker, 2006, p133). By enlisting methodological bracketing in research, Stones argues that it is possible for the researcher to give attention to agents and structures in turn, while keeping in mind the analytical constraints of such an approach. This bracketing is furthered by a composite research strategy as represented in Figure 2. Stones also emphasises the need to situate structuration studies in broader temporal and spatial frames, and to this end the theorising of Castells is enlisted. As such, an integrated theoretical framework is presented, drawing on the work of Giddens, Stones and Castells.

Although Giddens provides a broad and ontologically-relevant way of understanding the interplay between structure and agency, his work remains rather thin in facilitating descriptive richness for particular epistemes (for example, the knowledge structures that

are drawn on in the international standard-setting process). In addition to an outline of Giddens' theorising, Chapter 4 provides more epistemic depth through reliance upon Stones' strong structuration and Castells' theorising on globalisation. Since international standard-setting evokes numerous bodies of knowledge and takes place within a broad time/space domain, extending Giddens' work in these ways is necessary to complete the theoretical horizon within which this thesis will contribute to our understanding.

Chapter 4 Theory

4.1 Introduction

This chapter presents the integrated theoretical framework that is used in this thesis. This framework combines relevant concepts from Giddens structuration theory, Stones' strong structuration model, and Castells' commentary on globalisation. This theoretical layering has provided a much stronger and more expansive framework in which to gain insights into the adoption decision and the outcomes of that decision.

The chapter proceeds as follows. It begins with a brief outline of structuration theory in section 4.2, followed by a more detailed coverage of the key concepts of the theory as developed by Giddens. While Giddens' structuration theory provides many of the critical concepts for the thesis, it is supplemented by concepts from Stones' (2005) adaptation of the theory. Section 4.3 outlines the concepts offered by Stones in an effort to overcome some of the deficiencies in Giddens' theory, especially as they relate to internal and external structures. As noted in Chapter 3, studies using structuration theory are limited to intermediate reaches of time and space, so to expand the scope of the study it is necessary to draw on a relevant theory of globalisation – these are introduced in section 4.4. Section 4.5 introduces elements of Castells' (1996, 1997, 1998) theorising on globalisation which are of use in this thesis.

4.2 Structuration theory

Giddens (1982, p195) maintains that social theory should incorporate an understanding of human behaviour as action, however this understanding should be compatible with a focus on the structural components of social systems. This belief gives rise to his concept of duality of structure, which is used to describe the interdependent relationship between structure and agency and their roles in the structuration of social systems; that is, the process whereby a system is (re)produced. In any social system, agents will necessarily draw on social rules, norms, beliefs, understandings and resources (structures) to guide and assist them in their actions and interactions with others. In turn, these actions and interactions reconstitute or transform those structures. Structures are thus the medium and outcome of social actions, but due to the recursive nature of structuration these structures are only momentary in time. Figure 3 presents a simplified version of the structuration process.

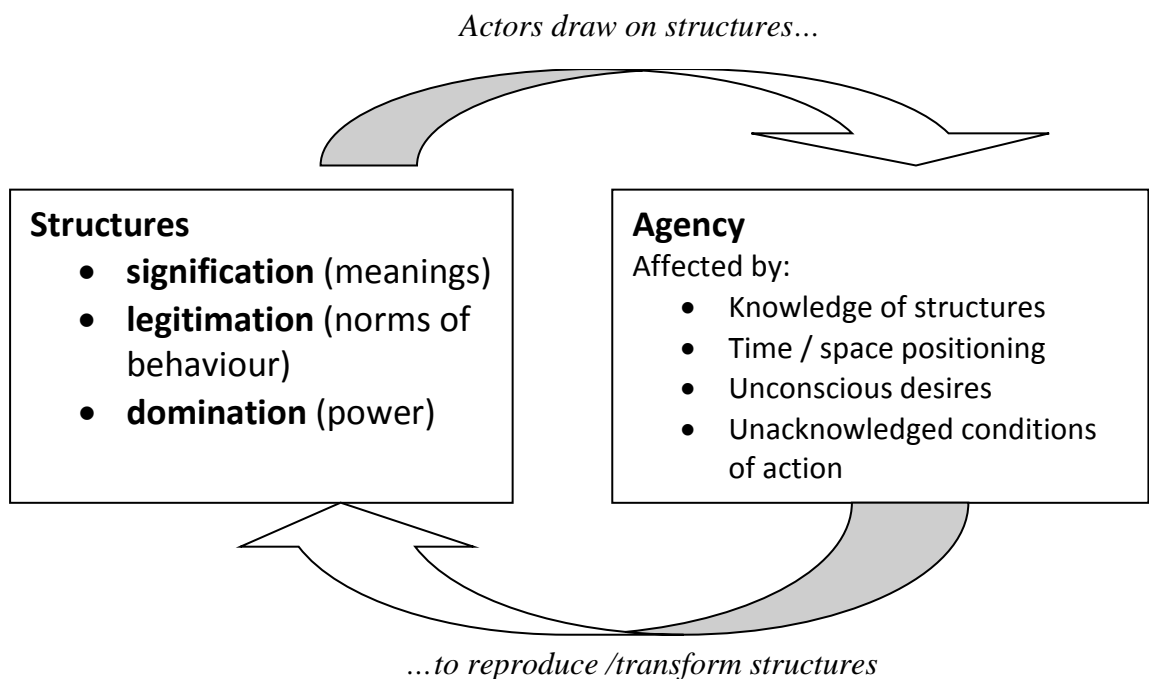


Figure 3 The structuration process

As mentioned, social systems comprise the situated activities and interactions of human agents, reproduced across time and space. Giddens (1984) suggests that practices which have the appearance of permanence over time and space are the reproduction of structures in a systemic form. Those practices which have the greatest time/space extension within societies are referred to by Giddens (1984, p17) as institutions. This conceptualisation links the “praxis of variously situated agents and the reproduction of the larger societal structures” (Stones, 2005, p19). Giddens stresses the importance of this relation “since it involves a dialectic of presence and absence which ties the most trivial forms of social action to structural properties of the overall society” (Giddens, 1979, p71).

4.2.1 Theoretical synthesis

The concepts of structuration theory first appeared in “New Rules of Sociological Method” (Giddens, 1976), a study of nineteenth century social thought with a focus on various forms of interpretive sociologies and functionalism. Giddens did not set out to produce a “work of synthesis” nor to find convergence on a “logical framework for sociology” (Giddens, 1993, p25), but rather to critique the various schools of thought, identifying their shortcomings and borrowing selected concepts to flesh out his emerging thoughts on agency, structure and social transformation. His 1979 work “Central Problems in Social Theory” provided a vehicle for commentary and critique of structuralism and further elucidated the concepts of structuration theory. Giddens (1979) admits that he has drawn on what he sees as the most useful concepts from the various sociological schools of thought and his work reflects his extensive knowledge of other disciplines such as philosophy, history, politics, geography, economics and linguistics

(Bryant and Jary, 1991). The most articulate account of structuration theory appeared in “The Constitution of Society” (Giddens, 1984), in which Giddens provided a summary of his previous writings.

As so eloquently noted by Bauman (in Held and Thompson, 1989, p34):

Giddens’ theory has been to date, and promises to remain, a wide and hospitable river which admits and absorbs pure waters carried by each and every mountain spring as well as drawing on ample subterranean currents...and that Giddens’ power of synthesis has few equals.

Kilminster (1991, p74) suggested that Giddens has combined “elements in such a way that the recombination produces a novel fusion, qualitatively distinct from any of the combined components”. Not only does the theory draw on a number of sources, but “its products are scattered over a large number of writings which themselves demand a synthesizing effort” (Bauman, 1989, p34). The adoption of Giddens’ theory throughout the social sciences and humanities worldwide has been ‘extraordinary’, and it has been used in fields such as “accountancy, archaeology, business studies, criminology, demography, education, human geography, informatics, international relations, management, migration studies, organization studies, politics, public administration, religious studies, social policy, sociology, technology studies and urban studies” (Bryant and Jary, 2001, p43 and p46).²⁸ Giddens’ conceptual innovation “opens up ‘ways of seeing’ that do not exist within the perspectives of lay actors, disclosing

²⁸ Bryant and Jary (2001, pp287-320) provide a comprehensive list of studies which discuss Giddens and/or make explicit use of his structuration theory, as well as his work on historical materialism, high modernity and globalization. This list extends to 717 publications, including 125 which have specifically used structuration theory to frame various analyses. Given that the list included publications in English only up to 2000, it is suggested that it may now reach well over a thousand publications.

unsuspected aspects of, and potentialities within, a given set of institutions” (Giddens, 1987 as cited in Llewelyn, 2003, p672).

Broadly, structuration theory synthesises different approaches to sociological theory, (Kilminster, 1991, Chew, 1993) but is primarily concerned with bridging the objective/subjective divide (refer Burrell and Morgan (1979) framework in section 3.2.1). Giddens (1979, p49) comments that agent and structure normally appear “in both the sociological and philosophical literature as antinomies”, and he expressly contests this dualism and the research traditions that privilege them (Giddens, 1993, p4). His assessment of interpretive sociologies is that they are “strong on action but weak on structure” and that “they see human beings as purposive agents, who are aware of themselves as such and have reasons for what they do; but they have little means of coping with issues which quite rightly bulk large in functionalist and structuralist approaches – problems of constraint, power and large scale social organisation” (Giddens, 1993, p4). In contrast, he suggests that functionalist or structuralist approaches treat agents “as if they were inert and inept – the playthings of forces larger than themselves” (*ibid*, p4). Giddens (1984, p.2) suggests that “the basic domain of study of the social sciences ... is neither the experience of the individual actor, nor the existence of any form of societal totality, but social practices ordered across space and time”.

The following sections introduce the concepts of structuration theory that are relevant to the current thesis. As noted, Giddens does not privilege either structure or agency in the constitution of social systems; however, for pragmatic reasons, a discussion of the concepts relating to agency is provided in section 4.2.2. This is then followed by a

discussion of routine, crisis and change in section 4.2.3 and unintended consequences in section 4.2.4. An outline of the concepts relating to structure appears in section 4.2.5 and the duality of structure is explained in section 4.2.6. As mentioned in Chapter 3, the time/space constitution of any social interaction is of great importance in the structuration of social systems, and this aspect will be discussed in section 4.2.7.

4.2.2 Agency

Agency concerns events of which an actor is the perpetrator, in the sense that the actor could, at any phase in a given sequence of conduct, have acted differently (Giddens, 1984). It refers to doing, not merely to the intention to do something. Giddens (1984, p xxii) uses the terms actors and agents interchangeably, and this practice is adopted in this thesis.

The concept of agency may be extended beyond that of the individual to the collective, a useful notion as it reduces the number of actors to be examined (Kwok and Sharp, 2005, p.76). Giddens notes that “action is not simply a quality of the individual, but is, equally, the stuff of social organization or collective life as well” (1993, p5). He suggests that agency of a group may be quite persuasive, such as that of a small number of individuals meeting together to enact decisions which have extensive consequences (Giddens, 1993, p7). Thus, in some cases it may be quite appropriate to examine the agency of a group as a whole, and this is the approach taken for most of this thesis; decisions and interactions are attributed to groups, such as the FRC, the IASB or the FASB. Having said this, the reader should be mindful of the tenuousness of any claim to knowledge about ‘intentions’ or ‘actions’ of whole groups.

‘Knowledgeability’ is at the core of structuration theory; Giddens notes that to be a human being is to be a purposive and knowledgeable agent (1984, p.3). He suggests that all agents know a significant amount about the conditions and consequences of their actions and those of others. They know a great deal about the different rules and resources available to them, and this knowledge effectively enables and constrains their actions (Dillard et al, 2004). Knowledge is shaped by the agent’s position in a particular time and space, or social positioning, such as that of gender, wealth, social prestige, class, ethnicity, occupation, generation, sexual preference, or education (Sewell, 1992, p21). Although knowledge of individual actors is shaped by context, it is not reducible to it; it is also bounded by unconscious desires and unacknowledged conditions of action (Giddens, 1984, p282). These ideas are reflected in Giddens’ stratification model of the agent, as shown in Figure 4.

Giddens (1984, p5) suggests that actors constantly monitor their own and other’s actions, as well as the contexts that they move in. Further, these actions are routinely rationalised by the actor, drawing on his/her knowledge of social structures. The more knowledge an actor has of a particular situation, the fewer the relevant conditions of action go unacknowledged and the less likely he/she is to engage in actions that may lead to unintended consequences (Stones, 2005, p25).

Another element of the stratification model of the agent is that of motivation of action, or the impetus for the action, which might be unconscious or conscious. Giddens (1984, p6) suggests that much of the day-to-day conduct of agents is not consciously motivated; he argues that much of what agents do is driven by the unconscious, in particular the unconscious need to maintain security and stability in their lives. Further,

Giddens identifies two levels of consciousness; the practical and the discursive. The former represents the knowledge that the actor draws on as a matter of routine without articulating exactly why or what he/she is doing, for instance when an actor speaks and the rules of language are used without much thought. At the discursive level of consciousness the actor is able to articulate and rationalise what he/she is doing or why he/she is acting in a particular way. This level of consciousness will be more apparent in times of crisis when actors are faced with challenges to their established routines. Giddens captures these concepts in his stratification model of the agent as shown in Figure 4.

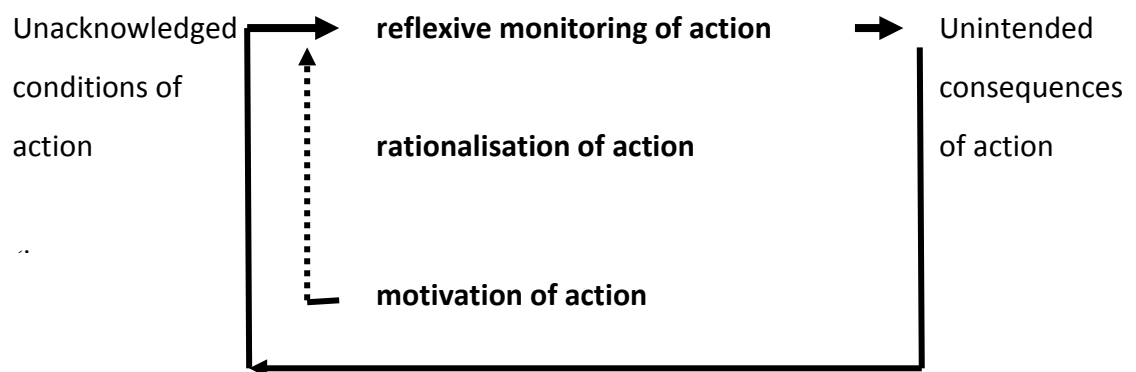


Figure 4 Stratification model of the agent (Giddens, 1984, p5)

The use of routine and critical situations provides Giddens with the framework to analyse change.

4.2.3 Routine, crisis and change

Central to Giddens' structuration theory is his concept of routinization. Giddens (1984, p23) believes that as people go about their daily lives they will seek ontological security. That is, they will strive to maintain a sense of security or familiarity in their daily lives, by constantly monitoring and reflecting on the actions of themselves and others. MacIntosh (1994, p171) suggests that this need for ontological security is such that agents will routinely reproduce social systems, even those they might readily recognise as excessively coercive. The focus of actors is not so much on reproducing social practices but rather on maintaining ontological security (Giddens, 1979). Routine is not only important for the personality of the individual, but also to the institutions of society. Over time social practices become institutionalised as agents continue to reconstitute them without a need for radical transformation (Giddens, 1984).

In developing his ideas on the routine, Giddens draws on work of Le Bon (1896), Bettelheim (1960) and Sargant (1959), who respectively address crowd behaviour, the experiences of prisoners in concentration camps, and critical situations. Giddens explores the behaviour of individuals in critical situations to gain an insight into people's determination to resist change, that is, to maintain the routine. He suggests that a critical situation is more than just the 'discontinuities' faced by individuals in the course of their lives (eg. death of a family member); it refers to "circumstances of radical disjuncture of an unpredictable kind which affect substantial numbers of individuals" (Giddens, 1984, p61). Further, Giddens (1979, pp124-126) suggests that such conditions are likely to corrosively affect the customary behaviour of the individual, generating fear, anxiety or vulnerability to the promptings of others. The

outcome is a re-socialisation process takes place whereby the individual is likely to identify with a new authority figure and to create a new ontological security (Buhr, 2002, p25). By way of example, in a time of crisis of corporate collapses, the members of the FRC chose to identify or align with the IASB as the authority on international accounting standards.

MacIntosh and Scapens (1991, p31) suggest that this routine/critical demarcation concerns the possibilities for changing social systems. They state that at this juncture “it seems almost inevitable that a social system will change through the actions of individual agents” (1991, p31). Agents abandon old structures and pursue the new (MacIntosh and Scapens, 1991, p.31). However, it should also be reinforced that “change is regarded as inherent in every circumstance of the reproduction of a system of interaction, because every act of reproduction is *ipso facto* an act of production, in which society is created afresh in a novel set of circumstances” (Giddens, 1977, p122). In other words, “the social world is made and re-made in every instant – ‘produced and re-produced’ – as much as in habit as in conscious thought, but always with only limited understanding of its conditions and consequences” (Roberts, 2013, p6).

This thesis draws these concepts of routine, crisis and change, to frame the conditions surrounding the adoption decision and the consequences of that decision.

4.2.4 Unintended consequences

As mentioned in section 4.2.2, agency relates to ‘doing’ and does not necessarily depend on the intention of the agent. What an agent ‘does’ may be contrasted to the ‘consequences’ of the agent’s actions, the former being limited to the immediate

contexts of actions or interactions, and the latter outside that immediate context (Giddens, 1984, p11). Although consequences of what actors do “are events which would not have happened if that actor had behaved differently” (Giddens, 1984,p11), their occurrence depends on many contingent outcomes and as such cannot be perceived as antecedent to the original action of the agent. The consequences of what an agent does may be intentional or unintentional; the further away they are in time and space from the original action, the more likely they are to be unintentional (Giddens, 1984, p11). Further, although unintended consequences may be initiated by a single act of agency, they can also result from “a complex of individual activities” (Giddens, 1984, p13). In other words, unintended consequences may result from the actions of multiple agents, each with their own intentions.

The study of unintended consequences should always be interpreted within the flow of intentional conduct and further as in accordance with the duality of structure. These unintended consequences may form unacknowledged conditions of future action in a feedback fashion (Giddens, 1984, p27). An agent’s capacity to act in the future may be transformed by these unintended consequences (Sewell, 1992, p4), and what was once possible may be precluded. According to Giddens (1984, p282):

...some of the most important tasks of social science are to be found in the investigation of these boundaries, the significance of unintended consequences for system reproduction, and the ideological connotations which such boundaries have.

Significantly, it is the unintended consequences of the adoption decision which feature in the transformation of the system of financial reporting in Australia. The transformed system, which draws on the standards of the IASB (as opposed to national standards), privileges the international over the domestic and exposes Australian constituents to a

standard-setting process influenced by a much broader range of factors. This thesis explores the ‘intentions’ of the FRC and the ‘unintended consequences’ of its actions, but it rests on rather thin intellectual grounding for the analysis. The ‘intentions’ of the FRC were taken as the publicly disclosed ‘rationales’ for adoption, which is a different matter altogether from the personal ‘intentions’ of individual members, the latter being unknowable.

4.2.5 Structures

Structures, according to Giddens, are the properties (rules and resources) which make it possible for similar social practices to exist across time and space. Giddens’ conceptualisation differs with the functionalist notion of the term, which typically refers to a pattern of social relations, external to and constraining on the individual (Giddens, 1984). Within structuration theory, structures do not exert pressure like forces of nature nor compel particular behaviour (Giddens, 1984, p181) and should be perceived as both enabling and constraining. Structures are used and reconstituted by agents as they act and engage with other people.

The same structural characteristics participate in the subject (actor) as in the object (society). Structure forms ‘personality’ and ‘society’ simultaneously... Structure thus is not to be conceptualised as a barrier to action, but as essentially involved in its production (Giddens, 1993, p69).

Structures fall into three categories namely, signification, legitimation, and domination. The first two are regarded as the rules, techniques or generalisable procedures that are drawn upon by agents to provide meaning and sanctions to social life (Giddens, 1984, p21). A person may grasp a rule through observing regularity in what people do, but how he/she applies this rule will depend on his/her access to resources and the actions

of others who are party to the interaction (Giddens, 1977, p132). The structure of domination may be regarded as the resources mobilised by agents in the course of their daily lives and as reflected in power relations. These structures are drawn on by agents via the modalities of structuration (interpretive schemes, norms and facilities as discussed in more detail in section 4.2.6). Further, the modalities also act as the media through which structures are reproduced in accordance with the duality of structure (Giddens, 1993, p81).

Giddens (1979, p64) suggests that these structures are virtual; that is, they exist only as ‘memory traces’ and remain latent until drawn on and instantiated by action. This involves recognising the existence of knowledge of how things are to be done; that is, social practices organised via the mobilisation of that knowledge and capabilities ‘to do’ (Giddens, 1979, p64). At the moment of action structures are changed, so their existence is fleeting and internal to the agent. There is no sense of permanence. However, Giddens also refers to resources as “the material levers of all transformations of empirical contents” and allocative resources as “material features of the environment” (1979, p104). These references allude to some element of materiality, and are necessarily external to the agent. While Giddens does attempt to work his way out of this paradox, his arguments are not convincing, so for the purposes of this thesis structures may be both internal and external to the agent, virtual and material.

The differentiation of signification, domination and legitimation are separated for pragmatic reasons; that is, for analysis in this thesis. However in any real world situation, structures are messy, complex and interactive (Yuthus and Dillard, 1998, p385).

If signification is fundamentally structured in and through language, language at the same time expresses aspects of domination; and the codes that are involved in signification have normative force. Authorisation and allocation are only mobilised in conjunction with signifying and normative elements; and, finally, legitimation necessarily involves signification as well as playing a major part in co-ordination forms of domination (Giddens, 1979, p106).

Further, all social practices are situated within a complex set of rules and resources and it is impossible to explain any practice in terms of only one rule or resource (Giddens, 1979). Although each of these structures will be discussed in turn in the following, the analysis of each of these is a valid procedure only if an *epoche* is placed on reflexively monitored social conduct (Giddens, 1984, p30). In other words, a temporary bracket is placed around agency to allow the focus to be on structure and *vice versa*. Further, actors will be subject to a complexity of structures as they move through their daily lives, and they are capable of applying a wide range of these structures (Sewell, 1992, p16-17). This complexity along with the time/space positioning of the actor explains why some agents act in certain ways and why some are successful in achieving change.

Signification

The rules of signification are represented by interpretive schemes used by actors in the act of communication. These interpretive schemes are standardised elements of stocks of knowledge (Giddens, 1993, p83), organised webs of semantic codes, accumulated skills and mutual cognitive rules that agents draw on to give meaning to actions and interactions, and which at the same time, are reconstituted by actors through communication (MacIntosh and Scapens, 1991, p17). Communication, whether by speech, writing or other form of discourse, is only effective to the extent that other parties to the interaction have a shared understanding of the rules. Giddens stresses that

“the communication of meaning in processes of interaction does not just ‘occur’ over time” (1979, p84), and as such communication is always situated in time and space; it is grounded in what went before and what is likely to come, as well as what cannot be said.

Legitimation

The rules of legitimation represent the normative aspects of a social system, and in developing this aspect of his theory Giddens draws on the work of Parsons (as cited in (Giddens, 1979, p86) and his notion of the ‘double contingency’ of social interaction, whereby the reactions of each person in an interaction depend upon the contingent responses of others, and *vice versa*. However, for Giddens, the “norms implicated in systems of social action have at every moment to be sustained and reproduced in the flow of social encounters” (1979, p86).

Agents draw on the structure of legitimation via social norms in the act of evaluating conduct. The legitimation structures provide the moral underpinnings of society and a framework for judging or evaluating one’s actions; they let us know “what is regarded as virtue and what is regarded as vice; what is to count as important, and what is to be trivialized; and what ought to happen, and what ought not to happen” (MacIntosh and Scapens, 1991, p22). Such structures provide actors with a shared understanding of what is acceptable behaviour and how they and others fit into the community. Agents who comply with the social norms will be rewarded, whilst those who do not comply are likely to be penalised. These actions serve to reproduce or transform the legitimation structures.

Domination

A fundamental belief of Giddens' is that all agents have the capacity "to have acted otherwise, [or in other words have the ability] to intervene in the world, or to refrain from such intervention, with the effect of influencing a specific process or state of affairs" (Giddens, 1984, p14). Any social interaction will involve the exercise of some degree of power, and it is structures of domination that make this possible via the mobilisation of resources. Giddens suggests that there are two faces of power; power in the sense of transformative capacity and power as reflected in the bias built into institutions (1984, p15). In its transformative capacity, Giddens suggests that the "concept of action is tied to power" (1979, p88), or in other words any action by a person will require him/her to use resources at his/her disposal to secure an outcome. Power in this sense is this capability to mobilise resources. Giddens also notes that the outcome of any action will depend on the agency of others, such that power relations are always two-way (1979, p93).

The second type of power enjoys "some continuity over time and space and presumes regularised relations of autonomy and dependence between actors or collectivities in contexts of social interaction" (Giddens, 1984, p16). This draws attention to another of Giddens' 'dialectics', namely the 'dialectic of control', whereby every interaction will involve an autonomous and dependent party and thus some imbalance in terms of power (Giddens, 1982, p199). However, he maintains that despite this imbalance, the dependent person will always maintain some degree of control over what they do; they have the power to withdraw from the interaction. The dialectic of control refers to the "shifting balances of resources, altering the overall distribution of power" (Giddens, 1982, p199).

Within the framework of structuration theory there are two types of resources, allocative and authoritative. Allocative resources are described by Giddens (1984, p258) as:

1. material features of the environment (raw materials, material power source);
2. means of material production/reproduction (instruments of production, technology);
3. produced goods (artefacts created by the interaction of 1 and 2).

Authoritative resources are described as:

1. organization of social time-space (temporal-spatial constitution of paths and regions);
2. production/reproduction of the body (organisation and relation of human beings in mutual association);
3. organisation of life chances (constitution of chances of self-development and self-expression)” (Giddens, 1984, p258).

Giddens (1979, p108) suggests that the realm of the political is mobilisation of authoritative resources, whilst the realm of the economic is mobilisation of allocative resources. In other words, authoritative resources represent the capabilities to generate command over people, and allocative resources represent the capabilities to generate command over objects (Buhr, 2002, p27). Resources such as the above are the media through which power is exercised by actors; they are the means of getting things done and in this respect should not be seen as inherently divisive (Giddens, 1984, p283). Power itself is not a resource, and power is not necessarily connected to the achievement of sectional interests (Giddens, 1984, p15). Giddens also makes the connection between the notion of time/space distancing and power, as the “garnering of allocative resources is closely involved with time/space distancing, the continuity of societies across time and space and thus the generation of power” (Giddens, 1984, p258). To support his case he contrasts the simple hunter/gatherer society with that of modern capitalism. In the former there is very much a day-to-day existence; that is little

time/space distancing. On the other hand, modern capitalism would not have been possible without the accumulation of commodities, and the means of producing, storing and disseminating these commodities. When combined with authoritative resources, such as the retention and control of information, the possibilities exist for the stretching of social relations across time/space and for the expansion of power.

4.2.6 *The duality of structure*

The duality of structure reinforces that “the structural properties of social systems are both the medium and outcome of the practices they recursively organize” (Giddens, 1984, p25). Structure is at the same time used in the constitution of the agent and social practices, “and ‘exists’ in the generating moments of this constitution” (Giddens, 1979, p5). The duality of structure in social interaction is represented in Figure 5.

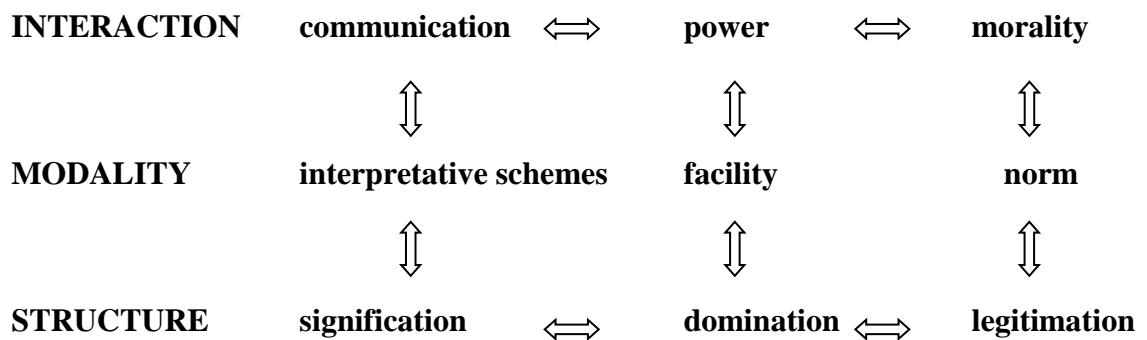


Figure 5 The duality of structure (adapted from Giddens, 1977, p23)

In all social actions and interactions, agents will draw upon structures via the modalities as shown above. Thus for example, when a person wishes to communicate with

other(s), he or she will draw on the structures of signification via interpretive schemes. Actors communicate with knowledge of the rules and resources at their disposal and the ability to monitor the actions of themselves and others. Further, this communication is intricately bound up with the legitimation and domination elements of interaction (eg. what is considered acceptable, what is the balance of power in the relationship). For example, the idea of accountability reflects the intersection of interpretative schemes and norms. In order to be 'accountable' a person must be able to explain what he has done and to justify why he has acted in a certain way (Giddens, 1984, p30). Further, this justification may utilise the signification structure or acceptable discourse, such as making a particular economic decision on the basis of maximising profits.

The importance of the concept of the duality of structure in the development of social theory is not to be underrated, for it allows us to acknowledge and understand the opportunities available to and the limitations confronting agents. It does not privilege either voluntarism or the idea that the behaviour of actors is at the mercy of forces over which they have no control. The duality of structure is always central to the "continuities in social reproduction across time-space" (Giddens, 1984, p27).

4.2.7 The time/ space constitution of social systems

Giddens (1984, p286) emphasises that "the social analyst must be sensitive to the time space constitution of social life". He suggests that all social practices are embedded in wider reaches of time and space, and that it is necessary to study the paths that people take in their daily lives, the locales they pass through, the physical and social locations where actions and interactions take place, and their place in the three *durees* of time (daily activity, life span of an individual and institutional or organisational time). Actors

are also positioned relationally in multiple social positions (occupation, age, kin relation), which are effectively constituted at the intersection of a person's daily life/life span with the longer *duree* of institutions (Giddens, 1984, p85). Each social position of an individual will provide him/her with an identity within a network of social relations; what is expected of him/her will depend on his position. Locales, or the use of space to provide the settings of interactions, are essential to specifying the contextuality of interactions (Giddens, 1984, p118). Spaces are not only physical but social, involving typical rules of procedure, etiquette, forms of deference and authority, which shape a person's knowledge and capabilities.

Giddens combines the notion of locale with time/space presence to situate the interactions of people. A locale is where the routine activities of different individuals intersect and may be described not only in terms of its physical properties, but also in combination with human artefacts such as the institutional environment (Giddens, 1984, p118). A locale may range from a room in a house to a territorially demarcated area occupied by a nation-state (ibid, p118). Such paths are strongly influenced by, and also reproduce, basic institutional parameters of the social systems in which they are implicated. Locales provide for some of the 'fixity' underlying institutions, thus linking a physical location with the more institutionalised aspects of social life (ibid, p119). Further, locales can be regionalised into various zones. Such regionalisation may be made on the grounds of physical attributes (eg, a room in a house, a city, a state), but more importantly on the grounds of routine social practices. For example, there is a strong degree of regional differentiation between the North and South in England, not just physically, but by established, distinctive social traits (Giddens, 1984, p122). In terms of the current topic regionalisation might refer to the big business/small business

divide or the Western/Non-Western divide. Regionalisation may vary enormously in terms of space and time, and those with broad span are dependent on a high degree of institutionalisation (Giddens, 1984, p122). Regionalisation of locales serves to channel (and is channelled by) the time/space paths that the members of a community follow in their day-to-day activities and their encounters within broader social systems (Giddens, 1984, p xxv).

The simplest level of face-to-face interaction is where actors are temporally and spatially co-present, and in Giddens' terminology this reflects small time/space separation. Until relatively recently such conditions were necessary for interactions to take place. However, technology, modern forms of communication and diffuse social relations have meant that spatial and temporal presence is no longer the criterion for the extension of social interactions and thus social systems. Giddens' concept of time/space distanciation, which is the stretching of social systems across time and space, acknowledges the effect of the actions of absent others; those actors who exist in another time or space. We now live in a world where social practices may be shaped by occurrences in other places at other times, and where there is an increase in the influence of mediated or indirect relations between people. This concept of time/space distanciation and the possibilities for the constitution of social practices broadens the dialogue to globalisation, which Giddens suggests is "the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events many miles away and vice versa" (1990, p64).

Giddens notes that although day-to-day life is integral to the study of the reproduction of institutional practices, it is not the foundation on which the connections of social life

are built (1984, p282). These connections need to be understood in terms of social and system integration. The interaction between co-present actors is what Giddens refers to as social integration, that is, “reciprocity between actors” (Giddens, 1979, p77). Actors will reflexively monitor the actions of themselves and others; what is said, what are the responses, are they complying with the norms of such a situation or who is the subordinate in the relationship? As actors go about their daily lives they will participate in multiple interactions; previous encounters will fade away and new ones will be entered into. The routine features of encounters, fading away in time and space, and constant reconstitution in other areas of time/space, represent institutionalised features of social systems (Giddens, 1984, p86). Generally, “the greater the time-space distancing of social systems – the more their institutions bite into time and space – the more resistant they are to manipulation or change by an individual agent” (Giddens, 1984, p171).

Social integration is the “chief prop” for system integration; “the reciprocity between groups or collectivities” who may in fact be temporally and spatially absent (Giddens, 1979, p77). This is not to say, however, that systems are merely the sum of social interactions. A social system is constituted by reproduced practices located in time and space (Giddens, 1979, p117) and the effects of unintended consequences of action. Such a system not only involves homeostatic causal loops, but also self-regulation by information filtering, and reflexive self-regulation influenced by knowledge (Giddens, 1979, p79).

Thus the analysis of any social system requires consideration of the time/space situation of social activities, specifically the contextual settings of interactions of actors. Context

connects the most intimate and detailed components of interaction to much broader properties of the institutionalisation of social life (Giddens, 1984, p119). The study of the context of interaction involves identifying the time/space boundaries around interactions, the co-presence (or otherwise) of actors, and the use of these phenomena reflexively to influence or control the flow of interaction (Giddens, 1984, p282). These concepts are drawn on in Chapters 6 and 7, with a meso- and micro-level of analysis of the conditions of action of the adoption decision.

4.2.8 Limitations of Giddens' Structuration Theory

Structuration theory provides a set of concepts which are available to be used in the conduct of research. Giddens' duality of structure bridges the divide between subjective and objective approaches to social research, acknowledging the influence of both agency and structure in the constitution and transformation of social systems. His critical approach arms the researcher with a new way of analysing social systems and an almost blank canvas with respect to the conduct of the research. Although structuration theory has been taken up by many researchers within the social sciences, it has also shown its limitations, which themselves have been analysed by many critics (eg. Archer, 1982, 1995, 1996; Mouzelis, 1991, 2000; Sewell, 1992; and Thompson, 1989, among others). While this thesis is not primarily concerned with a detailed critique of Giddens' structuration theory, at this point some comment will be made on the more apparent limitations of the theory.

It has been argued that structuration theory, with its focus on ontology, is too abstract, neglecting epistemological and methodological concerns. Giddens devotes an extraordinary amount of attention to developing logically consistent concepts. He

claims that these concepts are available as a medium to establish truth claims (that is a relation between statements and the object world) without providing the substance of the relation itself (1977 as cited in Stones, 2005, p35). Apart from this, epistemological concerns receive little attention in structuration theory. As to methodology, Giddens suggests that his concepts may be used as sensitizing devices to frame a research question or to interpret findings (cited in Bryant and Jary, 1991, p213), but he does not address how the researcher is supposed to move from the abstract concepts of structuration theory to a particular empirical situation. In an attempt to make this link, Giddens draws on examples of empirical research to reflect the concepts of structuration theory (1984, p281-354), although as argued by Stones (2005) and Gregson (1989), he uses existing sociological accounts and searches for structuration theory concepts in these works. That is, “it is concept-led rather than question-led” (Stones, 2005, p38). He does not start afresh with a situation or a research question and use the concepts to frame his research.

Archer (1995) maintains that Giddens does not make the boundaries between structure and agency clear. For Giddens, structure exists as memory traces instantiated only in action, that is, they are virtual and remain latent until actually drawn upon by the agent and instantiated by action (Giddens, 1979, p64). This suggests that structures are part of, or internal to, the agent. Contrary to this, he also refers to resources as “the material levers of all transformations of empirical contents” (Giddens, 1979, p104), alluding to some element of materiality. Giddens acknowledges without resolving this apparent conundrum, noting that “some forms of allocative resources (such as raw materials, land etc.) might seem to have a real existence in a way which I have claimed that structural properties as a whole do not...such phenomena become resources...only when

incorporated within processes of structuration” (Giddens, 1984, p33). It appears that structures may be internal to the agent (ie. capabilities, knowledge) or external (resources to be used).

Critics of structuration theory claim that its emphasis on the agent’s hermeneutic frame and the ability of agents to do otherwise is overly voluntaristic and does not give credit to the influence of external structures on agents (Stones, 2005, p109). Giddens does not make an explicit distinction between internal and external structures, although his work addresses the possibility for both types (Stones, 2005, p59). Giddens refers to three types of constraints; material, negative sanction and structural constraints. The latter was defined as a “constraint deriving from the contextuality of action, that is, from the ‘given character of structural properties *vis a vis* situated actors” (1984, p176). These constraints stem from “the objective existence of structural properties that the individual agent is unable to change....[or] *placing limits upon the range of options open to an actor, or plurality of actors, in a given circumstance or type of circumstance*” (Giddens, 1984, p176-77, italics in original). This acknowledges that actors are situated within a social context, with society pre-existing individual actors. Structural constraints as such have an objective existence and place limits on the options available to the actor in a particular situation and may preclude an actor from effecting change.

On this issue, Archer (1996, p.xii) reflects that:

...it is part and parcel of daily experience to feel both free and enchained, capable of shaping our own future and yet confronted by towering, seemingly impersonal, constraints....consequently in facing up to the problem of structure and agency social theorists are not just addressing crucial technical problems in the study of society, they are also confronting the most pressing social problem of the social condition.

Archer also draws attention to the fact that structuration theory does not adequately allow for the investigation of the interconnections between;

1. structural conditions, with their emergent causal powers and properties,
2. social interaction between agents on the basis of these conditions, and
3. subsequent structural changes or reproductions arising from the latter (1995 as cited in Stones, 2005, p53).

In an attempt to overcome the various limitations, but also to retain the strengths of the theory, Stones developed his 'strong structuration' model.

4.3 Strong structuration – Stones' version of structuration theory

Picking up on criticisms levelled at Giddens theory and drawing on the work of Sewell (1992), Bourdieu (1972, 1977, 1980, 1999), Cohen (1989), Shilling (1997) and others, Stones introduces his quadripartite²⁹ model of strong structuration (Figure 6). Stones (2005) clearly pitches his framework at ontology-in-situ so that, rather than looking at what all agents have in common, his approach allows the researcher to focus on in-situ actors. He attempts to overcome Giddens' over-emphasis on ontology by bringing to the fore the discussion of epistemology and methodology, and canvassing research questions and strategies suitable for structuration studies (as discussed in section 3.5).

²⁹ This terminology is used by Stones (2005) to refer to his taxonomy of the four elements of the structuration process, namely external structures, internal structures, active agency and outcomes.

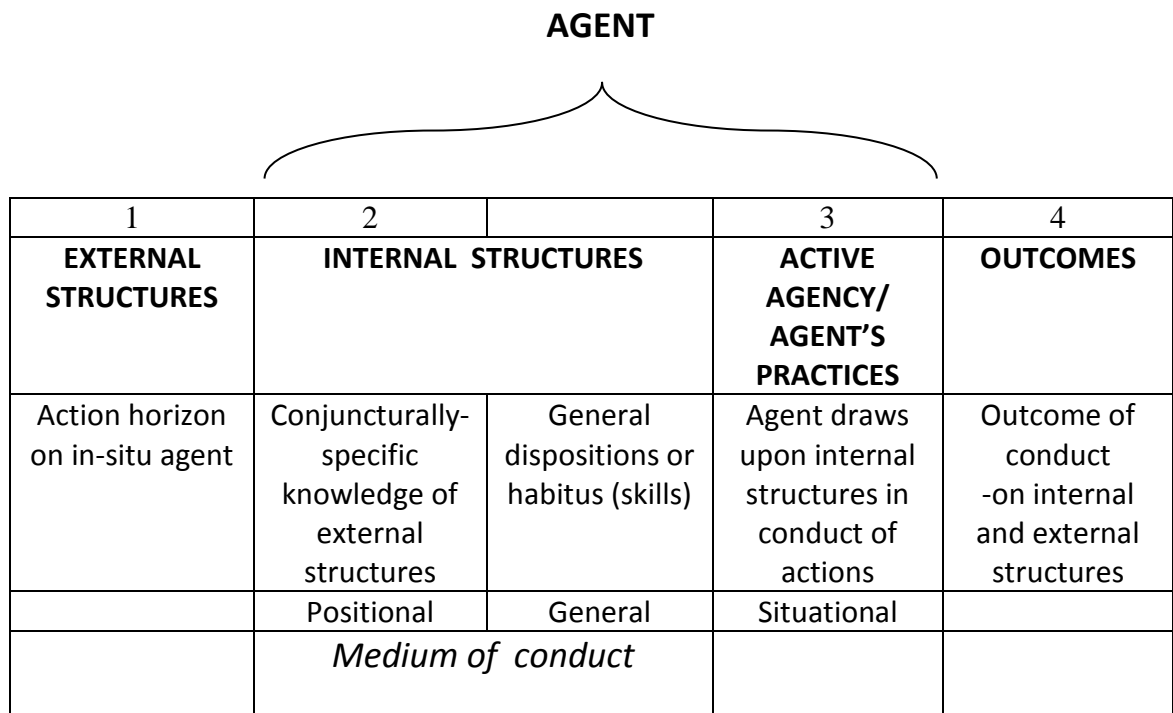


Figure 6 Stones' model of strong structuration (adapted from Stones, 2005, p85)

This model explicitly recognises external and internal structures, with the latter being analytically divided into the general dispositional and the conjuncturally specific. The third component of his model relates to active agency, in which the agent-in-focus³⁰ draws on internal structures in their action and interactions. The fourth element of his model is designated as outcomes of conduct, which may be the production or reproduction of structures (internal and external). This model is consistent with Giddens' duality of structure, though it differs somewhat in that it acknowledges that the actions of agents may be shaped by the interplay of context, the actions and

³⁰ Stones makes the distinction between agent-in-focus and agents-in-context. The former relates to the agent involved in the structuration process (in this thesis the FRC) and the latter relates to the other actors who play some role in the external structures that influence the actions of the agent-in-context (in this thesis a multitude of bodies involved with international accounting standard setting eg. the IASB, FASB, SEC, IOSCO; and those involved with standard setting and governmental policy at the domestic level eg. the Department of Treasury, the professional accounting bodies, industry groups, the ASX, ASIC).

knowledge of themselves and others, unacknowledged conditions of action, and the unintended consequences of action. It specifically recognises that agents-in-focus are situated within a complex network of agents (agents-in-context), all involved with processes of structuration stretching across time and space.

4.3.1 External structures

Stones' quadripartite model highlights the role of external structures in the structuration process, as "independent forces and pressuring conditions that limit the freedom of the agent to do otherwise" (Stones, 2005, p108). Stones acknowledges two types of external structures: independent causal influences and irresistible causal forces. Independent causal influences represent those structures that have complete autonomy from the agents whom they affect, and which affect social conditions in a way that is independent of the agent's wants, desires and conduct. These structures are changed, reproduced or constituted independently from the action of the agent-in-focus, but are nevertheless within the action frame of the agent. By way of example, Stones refers to the structures of health care, education and pensions which are independent of a plurality of agents at any one time (2005, p111). This thesis does not address any independent causal influences in the structuration process of financial reporting.

Irresistible causal forces are those where the agent-in-focus does have the physical capacity to resist but feels that he/she cannot. The feelings are shaped by "the agent's hermeneutical frame of meaning with all its wants, dispositions and ordering of concerns" (Stones, 2005, p112). Given free reign of a situation an actor might favour a certain option, but due to where he/she is in time/space, he/she may feel the obligation

to take another course of action. This position confronts most people during the course of their lives - a parent who would otherwise jump at the chance of a new job overseas, but is effectively shackled by family commitments; a member of a committee whose personal beliefs have to be sacrificed to arrive at consensus. Actors compromise their sets of wants, desires, principles in order to be pragmatic; they sacrifice some things in order to safeguard others or as Stones notes, “real agents are less free to ‘do otherwise’ than abstract agents” (2005, p112). Such external structures involve the framework of position practices, or webs of interdependencies that an agent is in. In this thesis, an example of an irresistible causal force is that of the international accounting governance structure, represented by a complex network of relationships among various regulatory bodies, government organisations and professional bodies.

External structures are “mediated largely through position practices” (Stones, 2010, p1288), a concept drawn from the work of Cohen (1989). Position practices refer to the identities or roles that come with particular positions, and which are perpetuated and changed through their enactment by active agents within a network of relationships (Stones, 2010, p1288). These networks of relationships are referred to as position practice relations and represent the clusters of practices which have their own set of obligations and prerogatives, institutionalised reciprocities (Stones, 2005, p62) or asymmetric power relations (Stones, 2010, p1288). Position practice relations pre-exist the agents that occupy the various positions, and they serve to contextualise structuration studies. They are akin to Bordieu’s (1992) notion of ‘networks of relevant relationships’, Mouzelis’s (1991) notion of ‘vertical and horizontal social hierarchies’ and Kilminster’s (1991) notion of ‘pluralities of people in webs of interdependencies’. All of these acknowledge that when engaging in any action/interaction, an agent is

already ensconced within a complex web of relationships and influences. The structural context provides the “foundations for the agent’s next move” (Stones, 1991, p681) and can serve to either facilitate or frustrate agents’ purposes (Stones, 2005, p85). Further, it is a fluid affair and “provides ideational knowledge of rules and resources, one’s own and others, which inform and enable decisions to act” (Stones, 1991, p681). Thus, when analysing external structures, attention is given to how the actor is situated within a complex array of other actors, and how these relations impact on the actor. An actor’s understanding of the external structures underpins his/her “conjuncturally specific knowledge of the strategic terrain and how one is expected to act within it” (Stones, 2010, p1288). External structures relating to the adoption decision are examined in Chapter 6, and the agent’s-in-context (ie. FRC’s) understanding of these external structures is analysed in section 7.9.

4.3.2 Internal structures

Internal structures are the medium of agent’s conduct; they are those structures which the agent draws upon in any action or interaction. They include conjuncturally specific knowledge of external structures and general dispositions. Although Giddens acknowledges both types of internal structures, his distinction is not clear and they are often conflated (Stones, 2005, p87). An elaboration of both types of internal structures is given below.

General dispositional

Drawing on Mead’s (1967) notion of ‘skills’ and Bourdieu’s (1977) notion of ‘habitus’, Stones develops his concept of ‘the general dispositional’. Within this concept Stones attempts to encompass:

...transposable skills and dispositions, including generalised worldviews and cultural schemas, classification, typifications of things, people and networks, principles of action, deep binary frameworks of signification, associative chains and connotations for discourse, habits of speech and gesture, and methodologies for adapting this generalised knowledge to a range of particular practices in particular locations in time and space (Stones, 2005, p88).

This element most closely relates to Giddens' conceptualisation of structure and the modalities of structure. Generally, the general dispositional skills are drawn on by actors without thinking, or in Giddens' terms, from the "practical consciousness" (Giddens, 1984, p6). In contemporary Western society, much of what is done is shaped by capitalist ideology, with the language of money and accounting pervasive in everyday interactions. 'Globalisation' and 'internationalisation' are taken-for-granted concepts. The strategies of business, efficiency and cost cutting have become common place, even in realms such as education and health. With respect to professional accountants working in the realm of standard-setting, much of their knowledge and skills are acquired through education and work experience, and are manifested in a taken-for-granted set of rules as to how things are done, what the expectations of a professional are, the appropriate language to use, and how the business world operates.

Conjuncturally specific

For this element, Stones draws on Mouzelis' (1991) concept of the positional, that is, a particular role with certain rules and normative expectations attached to it along with a degree of embedded power. This concept is similar to Cohen's (1989) concept of position practice relations, as mentioned in the foregoing, although the emphasis is on how these relations are perceived from the perspective of the agent-in-focus. The focus is on the specific knowledge and capabilities required to deal with a situation rather than

general knowledge, and the capacities drawn on by an agent will depend on how he/she perceives the context of action (or strategic terrain) (Stones, 2010, p1288). To know how to act in a particular situation, how to deal with certain people, or how to manage a particular business situation will require some knowledge of the external structures (Stones, 2005, p90). The agent-in-focus will require some knowledge of the “‘ghosts of networked others’ [and] a sense of their action-informing schema” (Stones, 2005, p93). Significantly, position practices interconnect structure and agency, an aspect lacking in Giddens’ structuration theory (as suggested by Archer, 1995, and referred to in section 4.2.8). As explained by Jack and Kholeif, “to speak, for example, of a Chief Financial Officer, is not only to refer to a positional identity, but also to a set of structured practices which position-incumbents can and do perform – whether the incumbent chooses to act as expected or to do otherwise” (2008, p34).

Stones suggests that such conjuncturally specific knowledge can be partitioned into the three structures as conceptualised by Giddens, namely signification, legitimation and domination (2005, pp91-92). With respect to signification, an agent-in-focus would have knowledge of how a particular agent-in-context (ie. external to the agent-in-focus) would interpret the actions and discourse of others. This might involve some knowledge of the general dispositions and the conjuncturally specific structures of the agent-in-context. Furthermore, in any interaction, the agent-in-focus will require some knowledge of how the agents-in-context are likely to behave, based on norms of their respective positions or possible penalties for acting outside those norms. With regard to the structure of domination, the agent-in-focus would need some knowledge of how the agents-in-context view their own power capacities and any power relational capacities.

Stones reinforces that “the agent(s)-in-focus should always be conceptualised from the start as being in the midst of, as already being caught up in the flow of, position-practices and their relations” (2005, p93), which is necessarily tied to the time/space context. The agent’s conditions of action stretch away in time and space, involving multiple networked others, such that internal structures will be linked with external structures.

4.3.3 Active agency

In any action an agent will draw upon his/her internal structures, either routinely or strategically, although the action itself cannot be reduced to his/her knowledge of the structures. Agency will also be affected by the following:

1. the action horizon of the agent or context will influence which latent structures are drawn on by the agent (conjuncture/external structures);
2. the agent’s perception of a situation and how creatively he draws on the structures to meet the needs of the situation (conjuncturally specific internal structures);
3. the critical distance that agents bring to the internal structures, or the ability that the agent has to reflect on them and take up a strategic stance;
4. the role that the unconscious plays in the agents’ actions; and
5. the rationalisation of action or the reflexive monitoring of conduct, including how purposes or projects are prioritised (Stones, 2005, pp101-103).

In this respect, consideration of the agency component of the structuration process requires attention to internal structures and the above elements. The conjuncture (a combination of events and circumstances) is critical to the action of the agent (Stones, 2010, p1288). Further, while each actor brings his/her dispositions and strategic knowledge to any particular conjuncture, what he/she actually does in the situation will depend on a host of specificities which cannot be predicted in advance, but which depend on the action horizon of the actor, the particularities of the external structures

and the constraints of time and space (Stones, 2010, p1288). Knowledge of how an actor might act, and rewards and sanctions likely to follow such action, can be thought of in terms of signification, legitimation and domination (Stones, 2010, p1288). In the current study attention will be on internal structures and the first two of the elements listed above (external structures and the agent's conjuncturally specific knowledge). Consideration of the third and fourth elements requires a level of detail not possible in the current study³¹. The last element (rationalisation of action) will be attended to by critical analysis of the adoption decision discourse.

4.3.4 Outcomes

Outcomes are the effects of action on external or internal structures or other events, and they may be intended or unintended. According to Giddens' concept of the duality of structure, in any action or interaction, an agent will draw on structures and in doing so will reproduce or transform those structures. The agent's action will necessarily be shaped by his/her knowledge of the structures, but also by unacknowledged conditions of action. The consequences of actions will in some cases be intended, but in others will be unintended, with these consequences feeding back into the structuration cycle to form the conditions of future action. Stones' strong structuration is consistent with this concept. Stones suggests that the actions of agents may serve to affirm or change the internal structures of agents or external structures, however the effects on the latter are likely to be minimal due to their independence from the agent. Stones suggests that there may be other outcomes, such as the success or otherwise of agents' purposes irrespective of their effect on structures (Stones, 2005, p85). Figure 7 incorporates Giddens' and Stones' versions of structuration theory.

³¹ Analyses at these levels would require insight into the cognitive processes of the FRC members, an insight which was outside the scope of this research.

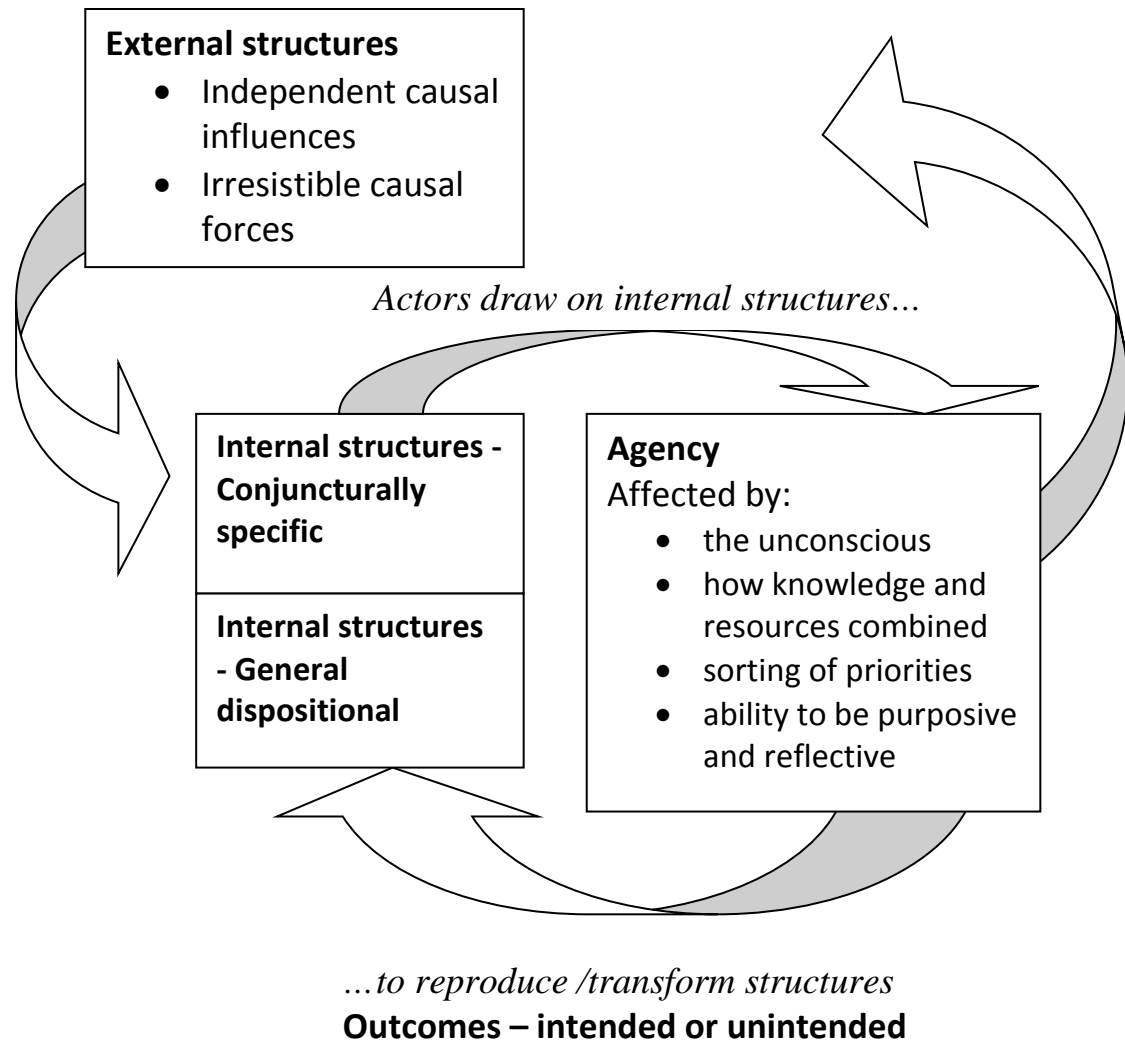


Figure 7 Modified process of structuration incorporating Stones' strong structuration

While Giddens' theory has been used widely throughout the social sciences (refer to footnote 28), and quite extensively within the accounting realm, Stones' version of strong structuration has had limited application. The next section draws attention to a number of accounting studies that have used structuration theory to some extent.

4.4 Structuration studies in accounting

Englund et al (2011) provide a comprehensive review of the accounting and organisational literature that is informed by structuration theory, noting that of the papers reviewed, “almost all exclusively revolve around management accounting and/or control issues” (*ibid*, p497).

Roberts and Scapens (1985), MacIntosh and Scapens (1990, 1991) and Scapens and MacIntosh (1996) utilise structuration theory to contribute to the understanding of accountability and control in organisations. Riley (1983) uses it to study the politics of organisational culture, while Orlikowski (1992) and Yuthas and Dillard (1998) explore relationships between organisations and technology. Yuthas et al (2004) propose a fundamental review of accounting ethics within the framework of structuration theory, by reference to the structural forces that influence accountants and their work. The consequences of regulation for organisational change and management control are examined within a structuration framework by Conrad (2005). Gurd (2008) combines structuration theory with mid-range theorising (as proposed by Laughlin, 2005) to examine accounting and organisational change at the Electricity Trust of South Australia. The theory has also been used to frame studies of transformations in systems of accountability, specifically those of health organisations in New Zealand (Lawrence et al., 1997) and of a UK restaurant chain (Ahrens and Chapman, 2002). This brief selection of studies highlights the emphasis on real world settings and the preference for case study research. Consistent with this, Englund et al (2011, p508) suggest that as the existing literature:

...has an overly strong preference for viewing accounting continuity and change as an intra-organizational phenomenon...the ST-perspective [structuration perspective] has considerable potential to add novel insights to the broader literature on continuity/change dynamics of accounting practices beyond analyses of individual organizations.

Further, although much of the literature has conceptualised accounting in terms of the various structures of signification, legitimation and domination, it has reflected the possibility of exploring how accounting “may work simultaneously as an interpretive schema, a set of norms and ideals, and as a facilitator for the exercise of power” (Englund, 2011, p505).

In the realm of financial reporting, Buhr (2002) uses structuration theory to investigate the initiation of environmental reports in selected companies. Moore (2011) takes a different tack as he investigates the establishment of the European Emissions Trading Scheme and the associated IASB interpretation, IFRIC3 *Emission Rights*. In his work he draws on concepts from structuration theory, with particular emphasis on structural contradictions and unintended consequences. While Tollington (2006) uses the theory to move beyond the realm of the organisation to the broader standard-setting process, his study is nevertheless limited. It focusses on the financial reporting standard for particular elements of financial reporting, namely intangible assets and goodwill; the space is confined to a domestic standard-setting process (the UK); and, the time frame is limited to a four-year period. He acknowledges that he did not:

...intend to broaden the context of the paper to include, for example, the way in which the IASB was itself able to influence the outcome of the Accounting Standards Board’s national consultation process, or not (Tollington, 2006, p704).

Tollington (2006, p704) also concedes that the selected time and space limit “bounded knowledgeability of human action to the stated context”.

Stones’ (2005) model of strong structuration has experienced limited use in accounting research. Jack and Kholeif (2007) introduce Stones’ (2005) model into the realm of management accounting research, touching on its potential for application in meso-level organisational case studies. This preliminary work was followed by Jack and Kholeif (2008), in which Stones’ (2005) strong structuration is used to examine an attempt to establish an Enterprise Resource Planning system, funded by the EU and the Egyptian government, into an Egyptian organisation. Coad and Herbert (2009) acknowledge the potential and limitations of Stones’ (2005) quadripartite model of structuration for studies in management accounting, by setting it within their own model of the structuration process and in conjunction with a case study of management accounting practices of a UK electricity generator. As noted, these strong structuration studies have been confined to management accounting research.

In summary, structuration studies in accounting have “shown a preference for viewing accounting continuity and change as an inter-organizational phenomenon” (Englund et al, 2011, p508), with accounting systems conceptualised separately as the various structures of signification, legitimation and domination, or in some instances as an “interwoven totality” of the three structures (Englund et al, 2011, p503). Also, as mentioned in section 3.5.2, structuration studies are limited to the “intermediate temporality” of historical processes (Parker, 2000 as cited in Stones, 2005, p81), unable to “investigate large sweeps of history” (Stones, 2005, p81).

Given that the internationalisation of accounting has extended across vast tracts of time and space, an understanding of the adoption decision demands contextualisation in globalised rather than state-based arenas (that are more readily framed by structuration theory). For this reason, the thesis requires a theoretical lens appropriate to global processes. In this endeavour, section 4.5 introduces various theories of globalisation, and section 4.6 explores the conceptualisation of globalisation as offered by Castells (1996, 1997, 1998).

4.5 Globalisation

4.5.1 Globalisation

Simply, globalisation may be denoted as:

...the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction. It refers to a shift or transformation in the scale of human organization that links distant communities and expands the reach of power relations across the world's regions and continents (Held and McGrew, 2002, p1).

Review of the literature, however, suggests that globalisation is a most contested term, often used as a code word that stands for a tremendous diversity of issues and problems, and that serves as a front for a variety of theoretical and political positions (Kellner, no date, p2). Perspectives on globalisation generally fall into three camps; the sceptics, the globalists, and the transformationalists.

4.5.2 Theories of globalisation

The sceptics view globalisation as a myth or ideological veil for US or Western dominance (Held and McGrew, 2002, p3). For those adopting this position there is

nothing ‘global’ about globalisation, but rather current trends that reflect a process of internationalization (growing links between economies and societies) and regionalisation (the geographical clusterings or trading blocs) (Hirst and Thompson, 1996, Held and McGrew, 2002) .

Globalisation as an ideological construction is rejected by the globalists, who advocate that it is in fact a real phenomenon, responsible for structural changes in the way society is organised. According to this view, globalisation is the convergence of social practices, economics, culture and politics at the global level, either for the betterment of the world’s population (the optimists eg. Boli and Thomas, 1997), or as a tool of powerful elites (the pessimists eg. Wallerstein 1998, 1974). While this approach provides for exogenous change on social systems, it is limited to the economic imperative, subsuming all social, political and cultural spheres (Schirato and Webb, 2003, p31 and Giddens as cited in Held and McGrew, 2003, p62).

A modified version of the globalist perspective is offered by the transformationalists, who view globalisation as “the overall consequence of closely interlinked processes of change in the areas of technology, economic activity, governance, communication and so on. Developments in these areas are mutually reinforcing or reflexive, so that no clear distinction can be drawn between cause and effect” (Castles, 2000, p9). Further, the transformationalists do not believe that trends in cross-border flows of trade, investment, cultural artefacts and the like are indicators of global convergence or the emergence of a single world society, but rather a complex historical process without predictable outcomes. While “some individuals, communities, countries or regions become integrated into global networks of power and prosperity...others are excluded

or marginalised” (Castles, 2000, p9). Nevertheless, globalisation has the potential to result in major social transformations. The work of Manuel Castells (1996, 1997, 1998) is consistent with that of the transformationalists, and is used to frame the analysis in this thesis.

4.6 Castells’ theorising on globalisation

For Castells, the rapid developments in information technologies in the latter part of the twentieth century were the drivers of globalisation. Globalisation in his view does not mean global convergence of economic, political, social and cultural spheres; on the contrary, he acknowledges the “asymmetry between countries, in terms of their level of integration, competitive potential and share of benefits from economic growth” (Castells as cited in Held and McGrew, 2003, p325). Castells (2000) argues that technology pervades all aspects of our life, from how we communicate to how we get things done, and changes how we perceive of space and time. Even for those in the world who do not have access to modern forms of technology, global information flows across the world’s markets have the potential to affect far more than the financial, as was the case with the Asian crisis of the late 1990s and the ensuing social, cultural and political implications for South East Asian countries such as Malaysia, Indonesia and South Korea (Schirato and Webb, 2003, p63). Similarly, the GFC of 2007-09 spread its wrath from the US to financial institutions and stock markets around the world.

Castells presents his analysis of globalisation in a trilogy (1996, 1997, 1998), under the banner of ‘The Information Age: Economy, Society and Culture’. The main thrust of his argument is that, by the end of the 20th century, capitalism no longer threatened by

Soviet statism and spurred along by the new ‘informational mode of development’, emerged in a new form as ‘informational capitalism’. This informational mode of development surpassed the previous mode of industrial development, and is oriented towards technological development, the accumulation of knowledge and higher levels of complexity in information processing (Castells, 1996, p17). Since the 1980’s governments and firms have embraced this new mode of development in a series of reforms to the capitalist system, including deepening the capitalist logic of profit-seeking in capital-labour relations; globalizing production, circulation and markets; enhancing the productivity of labour and capital; and, garnering support of states to improve national economies (Castells, 1996, p19). The new form of capitalism in the network society is structured to a large extent around a global network of financial flows (Castells, 1996, p471).

Castells relies on multiple case studies to develop his thesis and is not overly theoretical in his approach. However, he does acknowledge that:

...the theoretical perspective underlying this approach postulates that societies are organized around human processes structured by historically determined relationships of production, experience and power (Castells, 1996, p14).

He suggests that the rise of the network society and the associated structural changes to society can be accounted for by a dialectical interaction between modes of production (eg. capitalism) and modes of development (eg. agrarian, industrial, informational). Further, the rise of the network society has been challenged by widespread expressions of collective identity, such as religious fundamentalism, environmentalism, feminism, the defence of human rights, sexual liberation, ethnic equality and grassroots democracy (Castells, 1998, p339). His theoretical approach is consistent with that of strong

structuration, in which external structural forces to some extent serve to shape and constrain the actions of actors. However, those actors still maintain the ability to do otherwise, in this case resist the structural forces by way of creating alternative identities. Castells' theorising is extensive, cutting across multiple aspects of society. Due to that breadth only selected aspects of Castells' work relevant to the current study are deployed in this thesis.

4.6.1 The Information Technology Revolution and The Informational Economy

The information technology revolution occurred at the end of the 20th century and was characterised by the transformation of our 'material culture' by information technologies (Castells, 1996, p29). Information technologies include micro-electronics, computing, telecommunications, broadcasting, opto-electronics and genetic engineering. Castells suggests that this revolution is at least as significant as the Industrial Revolution of the eighteenth century, with information technology as integral to this revolution as new sources of energy were to the Industrial Revolution (1996, p31). While the Industrial Revolution relied upon the extensive use of information, the information revolution goes beyond this to knowledge generation and information processing/communication devices. Castells notes though that this technological diffusion is selective; it does not reach vast groups of the world's population (1996, p34).

As mentioned in the foregoing, the information technology revolution provided the basis for a new economy, or a new form of informational capitalism. Within the new economy firms, regions and nations depend on their ability to utilise knowledge-based information to increase competitiveness and productivity. Aided and abetted by new

technologies, the core activities of production, consumption and distribution have become networked across the globe (Castells, 1996, p66).

4.6.2 Characteristics of the global economy – nation-states and supranational organisations

Castells considers the global economy to be an historically new reality, distinct from a world economy which has existed in the West since at least the 16th century. Assisted by new information and communication technologies, the global economy has the capacity to work as a unit in real time on a planetary scale. These new technologies provide the infrastructure to network financial centres around the world, with capital transferred back and forth between economies in a very short time. The only impediments to this are national currency and banking regulations. Currencies are interdependent, as are economies everywhere (Castells, 1996, p93). Markets for goods and services are becoming increasingly globalised, with significant transformations in the management of production and distribution, and the production process itself (Castells, 1996, p95). The new production system relies on a combination of strategic alliances and ad hoc cooperation projects between corporations, decentralised units of major corporations and networks of corporations (Castells, 1996, p96). This web of alliances spreads across the globe as firms seek to position themselves to gain competitive advantage. The globalisation of financial markets and business necessitates the globalisation of the language of business, that is accounting (Godfrey and Chalmers, 2007, p1). Perhaps this notion of globalisation and its imperatives is the best way to understand the singularity – not the harmonisation – of international accounting standards.

To strategically improve economic productivity and competitiveness, nation-states have become enmeshed in networks of powers and counter-powers (Castells, 1997, p305). In doing so, they have become inextricably linked to the fate of international competition, assisted by the policies of deregulation and privatisation prevalent since the 1980s. In order to participate in the global market, nation-states, once the classic embodiment of “legitimizing identity” (Stalder, 1998, p305), have in many instances relinquished economic sovereignty. Many nations have had to ally themselves with global economic interests, abide by global rules favourable to capital flows and depend on emerging systems of international governance (Castells, 1997, p307).

Supranational organisations such as the World Trade Organization (WTO), the United Nations (UN), the Group of 7 nations (G7) and North American Free Trade Association (NAFTA) have emerged to protect and provide benefits to members in “the new global disorder” (Castells, 1997, pp266-269). The supranational organisations tend to take on a life of their own, defining their mandates in ways that supersede the power of their constituent states (Castells, 1997, p269). Castells suggests that this phenomenon is not so much about global governance with fully shared sovereignty, but rather nation-states desiring “platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states” (1997, p268). They need to be part of a club to protect their interests, and in this context function less as sovereign entities and more as components of an international polity. Hirst and Thompson suggest that the central functions of the nation-state will become those of providing legitimacy for and ensuring the accountability of supranational and sub-national governance mechanisms (1996, p171). Further, this process does tend to erode the power of nation-states, as they are unable to act by themselves and are paralysed when trying to act collectively (Castells,

1997, p269). However, nation-states will continue to exist as most of the world citizens would be unlikely to accept full integration with such bodies. The ability of many of these organisations to act depends upon the cooperation and authority of participating nation-states, as in the case of IFRS where individual countries must use some form of domestic mechanism to enforce the standards.

4.6.3 Spatial and Temporal Conditions in the Network Society

Castells (1996) proposes that there are new spatial and temporal conditions in the network society. The new society is reflected in the 'space of flows', which Castells describes with the combination of three layers of 'material support of social practices'. The first layer is constituted by a circuit of electronic impulses (microelectronics, telecommunications, computer processing, broadcasting systems and high speed transportation). These circuits do not occupy space in the traditional sense but exist as a network of flows and are referred to in the common lexicon as 'cyberspace'. The second layer is constituted by nodes and hubs, such as communication hubs and activity based nodes. The global 'city' for example is not constituted by a place, but rather is a process linking multiple nodes by an informational infrastructure. The third layer refers to the spatial organisation of the dominant, managerial elites that exercise the directional functions around which space is articulated. This is manifested in the 'communities' of elites who make the important decisions in this world, and the symbolic lifestyles that they inhabit (eg. international hotels, VIP lounges at airports, mobile access to communication). These symbols of wealth and power are not linked to a specific location or society, but to membership of the managerial elite of the international economy (Castells, 1996, pp412-417). This 'space of flows' does not occupy all of the network society, as most people exist in a traditional place, or physical locales.

However, function and power in our societies are organised in the space of flows (Castells, 1996, p428).

This new space of flows is linked to the transformation of time into two different forms: simultaneity and timelessness (Castells, 1996, p461-462). This transformation has been brought about by the information technology revolution and the advent of advanced electronic computer-mediated communication. At any one time people can have access to instant information from around the world and reporting from their local neighbourhood. Computer-mediated communication allows for real-time dialogue between people. One person can be simultaneously checking a local weather report, tuning in to movements on foreign markets and involved in an interactive chat with a stranger. Time becomes timeless, as people draw on multiple media from multiple genres and multiple time frames. Information is not organised chronologically or alphabetically, but rather is drawn on via technological means as and when a person desires. The overall effect is non-sequential time of cultural products available from the whole realm of the human experience, as people have access to “the culture of real virtuality associated with electronically integrated multi-media system” (Castells, 1996, p462). This timelessness is also reflected in “split second capital transactions, flex-time enterprises, variable life working time and the blurring to the life cycle, in which tenses are mixed in their occurrence” (Castells, 1996, p464).

Castells argues that the material foundations of our society are being transformed, organised around the space of flows and timeless time (1996, p476). Dominant functions in our society are organised in networks pertaining to a space of flows that link them up around the world and which occur in timeless time. Inclusion in the

network society provides access to sources of power and change. Exclusion creates 'infinite social distance' for many individuals, activities and locales around the world (Castells, 1996, p477). This attention to space and time sits neatly with the concepts of space and time offered by Giddens and Stones in structuration theory. In the case of international accounting standard-setting, the function is organised around a complex set of relationships, which reflect the relative power and influence of various participants, and which exclude those without the requisite connections and resources.

4.7 Chapter summary

This chapter has outlined the integrated theoretical framework used in the analysis of the transformation of financial reporting in Australia. Structuration theory as advocated by Giddens has been selected as the primary theoretical framework as it acknowledges the influence of both agency and structure in the constitution of social systems. With its critical imperative it provides the concepts necessary to examine change, in particular the transformation of the financial reporting framework in Australia and the consequences of such change. To overcome some of the limitations of Giddens' theory, in particular its lack of focus on epistemology and methodology, elements of Stones' version of the theory have been appropriated. Further, to situate the adoption decision in a broader context, the theorising of Castells' (1996, 1997, 1998) with respect to globalisation is drawn upon. Figure 8 reflects how each of the theories is used to frame the analysis of the adoption decision and the transformation of the system of financial reporting in Australia.

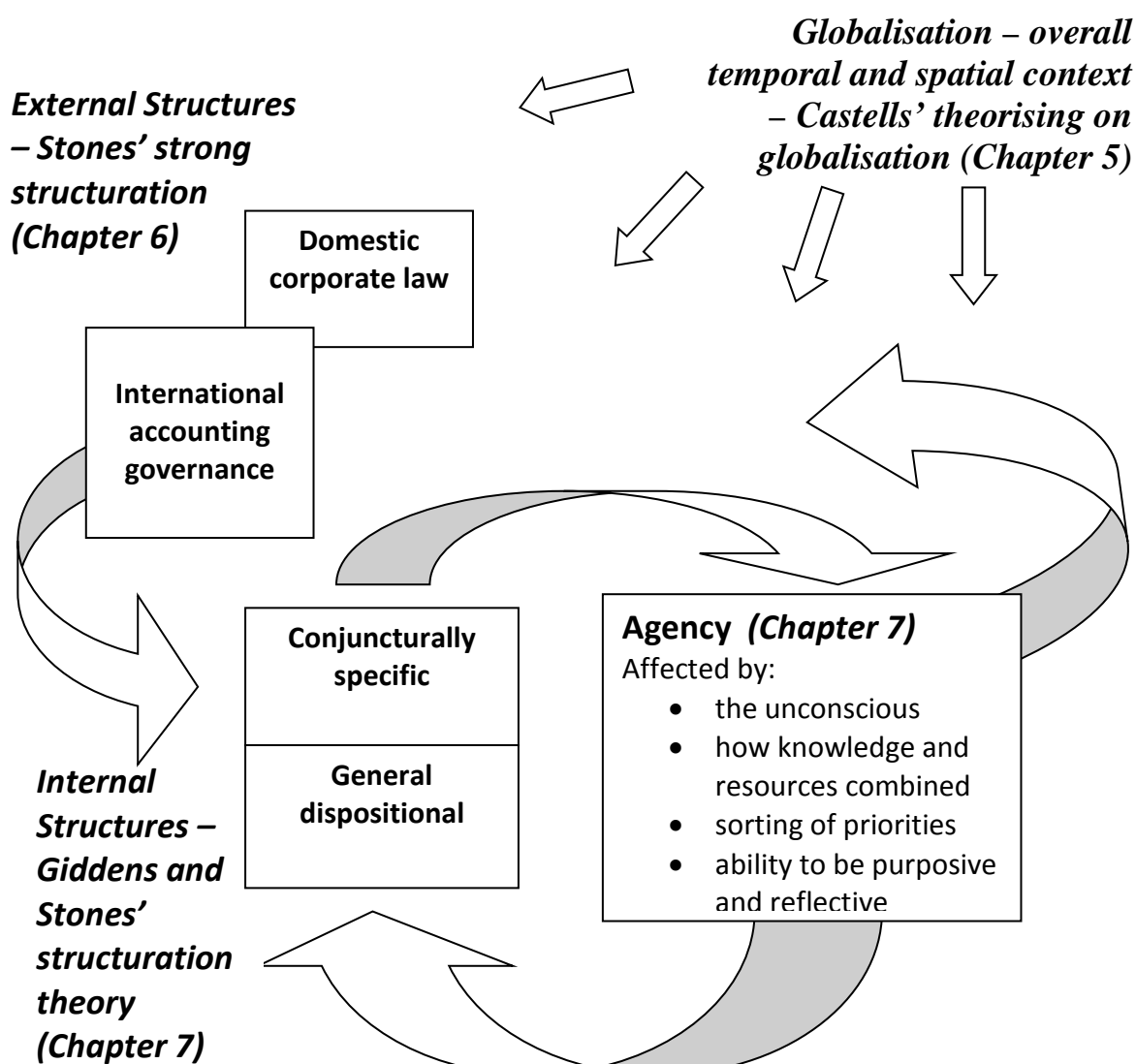


Figure 8 The process of structuration of the financial reporting system in Australia

The following chapter begins the ‘telling of the story’. Chapter 5, with its emphasis on the globalisation phenomenon, provides the broad backdrop to the adoption decision. The new economy of the late 20th century reflected significant transformations in the global political and economic landscapes and ushered in the “ascendancy of neoliberal ideologies” (Tonts and Jones, 1997, p174) throughout much of the Western world. Set

within this was the structural imperative for participation in the global market and the consequent demand for international accounting standards. It was also within this context of rapidly changing relations that the need for nation-states to secure “platforms for joint ventures towards a diversity of goals” (Castells, 1997, p268) was manifest in the emergence of an array of supranational organisations. The IASB was one such organisation and, despite a less than convincing beginning, now holds somewhat tenuous reins as the political body with autonomy and authority in the realm of international accounting standard-setting.

Chapter 6 narrows the lens of study to two selected external structures which are presented as ‘irresistible causal forces’ on the actions of the FRC members. These irresistible forces:

...carry with them the weight of past and present social influences. On their basis the agent-in-focus often believes that she[/he] cannot resist perceived external pressures and injunctions without forfeiting core goals and ideals. Her[/his] experienced ‘ability to do otherwise’ is thus often more highly circumscribed than an abstract treatment would suggest (Stones, 2005, p190).

At the institutional level, the FRC members were influenced by complex networks of position practice relations between numerous ‘agents-in-context’ who had an existence independently from the FRC, but who were nevertheless within its action frame. Analysis at this level links the poles of determinism (ie. structural forces) and voluntarism (ie. the ability to act) (Stones, 2005, p190). Thus, analysis at this meso-level explores the structural constraints on the FRC as well as the opportunities available to it; in other words, given the circumstances, the alternatives available to the FRC. The ability of the FRC members to act was partially dependent on their knowledge of these external structures (ie. conjuncturally specific knowledge).

The agency element of the structuration process is addressed in Chapter 7. Amid influences from the abovementioned external structures, and in the context of corporate collapses as the catalyst for change, the FRC members were compelled to make a decision with regard to international accounting standards. In doing so, they had at their disposal a broad range of knowledge and skills drawn from their general experiences as accounting professionals and from their specific roles as standard setters. However, as highlighted by Giddens (refer section 4.2.2), even though people have the capacity to act as knowledgeable agents, this knowledge is always bounded by unconscious desires and unacknowledged conditions of action.

This bounded knowledgeability provided scope for the emergence of unintended consequences of the adoption decision, which are presented in Chapter 8. Consistent with the ‘duality of structure’, these unintended consequences feed back into the structuration process, such that the system of financial reporting in Australia is transformed in a way which was neither known nor articulated at the time of the adoption decision in 2002.

Chapter 5 Globalisation – the broad context of the adoption decision

5.1 Introduction

Framed by concepts from Castells' theorising on globalisation, this chapter outlines the global political and economic context relevant to the first research question. This aspect of the study comprises the preliminary step of the research that is described in Figure 2, that is, identification of the broad spatio-temporal context. Analysis at this level exposes the ideologies (eg. neoliberalism) which underlie and to some extent motivate the actions of social actors, and reveals conditions which make possible the transformation of society (Dillard, 1991, p9). As discussed, the conditions across the Western world in the late 20th century provided the context for the emergence of two external structures that influenced the FRC adoption decision, namely international accounting governance and domestic corporate law (explored in Chapter 6).

Although not addressed in the analysis, it is acknowledged that the reaches of globalisation extend beyond the economic and political, with substantial cultural and social transformations evidenced in recent years. Further, globalisation does not extend to all persons and communities. Castells (1996, 1997, 1998) theorises at length about the increasing disconnectedness of many of the world's population from "the processes of accumulation and consumption that characterize the informational/global economy" (Castells, 1996, p102). International accounting standards, as a structural imperative of participation in global markets, have little relevance to developing or impoverished nations more concerned with the very raw basics of life. The imposition of IASB

standards on developing nations by the Western elites (Graham and Neu, 2003), results in the wastage of already scarce resources on compliance with unnecessary regulatory processes. So, in any discussion of globalisation and of international accounting standards, it is important to remember that for many of the world's population, these are at the least an irrelevance, and at worst a brutal infliction.

This chapter proceeds as follows. Section 5.2 discusses the context of the international accounting governance structure. It attends to the global political and economic changes of the late 20th century (section 5.2.1), neoliberalist ideology (section 5.2.2), and the emergence of supranational organisations (section 5.2.3). Section 5.3 outlines the domestic manifestations of globalisation, particularly with respect to economic policy, and the context for domestic corporate reform.

5.2 Global politics and economics – the new capitalism

5.2.1 Political and economic developments

Castells argues that a new form of 'informational capitalism' emerged at the end of the 20th century, spurred along by the new 'informational mode of development' and facilitated by political changes in the world sphere (1996, p1). The late 1980s and early 1990s saw the fall of the 'iron curtain', the reunification of Germany, and the collapse of the Soviet Union. Without the Soviet threat, capitalism thrived (Castells, 1996), and supranational organisations, once concerned with post-war reconstruction efforts, were able to direct their attention toward other issues like global commerce. Neoliberalist policy spread throughout much of the Western world, spurred on by the Thatcher government in England and the Reagan government in the US.

Political reforms under Deng Xiaoping in China from the late 1970s paved the way for economic reform in that country. In the 1980s the Chinese economy opened to Western capitalism and improved international relations (Ezzamel et al., 2007). Chinese-foreign joint ventures grew and increased pressure for harmonisation with international, Western accounting standards (Ezzamel et al., 2007, p693). Accordingly, China has moved some way towards convergence of its national standards with IFRS (IASB, 2010d), although it “is unlikely that China will give up all accounting sovereignty in the near future” (ICAS, 2010, p3). It should also be noted that policy makers in China, while developing a market-based economy, are committed to maintaining this within a Marxist socio-economic philosophy (Suzuki, 2007, p572).

Change was underway in Europe as well. The EU was formally established in 1993 with the signing of the Maastricht Treaty, leading to the development of a single European market and currency. Unification of the internal European market necessarily required “robust, comparable and transparent information” (Dewing and Russell, 2004) which led to calls for harmonisation of accounting within Europe. The existing Fourth and Seventh Directives³² proved to be insufficient for the needs of European companies attempting to list elsewhere, so in 1995 the EC issued a new strategy for harmonisation which:

...consist[ed] of putting the [European] Union’s weight behind the international harmonization process which [was] already under way in the IASB. The objective of this process [was] to establish a set of

³² Fourth Directive 78/660/EEC 25 July 1978– this is a directive from the EEC (European Economic Community) which concerns the presentation and content of annual accounts and annual reports of limited liability companies, the valuation methods used and publication (Europa, 2012a)
Seventh Directive 83/349/EEC 13 June 1983– coordinates national laws on consolidated accounts (Europa, 2012b).

standards which [would] be accepted in capital markets worldwide (paragraph 1.4 as cited in Dewing and Russell, 2004, p293).

This move to adoption of IASB standards by the EU also reflected a “shift in governance” (Perry and Nolke, 2006, p576) from national public bodies to an international private body, the IASB.

Political reforms paralleled reforms in the technological sphere. New technologies transformed production, distribution and markets, and enabled the rapid networking of financial centres across the world. The compression of time and space, as described by Castells (see section 4.5.3), meant that connections, negotiations, agreements, funds transfers and all manner of transactions were able to be recorded immediately and became instantaneously available in multiple locations within the “space of flows” (Castells, 1996); that is, in the cyberspace network of telecommunications and computer linkups.

The resulting globalisation of business, capital investment and finance added energy to claims about the need for comparable financial information on a global scale. Further, as suggested by Perry and Nolke (2006, p567), the information needs of such a market-driven global economy tended towards a fair-value model of accounting, which accommodated current values and a forward-looking perspective. The IASB standards and conceptual framework, based on a fair value model of accounting, were compatible with the needs of the global capital market. All of this change was consistent with the prevailing cultural ethos, an ethos perhaps best described as neoliberal.

5.2.2 Neoliberalism

Neoliberalist ideology rests on a faith in the self-correcting ability of markets and the logic of competition, with little or no government imposed restrictions (Golob et al., 2009, Peck and Tickell, 2002). The ‘free market’, both as a metaphor and a reality, has become deeply engrained in Western culture, to the extent that it is commonly believed that self-interested profit-making in the context of competitive markets will unproblematically maximise social well-being (Merino et al., 2010, p780) and result in a “rise in the standard of living, economic efficiency, individual freedom, democracy and technological development” (Golob et al., 2009, p628).

Promulgated by corporations, the traditional academy and well-funded think tanks (Ravenscroft and Williams, 2009 and Merino et al, 2010) this faith provided the intellectual foundation for neoliberalism as a political movement. It was popularised in the policies of Margaret Thatcher, the Prime Minister of Britain from 1979 to 1991 (Manne, 2010, p15), and Ronald Reagan, President of the US from 1981 to 1989. Ravenscroft and Williams (2009, p775-776) argue that the triumph of neoliberal discourse not only provided “the background for many (if not most) policy discussions, [it] naturalised a particular worldview, thus placing its essentially moral nature beyond debate”.

At least for many, the neoliberal global order was the core vision behind the dominant discourse of the times, a way of making meaning for the participants in global trade and politics. Fairclough (2001, p6), with reference to Bourdieu and Wacquant (2001), points to the “performative power” of the “new planetary vulgate”, a vocabulary with the power to bring into being the very realities it claims to describe; eg. globalisation,

governance, exclusion. In other words, the language or vocabulary of neoliberalism had the power to change, as it was seen as desirable, inevitable and as a compelling reflection of the world. Further, those who had access to it were powerful and mediated this as 'common sense'. Significantly, the dominant discourse contributed to a "closure of public debate and weakening of democracy" (Fairclough, 2001, p5).

In its early days, neoliberalism was the ideological scaffolding for macroeconomic policies such as the abolition of restrictions on international capital flows, privatisation of state enterprises and the deregulation of financial markets (Perera et al., 2003, p28). It was responsible for "imposing far-reaching programs of state restructuring and rescaling across a wide range of national and local contexts" (Peck and Tickell, 2002, p380). The harsh outcomes of this early phase eventually yielded to the second phase, in which some level of regulation was re-introduced (Godfrey and Langfield-Smith, 2005, p1986). The focus in this second stage was on "the purposeful reconstruction and consolidation of neoliberalised state forms, modes of governance, and regulatory relations" (Peck and Tickell, 2002).

Comingling with and justified through this ethos, the internationalisation of accounting standards and the creation of the international accounting governance structure, headed by the IASB, seemed obviously appropriate. The deregulation of financial markets and the freeing of international capital flows precipitated the demand for a uniform set of accounting standards capable of producing globally comparable financial statements. The second stage of neoliberalism witnessed the reconstitution of the IASB (formerly the IASC). A truly global structure and organisation were seen as essential to

governance of financial reporting across borders, since national sovereignty cut against the grain of the allocative processes of global capital.

Globalisation was firmly entrenched as an inevitability, and the corollary need for one set of accounting standards just followed from that. Further, as suggested by Andrew et al (2010, p612), the “neoliberal formula” would ensure that the market would deliver the most appropriate means of developing and enforcing a global set of standards (or resolving any issue for that matter).

The looming question at that point was which set of standards; either US GAAP or IFRS? As discussed in Chapter 6, preference for one of the above varied between different countries and companies. US GAAP had the weight of the FASB and SEC behind it and had been favoured by many non-US participants in global capital markets. The preciously valuable ability to list on the US market was conditional on financial reporting in accordance with US GAAP. This privileged position was weakened as corporate collapses in the early 2000s revealed a system unable to effectively prevent such financial catastrophes. While some European countries (eg Germany) favoured US GAAP with the access it gave them to US markets, the EC was concerned about adoption of standards over which it had no influence and which were founded on a different financial reporting philosophy. Alternatively, standards offered by the IASB were seen as being more amenable to adoption/convergence by different countries, given the latitude offered by their presumed ‘principles-based’ nature. Endorsement of IASB standards by IOSCO added the legitimacy of securities regulators as representatives of the global capital market. IASB standards also aligned with faith in

the ‘invisible hand of the global market’ as not in need of the regulatory idiosyncrasies of individual national governments.

5.2.3 Nation-states, strategic alliances and supranational organisations

As outlined in section 4.5.2, the new forms of global capitalism directed networks of strategic alliances between companies, financial intermediaries, states and supranational organisations. Castells suggests that nation-states have been driven to secure “platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states” (1997, p268). Many countries have become enmeshed in networks of powers and counter-powers (Castells, 1997, p305) with the expectation to improve economic productivity and competitiveness of their constituents. These countries embraced policies of deregulation and privatisation to engage with the wider international market, and in doing so have become exposed to the volatility and complexity of international competition, as witnessed in the global financial crisis of 2007-2009. Nation-states have in many instances relinquished economic sovereignty, in order to align themselves with global economic interests, adopt global rules favourable to capital flows and rely on emerging systems of international governance overseen by supranational organisations (Castells, 1997, p307).

Although Castells focuses on the emergence of supranational organisations in the latter part of the 20th century, this phenomenon began to take shape in the wake of the Great Depression and World War II. Supranational organisations, such as the International Monetary Fund (IMF) and Organisation for European Economic Cooperation (OEEC), reflected inter-governmental collaborative efforts by Western democracies faced with post-war reconstruction and the threat of an increasingly powerful Soviet Union.

Alliances established on the grounds of rebuilding, development, economic growth and stability also provided vehicles for the protection of interests and ideologies; these alliances served to integrate the ‘free world’ into an interlinked, ideological, sympathetic order that would oppose the spread of communism (Beeson and Capling, 2002). Further, US inspired initiatives “were intended to institutionalise essentially normative judgements about the presumed superiority of individualism and free markets” (Beeson and Capling, 2002, p287), thus reinforcing neoliberalist ideology (section 5.2.2).

Since the 1980s supranational organisations have shifted from being inter-governmental bodies to “truly transnational structures in which states represent one set of stakeholders alongside a host of other...non-state actors...New governance systems are evolving independently of state actors...and vary from one policy arena to the next” (Eccleston and Carroll, 2008, p65); processes made easier after the collapse of the Soviet Union. They have also taken on a life of their own, defining their mandates in ways that supersede the power of their constituent states (Castells, 1997, p269) and changing their roles to better exploit the fluid global environment. The World Bank, for example, shifted its focus to lending for the servicing of Third World debt. In the 1980s the IMF took on the responsibility for restructuring the economies of Latin America and in the 1990s shaping the former Soviet Bloc countries into placidly market-driven economies. Newer entrants, such as the International Organization of Securities Regulators (IOSCO), the G8³³ and the G20³⁴, have emerged to manage flows of international

³³ G8 – established in 1975 as the Group of 6, France, Germany, Italy, Japan, UK and US to address the first oil crisis, and later joined by Canada. Russia joined in 1998, and the Group is now known as the G8. Its representatives include finance ministers from these countries who meet to discuss political and economic issues of significant international concern (G8, 2011).

capital through global financial markets. Castells suggests that these organisations have come to represent the core network of global governance “charged with regulation and intervention on behalf of the ground rules of global capitalism” (1998, p355). Not only do these institutions provide fora for the protection and expression of interests among member states, they have also become vehicles for influencing national politics (Graham and Neu, 2003, Camfferman and Zeff, 2007, Irvine, 2008). Furthermore, representatives of these organisations are the “managerial elites” (Castells, 1996, p412-417), who exist within the space of flows and who exercise power in the new economy. These loci of concentrated power have far reaching influence across the globe but are not subject to traditional forms of national regulation.

The IASB emerged as one of these eminent international governance bodies. The IASC (IASB) was established by a group of Western nations (UK, Australia, Canada, France, Germany, Japan, Mexico, the Netherlands and the US) banding together to promote and protect their own interests. Although the IASC (IASB) was established in 1973, it gained substantial legitimacy in 2000 with the IOSCO endorsement of its standards for cross-border registration purposes. In recent years it has been supported by the EU, whose member states recognised the need for some form of international accounting but were reluctant to adopt the alternative, US GAAP (Dewing and Russell, 2004, Chiapello and Medjad, 2009). The decision by the EU to adopt IASB standards for disclosures from listed companies was perhaps the most significant boost to global adoption, prompting other countries to make similar decisions. The uptake of IASB standards was

³⁴ G20 - established in 1999 in response to the Asian Financial Crisis, by representatives from advanced and emerging economies to stabilize global financial markets. Members include Finance Ministers and Central Bank governors from Argentina, Australia, Brazil, Canada, China, EU, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, UK and US (G20, 2011).

also assisted by the conditions placed on developing nations by the World Bank and the IMF to comply with IASB standards (Graham and Neu, 2003). In developing strategies to deal with the GFC, the G20 leaders called on the IASB and FASB to “redouble their efforts to complete global convergence of accounting standards by June 2011” (G20, 2009a)³⁵. The convergence project between the IASB and the FASB is the facilitator for US adoption of IFRS.

As an aside, Castells (1996) maintains that individual states will continue to exist despite the increasing prevalence and power of these supranational organisations and loss of sovereignty by individual states. Much of the world’s population does not have access to the networks of global capitalism and would be unlikely to accept full integration with such bodies. Further, the ability of many of these organisations to act depends upon the cooperation and authority of participating nation-states, as in the case of IFRS where individual nations must use some form of domestic regulatory mechanism to enforce the standards. Also, as has been seen with the GFC of 2007-2009, Western governments have been forced to support the banking and property sectors after collapses such as Lehman Brothers in the US and the Bank of Scotland in the UK. In Australia, the Federal government offered multiple assurances in the wake of the financial crisis, including an extension of its AAA credit rating to the domestic banks, and an \$8 billion boost to the home loan industry (Murray, 2009, p4).

5.2.4 Corporate and Financial crises

One consequence of the globalisation of financial and capital markets is that a crisis in one part of the world can easily spread. By way of example, the Asian financial crisis of

³⁵ This deadline has since been extended to mid-2013 (IASB, 2012).

the 1990s resulted in significant falls on the US stock markets, falls in the Japanese Yen and a fall in the price of oil directly affecting OPEC (Organization of the Petroleum Exporting Countries). Corporate collapses in the early 2000s occurred in epidemic proportions across the Western world. The Enron collapse in the US led to the creation of the Sarbanes-Oxley Act (2002), which in turn prompted revisions to corporate governance mechanisms in other Western nations. It also resulted in one of the largest accounting firms in the world, Arthur Andersen, collapsing after being found guilty of obstruction of justice.

Around the same time Europe experienced collapses like Switzerland's national carrier Swissair, the German media giant Kirch, and the Italian dairy and food processing group Parmalat. The collapse of Swissair was attributed to the downturn in international air travel subsequent to the September 11 terrorist attacks in the US (Anonymous, 2007). It was estimated that the Parmalat collapse would create losses of around US\$ 1.6 billion for American life insurance companies (Anonymous, 2003) and have repercussions throughout European financial markets. The GFC of 2007-2009 clearly revealed the interconnectedness of global financial markets, as collapses in the US housing market and banking system quickly reverberated throughout global capital and financial markets and prompted intervention by many national governments and supranational organisations.

These crises and collapses highlighted "the need for reliable and transparent accounting and financial reporting to support sound decision-making by investors, lenders and regulatory authorities" (IASB, 2003 as cited in Graham and Neu, 2003, p455). The GFC mobilised the G20 nations to commit to a "coordinated set of policy actions" to "pull

the world economy back from the brink of a depression” (G20, 2009b). As part of this initiative, the G20 leaders called on:

...our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard-setting process, and complete their convergence project [between the IASB and the FASB] by June 2011. The International Accounting Standards Board’s (IASB) institutional framework should further enhance the involvement of various stakeholders (G20, 2009a, paragraph 14).

The decision that national regulators relinquish domestic control over standard-setting and consent to IFRS is based on the hope that the technically standardised information would allay the risks and reveal the uncertainties of a globalised market (Bhimani, 2008, p452). The IASB is in the process of reviewing accounting issues that have emerged from the GFC, as well as responding to the requests from the G20. A Financial Crisis Advisory Group has been established, and numerous roundtable discussions have been held to identify relevant issues (IASB, 2010c). Further discussion of these issues as they confront the IASB is provided in Chapter 6.

This chapter has so far suggested that the emergence of an international accounting governance mechanism derives from the spread of neoliberalist ideology, the increasing prevalence of supranational organisations, and corporate and financial crises. The next section will examine the manifestations of globalisation at the Australian level and the implications of this for corporate reform and the adoption decision.

5.3 Australian politics and economic policy in the late 20th century

The final two decades of the 20th century saw Australian politics dominated by the policies of the Hawke and Keating³⁶ Labor (refer to footnote 23) Governments. Hawke, and later Keating, sought to cast aside traditional Australian platforms such as White Australia, Industry Protection, Wage Arbitration and State Paternalism³⁷ in order to embrace the new age of globalisation (Kelly, 1999, p261). Hawke and Keating were committed to a multi-cultural Australia and eager to engage with the rest of the world, particularly the Asia-Pacific region. On the economic front the Hawke government embraced neoliberal policies promoting free trade and market liberalisation. In 1983 the Australian dollar was floated, followed by the deregulation of the financial system and the lifting of exchange controls over capital movements to and from Australia, irretrievably linking the Australian economy to the trajectories of a global economy. As one example, consider that during the years 1983 to 1988 the Hawke government embarked on major reform to the tariff system, in which tariffs in the car, textiles, clothing, heavy engineering and steel industries were reduced to an average of around 5% (a seven-fold reduction since the late 1960s) (Bell, 1997, p360). The Australian

³⁶ The Honourable Robert James Lee Hawke, AC, Prime Minister of Australia, 11/3/83 to 20/12/91 (member of the Australian Labor Party). The Honourable Paul John Keating, Prime Minister of Australia 20/12/91 to 11/3/96 (Member of the Australian Labor Party) (Commonwealth Australia, 2010).

³⁷ White Australia – various policy initiatives to limit non-white immigration to Australia, first implemented from the time of Federation 1901.

Industry Protection – government policy to protect Australian industry via tariff barriers.

Wage Arbitration – determination of fair and basic wages through a system of industrial arbitration, and overseen by various tribunals and commissions, including the Commonwealth Court of Conciliation and Arbitration established 1904, the Australian Industrial Relations Commission and Fair Work Australia (Fair Work Commission, 2013).

State Paternalism – provision of public services by Australian State Governments, including schools, hospitals, public transport and infrastructure – policies which first emerged in 1890s in response to “the failure of the private sector to promote economic growth in underdeveloped areas” (Tonts and Jones, 1997, p173).

government embraced global free trade through fora such as GAAT (General Agreement on Tariffs and Trade – forerunner to the WTO) and APEC (Asia Pacific Economic Cooperation Group) (Bell, 1997, p360). These policies encouraged competition and opened the Australian economy to the international market.

Hawke's focus in the late 1980s was to make Australia a more productive country, with policies on microeconomic reform, privatisation, smaller government and labour market reform (Kelly, 1999). The subsequent Prime Minister, Keating, was also committed to integrating Australia into the global economy, adopting neoliberalist policies to that effect. Argy (2002) argues that the change in policy was driven by the ideological liberalism of the global financial markets and the business lobby. This neoliberal ideology advocated strong anti-statist and pro-market philosophy (Bell, 2002, p22), and was taken up by Hawke and Keating on the grounds of public interest. Conley (2004, p2) argues that these governments were successful in 'brainwashing' the Australian public to believe that globalisation was inevitable and transcendent over politics to such an extent that the political process was at its mercy. Essentially, these governments claimed that there was only so much they could do within this context, and corporate reform needed to work with, rather than against, the needs of the global capital market (Conley, 2004). The globalisation phenomenon had thus effectively shifted political party platforms to those favouring a neoliberalist ideology.

It was in this context that the Labor government established the Corporations Law Simplification Task Force, with the aim to make the Corporations Law understandable to users to enable them to fulfil their responsibilities and to be aware of their rights (Commonwealth of Australia, 1993). The *First Corporate Law Simplification Act (Cth)*

was passed by parliament in 1995, however the second bill failed to be passed prior to the changing of government in 1996. This reform was continued and significantly broadened by the Coalition Government (refer to footnote 24) under the *Corporate Law Economic Reform Program (CLERP)*. Coalition policy was very much centred on increasing economic and capital market efficiency (Stoddart, 2000, Godfrey and Langfield-Smith, 2005), and the CLERP proposals were framed accordingly (Commonwealth of Australia, 1998a). This attention to increased regulation is consistent with what Peck and Tickell (2002) describe as the second phase of neoliberalism, in which initial deregulation (first phase) is followed by increased regulation to improve capital market efficiency. Therefore at the national level, the ideology of the government reflected pervasive global ideologies. Further details on CLERP are provided in Chapter 6.

It is also worth mentioning that this reform and the eventual decision to adopt IFRS should be seen in the context of the high profile corporate collapses which occurred in Australia in the early 2000s. These collapses reflected broader phenomena occurring throughout the Western world, as mentioned in section 5.2.4, and prompted the reassessment of financial reporting regulation. Australian regulatory bodies had been discussing convergence and harmonisation for decades without resolution (McGregor, 1995, Collett et al, 1998, Stoddart, 2000, Collett et al, 2001), yet in 2002 the FRC made the sudden decision to adopt IASB standards. IFRS are now re-badged as Australian Accounting Standards enforced by the Corporations Law, thus inextricably linking domestic regulation to an international system of governance. This is consistent with what Castells (1997, p307) suggests is the late 20th Century phenomena of nation-states aligning themselves with global economic interests to foster productivity and

competitiveness in their economies. In the process, they also become less able to represent their national constituencies.

5.4 Chapter summary

This chapter has responded to the first research question, which relates to the broad historical and spatial context of the Australian decision to adopt IFRS, by drawing on elements of Castells' views on globalisation (1996, 1997, 1998) to frame the discussion. The restructuring of world order reflected the mainstream consensus of neoliberal economic and governance ideologies, in which "political debate on issues of substance become more limited" (Fairclough, 1992, 79), and which shaped the actions of agents in ways about which they were unaware (Fairclough, 1992, p72). Australian domestic policy couched in terms of reform, initiative and responsiveness to the needs of global markets effectively masked the transfer of control to global forces and international bodies (such as the IASB).

In the last part of the 20th century the world experienced a technological revolution, prompting the emergence of a new global capitalism and an increasing interconnectedness of the world's markets. The new global economy saw the transformation of traditional identities, including those of nation-states who relinquished much of their sovereign rights. In their place, supranational elites and organisations emerged. The IASB was one of these organisations, attempting to satisfy the economic need for transparent and comparable financial information and at the same time providing a political vehicle for Western nations to protect their underlying philosophies and interests.

Successive Australian governments, keen to support Australian companies in the global market and ultimately to bolster the Australian economy, embraced the principles of neoliberalism. Further, the restructuring of domestic corporate law was premised on the notion of the ability of global markets to benefit the Australian economy, and as such directed attention to international accounting standards and the establishment of infrastructure to facilitate this outcome. The Australian government allied “themselves closely with global economic interests, and abide[d] by rules favourable to capital flows, while [its] societies [were] being asked to wait patiently for the trickled down benefits of corporate ingenuity” (Castells, 1997, p307).

The following chapter moves to the structuration study of the adoption decision. The focus of examination in Chapter 6 is the external structures; that is, the action horizon of the FRC as it made its decision to adopt international standards. This encompasses a discussion of the array of ‘other’ actors, the framework of position practices and the forces and influences which acted upon the FRC members and their decision processes. Knowledge of these external structures comprises the ‘conjuncturally specific knowledge’ of the FRC members, as addressed in Chapter 7.

Chapter 6 External Structures

6.1 Introduction

This chapter narrows focus of the thesis from the broad context of globalisation to the external structures faced by the members of the FRC. This responds to Steps 1 and 2 of the research endeavour (refer to Figure 2), namely:

Step 1: identify and assess influences or forces on the FRC members (external structures). Specify the options available to the FRC members.

Step 2: identify other agents involved with international accounting standard-setting and the web of relationships that exist in this realm (external structural clusters and position practice relations).

Both of these steps rely on Stones' methodological bracketing (refer to section 2.5.1) in which agents' context analysis is used. The two external structures addressed in this chapter are 1. International accounting governance, and 2. Domestic corporate law. These external structures have their own processes of structuration, independent of the agent- in-focus (FRC), but they are not subject to a structuration analysis, as such, in the current thesis. That is, detailed analysis is not undertaken as to how these structures are (re)constituted by, or inform, the actions of various agents (by virtue of the duality of structure). However, as these external structures influence the actions of the FRC and reflect the network of relationships (position practices) surrounding the FRC, it is important to provide an outline of the key participants and various relationships.

The chapter proceeds as follows. First, external structures as presented by Stones (2005) are revisited in section 6.2 as a prelude to the ensuing discussion. Next, the external

structure of international accounting governance is considered in section 6.3, with reference to the array of ‘other actors’ and the ‘position practices relations’ they maintained. Following on, the external structure of domestic corporate law is outlined in section 6.4, again with reference to the array of ‘other actors’ and the position practice relations.

6.2 External structures

One of the elements of Stones’ (2005) quadripartite model of structuration is ‘external structures’. External structures are antecedent to the agent-in-focus and can be perceived as conditions of action or settings that stretch away across time and space. External structures reflect the network of position practices faced by the agent-in-focus, so in any structuration study it is essential to examine how the agent-in-focus is situated within this network of webs of relationships and various influences. The structural context provides the foundations for the agent’s next move and can serve to either facilitate or frustrate his/her intentions.

These structures are external to the agent-in-focus and comprise situations or forces outside his/her control. These structures are changed, reproduced or constituted (ie. subject to a process of structuration) irrespective of the actions of the agent-in-focus, but are nonetheless within the action frame of the agent. External structures encompass two types of occurrences, *independent causal influences* and *irresistible causal forces*. The former relates to those structures which have total autonomy from the agent-in-focus, and as such are unaffected by their wants, desires, and conduct. The latter type of external structure, irresistible causal forces, relates to those structures which agents have

the capacity to resist but to which they feel compelled to respond. Due to their embeddedness in a range of position practices, or an ordering of priorities, agents may feel that they have no choice but to follow a particular course of action.

Analysis of external structures falls within Stones' notion of strategic context analysis (refer to section 3.5) and is essential in gaining knowledge of the strategic terrain which is/was faced by an agent-in-focus, along with the range of possibilities available to that agent (Stones, 1991, p676). In this study, two irresistible causal forces on the adoption decision of the FRC are examined, namely the structure of international accounting governance and the structure of domestic corporate law. This study does not address any independent causal influences. It is acknowledged that there may have been other causal forces or influences on the FRC members, however the analysis is limited to the two forces which were most apparent. Figures 9 and 10 represent simplified versions of the external structures influencing the FRC and the position practice relations that the FRC was situated within.

6.3 Structure of international accounting governance

This structure emerged in the context of increased globalisation of trade and finance, as individual countries sought "platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states" (Castells, 1997, p268). While much manoeuvring in the international domain occurred independently of Australian standard setters and professional accounting bodies, they made concerted efforts to be part of the emerging network of global accounting alliances by establishing relationships with other parties, supporting IASB pronouncements and ultimately adopting the IASB standards.

Although there was a sense of inevitability to the path taken by the Australian standard setters, they did have choices. They could have continued to pursue the development of domestic standards (perhaps in line with international best practice regardless of source), benchmark against IFRS for minimum requirements (Howieson, 1998) (the previous policy of the AASB), pursue selective adoption of IFRS or even adopt US GAAP as a framework for financial reporting. Furthermore, as the IASB did not have regulatory jurisdiction within individual countries, the Australian standard setters chose to provide the necessary regulatory mechanisms to ensure compliance with IFRS in the domestic domain. It is therefore suggested that this external structure is an *irresistible causal force* rather than an independent causal influence. The FRC members, with some discretion over the future of accounting standard-setting, chose the ‘adoption’ alternative. This was perceived as the most palatable option at the time, even though it meant relinquishing control over standard-setting to an international body.

As mentioned above, external structures are the conditions of action or strategic terrain faced by the agent-in-focus and reflect the complex network of position practices in which the agent is enmeshed. The agent-in-focus’ knowledge of these conditions of action represents the conjuncturally specific structures (refer chapter 7). To gain an insight into how the structure of international accounting governance affected the Australian adoption decision, it is essential to first identify who the ‘other agents’ or ‘agents-in-context’ were and the relationships that existed between them, including institutionalised reciprocities and asymmetric power relations. This aspect of the discussion necessarily spans time and space, touching on developments over the last forty years or so in many Western nations.

It should be kept in mind that these external structures are themselves involved in a process of structuration, and they have to be “produced and reproduced again and again by a plurality of agents within a variety of structural clusters” (Stones, 2005, p143). As indicated in the foregoing, a detailed analysis of the structuration process relating to these external structures is beyond the scope of this thesis. Castells’ (1996, 1997, 1998) conceptualising with respect to the emerging network of alliances as a means of protecting the interests and ideologies of nation-states is sustained in the following. The IASB (and its predecessors) will be addressed first, as it is this body which has emerged as the representative of the structure of international accounting governance and around which the network of relationships is anchored.

6.3.1 The IASB as a supranational governance body (and the G4+1)

The first collaboration on international accounting was that of the Accountants International Study Group (AISG), established in 1967 by Sir Henry Benson, chairman of the Institute of Chartered Accountants in England and Wales (ICAEW). In the context of the increasing globalisation of capital and financial markets, Benson highlighted the need for comparative financial statement information and for a body with some authority to shape global accounting practice (Camfferman and Zeff, 2007). In 1972 at the Tenth International Conference of Accountants held in Sydney, Benson reflected on the emergence of the international imperative, commenting that “the widespread demand for internationally accepted standards became clear in a way that was “almost telepathy”” (as cited in Camfferman and Zeff, 2007, p45). At the same conference the president of the AICPA (American Institute of Certified Public Accountants), LeRoy Layton, noted the need “without delay, [for] some body of

experts...that would tackle, on a continuing basis, the very difficult task of establishing international standards of accounting and auditing...” (as cited in Camfferman and Zeff, 2007, p43). The AISG was successful in collating information on accounting practices in the UK, the US and Canada and was responsible for publishing 20 booklets on accounting practice, including the first on International Financial Reporting, although its output had little impact on the accounting practices in the member nations (Camfferman and Zeff, 2007).

The AISG was superseded by the IASC (the forerunner to the IASB), which was established in 1973 again at the instigation of Benson. With support from accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK and the US, the IASC was established as a private sector body with the aim to reduce differences in accounting standards around the world. IASC members acknowledged the obligation to act in the public interest, as indicated in the original IASC agreement and constitution respectively:

The professional accountancy bodies which are signatories hereto, hereby collectively agree to establish and maintain an International Standards Committee...whose function will be to formulate and publish in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements... (IASC, 1973a, para 1).

The members of the Committee and the persons nominated by Associate members shall not regard themselves as representing sectional interests but shall be guided by the need to act in the public interest and the general interest of the accountancy profession as a whole (IASC, 1973b, para 2c)).

IASC efforts up until 1987 did not provide any semblance of uniformity in accounting practices across the globe but instead represented a reduction of unacceptable accounting practices (Camfferman and Zeff, 2007, p143). The first 26 standards of the

IASC were broad in principle offering multiple options, reflecting the need for compromise to ensure acceptance of its standards. These standards, however, were not readily taken up by companies in the members' countries (McGregor, 1999, Jones et al., 2004, Camfferman and Zeff, 2007). With the rapid expansion and interconnectedness of international trade and financial transactions in the 1980s, and in an effort to seek endorsement from IOSCO, the IASC became serious about developing a core group of standards available for global use. The IASC board members realised that most of the optional treatments needed to be removed (Camfferman and Zeff, 2007, p293), and this was achieved to some extent with the 'Comparability' and 'Improvements' projects, which were completed by 1993 with 10 revised standards. This however was still unacceptable to the SEC and the FASB. The chairman of the FASB at the time, Jim Leisenring, stated in 1998 that IASC standards did not make the grade as global standards (as cited in Camfferman and Zeff, 2007, p339) and further that "global standards should meet four criteria....they should be consistent with the framework, offer minimal alternative procedure (because comparability is crucial), be unambiguous and comprehensible, and be capable of rigorous interpretation and application".

As part of the drive for IOSCO endorsement, the IASC embarked on the development of a conceptual framework (Camfferman and Zeff, 2007, p253), and the resulting *Framework for the Preparation and Presentation of Financial Statements* was released in 1989. Rather than reflecting a truly international collection of principles, it maintained a strong Anglo-American bias and adopted a balance sheet approach that ultimately called for more reliance on the fair valuation of assets. Support was eventually given to the IASC from standard setters and companies in Europe, as well as the European Commission (EC), whose members were reluctant to be subject to

worldwide accounting harmonisation on the basis of US GAAP, over which they would have no influence (Flower, 1997, p286). Legislation was passed in some European countries to allow companies to report on the basis of IASC standards.

At around this time the IASC started to receive competition from the G4 group of countries (UK, US, Canada, Australia). This group was established in 1992, initially to work on issues associated with provisions and later on measurement and recognition of future events (Street and Shaughnessy, 1998, p139). This can be seen as a case of like-minded parties seeking out 'platforms for joint ventures' to achieve common goals and to protect their interests (Castells, 1997, p269). Individually, they were frustrated with lack of progress by the IASC, however collectively they presented a united Anglo-US force in the realm of international standard-setting. The G4+1 subsequently invited the IASC to join, hence becoming the G4+1, in an effort to keep the rest of the IASC members informed of their deliberations. McGregor (1999, p165) suggests that the G4+1 began to act like "a de facto" international standard-setting body, issuing a number of discussion papers and ready to fill the void if the IASC was not successful. The other IASC members resented the increased influence of the G4 members at the IASC board meetings and suspected that they would issue more than discussion papers, thus posing a potential threat to the standards of the IASC (Camfferman and Zeff, 2007, p14). To add to the perceived problems of the G4+1, the SEC lobbied the IASC for a more appropriate model for an international accounting standards body. It became apparent to the IASC that in order to gain IOSCO endorsement it would need to restructure and sever ties with the accountancy bodies. By 1999 it was agreed that the IASC would be reconstituted as the IASB in-line with the SECs 'expert model'³⁸

recommendation, overseen by a body of trustees. The G4+1 disbanded in 2001 as the IASB was ready to commence operations, and members of the G4+1 (Tweedie, Liesenring and McGregor) were appointed to the IASB (Camfferman and Zeff, 2007, p498).

In 2000, and prior to the changeover, the IASC received endorsement for its core standards from IOSCO. This endorsement, however, was somewhat hollow as the SEC still required foreign companies listed on its exchanges to provide a reconciliation to US GAAP. The FASB also maintained at the time that the body of IASC standards was not of “sufficiently high quality to be used without reconciliation to US GAAP in cross-border filings in the US at this time” (Melancon and Elliot, 2000). This reconciliation requirement was eventually removed by the SEC on 15th November 2007 on the condition that the financial statements of the foreign issuers were prepared using International Financial Reporting Standards (IFRS) as issued by the IASB (SEC, 2007c).

The IASB took over standard-setting responsibilities from the IASC in 2001. The IASB was comprised of 14 members, 12 of whom were full-time and the other two part-time, and was supported by full-time technical staff. The newly reconstituted IASB attempted to bring a more professional and independent *modus operandi* to its governance role and to establish itself as an independent not-for-profit organisation. Members of the IASB were selected on the basis of expertise and not geography and were overseen by the trustees of the IASC Foundation (now known as the IFRS Foundation - refer to section

³⁸ Expert model - 14 members selected on the basis of expertise and not geography (Camfferman and Zeff, 2007; Richardson and Eberlein, 2011).

6.3.2) and drawn from around the world. Funding was to be broad-based and not contingent on any particular actions of the IASB or the trustees (IASB, 2009a).

The restructured IASB, according to its chairman David Tweedie (IASB, 2007b, p1), was to operate as a “think tank” to completely revise the standards inherited from the IASC, although at that stage it was not subject to a deadline for the release of standards. However, that approach changed rapidly with the decision by the European Commission (EC) on 20th June 2000 that all listed companies comply with IFRS by 2005, making it imperative for the IASB to compile a package of standards that would be ready for use before that time. Tweedie (IASB, 2007b, p5) acknowledged that this was not an ideal situation and that it would have been preferable for the IASB to start with a clean slate; however, working with what it had or could borrow, the IASB compiled the stable platform of standards ready for release by 2004. As part of this effort the IASB entered into a joint convergence project with the FASB whereby existing standards were to be revised and reissued, new standards developed, and the conceptual framework significantly overhauled.

This relationship between the IASB and the FASB is perhaps the most significant within the network of relationships that make up the structure of international accounting governance. It reflects the reciprocal power relations between the two. While the IASB is presented as the global authority on international accounting, it relies on FASB support both in terms of resources (for the standard-setting process) and US leverage based on the centrality of US adoption to the fulfilment of the goal of ‘one set of global standards’. The FASB, with the might of the world’s largest capital market

behind it, relies on the IASB and the convergence project as a counter to criticism of US GAAP (refer to section 6.3.5 and footnote 46).

In the relatively short life span of the IASB, over 120 countries have come to require or permit the use of IFRS, with many others following convergence agendas (IFRS Foundation, 2011f). This relative (partial) success of IFRS as the ‘global set of accounting standards’ lies, in part, with the fact that they were simply not American; US GAAP was perceived as too closely aligned with the domestic requirements of the US (Chua and Taylor, 2008, p470), and European interests in particular were reluctant to embrace US standards (refer to section 6.3.6). The EC decision to adopt IFRS provided impetus to the adoption/convergence decisions of individual countries, such as that of Australia. The endorsement of IOSCO was pivotal in the success of IFRS, throwing the weight of the global capital market behind the standards.

As indicated, the IASB is central to the international accounting governance structure, having established relationships with multiple professional associations, standard-setting groups and regulatory bodies. It is also situated within a group of affiliated bodies on which it is at the same time dependent and accountable to.

6.3.2 IFRS Foundation and affiliated bodies

The IFRS Foundation, previously known as the IASC Foundation IASB, oversees the IASB. IFRS Foundation members are not involved with technical deliberations. To maintain its independent status, the trustees are drawn from around the world: six from each of Asia/Oceania, Europe and North America; one from Africa; one from South America; and two from the rest of the world (IFRS Foundation, 2011e). The IASB is

also supported by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the SME Implementation Group (IFRS Foundation, 2011c). The IFRS Advisory Council is the formal advisory body to the IASB and the Trustees of the IFRS Foundation and:

...is comprised of a wide range of representatives from user groups, preparers, financial analysts, academics, auditors, regulators, professional accounting bodies and investor groups that are affected by and interested in the IASB's work. Members of the Advisory Council are appointed by the Trustees (IFRS Foundation, 2011d).

The Advisory Council meets to advise the IASB on a range of issues, including the IASB's agenda and work programme and "on single projects with a particular emphasis on practical application and implementation issues, including matters relating to existing standards that may warrant consideration by the IFRS Interpretations Committee" (IFRS Foundation, 2011d).

The IFRS Foundation is also accountable to a Monitoring Board³⁹ comprised of members from public securities regulatory groups. This board was established as part of the constitutional review of the IASB during 2008 and in response to the demands of various securities regulators, including the European Internal Market and Services Commissioner Charlie McCreevy, Financial Services Agency of Japan Commissioner Takafumi Sato, IOSCO Executive Committee Chairperson Jane Diplock, and US Securities and Exchange Commission Chairman Christopher Cox. In a joint press release they noted:

³⁹ The Monitoring Board will comprise the relevant leaders from the Emerging Markets and Technical Committees of the International Organization of Securities Commission (IOSCO), the European Commission, the Japan Financial Services Agency (FSA), and the US Securities and Exchange Commission (SEC). The Basel Committee on Banking Supervision will sit as a formal observer at Monitoring Board meetings (IASC Foundation, 2009b) .

International Financial Reporting Standards (IFRS) are becoming more widely used throughout the world. We have a common interest of ensuring continuing user confidence in the institutions responsible for the development of global accounting standards. A natural step in the institutional development of the IASB and the IASC Foundation would be to establish a means of accountability to those governmental authorities charged with protecting investors and regulating capital markets (IOSCO, 2007, p1).

A Memorandum of Understanding between the IASC Foundation and the founding members of the Monitoring Board indicated that the Monitoring Board was to serve as a formal mechanism for interaction between the capital markets and the IASCF (paragraph 6) and to act as an overseer of due process of the IASB (paragraph 9.A.i.) (IASC Foundation, 2009a).

The emergence of the IASB (and affiliated bodies) as the supranational organisation in charge of international accounting governance must be seen within a network of relationships with other agents-in-context. Given the scope of this thesis it is impossible to address all of the other agents; however, a few of the more significant, along with their roles and relationships, are outlined in the following sections.

6.3.3 The United Nations and the Organization for Economic Cooperation and Development (OECD)

The United Nations became involved in international accounting regulation as early as 1975, when its Commission on Transnational Corporations established a ‘Group of Experts’. The IASC perceived a threat by this group, and thus moved to establish relations between the two organisations (Camfferman and Zeff, 2007, p190). This ‘Group of Experts’ was replaced by the ‘Ad Hoc Intergovernmental Working Group on International Standards on Accounting and Reporting’ in 1979 and, until its demise in

1982, remained divided between developing and developed nations. One outcome of this division, however, was the allocation of three seats on the IASC board to developing nations (South Africa, Nigeria and Taiwan) (Camfferman and Zeff, 2007, p191). In 1982 the group was replaced by the Intergovernmental Working Group of Experts on Standards and Accounting (ISAR) which continues to exist today. As the IASC did not perceive it to be a threat to its activities, liaison between this group and the IASC continued until 1985 (Camfferman and Zeff, 2007).

The Paris-based OECD also became involved with international financial regulation in 1976 with the adoption of a 'Declaration on International Investment and Multinational Enterprises', which included a set of 'Guidelines for International Enterprises: Disclosure of Information' (Van Hulle, 1993, Chua and Taylor, 2008). In 1976 it established its own Ad Hoc Working Group on Accounting Standards as a counter to the UN Group (Camfferman and Zeff, 2007, p192), which later became a permanent working group. The OECD expressly noted that this group was not to develop its own standards but would accept those of the IASC. However, in return, the IASC had to broaden its base beyond the accounting profession. When participants in the OECD 'Forum on Harmonisation of Accounting Standards' expressed support for the IASC in 1985, it became apparent that this working group was not a key player in international financial standards (Camfferman and Zeff, 2007, p195). When it became apparent that the UN would not develop into a significant force with respect to accounting standards, and as the IASC attracted more positive attention, the need for OECD participation diminished (Camfferman and Zeff, 2007, p195).

6.3.4 UK interests – *the profession and the Accounting Standards Board (ASB)*

The UK has been a member of the EU (previously the European Economic Community - EEC) since 1973, when it joined the founding members of France, Germany, Luxemburg, Belgium, Austria and Italy, all of which had accounting measurement systems driven by the government and dominated by tax requirements (Godfrey and Chalmers, 2007, p49). It is interesting to note that the IASC was established in London in the same year by an Englishman, with members including Australia, Canada and the UK. This could be seen as an effort to maintain the British philosophy underlying accounting systems as a counter to European and American influences (Jones, 1998, Godfrey and Chalmers, 2007). Hopwood (as cited in Flower, 1997, p288) noted that:

[a] key impetus for the establishment of the IASC was given by the impending entry of the UK into the European Economic Community. The imminence of this brought fear to the British accountancy bodies who were worried by the potential consequences of what they saw as the imposition of the continental European statutory and state control on the much more discretionary relationship between corporate management and the auditor in the UK...Wanting to have a more institutionalized manifestation of British commitment to a wider transatlantic and Commonwealth mode of accounting, with the cooperation of its partners in the primarily English language community, the IASC was established.

In other words, the UK joined the EU (EEC) to secure economic benefits, but at the same time established the IASC and biased the membership to retain the Anglo approach to financial reporting. In Castells' terms this is an example of a nation-state enmeshing itself in networks of "powers and counter-powers" (Castells, 1997, p305) in order to not only facilitate the competitiveness of its constituents, but also to "secure a platform for joint ventures towards a diversity of goals [unable] to be reached by individual nation-states" (Castells, 1997, p268). While the UK enacted the requirements of the EU, it proceeded on a number of occasions to override the European directives by

use of the ‘true and fair override’ (Godfrey and Chalmers, 2007, p50-51; refer to section 7.9.2d for a discussion of the term true and fair).

The UK standard-setting board, the Accounting Standards Board (ASB), was established on 1st August 1990 under the direction of the UK Financial Reporting Council (ICAEW, 2009). It replaced the Accounting Standards Committee which had been setting standards in the UK since the 1970s. The UK maintained a ‘recognizably British approach’ to standard-setting, and the ASB was generally regarded to be one of the leading standard-setting bodies in the world (Camfferman and Zeff, 2007, p417). Despite its membership on the IASC, very few British companies referred at all to IASC standards at the end of the 1990s (Camfferman and Zeff, 2007, p417).

The British influence over the IASC was pronounced. As mentioned previously, the IASC was originally the brain child of Sir Henry Benson, president of the Institute of Chartered Accountants in England and Wales (ICAEW). The IASC was established in London, with the UK and the Republic of Ireland responsible for recruiting permanent staff for the London office (Camfferman and Zeff, 2007, p74). The ICAEW paid for the offices of the IASC, as well as making facilities available to the IASC secretariat (Camfferman and Zeff, 2007, p78). The official language was English. The English focus on investor protection as the ethical mandate underlying financial reporting has been reflected in IFRS. Finally, the IASC was established as a private sector body (rather than an intergovernmental organisation) and sponsored by professional accounting organisations, mirroring institutional arrangements in the UK (Chua and Taylor, 2008, p469).

Benson served as chairman of the IASC from June 1973-July 1976. During the life of the IASC, the two most influential secretaries-general were both from the UK: David Cairns (April 1984-December 1995) and Sir Brian Carsberg (May 1995-December 2000). Cairns took the IASC from issuing a steady stream of permissive standards to a tighter and improved set of standards, and he supported the development of a conceptual framework and a strategic plan for the IASC (Camfferman and Zeff, 2007, p233). Carsberg lifted the public profile of the IASC and was responsible for establishing strong relations with IOSCO and FASB (Camfferman and Zeff, 2007, p235). He was committed to reshaping the IASC in the late 1990s in accordance with the expert model favoured by the SEC. In 1995, Sir David Tweedie, chairman of the UK Accounting Standards Board was nominated to the Board of the IASC, continuing on to become the chairman of the IASB, a position that he held until June 2011. Sir David Tweedie (2008), in dialogue with Robert Bruce of Deloitte, half-jokingly (and most likely half-seriously) credited the success of IFRS to himself.

Thus, the British influence over the international standard-setting arena was strong indeed, particularly up until the time that the IASC was reconstituted as the IASB in 2001. The foregoing highlighted the extent to which UK individuals, standard setters and professional bodies effectively controlled the internationalisation movement, in terms of participation, leadership, resourcing and reporting philosophy. Even after the establishment of the IASB, Sir David Tweedie continued his push for a 'principles-based' approach to the setting of accounting standards. However, towards the end of the 20th century, it became apparent that the support of IOSCO and US bodies (FASB, SEC) was central to the notion of 'one set of global standards'. Furthermore, as discussed in the following, the FASB, with pressure from the SEC, acknowledged the

need to better engage with the rest of the world with respect to accounting standards development.

6.3.5 US interests – the FASB and the SEC

The FASB was established in 1973 with the aim to develop and promote financial accounting standards and concepts for use in the US. Standards developed by FASB are recognised by the SEC and supported by the American Institute of Certified Public Accountants (AICPA). As highlighted by McGregor (1999, p164), the FASB is the most powerful standard-setting body in the world and presides over the largest capital market. Further, it is unmatched in its standard-setting expertise, funded by resources which are “probably greater than the total resources committed to standard-setting in the rest of the world” (McGregor, 1999, p164). So, needless to say, the FASB is integral to the development and acceptance of one set of global accounting standards.

Early US efforts to develop standards were very much focussed on domestic needs, with little attention to the concept of international harmonisation, and “for the first 20 years of the IASCs existence, the attitude of the Americans towards it was rather patronizing” (Flower, 1997, p298). The SEC was confident that foreign firms wishing to list on US markets would be willing to pay the cost of reconciling their accounts to US GAAP, as the benefits of US listing outweighed any adjustment costs (Bhimani, 2008, p450). The first serious US interest in the international arena of standards setting came in 1991 after what amounted to a reprimand by a SEC commissioner, Philip Lochner (1991, p19):

The FASB, at the very least, has a duty to seriously consider IASC positions and the international consensus they represent...To the extent the US appears to be simply stonewalling the [harmonization] process in hopes that its own standards will prevail, other countries

will rightfully be suspicious that for the US, harmonization means that every other country must harmonize to the US tune.

It should be added here that this comment seems rather ironic given the long-term ‘stonewalling’ that the SEC maintained with respect to IASC standards (refer to the following section).

In 1991 the FASB formulated its first strategic plan for international activities, recognising the IASC as the logical point for harmonisation efforts (Godfrey and Chalmers, 2007, p65). From that time the FASB began active collaboration with the IASC along with other national standard setters, becoming a major contributor to the debates of the G4+1. The chairman of the FASB, and previous part time member of the IASB, Robert Herz (2002), acknowledged that:

...[t]he U.S. cannot go it alone in terms of development of accounting standards and, on the other hand, the development of international standards across the major capital markets of the world requires that the U.S. be a very active participant in the process, for there can be no truly international accounting standards if the largest capital market in the world, the U.S., is not part of their development.

The FASB was influential in the restructuring of the IASC in 2000, indicating to the IASC that it needed to restructure from a geographical ‘representative body’ to a truly “independent regulator” (Richardson and Eberlein, 2011, p226). The FASB along with the SEC favoured a full-time, small, international board with membership based on technical expertise, overseen by a group of trustees (Bhimani, 2008, Godfrey and Chalmers, 2007). This ‘expert’ model eventually prevailed, however the FASB and SEC were still a long way from accepting IFRS for financial reporting by companies trading in US capital markets.

Corporate collapses in 2001/2002, in particular the high profile collapse of Enron, generated substantial dialogue over the ability of US GAAP to forewarn of or prevent such collapses. Bhimani (2008) argues that the crisis increased the receptivity of US regulators to the possibility of convergence with IFRS and a principles-based approach to standard-setting. Benston and Hartgreaves (2002 as cited in Bhimani, 2008, p446) remark that:

...the US model of specifying rules that must be followed appears to have allowed or required Andersen (the auditors of Enron) to accept procedures that accord with the letters of the rules, even though they violate the basic objectives of GAAP accounting.

Robert Herz (2002) acknowledged his concern over the general perception that the ‘rules-based approach’ of US GAAP was to blame for the Enron fiasco, and that the time was ripe for consideration of alternative models of financial reporting regulation. He went as far as to say that he favoured a ‘principles-based approach’ akin to that adopted by the IASB, but also acknowledged the implementation hurdles that would be encountered in the US context (2002, p24). Furthermore, section 108(d) of the Sarbanes Oxley legislation (enacted July 2002) directed the SEC to undertake a study on the “adoption by the US... of a principles-based accounting system” (Cox, 2007, p1). On 2nd October 2002 the FASB called for public comment on the proposal for a principles-based approach (FASB, 2002), and in July 2003 the SEC staff submitted a report to Congress on the adoption of a principles-based approach in the US financial reporting system (SEC, 2003b)⁴⁰. In the view of the SEC staff, US GAAP “despite being the historical product of a mixture of standard-setting approaches, constitutes the most complete and well developed set of accounting standards in the world” (SEC, 2003b). Nevertheless, the SEC staff recommended “that those involved in the standard-setting

⁴⁰ This was mandated in the Sarbanes Oxley Act (2002) section 108d.

process more consistently develop standards on a principles-based or objectives oriented approach” (SEC, 2003b, Executive Summary), facilitating greater convergence between US GAAP and international standards. This view was supported early in 2007 by the SEC chairman, Christopher Cox (2007, p2), who noted SEC commitment to the process of convergence of IASB and FASB standards. This commitment was subsequently reflected in the removal from 2007 of the reconciliation requirement for non-US companies listed on US stock exchanges.

In September 2002, the FASB and the IASB entered into the Norwalk Agreement in which they each gave a commitment to the development of high quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting (IASB, 2009e). In this endeavour they agreed to make their respective standards compatible as soon as possible and to coordinate their future work programs to ensure that, once achieved, compatibility is maintained. This commitment was reinforced in subsequent memoranda of understanding (MOUs) between the two bodies in 2006 and 2008 (IASB and FASB, 2006, 2008), which in essence established a plan to modify existing standards or develop new standards as appropriate, and issue them as IFRS. The understanding was that this would ultimately facilitate adoption of IFRS in the US. The roadmap for convergence acknowledged the need for removal of the reconciliation requirement imposed by the SEC on foreign registrants on US stock exchanges, which was agreed to in 2007. The IASB/FASB work plan also included the revision of the *Conceptual Framework*, which was to be addressed in stages. In November 2009 the two bodies issued a statement outlining their plans for achieving major MOU projects by mid-2011 (IASB and FASB, 2009). This latest statement was in response to a request from the G20 leaders at their Pittsburgh Summit (September

2009) on the global financial crisis. The G20 leaders asked international standard setters to redouble their efforts to complete global convergence of accounting standards by June 2011 (G20, 2009a). The consequences of the US influence are discussed further in Chapter 8.

As mentioned, the FASB was very much influenced by the needs of the US capital market, which was effectively represented by the SEC and more broadly by IOSCO.

6.3.6 Securities Regulators - IOSCO, the SEC and the New York Stock Exchange

IOSCO (International Organization of Securities Commissions) was established in 1983 by a group of eleven securities regulators from North and South America, and later joined by regulators from France, Indonesia, Korea and the UK (IOSCO, 2009). The three main objectives of IOSCO were 1. the protection of investors, 2. ensuring that markets are fair, efficient and transparent, and 3. the reduction of systemic risk (IOSCO, 2003). To implement these objectives 30 principles were agreed upon, including the “full, timely and accurate disclosure of financial results and other information that is material to investors’ decisions” (IOSCO, 2003, principle14) and the requirement that “accounting and auditing standards should be of a high and internationally acceptable quality” (IOSCO, 2003, principle16). Accordingly, IOSCO was committed to furthering the cause of one set of global accounting standards, and it believed that the IASC (and later the IASB) was the vehicle through which this could be achieved.

The work of the IASC towards the latter part of the 20th century was shaped by the desire to obtain IOSCO endorsement, which would effectively provide capital market

support for the use of IASC standards on a global basis. This process of endorsement, however, was to take the best part of twenty years as the IOSCO Working Party 2 (Multinational securities offerings/ disclosures and accounting) was always chaired by an SEC staff member. Linda Quinn, the SEC Director of Corporate Finance, held this position until 1996 and was reluctant to give the necessary endorsement (Camfferman and Zeff, 2007). The New York Stock Exchange (NYSE) also entered into the picture, lobbying the SEC to remove some of the impediments faced by foreign registrants on its exchange. Frustrated by the lack of response from the SEC, the NYSE began to consider the use of IASC standards as a way of overcoming the reconciliation requirement (McGregor, 1999; Camfferman and Zeff, 2007).

The IASC and IOSCO entered into an agreement on 11th July 1994 to engage in a work plan (1995-1999) to complete a core set of standards which, when completed, would facilitate IOSCO endorsement of IASC standards for “cross-border capital raising and listing purposes in all global markets...[and which would be] acceptable everywhere in the world” (Sharpe (chairman of the IASC at the time) as cited in Camfferman and Zeff, 2007, p327). The SEC was the “linchpin” to IOSCO endorsement (McGregor, 1999, p160), but it continued its reticence, noting in a news release on 11th April 1996 that it would only support the use of IASC standards for cross-border listings if they included a core set of pronouncements that constituted a generally accepted basis of accounting, they were of high quality, and they were rigorously interpreted and applied (SEC, 1996). SEC Chairman Levitt suggested that high quality meant that the IASC standards would need to measure up to US GAAP (as cited in Camfferman and Zeff, 2007, p333).

The IASC project was completed early in 1998; and, after consideration by IOSCO, 30 of the IASC standards were endorsed for multinational issuers, supplemented by reconciliation, disclosure and interpretation where necessary (IOSCO, 2000)⁴¹. The SEC however insisted on the reconciliation requirement on foreign registrants on US stock exchanges. As indicated in the previous section, the IASB/FASB roadmap for convergence acknowledged the need for removal of this reconciliation requirement, which was eventually agreed to by the SEC in 2007. A further step in the convergence process is for the SEC to allow domestic companies listed on US exchanges to use IFRS, an issue which was put to the public by the SEC via a concept statement in 2007 (SEC, 2007a).

6.3.7 European interests - the European Commission (EC), The European Financial Reporting Advisory Group (EFRAG) and related groups

For the last two decades of the 20th century, the European Commission (EC) was intent on adhering to a set of accounting standards that were applicable to the European culture and business environment, although it did maintain dialogue with the IASC. Despite this, the role of the EC in the global movement towards IFRS cannot be underestimated. The decision by the EC to mandate the use of IFRS by listed companies from 2005 was the catalyst for many other nations to follow a similar path, providing much needed legitimacy to IFRS.

The EC is the executive body of the EU, and before that of the European Economic Community (EEC), responsible for the status of accounting standards and regulation in Europe. Since 1981 the EC has met regularly with the IASC, although it was only towards the end of the last century that it became open to the idea of European

⁴¹ This endorsement was followed closely by endorsement by the Basel Committee on Banking Supervision and the G7 Finance Ministers (Alfredson et al, 2005, p9).

companies using IFRS. Prior to that the EC mandated the use of the Fourth and Seventh Company Law Directives concerning individual and group accounts respectively (from 1978 and 1983 respectively, refer to section 5.2.1). These directives allowed for the comparability of accounts across Europe and assisted with cross-border capital movements (Godfrey and Chalmers, 2007). These directives allowed for considerable variation in accounting treatments, which was a result of the compromises necessary to reach consensus in the first place (Dewing and Russell, 2004, p292). However, by the 1990s it became apparent that the increase in globalisation of markets meant that European companies were listing on foreign markets, particularly in the US, and were required to prepare two sets of accounts, often at great expense (Flower, 1997). By 1998 the “number of European companies with NYSE and NASDAQ listings in the US [had] increased nearly fivefold since 1990 to almost 250... with a cumulative market capitalisation of US\$300 billion” (European Commission as cited in Camfferman and Zeff, 2007, p428).

The EC was concerned that these companies would be drawn towards US GAAP over which Europe had no influence (Flower, 1997; Camfferman and Zeff, 2007) and whose underlying reporting philosophy was different from that of the Continental European preference for statutory and state control (Flower, 1997; Nobes, 1998; Perry and Nolke, 2006). To protect the interests of their constituents and to maintain some say in future accounting standards, the EC made a concerted effort to become involved with the workings of the IASC and to steer member nations away from US GAAP. The

European Accounting Study Group (E5+2)⁴² was established in 1996 as a vehicle for the Europeans to present a united front at IASC meetings.

The EC ultimately relinquished the idea of a uniform set of European standards and instead opted to support the IASC (Van Hulle, 2004; Camfferman and Zeff, 2007). Chiapello and Medjad (2009) suggest that this wholesale contracting of its standard-setting to a private organisation was the only open alternative given the inability of member nations to agree on a common accounting system, much needed in the context of unification of financial markets, and a defensive move against the threat of a US controlled process. In June 2000 the EC proposed that all EU companies listed on a regulated market would be required to use standards issued by the IASC in their consolidated accounts for financial years beginning on or after 1st January 2005. In July 2000 this decision was ratified by the EU's Council of European Economic and Finance Ministers, and the proposal was implemented by a regulation of the European Parliament and the Council of Ministers on 19th July 2002. The EU still retains a right of veto over IFRS, only adopting individual standards if each is not contrary to principles of the Fourth and Seventh Directives, is conducive to European public good, and it meets the criteria of understandability, relevance, reliability and comparability (Godfrey and Chalmers, 2007). This veto was first exercised in the case of IAS39 *Financial Instruments: Recognition and Measurement* after lobbying by French banks against fair value measurement of financial assets and liabilities.

The European Financial Reporting Advisory Group (EFRAG) was established in 2001 as a private sector body to advise the EC on the appropriateness and endorsement of

⁴² E5+2 – The European Study Group, set up by the Federation des Experts Comptables Européens (FEE), comprising representatives from national standard setters in France, Germany, the UK, the Netherlands and the Nordic Federation, plus the IASC (Camfferman and Zeff, 2007, p445).

IFRS (EFRAG, 2009a). It was funded by the member body organisations⁴³ and drew substantially from the banking and business sectors. In March 2006, this role was formalised in a Working Arrangement with the EC (EFRAG, 2009a). EFRAG subsequently established the Technical Expert Group (TEG) which was composed of representatives from the accounting profession, stock exchanges, accounting standard setters, financial analysts, and financial statement preparers to provide technical advice on the standards. EFRAG and the European National Standard Setters also established the 'Proactive Accounting Activities in Europe' initiative (PAAinE) (more recently referred to as EFRAG Planning and Resource Committee initiative) to provide a strong European front with respect to international accounting issues, particularly in the early stages of consideration (EFRAG, 2009c, 2011). Establishment of these groups can be seen as a defensive construction (Castells, 1998) by the Europeans in the face of overwhelming influence in the standard-setting realm by the US and the IASB, the latter increasingly influenced by the FASB as part of the convergence program. This apparent tussle between the Europeans and the Americans, the reason for which fundamentally rests with their different approaches to financial reporting, has given rise to a situation in which two powerful standard-setting blocs rally for IASB attention. The consequences of this are discussed further in Chapter 8.

In an interesting turn, the EC established another body, the Standards Advisory Group (SARG) in July 2006. This body was comprised of seven members appointed by the EC, independent of EFRAG, with the mission to review EFRAG's opinions about IFRS or IFRIC. EFRAG, as mentioned, was a private sector body over which the EC had no

⁴³ Comprising representatives from European Business Federations, Federation of European Accountants, European Insurance and Reinsurance Federation, European Banking Federation, European Savings Banks Group, European Association of Co-operative Banks and the European Federation of Accountants and Auditors (EFRAG, 2010).

control, so the establishment of SARG can be seen as a political move on the part of the EC to re-establish some control over standard-setting, which it had effectively relinquished to the IASB and EFRAG (Chiapello and Medjad, 2009, p463-4). It was also anticipated that the EC would contribute approximately 50% of the EFRAG budget (Chiapello and Medjad, 2009, p464) in another attempt to reclaim some indulgence in the process. If the EFRAG was substantially funded by the EC, then it would become accountable to it.

6.3.8 Australian interests - the Australian Accounting Profession and the FRC

On the international scene, the Australian accounting profession was involved with various international initiatives. It was one of the founding members of the IASC and joined forces with professionals from the UK, Canada and the US to found the G4, as a collaborative effort to maintain the Anglo philosophy on accounting and financial reporting 6.3.1). Throughout this period Australian standard setters prided themselves on their rigorous approach to standard-setting and their ability to contribute to the international dialogue. At various times Australians held substantial positions on the IASC, including John Hepworth (chairman 1978-1980), Michael Sharpe (chairman 1995-1997 and deputy chairman 1992-1995) and Geoffrey Mitchell (secretary, secretary-general 1982-1985) (Camfferman and Zeff, 2007, p504-505) . From 1983 to 1999, former chief executive officer of the Australian Accounting Research Foundation (AARF), Warren McGregor, attended meetings of the IASC as Technical Adviser to the Australian delegation, and from 2001 to 2011 continued as a member of the IASB.

6.3.9 Section summary

The foregoing is by no means a comprehensive coverage of all of the actors in the development of the international accounting governance structure. It is an attempt to highlight the main players and the complex web of relationships that have developed between them and in which the FRC is situated (as reflected in Figure 9). The emergence of the IASB as the pre-eminent setter of global accounting standards, along with the uptake of its standards in a relatively short time span after decades of limited success and strident competition from US GAAP, can only be understood in the context of shifting relations with an array of other actors. From the time of its acceptance into the EU, the UK enmeshed itself in various alliances (IASB, G4+1) and took a proactive role at the international level of accounting standard-setting to protect the British approach to accounting. The EU grasped at the concept of a European set of accounting standards for many years before conditionally yielding its standard-setting responsibilities to the IASB, a move designed to maintain a European voice at the international level and to avoid the alternative of US GAAP. It established various bodies (EFRAG, PAAinE, SARG) to counter the increasing US influence with the IASB. From the early 1990s the US engaged in the international dialogue on accounting standards, even though it maintained that its GAAP was superior to any other suite of standards available for global use. The convergence program of the IASB and the FASB not only represented a conscious effort by the US to maintain a voice (or some may say overriding control) in the future of international accounting standards, but recognition by the IASB that US support and resourcing was central to its desire for one set of global standards. Despite the relatively small size of the Australian capital market, Australian professionals, professional bodies and standard setters recognised the

importance of creating a profile and establishing connections on the international standard-setting scene.

Thus, a picture emerges of the complex network of relationships that Stones (2005, p62) refers to as position practice relations; relations that pre-exist the agent-in-focus (the FRC) and which serve to contextualise the structuration study. Furthermore, the strategic moves of the various actors can be seen as attempts to establish “platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states” (Castells, 1997, p268). While the global market imperative was explicitly acknowledged as the driver for the establishment of the IASC (IASB) and the development of IFRS, it is apparent that more fundamental concerns underpinned the emergence of the ‘platforms for joint ventures’. Alliances were established as political moves to protect regulatory spaces and more regionalised interests, while others served to maintain deeply entrenched cultural values and reporting philosophies. Supranational organisations that emerged in the ‘paralysis’ of nation-states to tackle global problems, began to take on a life of their own (Castells, 1997, p269).

As emphasised by both Giddens and Stones, the examination of context is integral to any structuration study, as a specific conjuncture will either facilitate or constrain the actions/interactions of agents. As identified in the foregoing, the FRC was situated in a complex network of relationships, embedded within a geo-temporal nexus centred on globalisation as discussed in Chapter 5. A confluence of time/space factors facilitated the success of the IASB and the availability of IFRS at a time when the FRC was seeking an international alternative. That alternative emerged from the Asian financial crisis that highlighted the need for one set of global standards, the endorsement by

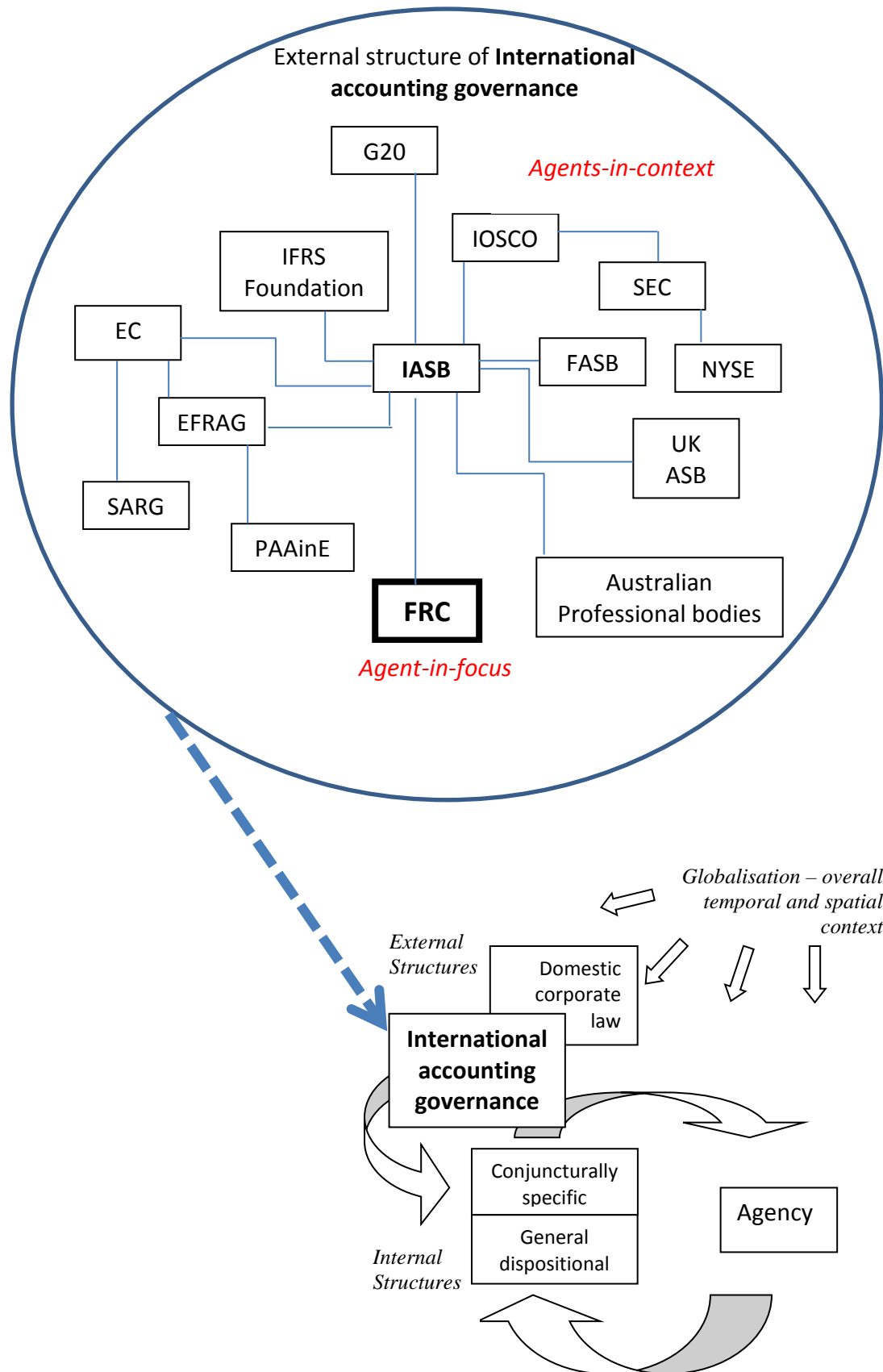


Figure 9 External structure of international accounting governance

IOSCO for the standards of the IASC (IASB), the reconstitution of the IASC into the IASB, the conditional support for IFRS offered by the EC, the pressure applied to the FASB by the SEC, the tentative support from the SEC to pursue 'objective based' standards, and the string of corporate collapses in the early 2000s that prompted serious evaluation by the SEC of the ability of US GAAP to provide effective standards particularly from a control perspective on regulatory rationales.

The relative success of IFRS can also be attributed to the political dexterity of the IASB and its forerunners. The IASC was initially set up by a group of like-minded professional accounting bodies as an alliance to protect their interests, and to establish itself as a powerful force on the global stage. Since that time the IASC/IASB has worked towards securing alliances with various nations/blocs, particularly with the US and Europe, and more recently with the developing superpowers of China and India. Considerable lobbying and rigorous redevelopment of standards contributed to endorsement of IASC core standards by IOSCO. Ongoing negotiations with the SEC, FASB and the NYSE assisted with IOSCO endorsement and also the eventual removal of the reconciliation requirement and acceptance of IFRS reports for foreign registrants on US stock exchanges. Support from the global capital markets, and particularly that in the US, was pivotal in the success of the IASB. Ongoing deliberations with the Europeans facilitated adoption of IFRS in the EU. In more recent years Sir David Tweedie, as chairman of the IASB, lifted the profile of IFRS on the global stage, taking every opportunity to state his case particularly as it related to a principles-based approach to the setting of accounting standards. The convergence project between the IASB and the FASB was perhaps the most strategic move of the IASB, as without US cooperation, one set of global standards would be doomed to practical failure. This

complexity of relations reflects Castells' notion of the "communities of elites" (Castells, 1996, pp412-417) who make the important decisions in this world, and who exercise the "directional functions" in the space of flows (Castells, 1996, p428). Power and authority are conferred on those who are acknowledged by society as having the right to acquire, store and channel knowledge, or, in structuration terms, the legitimacy to do so (Strange, 1996 as cited in Dewing and Russell, 2004, p309). The legitimacy conferred upon the IASB in turn offers it a degree of power and authority within the realm of international accounting standard-setting.

Section 6.3 has identified the position practice relations which mediate the external structure of international accounting governance. The complex of relationships within this structure, stretching across time and space, made adoption of IFRS the most compelling option for the members of the FRC when faced with the crisis of corporate collapses in the early 2000s. Although there were other options available to the FRC, such as gradual convergence with international standards, the FRC relented to this structure. In Stones' terms, the international accounting governance structure was an *irresistible causal force*. In another time or place, the FRC may have taken another course of action, but at this juncture, they perceived the IASB option as irresistible.

The actions of the FRC members must also be seen within the domestic context, in particular the reforms to Australian corporate law, as without this the FRC may not have been established, and pressure to move to international standards may have been less urgent.

6.4 Structure of Domestic Corporate Law

Corporate law in Australia was reformed in the late 1990s by the newly elected Coalition Government, following on from earlier reform by the previous Labor Government. This reform package became known as the Corporate Law Economic Reform Program (CLERP) with the aim to “improve Australia’s business and company regulation as part of the Coalition Government’s drive to promote business, economic development and employment” (Commonwealth of Australia, 1998b, p iii). The CLERP reforms were set out in nine papers and various policy documents (Commonwealth of Australia, 1998), covering accounting standards, corporate fundraising, takeovers, corporate governance, electronic commerce, financial markets, simplified lodgements, cross-border insolvency and corporate disclosure.

The proposed reform with respect to accounting standards was outlined in the Corporate Law Economic Reform Program: Proposals for Reform, Paper No. 1 (Commonwealth of Australia, 1998c) (CLERP1 proposals). In particular, the standard-setting infrastructure was to receive an overhaul, with the introduction of a new oversight board, the Financial Reporting Council (FRC), and the reconstitution of the existing AASB. It was proposed that the FRC was to work towards the adoption of IASC standards having regard to what was happening in the major capital-raising countries throughout the world (Commonwealth of Australia, 1998b). The CLERP proposals (the first four CLERP topics - accounting standards, corporate fundraising, takeovers and corporate governance) were enacted into legislation via the *Corporate Law Economic Reform Program Act 1999* (CLERP Act 1999), which effectively changed the relevant sections of the *Corporations Law* and the *Australian Securities and Investments Commission Act 1989* (refer to footnote 19).

As a result of concerns raised in submissions to the proposals, the ensuing legislation was ‘watered down’ from adoption of IASC standards to progress towards international standards. The legislated functions of the FRC were eventually to include:

...monitoring the development of international accounting standards and the accounting standards that apply in major international financial centres; furthering the development of a single set of accounting standards for worldwide use with appropriate regard to international developments; and promoting the continued adoption of international best practice accounting standards in the Australian accounting standard-setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy (*Australian Securities and Investment Commission Act, 2001*, sections 225(2)(e)(f) (g)).

Thus, although the FRC was given responsibility for furthering the development of one set of international accounting standards and promoting adoption of international best practice, outright adoption of IASC (IASB) standards was not mandated. The FRC did have some discretion and, for instance, could have continued along the path of harmonisation as advocated by the AASB. However, as discussed in the following, the FRC was established and situated within a network of complex relationships, which ultimately exerted irresistible pressure on the FRC members to adopt the IASC (IASB) standards. To gain an understanding of this external structure, the ‘other actors’, or agents-in-context, involved in corporate law reform will be identified, along with the web of relationships that existed. As the corporate law reform was instigated by the Coalition Government at the time, this agent-in-context will be discussed first.

6.4.1 The Coalition Government and The Treasury

Early attempts at corporate law reform were initiated by the Labor Government in the mid-1990s, however these attempts were cut short by a change of government in 1996. The Coalition Government, and particularly its treasurer, Peter Costello, pushed for extensive corporate law reform in a bid to establish credibility with the corporate sector (Stoddart, 2000). As discussed in Chapter 5, the Coalition Government was very much driven by the needs of business and in turn a desire to engage with the global marketplace. This was reflected by the remarks of John Howard, the Australian Prime Minister at the time:

The world has indeed changed forever and any notion that the changed world can be turned back, any notion that somehow or other we can shrink away into a corner and ignore the globalised environment in which we exist is completely ill founded. Our challenge is not to avoid or resist globalisation (as cited in Conley, 2004, p6).

To the treasurer, Peter Costello, globalisation was inevitable: “[r]ant against globalisation and you might as well rant against the telephone. And, what is more, you will not reverse this process” (Costello, 2001b, p202). Costello (1998, p1) stated that corporate law reform was essential to give a “greater commercial and international focus to the accounting standard-setting process and ensuring that accounting standards are responsive to the needs of both business and investors”. He was persistent in his drive to reform corporate law:

If it had not been for the Treasurer’s significant commitment to a major overhaul of Australia’s Corporations Law, it would not have happened. He took a very close personal interest in it (Senator Ian Campbell in Commonwealth of Australia, 1999, p9862)).

In the CLERP1 proposals, the Government maintained that “Australian companies are increasingly in global markets for goods and services, [and the] emergence of global

markets and cross-border financing have underlined the need for Australia's regulatory requirements, including accounting standards, to be in line with our trading partners" (Commonwealth of Australia, 1997, p11). This rhetoric was duplicated in the *ASIC Act* 2001 in sections 224b) and c) which state that two of the objectives of the financial reporting system are to "facilitate the Australian economy by reducing the cost of capital...and to maintain investor confidence in the Australian economy (including its capital markets)". Further, as per s227(2) of the aforementioned Act, the AASB was required to have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres when carrying out its functions. Clearly, this legislation prioritises the interests of a specific group of companies, that is, those operating at a global level at the expense of other members of the community (Kaidonis, 2008); in addition to meeting the macroeconomic objectives of the government (Collett et al., 2001, p180). As suggested by Conley (2004, p7) "constructions of the imperatives of globalisation have provided support for the argument that the state should, wherever possible, give way to market processes".

The Coalition Government was also keen to put its stamp on corporate law simplification, which at that time was seen as a Labor party initiative (Stoddart, 2000, Jones et al., 2004). In this endeavour, it introduced reform of accounting standards to the program (which was not part of the Labor party initiatives), outlined in CLERP1 (Commonwealth of Australia, 1998c). Treasurer Costello was so sure that the legislation would pass that he informally appointed the new oversight body (the FRC) in September before the bill was passed by parliament in October 1999 (Stoddart, 2000, p720).

Jones et al (2004) argue that the reform by the Coalition Government was more than just an attempt to overhaul the standard-setting infrastructure and a move towards international standards; rather, it was a surreptitious attempt to introduce market value accounting into the Australian context. This, they argue, was contrary to the conventional wisdom of the time, but in line with the broader macroeconomic policies of the government (Jones et al., 2004, p381). Further, they refer to CLERP1 (Commonwealth of Australia, 1997, pp59-60), which notes that the replacement of historical cost accounting with market value accounting “would enable the [capital] market to operate more efficiently through a reliance on enhanced transparency from institutions and corporations in relation to their operations”. CLERP1 (Commonwealth of Australia, 1997) is littered with references to the needs of the Australian and global capital markets, market efficiency, competitive markets and market integrity, leaving no doubt about the government’s intent to meet the needs of business and support macroeconomic policies (as outlined in Chapter 5). Treasury secured control over the realm of accounting standard-setting, with the power to appoint the members of the FRC and the chairman of the AASB (other members of the AASB appointed by the FRC). This change in ministerial responsibility from Attorney General’s Department to Treasury represented a fundamental shift from jurisprudence and administration of the law to a focus on commercial benefits for business (Brown and Tarca, 2001, Jones et al., 2004, Godfrey and Langfield-Smith, 2005).

Thus, despite significant resistance to early adoption of IASC standards, the Treasury maintained its original proposal to push in that direction. Although the *CLERP Act 1999* removed the proposed start date of 1st January 1999, it mandated that the FRC work towards “the adoption of international best practice standards” (*Australian Securities*

and Investment Commission Act, 2001, section 225(2)). Section 233 of the same Act also provided the Minister with the ability to give direction to the AASB regarding international accounting standards. Ultimately, the Treasury appears to be the major beneficiary of the CLERP reform, having taken control of standard-setting from the profession, and appeasing the needs of business, and thus improving electoral support for the Coalition parties.

6.4.2 The Australian Accounting Profession

As noted in Chapter 2, the two main professional accounting bodies in Australia, ICAA and CPA Australia, featured prominently in standard-setting during the latter part of the 20th century. The ICAA was established by Royal Charter in 1928 (ICAA, 2014) replacing its predecessor, the Australasian Corporation of Public Accountants, which was established in 1907. CPA Australia was established as the Australian Society of Accountants (ASA) in 1952, replacing its predecessor, the Incorporated Institute of Accountants, Victoria, which was established in 1886 (CPA Australia, 2014). A third professional accounting body, the Institute of Public Accountants (until recently known as the National Institute of Accountants - NIA), was originally established as the Institute of Factory and Cost Accountants, Melbourne, in 1928 (IPA, 2014), however this body was not active in the standard-setting arena until recently.

Prior to the 1960s the ICAA and the ASA (now known as CPA Australia) developed accounting standards independently. In 1966 they established a joint research body, the Australian Accounting Research Foundation (AARF), and in 1973 they established the Australian Accounting Standards Committee (AASC) to prepare standards for issue by both bodies.

By mid-1978, following limited output by the AASC, the two professional bodies decided to reorganise the structure of standard-setting arrangements. A new body, the Accounting Standards Board (AcSB) was established within the AARF, with equal membership from the ICAA and ASA (Henderson et al., 1995, pp5-8). By 1983 the board of the AARF decided that it was necessary to have a standard-setting board devoted to the interests of the public sector, and the Public Sector Accounting Standards Board (PSASB) was established. The PSASB policy of developing standards was consistent with that of the AcSB, and allowed both boards to work together on a conceptual framework for the preparation and presentation of financial statements (Henderson et al., 1995).

As noted in section 2.2.2, the government wrested control over standard-setting from the profession in 1984 with the establishment of the Australian Standards Review Board (ASRB), a government sponsored body accountable to the Commonwealth Attorney General. This initiative however was short-lived, as the profession mounted considerable resistance to, and ultimately capture of, the ASRB (Walker, 1987). Eventually, in 1991, the Australian Accounting Standards Board (AASB) replaced the ASRB, and although still within legislative jurisdiction of the Commonwealth Attorney General, received funding and research support directly from the profession. This situation prevailed until the CLERP legislative changes (refer section 2.2.2), where control for standard-setting reverted to the government via Treasury

Notwithstanding this regulatory vacillation, the accounting profession in Australia supported internationalisation efforts from as early as 1973. In that year representatives from both the ICAA and ASA became founding members of the IASC, which aimed to:

...formulate and publish in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance and observance (IASC, 1973a, paragraph 1(a)).

The agreement to establish the IASC required members to support the standards promulgated by the IASC (IASC, 1973a, paragraph 1(b)), and in 1976 this was acknowledged by the Australian profession with the issue of APS3 *Compatibility of Australian Accounting Standards and International Accounting Standards*. Further support for internationalisation was reflected in membership of the G4 (and later the G4+1), along with representatives from professional accounting bodies in the UK, US and Canada (refer to section 6.3.1). This body aimed to contribute to the discussion on internationalisation efforts and to present a united Anglo-US position on accounting standards. The professional bodies continued to acknowledge that “for some time the development of one globalised set of accounting standards was an imperative for the accounting profession worldwide” (Commonwealth of Australia, 1998d, p CS26).

Up until the time of the CLERP proposals in the late 1990s, the professional bodies maintained support for some form of internationalisation of accounting standards. Brown and Tarca (2001, p278) suggest that the ICAA, in particular, was a strong supporter of international harmonisation, as influenced by its then president, Jeff Lucy⁴⁴, technical director Keith Reilly, Michael Sharpe (past president of the ICAA, IASC chairman 1995-1997 and director of the ASX) and the views of the corporate sector. However, with the release of the CLERP1 proposals, the ICAA noted its concern over adoption of international accounting standards prior to that of other major capital

⁴⁴ Mr Lucy was later appointed as inaugural chairman of the FRC, a position he held from 17/7/01 to 17/7/04.

raising countries such as the US, the UK, Japan and Canada (Cortese and Ward, 1997). Further, in the CPA Australia submission to the CLERP Bill (1998), David Boymal⁴⁵ expressed CPA Australia's concern over premature and verbatim adoption of international accounting standards, in addition to concerns over the potential loss of influence which Australia could exert over IASC deliberations. These sentiments were reiterated before the Parliamentary Joint Committee on Corporations and Securities (PJCCS) in its examination of the CLERP Bill (1998) (Commonwealth of Australia, 1998d). Further, the profession argued for a continuing role in the standard-setting process on the grounds of technical competence and skills (Commonwealth of Australia, 1998d, p CS21 and 32), refuting any claims of lack of accountability and excessive influence (Commonwealth of Australia, 1998d, pCS21 and 32). Despite these efforts, it appears that members of the Australian accounting profession exerted little influence over Treasury, and they were unsuccessful in convincing the Government that they should retain control in the domain (Stoddart, 2000, p729). The Government, via CLERP, legislated that responsibility for standard-setting would henceforth rest with the FRC and the AASB, government sponsored bodies.

Therefore until the CLERP reforms the professional bodies significantly shaped standard-setting. They contributed significantly to the funding of accounting standard research and development, and participated in discussions with the Coalition Government in 1996 to reduce the funding burden via alternative funding arrangements (Stoddart, 2000, p729). In 1990 they contributed to the discussion on institutional reform, commissioning a study via the AARF. This report, commonly referred to as the

⁴⁵ At the time of the CPA submission, David Boymal was National President of CPA Australia and Deputy Chairman of the AASB. He had also been a previous member of the Australian delegation to the IASC during 1988-1990 (Camfferman and Zeff, 2006, p506).

Peirson Report, recommended that the AARF and the AASB become autonomous bodies, independent of the accounting profession, commerce and government. Despite broad support the government rejected the recommendations of the report (Jones et al., 2004). It has been suggested that this was because the government preferred not to delegate authority for standard-setting to a private body (McGregor, 1995 as cited in Jones et al., 2004) and that the proposed reform was inconsistent with the Government's reform agenda, namely the "internationalisation of accounting standards and the introduction of market value accounting" (Jones et al., 2004, p391).

6.4.3 The AASB

Although the AASB supported harmonisation with international accounting standards, as per its Policy Statement 4, 'International Convergence and Harmonisation Policy' it was reluctant to embrace full scale adoption in the short-term. In its submission to the original CLERP1 proposals, it noted:

...serious concerns about the proposal for the AASB to be committed to issue identical pronouncements to those issued by the IASC from 1 January 1999...The AASB is not aware of any key stakeholders in the accounting standard-setting process (including groups representing business, investors and others) other than the Australian Stock Exchange Ltd that does not share this concern (Spencer, 1997).

Its concern related to adoption prior to the US, Japan and the UK, which comprised 75 per cent of the world's capital markets; and further that early adoption by Australia could affect the 'credibility' of the Australian capital market (Spencer, 1997, p5). The AASB was perplexed as to why the ASX advocated adoption in view of its own survey, in which only 13% of respondents indicated support for adoption (recognition) and 87% for harmonisation (Spencer, 1997, p1). The AASB also expressed concerns over loss of influence by Australia and the quality of the IASC standards (Spencer, 1997, p3). Frank

Micallef (staff member of the AASB) reiterated these views in his presentation to the PJCCS in its examination of the CLERP Bill (1998) (Commonwealth of Australia, 1998d), stating that “the thrust of all that...is to not commit to the adoption of international standards before we can see that is the way to go”.

6.4.4 The Australian Securities Exchange (ASX)

The ASX was established in 1987 by the amalgamation of six independent stock exchanges that formerly operated in the Australian state capital cities (ASX, 2009). It demutualised and became a listed company in 1998, and in 2006 merged with the Sydney Futures Exchange to become known as the Australian Securities Exchange. From 1st August 2010 it changed its name to the ASX Group (ASX, 2011). The ASX provided financial support to the AASB to work towards international harmonisation, funded by a levy on listed companies and payable in instalments on the condition that the AASB made satisfactory progress in this endeavour (Stoddart, 2000, Godfrey and Langfield-Smith, 2005).

Godfrey and Langfield-Smith (2005, p1985) argue that the ASX support was on two fronts: first as a responsibility to the listed companies who had paid the levy and second as a company which was about to float and wanted to attract foreign listings to its market. It appeared that the ASX feared a loss of listings to overseas markets if Australia failed to adopt international accounting standards (Howieson, 1998). Brown and Tarca (2001) claim that the views of the ASX were clearly communicated to the Government by the ASX CEO, Richard Humphrey, and the Chairman, Maurice Newman. Humphrey (1997) argued strongly that international standards would benefit capital markets and that “Australia is likely to become increasingly isolated if it

continues to ignore IASs” (as cited in Howieson, 1998, p9). Further, he suggested that any calls for “accounting purity...[means]...we’ll end up as a country with impeccable accounting standards but with very little to apply them to” (as cited in Howieson, 1998, p9). At the FRC meeting on 28/6/02 (FRC, 28/6/02, AI 2)⁴⁶ Humphrey “emphasised the importance for the Australian economy of an early move to international accounting standards”. Similarly, the ASX Deputy Managing Director, Supervision, Robert Nottle⁴⁷ (1997), in the ASX submission to the CLERP1 proposals, commented that ASX “strongly supports” harmonisation with international standards, and that it was “crucial for the development of Australian capital markets and the competitiveness of Australian corporations”. Michael Sharpe, a director of ASX since 1995 (Australian Stock Exchange, 2006), was also Chairman of the IASC at the time of the CLERP discussions. He was on record as saying:

The main goal, the objective to which all our efforts must ultimately be directed, is to bring about complete unification of the world’s accounting systems: uniformity between International Accounting Standards and the national standards of all countries (as cited in Howieson, 1998, p4).

As would be expected, his submission to the CLERP1 proposals encouraged the Australian government to “go forward with the main thrust of these proposals” (Sharpe, 1997). The ASX established strong links with the Coalition Government and in particular the Treasurer, Costello, who regularly sought out the views of the ASX on matters of business and finance (Stoddart, 2000, p726).

6.4.5 The Group of 100 (G100)

The G100 is an association of senior finance executives from Australia's largest business enterprises with the purpose of advancing Australia’s financial competitiveness

⁴⁶ All references to FRC minutes are in the form of (FRC, date of meeting, agenda item number).

⁴⁷ Later appointed as member of the FRC, a position that he held from 20/9/99 to 20/9/02.

(G100, 2009). In response to the increasing globalisation of business the group prepared a policy on international harmonisation and convergence (1998, 1999, 2002) in which their objective was to “achieve cross-border capital raisings and international listings without the need to prepare reconciliations of financial statements” (G100, 2002, p1). The Group of 100’s policy (1998, 1999) on international harmonisation was that compliance with Australian accounting standards should result in automatic compliance with IASC standards. The group stated that such an approach was essential to ensure that Australian companies accessing international capital markets would not be disadvantaged through their being expected to provide information prepared on an internationally accepted basis. However, the G100 rejected a:

...unilateral commitment to a date or explicit timetable...[instead preferring to maintain] flexibility in managing [the standard-setting] process and protecting the national interest while avoiding exposure to the potential risks of being locked into the timetable of an external body which is not bound to take account of Australian interests (Brook, 1997, p2).

Brown and Tarca (2001, p278) suggest that the G100 encouraged the Government, Treasury and the ICAA to pursue global standards but, as indicated above, it did not want to be locked into a specific timeframe.

6.4.6 The Australian Institute of Company Directors (AICD)

This body represents the interests of company directors in Australia, with over 24000 members drawn from industry, commerce, the professions, government and not-for-profit organisations (AICD, 2009). The AICD supported harmonisation with international accounting standards, but was concerned about premature adoption (Dunlop, 1997). The AICD noted that IASC standards would not “constitute generally accepted international standards for use in major capital markets until the SEC accepts

them for filing in the US”, which also depended on IOSCO endorsement (Dunlop, 1997). Although this response was some time before the actual adoption decision, it is worth noting that the SEC had still not made that commitment. The AICD also raised concerns about the loss of influence that Australia would suffer if it adopted IASC standards, noting that at the current time it had influence via its membership on G4+1, but with the IASC option it would, at best, be only one of 16 countries represented (Dunlop, 1997, p3). The AICD highlighted the need for an Australian standard setter that was responsive to the needs of Australian constituents, as opposed to the IASC whose agenda may be “incompatible with Australia’s needs” (Dunlop, 1997, p3).

Stoddart (2000, p727) suggests that the Liberal (Coalition) Government would be likely to listen to the views of the AICD, given its close relationship with the business sector and with the promise of 1998 election funding, however this does not appear to be the case. Even though the AICD was generally supportive of some form of global harmonisation of accounting standards, it was nevertheless concerned about premature adoption of IASB standards. The Coalition government did not heed these concerns.

6.4.7 The Australian Securities and Investment Commission (ASIC)

ASIC is an independent government body, responsible for regulating the corporate and financial services sectors, with most of its work related to administration of the Corporations Law (ASIC, 2011). It was established as the Australian Securities Commission in 1991, replacing the National Companies and Securities Commission (NCSC) and the Corporate Affairs offices of the States and Territories (refer to footnote 19 for a brief history of corporate law in Australia) and was renamed ASIC in 1996.

Brown and Tarca (2001, p279) suggest that, compared with the SEC in the US, ASIC took a fairly benign role in the dialogue on internationalisation of financial reporting. Its stand favoured medium- to long-term adoption, suggesting that in the short-term Australian standard setters should focus on domestic standard-setting, and the needs of the particular Australian legal and commercial environment (Byrne, 1997, p4). ASIC was concerned about lack of adoption by other major capital raising economies, noting that “none is moving to adopt IASC standards in the verbatim or near-verbatim way that is proposed for Australia” (Byrne, 1997, p4).

6.4.8 Section summary

Corporate law reform in Australia was driven by key stakeholders as indicated in the foregoing, situated within a broader context of globalisation as discussed in Chapter 5 (refer Figure 10 for the network of position practices relating to this external structure). The globalisation phenomenon had captivated successive Australian governments, such that they embraced neoliberalist policies and privileged the needs of business, particularly those operating in the global marketplace. This policy approach opened the way for corporate law reform which had a decidedly commercial and international focus. The reform, delivered via CLERP, restructured the standard-setting framework in Australia, in particular establishing the FRC and imposing an irresistible causal force on the FRC to adopt IASC (IASB) standards. The FRC members could have chosen other harmonisation or convergence alternatives but were more or less compelled to adopt IASB standards. In Stones’ terms, an external force, constituted independently of the agent-in-focus, was imposed on that agent. The agent-in-focus (ie the FRC) could have resisted it, but because of their particular conjuncture, they had no choice but to succumb to it.

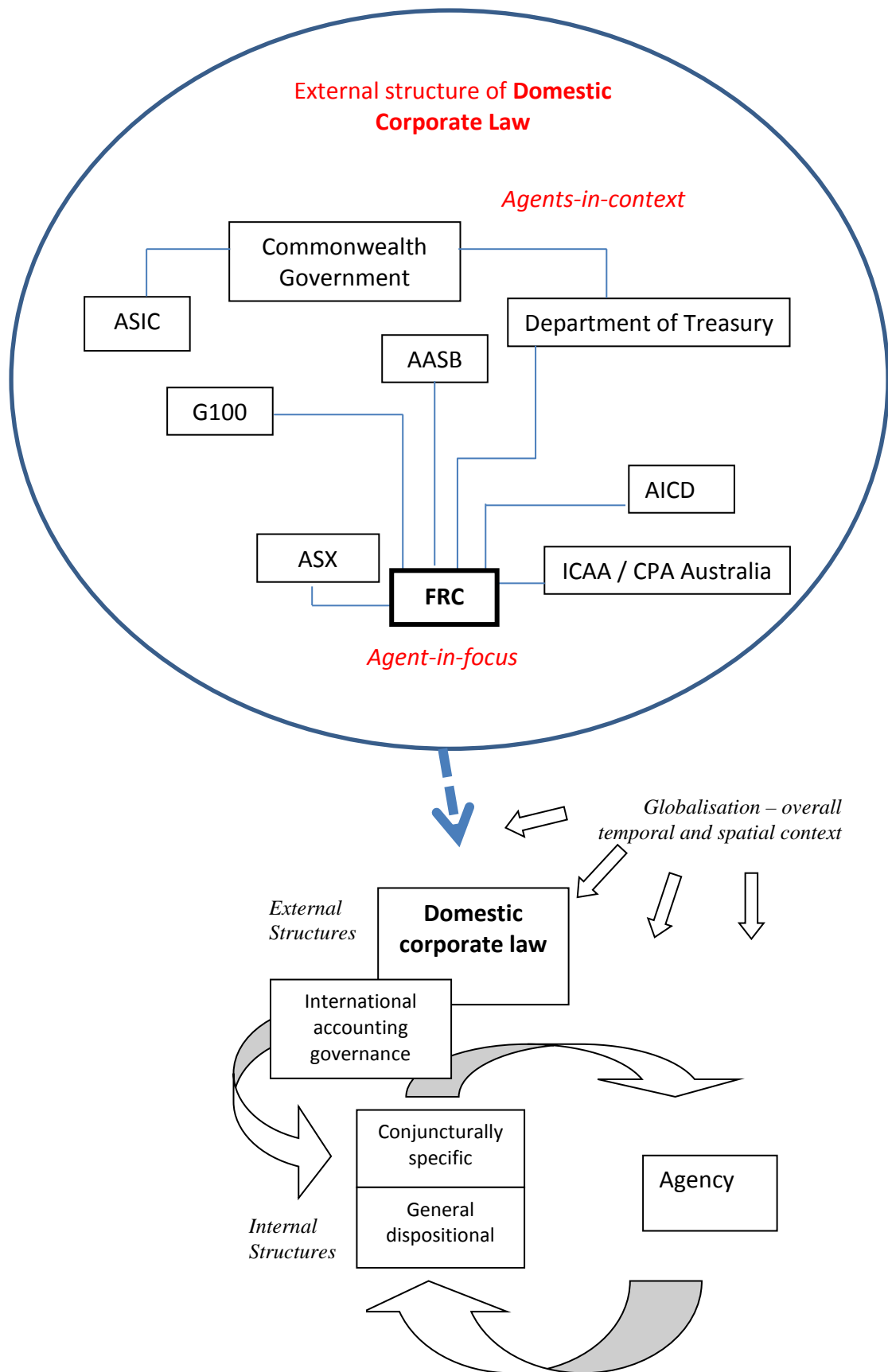


Figure 10 External structure of domestic corporate law

The primary driver of corporate reform was the Coalition government, in particular its Treasurer, Peter Costello. The Coalition parties had traditionally been advocates for business and free market philosophies, and as discussed were keen for Australian entities to engage in the global marketplace. Corporate reform was aligned with this ideology and targeted at the regulation of accounting and financial reporting.

International accounting standards were perceived as a vehicle for ensuring that Australian companies were more competitive in the global marketplace and as a means to attract global capital to the Australian market. The government anticipated that this reform would simultaneously attract the support of big business and satisfy its macroeconomic policies. The CLERP reform brought standard-setting responsibility within the departmental realm of Treasury, away from the Attorney's General Department, and even further away from the Australian accounting profession. The most strident support came from ASX and relevant representatives, including its CEO, Richard Humphrey, its Chairman Maurice Newman, and director Michael Sharpe, the latter also holding down the position of Chairman of the IASC at the time.

It was apparent that the political and financial resources in the hands of Treasury and the ASX were more than a match for other participants. Despite years of influence in the standard-setting realm and considerable expertise, the professional accounting bodies, whilst supportive of long-term harmonisation, appeared powerless in extending the time frame for adoption. Similarly, the AASB with its concerns over premature adoption (ie. before major capital markets) was ineffective in deliberations. Other parties such as the G100, the AICD and ASIC also favoured long-term harmonisation but were opposed to adoption of IASC standards in the short-term.

As was the case with the structure of international accounting governance, the relative success of domestic corporate reform as it related to international accounting standards can be attributed to a confluence of time/space factors - the election to Government of the Coalition parties after 13 years in opposition; the parliamentary ambitions of the Treasurer, Peter Costello; the failure of the Australian accounting profession in its proposal for institutional reform (as per the *Pierson report*); the significant political and financial support of the ASX on the cusp of demutualising, listing on its own exchange and eager to attract foreign listings; the completion of the IASC core group of standards in 1998; and, the IOSCO endorsement for IASC standards. Vocal resistance to early adoption, particularly prior to adoption by other major capital markets such as the US, UK and Japan, was ignored.

6.5 Chapter summary

This chapter has outlined the influence of external structures on the actions of the FRC. External structures determine the conditions of action faced by the agent-in-focus, which stretch away across time and space, and which reflect the network of position practices that envelop the agent. This concept of 'external structure' acknowledges that in reality agents are subject to situations or forces outside of their control, perceived of as either independent causal influences or irresistible causal forces.

The chapter has highlighted the complexity of political manoeuvrings at both the international and domestic levels, and the extent to which these have been underpinned by neoliberalist ideology. Fairclough (1992, p72) suggests:

...that in so producing their world, members' practices are shaped...by social structures, relations of power and the nature of the social

practice they are engaged in...thus their procedures and practices may be politically and ideologically invested.

Fundamentally, the push towards international accounting standards was premised on the inevitability of globalisation and the imperative of global capital market participants for relevant, reliable and comparable financial statements. Individual agents or nation-states appeared incapable of providing the infrastructure to deliver this (although the FASB came close and is still in the picture), and as such an international accounting governance mechanism, headed by an independent, private sector organisation, emerged to take on this role. Multiple agents, spatially and temporally dispersed, acted and interacted in complex networks of position practice relations, to form the two *irresistible causal forces* on the FRC members. As discussed in sections 6.2, 6.3.9 and 6.4.8, irresistible causal forces are external structures which are constituted independently of the agent-in-focus, but which are nevertheless within the action frame of the agent. The agent-in-focus does have the capacity to resist these forces; but, given their particular situation, it seems that they cannot.

One of these irresistible causal forces, the structure of international accounting governance, reflected the actions and interactions of multiple actors over time and space, each contributing to a process of structuration independent of the agent-in-focus, the FRC. Despite various internationalisation efforts of parties such as the UN, the OECD, the G4 and the FASB, the IASB ultimately commandeered the international governance mechanism and issued standards which would be accepted (adopted, converged with) by many nations around the world.

The standards offered by the IASB provided the most viable alternative for the FRC as it faced the second external structure, namely that of domestic corporate law, in the context of corporate collapses. Government reforms to this structure demanded an international and commercial focus to the setting of accounting standards for Australian entities. Further, at the expense of other groups, resultant legislation privileged the needs of a distinct group of companies; that is, those operating in global capital markets (Kaidonis, 2008). Both of these structures have been significant in the transformation of the system of financial reporting in Australia, from a system responsive to the needs of domestic constituents to one privileging international markets and participants, and one at the mercy of international developments.

Chapters 5 and 6 have privileged the structural conditions contextualising the adoption decision, and in doing so attended to the analytical histories of emergence (Archer, 1995 as cited in Stones, 2005, p126) of international accounting standards. As indicated in section 1.6, the significance of these conditions on the adoption decision is not to be underestimated; any agency is situated in what has come before. Notwithstanding this, the next chapter attends to the agency element of the structuration process; that is, the role of context, knowledgeability, crisis and unacknowledged conditions of action in the adoption decision.

Chapter 7 Agency, Actors and Internal Structures

7.1 Introduction

Chapter 7 focuses on the FRC members and their adoption decision, that is, the agency element of the structuration process. That agency is examined with reference to the broad spatial and temporal context, the influence of the external structures, the internal structures drawn upon by the members of the FRC, and other social-institutional influences. The chapter analysis is facilitated by the use of methodological bracketing as proposed by Stones (2005), and steps 3 and 4 of the research strategy (refer to figure 2), namely:

Step 3: identify the agents-in-context and their general dispositions.

Step 4: identify the agents'-in-context specific roles and responsibilities, and the knowledge required to deal with the situation at hand (conjuncturally specific internal structures).

To facilitate Step 3, a version of 'agent's conduct analysis', namely 'theorist's conduct analysis' is used. As noted by Stones (2005, p144), in some situations an in-depth hermeneutic⁴⁸ analysis is not possible, and may in fact be unnecessary to discern

⁴⁸ Hermeneutics is an ancient and complex area of scholarship, focused on the interpretation of texts (or discourse). To speak of an in-depth hermeneutic analysis is simply to speak of rigorous, informed, and reflective reading as productive of the interpretations that give rise to knowledge, meaning, and (in many cases) decisions about action. There is a fascinating paradox in seeking to understand the hermeneutical domain of regulated financial reporting. Financial accounts are announced as written in order to serve the

situational tendencies. This may be the case where the study is retrospective and/or where access to the agents and their texts is not possible. In any event, such an analysis may add unmanageable detail to the account. In such situations, Stones suggests that theorist's conduct analysis allows for 'supposition from afar' on the attributed frames of meaning of the FRC members. That is, the researcher is encouraged to interpret the situation and the various structures and actions/interactions from a distance (and this may be spatially and/or temporally). At this point consideration is given to the individual members of the FRC and their respective backgrounds to allow 'supposition from afar' about their general dispositional internal structures, and how these contributed to the adoption decision (addressed in section 7.8).

Step 4 of the research strategy seeks to gain an understanding of the conjuncturally specific internal structures of the FRC members. These structures represent the specific skills, knowledge and capabilities that relate to the job, namely that of a FRC member. The agency/action of the FRC (the adoption decision) was communicated primarily via the minutes of FRC meetings (the minutes), and these are analysed to provide insight into the conjuncturally specific internal structures of the FRC members (addressed in section 7.9).

This chapter proceeds as follows. First, Sections 7.2 and 7.3 provide a summary of Chapters 5 and 6 to give a background to the discussion in the remainder of this chapter. Section 7.4 focuses on the 'crisis of corporate collapses' which served as the catalyst for

public, yet the very discourse is itself an expert discourse which (through the definition of expert) is simply inaccessible to the public. In addition, we have learned from agency theory and critical theory that the will to power causes elites to propose a hermeneutic strategy to the public that is both false and placed in the service of elite power – the assumption that accounting is cartographic, a map to economic reality grounded in 'representational faithfulness' or 'transparency'. Not only do we thus give the public texts that they can't read; we teach them to read with an attitude that is both false and dangerous for them.

the FRC adoption decision. The technical rationales of the decision are presented in section 7.5, and section 7.6 explores the decision in terms of the duality of structure. The individual members of the FRC are introduced in section 7.7, followed by an analysis of their general dispositional internal structures (section 7.8) and conjuncturally specific internal structures (section 7.9).

7.2 The broad context of the adoption decision

Chapter 5 explained how globalisation phenomena were responsible for radical transformations in economic, political, cultural and social spheres. Castells (1996, p476) suggests that the “material foundations of our society are being transformed, organised around the space of flows and timeless time”. The information revolution of the late 20th century was, according to Castells (1996, p31), at least as significant as the Industrial Revolution. Information flows helped neoliberalist policies spread throughout the Western world as the original impetus to new markets to exploit global opportunities. Financial centres across the globe became enmeshed in a complex web of networks. National economies became interconnected, and many nation-states relinquished control over domestic policies, which were often viewed as impediments. Control by supranational organisations such as the IASB was enhanced and beyond the reaches of traditional nationalistic regulations.

This interconnectedness of global markets and business also meant that financial crises in one part of the world inevitably had global repercussions. The Asian financial crisis in the 1990s affected not only Southeast Asian countries, but Japan, the US, the OPEC countries and many other developed nations. Corporate collapses in the early 2000s in

Europe, the US and Australia were responsible for financial losses in different countries and sectors and prompted widespread reform to accounting, auditing and corporate governance mechanisms at both domestic and global levels.

Clearly then globalisation has reached across national and cultural spaces with one consequence being that occurrences in distant parts of the world impact on local spaces. Further, modern forms of information storage and communication mean that the reach of actions in one time extends to other times, and interactions that were previously impossible are now a matter of course. Temporal and spatial fixity are no longer criteria for social interactions and thus social systems. Processes like these provided the context for the emergence of two external structures that were influential on the FRC adoption decision; namely, international accounting governance and domestic corporate law.

7.3 External structures

At the domestic level, the Australian government had been involved in a process of corporate law reform since the late 1990s in response to globalisation and the putative needs of the capital market. Corporate law reform provided a revised infrastructure for standard-setting, including the establishment of the FRC, and a platform for engagement with international accounting standards. At the international level, Australian professional accountants and standard setters were involved for approximately 40 years in the emerging networks of alliances of standard setters, which eventually coalesced into the extant structure of international accounting governance with the IASB at its helm (section 6.3).

As discussed in Chapter 6, both of these structures were seen as *irresistible causal forces* on the actions of the FRC. Although revised Australian corporate law called for engagement with international accounting standards, it did not prescribe a vehicle or time frame for action. Similarly, the international accounting governance mechanism was developing independently of the FRC, and there was no compulsion for the FRC to join forces with the IASB; the IASB had no regulatory authority in Australia, and membership was voluntary. The FRC members had before them a number of options; namely, retain and develop domestic standards, pick and choose from among best practice offerings around the world, converge with or adopt standards provided by the IASB, or adopt US GAAP (refer to Zeff and Nobes, 2010 for various options). However, the FRC was in the midst of a complex set of domestic and international relationships, and at the time (early 2000s) the members were faced with increasing public outrage over corporate collapses.

7.4 Time of crisis – catalyst for change

Early in the new millennium, Australia, along with many other developed nations, experienced a run of major corporate collapses. The Australian icons of HIH Insurance, Harris Scarfe and Ansett Airlines collapsed alongside younger corporations such as the telecommunications company, OneTel (Jay, 2001). The collapse of HIH Ltd was the largest collapse in Australian history, and resulted in losses estimated in the vicinity of \$5.3 billion (White, 2001, p42). Approximately 30000 shareholders, two million policyholders and 3000 employees were directly affected (White, 2001). Policy holders were left uninsured, particularly in the home building industry, legal fraternity, the small business sector and community groups (White, 2001). Federal and State governments

were faced with rescue schemes from several collapses amounting to approximately \$2 billion (White, 2001). These corporate collapses generated a period of crisis in the Australian economy, as adverse consequences affected governments, businesses, community groups and individual citizens (Jay, 2001, White, 2001, Commonwealth of Australia, 2003a, Cooper and Deo, 2005, Clarke et al, 2007).

Blame for these problems has been attributed to a host of usual ‘suspects’, including corporate fraud, poor management and corporate governance, audit failure, creative accounting and inadequate disclosure in financial statements (Cooper and Deo, 2005, White, 2001). Regardless of cause, the public outcry in the wake of the collapses demanded reformative action. The Australian public were understandably disenchanted with the existing structure of corporate law (including that relating to financial reporting) and lost faith in the ability of business and the professionals, particularly auditors, to protect the public interest (Haswell and McKinnon, 2003). Demands for remedial responses emerged, including the overhaul of accounting, auditing, and reporting governance (Howieson and Langfield-Smith, 2003, Haswell and McKinnon, 2003, Cooper and Deo, 2005). The failure of the existing framework of financial reporting to prevent or warn of such collapses was subsequently highlighted in recommendations by Justice Neville Owen in the HIH Royal Commission, notably that “Australia should participate fully in the development of international accounting standards and pursue the adoption of high-quality, consistent and readily understood accounting standards” (Commonwealth of Australia, 2003a, p lxv).

As overseer of financial reporting regulation in Australia, the FRC was in a situation in which it had to do something and do it quickly. The actions of the FRC members in this

situation, a particular conjuncture, would obviously be shaped by their general dispositions and strategic knowledge, but would also “depend on a host of specificities which...cannot be predicted in advance but which depend crucially on [the] horizon of action [of the agent], the contextual particularities of other external structures and happenings, and the constraints of time and space” (Stones, 2010, p1288). In the broad context of globalisation, with pressure from both domestic corporate reform and developments in international accounting governance, the FRC members had to draw on their knowledge and resources to manage the situation in the most effective and politically acceptable manner. It was at this time that the EC made its decision to adopt IASB standards, and the IASB made a commitment to release a stable platform or suite of accounting standards by 2004.

It should be noted that at that time the IASB standards were not finalised; and, even when completed, were described by Tweedie (chairman of the IASB) (as cited in Sawers, 2008) as a “cut and paste [job with] bits of accounting standards mostly from the US and UK rule books lifted and rammed into place”. Since a decision to adopt IASB standards would result in loss of sovereignty over accounting standard-setting, it had the potential to decrease the power, diminish the reputation and render Australians rather innocuous in the international accounting arena (Collett et al., 2001). It appeared that the FRC was forced into a decision in the context of the crisis of Australian corporate collapses in the early 2000s. Indeed, the FRC chairman acknowledged that “this very intense focus on corporate accounting and reporting in Australia [in the wake of corporate collapses] has created an environment where more reform has been achieved than otherwise might have been possible” (FRC, 2002c, p7). As suggested by Giddens (1979, p124-126), such a period of crisis presses agents into challenging the

status quo and searching for new ways of doing things or new authority figures with which to align.

7.5 Agency - The adoption decision

The FRC was one of the earliest domestic regulators to mandate the use of the standards of the IASB, making the formal adoption decision at its meeting on 28th June 2002 (FRC, 2002b). Thus, the FRC suddenly and without due process (Howieson and Langfield-Smith, 2003), departed from the existing AASB Policy of Harmonisation (AASB Policy Statement 4, *International Convergence and Harmonisation Policy*). Jeff Lucy (chairman of the FRC) stated that the timing of this departure:

...is determined by the decision of the European Union to require EU listed companies to prepare their consolidated accounts in accordance with IASB standards from that date, in support of the EU single market objective. Australia certainly cannot afford to lag Europe in this regard (FRC, 2002b).

The IASB produced its stable platform of standards by 31st March 2004. The Australian equivalents of these were put before the Australian Senate by the AASB on 30th August and 16th November 2004 and ultimately allowed under Australian parliamentary protocol⁴⁹. The IASB standards were effective for all Australian reporting entities for reporting periods beginning 1st January, 2005.

⁴⁹ Under Australian parliamentary protocol, accounting standards are disallowable instruments. This means that both houses of parliament have 15 sitting days in which to disallow the standards, otherwise they become legislation. During the course of the disallowance period the Parliamentary Joint Committee on Corporations and Financial Services was established to enquire into the standards as tabled. This committee reported in February 2005, recommending that “the Senate and House of Representatives do not disallow the Australian Accounting Standards tabled on 30 August 2004 and 16 November 2004” (Commonwealth of Australia, 2005, recommendation 2).

7.6 The duality of structure

To this point the thesis has examined the broad context of action, the external forces influencing the members of the FRC and the immediate context of corporate collapses. Reference has been made to the action of the FRC to adopt international standards. The remainder of this chapter provides an analysis of the internal structures of the FRC members, and Chapter 8 discusses the unintended consequences or outcomes of the decision. Figure 11 shows an overview of all of the elements in the process of structuration of the system of financial reporting in Australia as represented in this thesis.

The duality of structure means that structures are both the medium for and outcome of action. In any action, agents draw on and “also help to either reproduce or change the structural context that allowed them to act in the first place” (Stones, 2005, p20). The figure also reflects the importance of the time/space positioning of the agent, that is, the “contextualities of action” (Giddens, 1984, p86). As noted by Giddens (1984, p86):

...all social interaction is situated interaction...It can be understood as the fitful yet routinized occurrence of encounters, fading away in time and space, yet constantly reconstituted within different areas of time space. The regular or routine features of encounters, in time as well as in space, represent institutional features of social systems.

The social positions of agents are constituted as “specific intersections of signification, domination and legitimation which relate to the typification of agents” (Giddens, 1984, p83). The social positioning of the FRC members determined the signification, legitimation and domination structures (both general dispositional and conjuncturally specific) which they drew upon and the external structures which influenced them. The

FRC members were at once enabled and constrained by where they were temporally and spatially situated, who they ‘crossed paths’ with, and other circumstances in which they were embedded.

As indicated in Figure 11, agency requires the agent to draw on a range of general dispositional and conjuncturally specific knowledge. The knowledgeableability of agents is at the heart of structuration theory; this is what gives agents the capacity to act as they do. According to the stratification model of the agent, an agent will not only monitor and critically reflect on his/her own action, but also on the actions of others. In this respect, the FRC members needed to be aware of what the agents-in-context were doing and why and how they were doing it; that is, they needed to know about the external structures to inform their conjuncturally specific knowledge. This knowledge was to some extent bounded by the lack of critical distance displayed by the FRC members when making their decision – the pressure from external structures in the context of corporate collapses imposed urgency to their decision. The members acted as if the IASB standards were the only viable option for the future of Australian financial reporting. They also acted with haste.

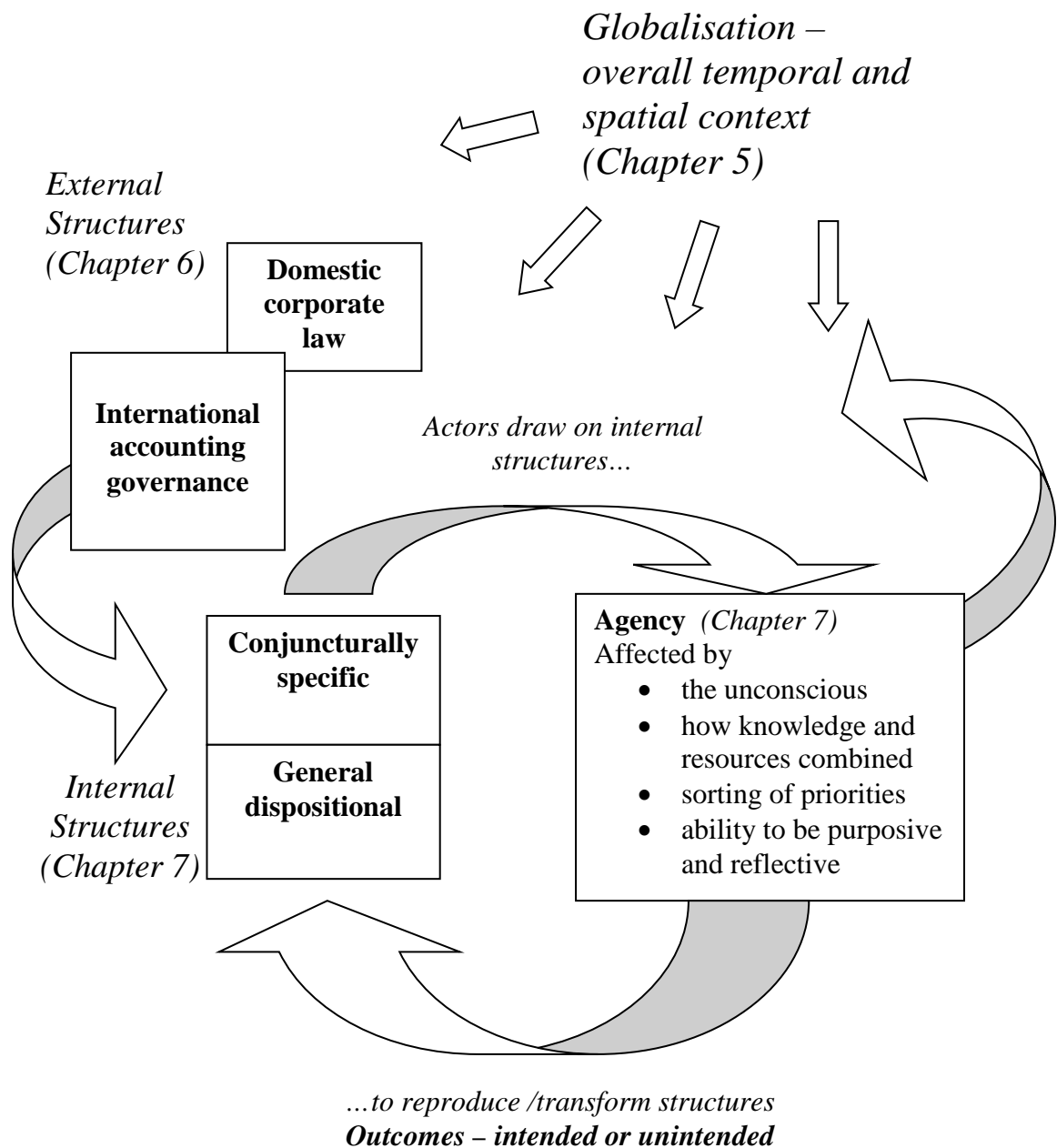


Figure 11 The process of structuration of the financial reporting system

Unacknowledged conditions and unintended consequences of action, which in turn depend on knowledgeability, affect action. The more knowledgeable the FRC members were, the less likely they were to overlook various conditions of action. The stratification model of the agent also suggests that some of the agent's actions will be at the practical level of consciousness, that is drawn on as a matter of routine, while others will be at the discursive level of consciousness, that is, articulated, as a more strategic response. As will be suggested in the following, much of what the FRC members did was without critical reflection – their general dispositional frameworks favoured the dominant ideologies (neoliberalism, economic globalisation) and they went about their business as a matter of course. Their professional status and experience afforded the members an extraordinary degree of authority which was not challenged. When faced with corporate collapses, the FRC members responded strategically, and aligned with the IASB as an international authority, to which they ultimately conceded the responsibility for standard-setting.

Attention is now directed to the internal structures of the FRC members and their capacity to act in the context of the foregoing – that is, step 3 of the research process (Figure 2). For the purposes of identifying general dispositional internal structures of the FRC, it is useful to gain knowledge of the backgrounds of individual members. The conjuncturally specific internal structures relevant to members are discussed in section 7.9.

7.7 Actors - The members of the FRC at the time of the adoption decision

The FRC comprises up to 14 part-time members nominated by stakeholder groups and appointed by the Federal Treasurer, each for a three-year term. The Federal Treasurer appoints the chairman, and the deputy chairman may be appointed by the Federal Treasurer or elected by the FRC members. The members of the FRC at the time of the adoption decision (or in the preceding period) were as shown in Table 1. Information on the backgrounds and allegiances of members was drawn from publicly available data.

In accordance with ‘theorist’s conduct analysis’, it was considered sufficient to make suppositions from afar about the general dispositions of the FRC members. These suppositions draw upon mutual knowledge that the “researcher and research inhabit a common cultural *milieu*” Giddens (1984, p328). In other words, the researcher inhabits the world of accounting and financial reporting⁵⁰, and as such is positioned to make suppositions about the subject of study, the FRC.

⁵⁰ The researcher is a professional accountant, having worked in one of the big chartered accounting firms (KPMG), a large public company (CSR Limited) and in academia over the last 30 years. As such, the researcher is in a position to have some insight into the world of the FRC members, in particular their general dispositional structures.

Table 1 FRC members June 2002 and preceding period.

Name	Occupation	Nominated by	Term
Jeff Lucy (Chairman)	Financial consultant - Adelaide	The Institute of Chartered Accountants in Australia	17/7/01 to 17/7/04
Michael Ullmer (Dep. Chairman – resigned 15/5/02) Position vacant at 22/6/02	Group General Manager, Financial Risk and Management, Commonwealth Bank, Sydney	Business Council of Australia	6/1/00 to 15/5/02
Tom Pocket (alternate to Mr Ullmer)	Deputy Chief Financial Officer, Commonwealth Bank, Sydney	<i>(informal nominee of Business Council of Australia)</i>	2/10/00 to 15/5/02 but continuing as informal nominee
Elizabeth Alexander	Partner, PricewaterhouseCoopers, Melbourne, Company Director, Melbourne	Australian Institute of Company Directors (AICD)	20/9/99 to 20/9/02
Don Challen	Secretary, Tasmanian Department of Treasury and Finance, Hobart	Heads of State and Territory Treasuries	20/9/99 to 20/9/02
Leigh Hall	Company Director, Sydney	Investment and Financial Services Association	20/9/99 to 20/9/02
David Jackson	Director, Australian Shareholders Association	Australian Shareholders Assoc.	20/9/99 to 20/9/02
Charles Macek	2000-01 Chairman of County Investment Management, From August, Company Director, Melbourne	Securities Institute of Australia	20/9/99 to 20/9/02 (note; elected deputy chairman 5/9/02)
Graeme McGregor	Company Director, Melbourne.	CPA Australia	20/9/99 to 20/9/02
Ian Mackintosh	Chief Accountant, Australian Securities and Investments Commission, and Chairman, Public Sector Committee, International Federation of Accountants.	ASIC	13/9/01 to 7/6/02.
Doug Niven	ASIC deputy chief accountant Previously national technical director Deloitte Touche Tomatsu	Informal nominee of ASIC	June 2002- September 2002
Robert Nottle, CBE	Until May 2001, held the position of Principal Adviser, Supervision, ASX. From that date, was Director, ASX Supervisory Review Pty Ltd, ASX, Melbourne.	Australian Stock Exchange.	20/9/99 to 20/9/02
Gary Potts	Executive Director, Markets Group, Department of the Treasury, Canberra.	Commonwealth Treasury	6/1/00 to 14/2/02.
Phillip Prior	First Assistant Secretary, Property Group, Dept of Finance and Administration.	Commonwealth treasury	13/9/01 to 13/9/04
<i>Source: FRC (2000, 2001, 2002c, 2003, 2004), Costello (1999), Costello (2001a), The Commonwealth of Australia (2002b, p95).</i>			

7.8 General dispositional internal structures of the FRC members

The backgrounds of the FRC members provide insight into their general dispositional internal structures. These are “dispositions embedded and embodied within an agent as a matrix of perceptual and linguistic schemas, competencies, appreciations, typifications, morals, sentiments, know-how and so on” (Stones, 2005, p23). Stones reinforces that many of these dispositions are adaptable and transposable in various social situations, but “their adaptability may be limited precisely because the conditionings and exercises from the past have already predisposed the agent to do certain things as ‘second nature’, with ease, and without pause for reflection” (Stones, 2005, p23). Further, all agents have knowledge of multiple, complex and often competing internal structures, as each occupies various social, familial, religious, professional and political identities.

A brief examination of the backgrounds of FRC members reveals a group of highly qualified Australian citizens drawn from the corporate, professional and public sectors (the ‘big end of town’). Mr Lucy, for example, began his career with the accounting firm Lucy Noske & Lewis in the 1970s, in which he operated as Managing Partner for the period 1986 to 1994. He then moved on to become Managing Partner of the Adelaide office PricewaterhouseCoopers for the period 1994 to 2000 (Costello, 2003). He is a member of the three professional accounting organisations in Australia, and past President of the Institute of Chartered Accountants (1994-5) (Costello, 2003). He went on to hold various regulatory positions, including Deputy Chairman of the Australian Securities and Investments Commission (2003) and another period as part-time Chairman of the FRC (2007-2010) (Costello, 2007). Mr Michael Ullmer, the Deputy

Chairman of the FRC leading up to the adoption decision has built a career that spans from the 1970's to date, with extensive experience in the banking sector (National Australia Bank and the Commonwealth Bank) and professional accounting firms (Partner at KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997)) (Woolworths, 2014). Subsequent to his role at the FRC, he was a director of a number of large listed companies including National Australia Bank (2004 to 2011), Fosters Group Limited (2008 to 2011), Bank of New Zealand (2007 to 2011), Lend Lease (December 2011 to date) and Woolworths Limited (2012 to date) (Woolworths, 2014).

The careers of the other FRC members show similar corporate, professional and regulatory experiences over the last 40 years or so. Given the roles and responsibilities of the FRC, it is inevitable that the membership of the FRC was drawn from a relatively narrow segment of the community and comprised of persons who had the requisite knowledge, skills and connections. However, as highlighted by Brown (2006, p88), this lack of breadth of experiences and perspectives precludes contributions from other voices, such as media, universities, environmental groups or women's groups, who could potentially present broader social, political, environmental and philosophical views. It is also contrary to the initial proposal document regarding the establishment of the FRC (Commonwealth of Australia, 1997), which called for broad representation to prevent capture by a particular interest group and to generate healthy debate. Significantly, the "social context in which...expert knowledge has been acquired and practised is critical in determining which technical solution of the many possible ones is produced" (Perry and Nolke, 2006, p578).

The general knowledge and expertise acquired by these persons over their working lives are discussed with reference to the respective structures of signification, legitimation and domination. The reader is reminded that this distinction is for analytical purposes only, and that in reality these structures are complex, often competing, often merging, and always beyond the analytical potential of any model, theory or specific mode of understanding.

7.8.1 General dispositional signification structures

Generally, the FRC members were employed within the Australian corporate and professional sectors from the 1970s onwards. The members had knowledge of the financial accounting and regulatory structures in Australia, drawing on them via interpretive schemes to understand and communicate financial information about reporting entities. These interpretive schemes were multiple, including corporate law (including the concept of True and Fair View), taxation law, generally accepted accounting principles, AASBs, UIG (Urgent Issues Group) interpretations, and the *Australian Conceptual Framework*. This Framework reflected a principles-based approach to accounting standard-setting, outlining the fundamentals of financial reporting such as definition and recognition criteria of elements, and the qualitative characteristics expected in financial reports, such as reliability and relevance.

The FRC members spoke the language of business, markets, efficiencies, globalisation and deregulation, that is, a neoliberal discourse. The FRC chairman, Mr Lucy, for instance commented on “...the importance placed by business on the FRC being seen as active in the marketplace” (FRC, 22/3/02, AI01). Later, when discussing the strategic direction of the AASB, the FRC noted that this “should be consistent with the objectives

of accounting standard setting...in relation to the characteristics of the financial information as required by accounting standards, *facilitation of the Australian economy and maintenance of investor confidence*” (italics added for emphasis)) (FRC, 5/9/02, AI2, Appendix B). Further, the FRC framed the discussion on transition to IFRS in terms of what was in the “best interests of the Australian economy even though it might adversely affect some companies” (FRC, 27/2/04, AI 5).

The members of the FRC would have communicated financial information about reporting entities to users who were unable to command information on their own, in terms such as bottom line, net assets, earnings per share, market capitalisation and shareholder interests. Although these interpretive schemes had been influenced by international developments in standard-setting, they retained the scope to accommodate domestic conditions.

The FRC members drawn from the ranks of the public sector were exposed to the abovementioned interpretive schemes, but also had knowledge specific to government accounting and accountabilities. Budget appropriations, fund accounting and Government Finance Statistics (GFS) shaped financial and non-financial accounts of respective Commonwealth, state and local governments. In more recent years, driven by principles of neoliberalism, the Australian Government incorporated private sector accounting principles and methods, imposing a private sector discourse onto the public sector domain (Ellwood and Newberry, 2007). Thus, the public sector representatives on the FRC were compelled to communicate information using the discourse of corporate accounting and business.

A group such as the FRC is part of the powerful elite, established within the ‘dominant discourse’ (Mitchell et al., 2001). They are the ones to set boundaries to constrain the production and dissemination of knowledge and alternative ways of doing things (Mitchell et al., 2001, p529). Further, they may be viewed as:

...political actors whose preferences set the ‘technical’ agenda and define the range of outcomes in a decision making process. Expert knowledge itself is always political because it is acquired in a particular social context, and reflects the political-economic structures and social relations which generate and reproduce that context...[T]echnical solutions are never purely technical...they always have a political purpose (Perry and Nolke, 2006, p578).

As suggested, the capacity of the FRC members to draw on and shape the signification structures also served as a resource for dominance, which “may be enacted and reproduced by subtle, routine everyday forms of text and talk that appear natural and quite acceptable” (Van Dijk, 1993, p254).

Communications via such interpretive schemes were second nature to the FRC members; they were so embedded that the members would not have paused for reflection, and in Giddens’ terms, drawn from the practical level of consciousness (that is, the knowledge that the actor draws on as a matter of routine without articulating exactly why or what he/she is doing). Each and every time the members communicated according to these interpretive schemes, they effectively reproduced the existing structures and reinforced the underlying ideologies. The neoliberal discourse in particular has become so entrenched, so taken-for-granted, that its advocates “defuse[d] or obfuscate[d] critical debate and discussion while promulgating the position of the new right: the language of markets, property rights and individualism” (Sydee and Beder, 2006 as cited in Andrew et al., 2010, p612).

7.8.2 General dispositional legitimation structures

The general dispositional legitimation structure of the FRC members is that of professionalism mediated via the norms of the accounting profession. The members of the FRC were all professionals and members of relevant professional bodies such as the ICAA, CPA Australia and the AICD, subject to the ethical codes of the respective bodies as well as the informal norms of their profession. The exercise of professional judgement has been a key characteristic of accounting professionals in the UK, Australia, the US, Canada and Ireland for over a hundred years, as common law systems have left much discretion in accounting practice to the professionals. Professionalism necessarily demands competency, technical ability, knowledge and expertise from the persons in question, along with a strong commitment to integrity. A fundamental obligation of a professional is to rise above personal interest and act in the public interest (APES110 Code of Ethics for Professional Accountants, section 100.1).

Some of the members⁵¹ are also members of the Order of Australia in recognition of service provided to the accounting profession, and Mr Nottle has the UK honour of Commander of the British Empire (CBE). This public and political recognition in turn gave the respective members enormous legitimacy and authority. Several of the members have had distinguished careers in business, reflected in their multiple board positions, while others have moved through the ranks of the public service to achieve noteworthy positions; for instance, Mr Potts (Executive Director, Markets Group, Department of Treasury) and Mr Prior (First Assistant Secretary, Property Group, Department of Finance and Administration). The FRC members at the time of the decision were at the pinnacle of their profession and were able to draw on the

⁵¹ Messer's Lucy, Alexander and Hall.

legitimacy provided by their professional status and their knowledge of the signification structures (ie. the dominant discourse) to justify decisions, including those made as members of the FRC. Potentially, failure to act according to the norms of their profession could have resulted in disciplinary action or exclusion, or a loss of public faith. It should be noted, however, that this legitimacy placed the members in a position of such authority that it would have been almost impossible for ‘outsiders’ to challenge their actions. Therefore, in structuration terms, the structure of legitimation is intimately bound with the signification structure and “plays a major part in coordinating forms of domination” (Giddens, 1979, p106).

7.8.3 General dispositional domination structures

The professional status and expertise referred to in the foregoing provided the FRC members with the authority to “organize and coordinate the activities of social agents” (MacIntosh and Scapens, 1990, p461). As such, the legitimation structure also operated as a structure of domination. Members of the FRC, particularly the Chairman, Mr Lucy, were well connected and in a strong position to negotiate with relevant interest groups, including corporations, politicians, regulators and other standard-setting bodies. It is suggested that this group of people were selected because of their respective experiences and connections, and their capacity to meet the legislative mandate with respect to international accounting standards. Further, some had on record their support for adoption of international accounting standards. Mr Lucy for example, in his role as president of ICAA, and Mr Nottle, as ASX Deputy Managing Director, Supervision, had both previously communicated their overwhelming support (refer to sections 6.5.2 and 6.5.4). As revealed in section 7.9.2, FRC members were able to draw on this authority to ‘push through’ adoption, even though they did not always comply with the

norms of legitimation such as due process and transparency of action. As suggested by Stones (2005, p115), “social elites often have more resources to find ways not to comply and to do so with impunity”. This notion of ‘social elites’ is akin to Castells’ “communities of elites” (Castells, 1996, pp412-417), who maintain the power to make important decisions. This perspective is reinforced by Van Dijk (1993, p254):

Social power is based on privileged access to socially valued resources, such as wealth, income, position, status, force...education or knowledge...power involves control, namely by (members of) one group over (those of) other groups. Such control may pertain to action and cognition: that is, a powerful group may limit the freedom of action of others but also influence their minds...modern and often more effective power is mostly cognitive, and enacted by persuasion, dissimulation or manipulation, among other strategic ways to change the mind of others in one’s own interests.

The nature of the FRC membership allowed for the reconstitution of the authority of the members; if there were ‘outsiders’ on the FRC, such as representatives from welfare groups or academia, the standard-setting process would have been more problematic. Further, this authority served to contain the dialogue; the neoliberal discourse was not challenged.

The general dispositional skills, resources and knowledge of the FRC members are represented in Figure 12. These were complemented by the specific knowledge acquired in their FRC role, that is, conjuncturally specific internal structures.

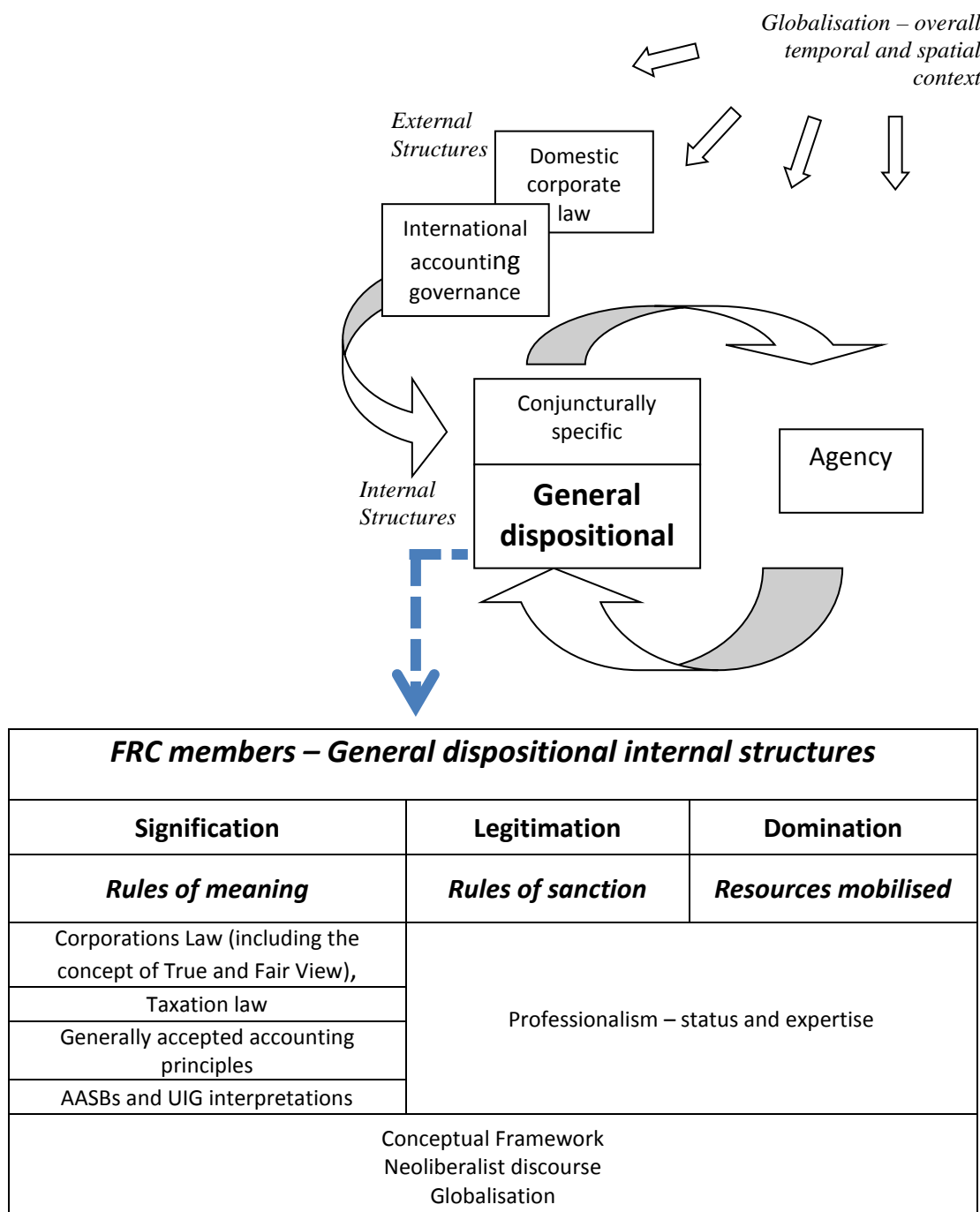


Figure 11 The structuration process - highlighting the general dispositional internal structures of the FRC members

7.9 Conjuncturally specific internal structures of the FRC members

Conjuncturally specific internal structures reflect specific knowledge and capabilities required by an actor in his/her specific position practice - how to act in a particular situation, how to deal with certain people or how to negotiate alternative courses of action. This is distinct from the agent's general knowledge, and involves knowledge of external structures and of strategic terrain (Stones, 2005, p90). The agent-in-focus requires some knowledge of the "action informing schema [of] ghosts of networked others" (Stones, 2005, p93). For instance, FRC members needed a thorough understanding of the context in which they were operating and their relative positioning, within both the global and domestic standard-setting and political arenas. They needed extensive knowledge of external structures (international accounting governance and domestic corporate law) and the relevant participants, the relative power relationships, the technical language of accounting standards and the standard-setting process, the acceptable norms and protocols of standard-setting, how the other agents or 'agents-in-context' might act, and, the resources available to the various actors (as discussed in Chapter 6). Stones (2005, pp91-92) suggests that such knowledge can be broken into the three structures as conceptualised by Giddens, namely signification, legitimation and domination. Further, in their FRC roles the members would need to prioritise the complex and competing structures they faced, for they each represented different groups (business, the public sector, professional bodies, users, preparers and auditors of financial statements, regulators, or government) with different demands. This aspect of agency is analysed with reference to the collective, that is, the FRC as a whole, for it was this group that made the adoption decision and whose views were presented by way of public discourse such as minutes of meetings. Giddens suggests that attributing

‘agency’ to a group may be quite appropriate in some instances (1993, p7), however any claims about the knowledge, actions and intentions of a group should always be tempered.

7.9.1 Analysis of the adoption decision

The conjuncturally specific internal structures of the FRC members (step 4 of the research process) were identified by reference to the FRC minutes⁵² and supplementary data, such as media releases, annual reports and parliamentary transcripts. As was the case for general dispositions, these internal structures will be considered in terms of signification, legitimation and domination.

7.9.2 Conjuncturally specific signification structures

As discussed in Chapter 6, the FRC members were at once positioned within a network of position practice relations at the international and domestic levels of standard-setting. The particularities of this positioning, and the FRC members’ perceptions of this, served to shape the FRC dialogue surrounding the internationalisation of accounting and in particular the adoption decision. In order to effectively act and interact (that is, communicate) in the standard-setting domain, the FRC members were required to draw on their knowledge of various interpretive schemes, and their perception of how other agents-in-context would interpret them. These interpretive schemes include but are not limited to:

- a) globalisation and internationalisation
- b) convergence and adoption
- c) international best practice/ high quality standards

⁵² All references to FRC minutes are in the form of: (FRC, date of meeting, Agenda Item). A list of the relevant meetings and agenda items is shown in Appendix A.

- d) principles-based standards, and
- e) comparability of financial statements.

These are discussed below.

a) Globalisation and internationalisation

As agents-in-context, the FRC members were positioned within the external structures of international accounting governance and domestic corporate law, where the language of globalisation and internationalisation was privileged. The rhetoric of globalisation was prevalent in the communication of key actors, from the early days of the AISG through to the IASC, IASB, ASB, EC, EFRAG, FASB, SEC, and to domestic agents such as the Treasurer, the AASB and the ASX. Globalisation was seen as inevitable, such that all standard-setting endeavours were discussed in terms of meeting the needs of a global marketplace. This rhetoric privileged large capital providers and multinational businesses involved in cross-border transactions, who required ‘comparability of financial statements’ of companies across the globe (refer to following part e). This rhetoric was also drawn on as the justification for the internationalisation of accounting standards, as discussed in section 7.9.3.

The FRC members embraced such language - international governance mechanisms were considered in terms of “participation in international bodies” (FRC, 3/7/00, AI 1), “international cooperation” (FRC, 28/6/02, AI 3), and “prospects for convergence between IASB standards and US GAAP” (FRC, 28/6/02). In considering the strategic direction of the AASB, the FRC prioritised alignment with “the longer term objective of

international convergence of accounting standards” (FRC, 10/4/00, AI 4). In the 2001/2

FRC annual report Mr Lucy refers to FRC achievements in the context of:

...government policies seeking a global framework for the preparation of financial accounts - a framework allowing Australian companies to prepare financial reports using accounting standards that will enable them to be more readily understood and accepted by the major international financial markets (FRC, 2002b, p7).

Further, it was suggested that these accounting standards:

...which are accepted in major international capital markets [would] greatly facilitate cross-border comparisons by investors, reduce the cost of capital, and assist Australian companies wishing to raise capital or list overseas (FRC, 2002b, p7).

As indicated in the above, the minutes and other FRC output reflected a dominant discourse perhaps best understood as an international and global rhetoric. According to Fairclough (2001, p6) a dominant discourse is one which has the “performative power to bring into being the very realities that it describes”. In using the vocabulary of globalisation and internationalisation, the FRC members were creating and reconstituting that reality in the Australian context. This focus on the international served to silence or postpone debate on other issues (Fairclough, 2001); issues such as an appropriate conceptual framework for the public sector were not considered until 2006, and environmental and social reporting was not discussed at all. Furthermore, use of such language is suggestive of persons who understood the intricacies of the issues and who were conversant with the latest developments; the FRC members left no doubt that they knew exactly who and what they were dealing with, and as such used signification structures as an authoritative resource in making the adoption decision.

b) Convergence and adoption

In early meetings the FRC used the term ‘convergence’ in the context of discussions on international accounting standards. This was consistent with ED 102 *International Convergence and Harmonisation Policy* (later to become the AASB PS4), which the FRC approved in its meeting on 22/3/02 (AI 5). In this document convergence was defined as:

...working with other standard-setting bodies to develop new or revised standards that will contribute to the development of a single set of accounting standards for worldwide use (AASB, 2002, paragraph 2).

It was also acknowledged in the same document that convergence was not likely to be achievable in the short-term and further, that in some cases international accounting standards may not even be appropriate for the domestic environment.

Where IFRS and/or IPSAS are considered by the AASB not to represent international best practice, the interim objective is to work towards adopting standards that are considered by the AASB to be best international practice and to endeavour to influence the deliberations of the IASB and the PSC to adopt what the AASB considers best international practice (AASB, 2002, paragraph 6).

The Policy (PS4) recommended a process of gradual convergence with the interim objective to adopt only those standards that were international best practice (AASB, 2002, paragraph 6).

On the face of it, this approach allowed for some domestic latitude in the choice of standards in the event that IASB standards were not appropriate for Australian use. However, at the June 2002 meeting, merely three months after the FRC had confirmed PS4, the FRC introduced the concept of ‘full *adoption*’ (emphasis added) (FRC,

22/3/02, AI 3), which immediately removed the aforementioned latitude and privileged the international over the domestic. Although the suite of IASB standards to be adopted had not been finalised, it was clear that existing IASB treatments in areas such as business combinations and goodwill (IAS22 *Business Combinations*, IAS27 *Consolidated Financial Statements* and IAS39 *Impairment of Assets*) and asset revaluation (IAS16 *Property Plant and Equipment*) were different to the existing Australian equivalents that had been developed in the domestic context (Haswell and McKinnon, 2003).

Thus appears evidence of change at a particular conjuncture, change in the language used and the loss of control over the setting of standards. In the Australian context, years of dialogue regarding the internationalisation of accounting standards had been on the proviso that the local standard setter maintained the discretion to accommodate local conditions or reporting requirements – a position of ontological security. However, in the context of corporate collapses, that is a state of crisis, the FRC members transitioned from the ‘safe’ position to one in which they embraced ‘adoption’ and all that accompanied that – a new arbitrator of standards, loss of control and influence, and exposure to world politics. In structuration terms, the agency of the adoption decision reflected the drawing on of the rules of signification and the reconstitution of those rules in a different form. As Giddens said, “every act of reproduction is *ipso facto* an act of production, in which society is created afresh in a novel set of circumstances’ (Giddens, 1977, p122). The language of ‘convergence’ which implied a long term strategy and scope for the filtering of standards, was used in the early dialogue, but transformed into the language of ‘adoption’ which explicitly created new meanings as above.

c) International best practice/high quality standards

As discussed in section 6.3.1, the earliest attempts at internationalisation drew on supposed ‘international best practice’. With the establishment of the AISG (the first collaboration on international accounting), Benson (the inaugural chairman) was motivated to take “advantage of the best accounting and auditing thought in the UK, Canada and the US, [to] confer benefits in all countries in which accounting was practiced” (as cited in Camfferman and Zeff, 2007, p31). However, the criteria for evaluating the quality of standards was never delineated, and quality somehow gave way to compromises and the inclusion of several options in many of the standards, thus diluting the very concept of ‘standard’. Much later the IASB made a commitment in its mission statement to the “development of high quality...international accounting standards” (IASB, 2009a). These were to be drawn from “international best practice”, but again the criteria for determining this was not elucidated, and to date the standards represent a collection of primarily US and UK treatments. Efforts since 2002 by the IASB/FASB in their convergence project suggest a decidedly US interpretation of what is best practice, heavily influenced by US GAAP and the needs of the US capital market.

The Australian dialogue contained numerous references to international best practice. The AASB Policy on Harmonisation (PS4) advocated a process of gradual convergence to IASB standards and adoption of only those standards that were “international best practice” (AASB, 2002, paragraph 6). At the time, the AASB envisaged that IASBs would not always represent international best practice, and in fact the chairman of the AASB at the time, Mr Keith Alfredson, voiced his concerns over the quality of some of the IASB standards on offer, or the “problem around the edges”, in particular those on

related parties and insurance (Commonwealth of Australia, 2003d, p E153). He commented that in Australia, “we want standards that frankly are better than the international standards” (Commonwealth of Australia, 2003d, p E153).

The revised *ASIC Act 1999* made specific reference to “international best practice”. The functions of the FRC were to include:

...promoting the continued adoption of international best practice accounting standards in the accounting standard-setting process if doing so would be in the best interests of both the public and private sectors in the Australian economy (ASIC Act 1999, paragraph 225(2)(g)).

Although the head of the AASB, Alfredson, has expressed reservations about the quality of IASB standards, it appears that the FRC members interpreted “international best practice” in terms of the output of the IASB standard-setting process. The FRC minutes provided no critical evaluation of alternatives, and the IASB option was the only one referred to in the minutes:

He [Mr Warren McGregor] noted that the IASB has on its work program a solid core of complex projects with potentially significant impact around the world (FRC, 28/2/01, AI 8).

Mr Warren McGregor...briefed the FRC on the initial operations of the IASB...he noted that the new IASB would very strongly pursue its convergence objective and would also put emphasis on improving the quality of standards (FRC, 4/6/01, AI 9).

Despite the conflicting discourses of ‘international best practice’ and ‘IASB standards’, the FRC rested on its statutory oversight authority (refer 7.4.3), and its preference for IASB standards prevailed. In addition, the notion of international standards came to mean homogenous standards, as reflected in the IASB’s aim for all countries to adopt the same standards, with minimal differences in interpretations. The specific needs and

interests of individual countries, particularly those of developing countries, were not accommodated.

With the adoption decision, all Australian reporting entities were effectively compelled to comply with the complete suite of standards:

The FRC agreed that...IASB standards should therefore be adopted in their entirety...any 'cherry picking' or partial adoption of the standards would substantially diminish the gains of IAS [IFRS] adoption. Companies will not be compliant with international standards unless all standards are adopted in their entirety (FRC, 27/2/04, AI5)

This meant compliance with all IFRS, even those considered inferior to 'international best practice' (as suggested by Alfredson above), and irrespective of any possibility that a particular standard may be problematic in an Australian context.

The foregoing highlights how in the process of structuration, interpretive schemes are drawn on, reconstituted, and in some cases transformed. 'International best practice', once interpreted as the "best accounting and auditing thought in the UK, Canada and the US" (Benson as cited in Camfferman and Zeff, 2007, p31), at various times morphed into best UK and US treatments (a very narrow interpretation of 'international'), or homogenous standards applied by the most countries around the world. 'International best practice' now appears to mean that offered via the IASB which, given the influence of the FASB over the IASB standard-setting process, now has a decidedly US flavour. The ability of Australian standard setters to filter international offerings and choose the most appropriate for Australian conditions does not exist.

d) Principles-based standards

The IASB standards are supposedly principles-based, providing direction without being too prescriptive. The objective of the IASB is:

...to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles (IASB, 2009f).

The ‘principles-based’ approach has been affirmed in the recent *Conceptual Framework* Project between the IASB and the FASB (commenced in 2002, refer to section 6.3.5), with the objective “to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged” (IASB, 2009c).

On the face of it, this fits neatly with the general dispositional signification structures of the FRC members, who were comfortable with a principles-based approach to the setting of standards in the Australian context. However, as the original suite of IASB standards was released, the extent to which this “principles-based approach” was maintained was challenged (Schipper, 2003, Nobes, 2005, Alexander and Jernakowicz, 2006, Haswell, 2006), and it became apparent that many of the standards were based on US GAAP, filled with prescriptions and rules (refer to section 8.5). The FRC members thus faced a tension between their general dispositional and conjuncturally specific internal structures.

Nevertheless, the IASB continued to use the rhetoric of a ‘principles-based’ approach to the setting of standards, with Sir David Tweedie a staunch advocate for the approach. He maintained that a good principles-based standard must pass four steps:

1. Is the standard written in plain English? (This is also important to enable easy translation of our standards)

2. Can the standard be explained simply in a matter of a minute or so? If not, why does it take longer? (ie. can only specialists understand it or can most accountants use it?)
3. Does it make intuitive sense?
4. Does management believe it helps them to understand and describe the underlying economic activity? (Tweedie, 2007, p7).

Further, he suggested that:

We [the IASB] favour an approach that requires the company and its auditor to take a step back and consider whether the accounting suggested is consistent with the underlying principles. This is not a soft option. Our approach requires both companies and their auditors to exercise professional judgement in the public interest. Our approach requires strong commitment from preparers to financial statements that provide a faithful representation of all transactions and a strong commitment from auditors to resist client pressures. It will not work without those commitments. There will be more individual transactions and structures that are not explicitly addressed. We hope that a clear statement of the underlying principles will allow companies and auditors to deal with those situations without resorting to detailed rules (underlines added for emphasis) (ibid, 2002, p5) .

Although he does not define the concept of ‘principles-based’ approach, Tweedie explores its dimensions; *a big picture view of accounting, the exercise of professional judgement, consideration of the public interest, faithful representation of underlying transactions and the avoidance of detailed rules* (italics added for emphasis). Again it should be noted that these interpretive schemes, as well as being fundamental to the dialogue on accounting and financial reporting, provided the moral grounding for the FRC in its adoption decision.

The requirement for accountants to take a step back when choosing an accounting method or disclosure suggests a ‘big picture view’ of accounting; substance over form

should prevail⁵³. Implicit in a ‘big picture view’ is the need for the exercise of professional judgement by accountants (section 7.8.2), and the ability to faithfully represent transactions and events in financial reports.

The concept of faithful representation emerged from the notion of ‘true and fair view’, which has its roots in the UK Companies Law (1948). This law required that published annual reports should present a true and fair view of the state of affairs and the results of a company, as well as follow relevant legal requirements, with the former given the status of override in case of conflict. This principle was adopted in Europe via the Fourth Company Law Directive, again with a true and fair override. IAS1 *Presentation of Financial Statements* (paragraph 15) sustained this approach, stating that:

...financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.

However, despite widespread use of, and numerous references to, ‘True and Fair’ view, its meaning remains the subject of conjecture and debate. In Australian financial

⁵³ The need for a ‘big picture’ view or ‘substance over form’ approach was exemplified by the use of special purpose entities (SPEs) by Enron as a means of removing under-performing assets and liabilities off-balance sheet – the company complied with the form of US GAAP on consolidation accounting, but not necessarily the substance. These SPEs were specifically set up to move financing arrangements off-balance sheet. These entities did not qualify as ‘controlled entities’ and as such accounting for them did not fall within the rules for consolidation accounting. If a subsidiary of a company engaged in identical transactions as those of the SPE, it would have been forced to account for them in a very different manner, even though the financial implications were the same (Baker and Hayes, 2004; Clarke and Dean, 2007).

When Enron was forced to restate financial statements during merger negotiations with another company, Dynegy Inc, inclusion of the results of two SPEs, Chewco and JEDI, resulted in a US\$508 million (out of a previously reported US\$2680m) reduction in Enron’s earnings for the period 1997 to 2000. Further, long term debt was increased by US\$ 2.2b for the same period (Baker and Hayes, 2004, pp773-4). In substance, Enron’s SPEs were similar in nature to a controlled entity or subsidiary, and should have been subject to the same accounting treatments and disclosures.

reporting regulation, it has been reduced to mean compliance with accounting standards (refer to section 296 Corporations Act.)

According to Tweedie (2002, p5), the most appropriate approach to the setting of standards is that which avoids the prescription of detailed rules. This sentiment was first exhibited in the original IASC Agreement (IASC, 1973a, article 1(a)) which specified that the IASC was set up to formulate and publish in the public interest ‘basic standards’. When later questioned about the meaning of this, Benson, the inaugural chairman of the IASC (as cited in Camfferman and Zeff, 2007, p51), suggested that standards should be simple and straightforward, on topics that went to the root of published financial statements, or in other words, a principles-based approach. A principles-based approach should be able to provide the necessary guidance in the event of emerging types of transactions or business structures. As noted by Maines et al (2003, p75) “it is impracticable, if not impossible, for any standard-setting organization to anticipate and provide for every possible form and type of financial transaction and business relationship. Detailed standards are likely to be incomplete or even obsolete by the time they are published”. The alternative to a ‘principles-based’ approach is a ‘rules-based’ approach, and US GAAP is typically held up as an exemplar of the latter. US GAAP includes countless FASB statements and interpretations, APB opinions, AICPA Accounting Research Bulletins, FASB technical bulletins, FASB implementation guidance and more, presented in a general hierarchy⁵⁴.

⁵⁴ As an aside it should be noted that the FASB recognised the complexity and confusion surrounding US GAAP, and issued the ‘FASB Accounting Standards Codification’ on 1/7/09, which effectively pulled together all authoritative GAAP into one source, reorganising “the thousands of US GAAP into roughly 90 accounting topics and display[ing] using a consistent structure” FASB (2009). Further, in the wake of the Enron collapse and the so-called failure of US GAAP to forewarn of such a catastrophe, the SEC

While the FRC members did not explicitly discuss the meaning of ‘principles-based’ accounting standards, their acceptance of such an approach, and the alignment with professional judgement, was apparent. In the FRC 2002 annual report, the Chairman commented:

The corporate events of the past year have suddenly made accounting standard-setting fashionable and have elevated so-called principles-based accounting standards above rules-based standards...The need for professional judgement is being re-emphasised (FRC, 2002c, p19).

The very nature of such standards necessarily leaves scope for interpretation and judgement by accountants and report preparers, such that selected treatments are consistent with the overall principles enunciated in the relevant standard. Despite the rhetoric of a ‘principles-based’ approach, it appears that the underlying meaning of this term has changed from that originally anticipated by the FRC members. The flexibility of such an approach has been constrained by input into the international standard-setting process from the FASB, such that IFRS now have a decidedly rules-based nature.

e) Comparability of financial statements

Even though the quality of comparability was implicit in the FRC rhetoric, there was little reflection on its meaning by the FRC. It would appear that the FRC eventually opted for the interpretation which involved the removal of domestic options and interpretations, in line with the *AASB Policy on Harmonisation* (PS4) which stated that one of the benefits of international convergence and harmonisation was:

...increasing comparability of financial reports prepared in different countries... (paragraph 7 (a)).

mounted its own investigation into the adoption of a principles-based, or concepts-based accounting system (SEC (2003b)).

When presenting at the Joint Committee on Corporations and Securities (on the proposed CLERP1 legislation) the past National President of the G100 highlighted the importance of comparability:

While we [Australians] may have a preference from the technical perspective for approach A, we have often been prepared to say “Well, it’s better to have the entire world and everybody preparing their accounts on approach B than for one of us to be in isolation on approach A and thinking that we are more technically correct but being no longer comparable (Commonwealth of Australia, 1998d, p CS46).

However, the FRC was not explicit with its view. Comparability is merely presented as an essential qualitative characteristic of financial reports.

Chua and Taylor (2008) explore possible interpretations of the term, including; similar levels of value relevance, conservatism or earnings management; no domestic optional treatments or different interpretations; consistent treatment for all elements of financial reports; and the ability to compare financial reports across sectors. The authors conclude that there is no rigorous empirical evidence to suggest that IFRS does in fact result in greater comparability. Nevertheless, the concept of comparability became “a key justification for international harmonisation” (Chua and Taylor, 2008, p467), underpinning the IASB efforts (signification structure also operating as a legitimating structure).

To summarise the foregoing discussion, the FRC minutes reflect that the members were conversant in the language of international accounting. However there is little evidence of critical reflection of the oft-repeated terms such as international best practice and comparability. The FRC minutes reveal a tension between the general dispositional

signification (which privileged the domestic) and the conjecturally specific signification structures (which privileged the international) of the FRC members, with the latter ultimately prevailing. In particular, the signification structure which privileged the domestic was transformed to one that favoured the international. Previously, international best practice operated as a filter for the selection of standards; however, it came to reflect the offerings of the IASB as influenced by the US. Financial accounting and reporting in Australia became focussed on the provision of decision useful information to the providers of capital of multinational companies, which effectively favoured fair value accounting. The dialogue concerning the provision of different types of information about different entities to different users was silenced for some time, which ultimately gave rise to unintended consequences, as discussed in chapter 8.

7.9.3 Conjecturally specific legitimation structures

The decision to adopt IFRS is perhaps the most significant decision to be made in the history of Australian financial reporting. After the adoption decision, Australian standard setters no longer had authority to determine the nature and content of financial statements prepared by Australian entities apart from required compliance with IFRS. Authority and responsibility now resided in an international body subject to political, economic, social and cultural pressures from around the world. Given the significance of the decision, it was imperative that the FRC members were well informed of their context of action and that they were able to justify their decision. Accordingly, the FRC members drew on multiple legitimation structures when making their decision.

Fundamentally, the adoption decision rested on:

- a) the internationalisation imperative, with added justification from
- b) legislative compliance
- c) attention to due process via debate
- d) attention to due process via consultation
- e) attention to due process via regulatory impact statements, and
- f) transparency of process.

a) The internationalisation imperative

The internationalisation imperative grounded the discussions and actions of the FRC (and previous Australian standard setters) in both the international and domestic spheres. The FRC maintained that, in the era of globalisation, Australian accounting standards were not delivering the requisite benefits to Australian companies/investors operating in the international arena. Mr Lucy noted in the 2001-2 FRC Annual Report that the lack of comparability of financial statements prepared in accordance with Australian accounting standards:

...has a direct and negative impact on Australian corporations who access capital internationally (FRC, 2002b, p8).

In order to overcome this deficiency, the FRC claimed that it was necessary to adopt some form of international standards and that standards offered by the IASB would be the most appropriate. All meetings of the FRC covered discussions on internationalisation as per the IASB option, and any resistance was quickly silenced (eg. the resistance demonstrated by the AASB with respect to IASB standards as mentioned in section 7.9.1). The internationalisation imperative was grounded in neoliberal and globalisation ideologies, which advocated among other things the replacement of

government functions (eg standard-setting by the government sponsored AASB) with those provided by private organisations operating in the market sector (eg. the IASB) (refer Chapter 5). The ideology of neoliberalism presumes that by allowing competition in the market benefits trickle down to the rest of society, ultimately favouring the public interest (Beder, 2009, p17). In respect of international accounting standards, the IASB emerged from the global market as the body most capable of providing the standards, along with the rhetoric that its standards would ultimately benefit the public interest.

b) Legislative compliance

The legitimisation structure of the FRC was mediated through the new legislation (eg. *ASIC Act, 2001*) resulting from Australian corporate reform (as discussed in Chapter 6). In particular, section 225 of the *ASIC Act, 2001* outlines the functions of the FRC, which include oversight of the standard-setting process in Australia (ie. the processes of the AASB), monitoring the development of international standards, furthering the development of a single set of worldwide standards and promoting the adoption of continued best practice in Australia, keeping in mind the best interests of the private and public sectors in Australia.

The FRC provided some evidence of its legislative compliance in the minutes. With respect to oversight of the AASB, each FRC meeting was addressed by the Chairman of the AASB, and the FRC periodically discussed issues such as AASB funding, budgets, membership, policies, work programs and liaison with other parties. The FRC minutes provided evidence of the FRC satisfying its responsibilities with respect to monitoring international developments, with references to secretariat papers on recent developments in international accounting standard-setting (eg, FRC, 19/12/00, AI 8).

The FRC members attempted to remain “fully informed of developments in national and international standard-setting” (FRC, 28/2/00, AI 3), and at every FRC meeting this was an agenda item. Warren McGregor (IASB Liaison officer for Australia and New Zealand) or Ken Spencer (IASCF Trustee) periodically briefed the FRC on deliberations of the IASB and other international developments (eg. FRC, 4/6/01, AI 9 and FRC, 28/9/01, AI 8). The FRC Chairman met with representatives of other national standard setters, such as Sir Brian Nicholson, Chairman of the UK Financial Reporting Council (FRC, 28/2/01, AI 2) and Michael Groom, Deputy Chairman of the UK Financial Reporting Council (FRC, 22/3/02, AI 1). The Chairman of the AASB met with the chairs of eight national standard setters (FRC, 4/6/01, AI 1). Domestically, the FRC Chairman periodically met with representatives of business, the government and the AASB to identify how they might act in the event of convergence or adoption. However, given the previous discussion on international best practice (section 7.9.1), it is suggested that the FRC did not adequately meet its legislative responsibility with respect to promoting the adoption of continued best practice in Australia (as above).

As mentioned, section 225 of the *ASIC Act 2001* states that the FRC was to have regard to the best interests of both the private and public sectors in the Australian economy. However, the FRC fell short on its legislative duties as it prioritised the needs of corporate stakeholders (ie private sector) above those of the public sector. The chairman of the AASB highlighted this shortcoming, noting that IFRS were designed for profit-making entities only, and they were not appropriate for public sector entities (Commonwealth of Australia, 2003d, p E154). Further, he suggested that the public sector needed more involvement in standard-setting to ensure that the public sector did

not “get duddled in the process” of combining the AASB and PSASB⁵⁵ as per CLERP (Commonwealth of Australia, 2003d, p E155). In a Federal parliamentary debate, Senator Murray quite bluntly commented to the Attorney-General (Mr Barrett) that “you are outpunched, frankly, by big corporate and auditing companies in this area” (Commonwealth of Australia, 2003b, p F&PA 144). Thus, not only was the new corporate legislation perceived to be unduly influenced by the ‘big end of town’, so was the adoption decision. Effectively, this meant that the interests of large multinational companies were privileged over the interests of other entities such as those in the public sector. It is also suggested that this preference for the needs of the ‘big end of town’ conflicted with the general dispositional structure of professionalism, which dictates foremost consideration to the public interest. Although the FRC eventually devoted more attention to the public sector, this time lag gave rise to unintended consequences, as discussed in Chapter 8.

Section 233 of the *ASIC Act, 2001* stipulates that the Minister (ie. the Federal Treasurer) may give the AASB direction about the role of international accounting standards in the Australian standard-setting system, as long as the Minister has received and considered a report from the FRC about the desirability of the direction. Effectively, this meant that the Government, via the Minister, could not interfere unduly in the standard-setting process. However, as indicated in section 6.4.1, the Treasurer was more than influential in the push towards IFRS, but at no time did the FRC provide a report to the Treasurer. At a minimum this can be seen as lack of due process; more significantly, it can be perceived as the FRC acting beyond the law (Howeison and Langfield-Smith, 2003). In addition, section 225(5) *ASIC Act, 2001* states that the FRC “does not have power to

⁵⁵ Public Sector Accounting Standards Board.

direct the AASB in relation to the development, or making, of a particular standard”. Howieson and Langfield-Smith (2003) suggest that in directing the AASB to adopt the standards of the IASB, the FRC was in fact making a decision with respect to the technical content of particular standards. Mr Alfredson (chairman of the AASB) agreed: “You set up a strategy that says to adopt the international standards and in one fell swoop you have adopted the technical content of the standards” (Commonwealth of Australia, 2004b, p CFS51). The Chairman of the FRC, Mr Lucy, commented on this issue:

It (the legislation) does not say ‘standard-setting’; it says a particular standard. In the matter of 2005 and the international standards, we had no particular standard in mind. Indeed, at the time most of them had not even been conceived or developed. We are talking about the process. It is up to the board to deal with each individual standard in their own manner as they choose (Commonwealth of Australia, 2003c).

c) Due process – robust debate

The *ASIC Act 2001* was specifically worded to allow choice in international accounting standards, and as Senator Conroy (Commonwealth of Australia, 1999) noted:

...the international landscape is quite fluid as to who will be the driving force for the development of truly international accounting standards. Therefore the legislation should not lock us into the verbatim adoption of any one set of accounting standards.

Given the latitude allowed, it would seem reasonable to expect robust debate on the alternatives, which at the very least included the retention of domestic standards, adoption of US GAAP, convergence with IASC standards or adoption of IASC standards (Commonwealth of Australia, 1997, pp22-24). However rigorous debate on alternatives was not evidenced in the minutes, and it appears that the IASB alternative

was the only option considered by the FRC. In defending the FRC decision, Mr Macek (chairman of FRC from 2003) (Commonwealth of Australia, 2004a, p CFS24) maintained that there was a lengthy and robust discussion on the *day of the decision* (emphasis added), however details of this were absent from the minutes. Alfredson (chairman of the AASB), on the other hand, highlighted the lack of debate: “the 2005 decision was made without any FRC paper that firmly debated the issues or all of the arguments in favour or against” (Commonwealth of Australia, 2004a, p CFS51). Further, implicit in the FRC choice of IASB standards were two assumptions - that the IASB would be able to maintain some authority over international standard-setting, and that countries throughout the world, in particular the US, would adopt (or converge with) the IASB standards.

Due process also requires that relevant parties have the opportunity to consider an issue prior to decision making. It was revealed that FRC members generally did not have access to agenda papers until a day or two before the meetings (Macek in Commonwealth of Australia, 2004a, p CFS24). Papers for the debate on the adoption decision “that was in the national interest...and which went to the single most important decision that you [the FRC] had ever made were provided with most members getting them only the night before - and the content of those papers...was less than satisfactory” (Conroy in Commonwealth of Australia, 2004a, p CFS24).

As mentioned, the success of IASB standards as the chosen set of global accounting standards (and thus credibility of the FRC decision) rested on US acceptance. The FRC paid particular attention to the actions of the SEC and the FASB, as reflected in the minutes:

With regard to the US views on the IASB [work program], there had so far been a positive response from the US FASB representatives and a preparedness by the FASB to involve itself in joint projects (FRC, 28/9/01, AI 8).

And at a later date:

The FRC Chairman reported on a visit he undertook to North America and Europe in April 2002 to gauge policies and attitudes relating to the international convergence of accounting standards, including:

- prospects for the convergence of standards issued by the International Accounting Standards Board (IASB) with US GAAP, and for US acceptance of IASB standards for cross-border purposes (as recommended by the International Organisation of Securities Commissions (IOSCO));
- the decision by the US to review its accounting standards with a view to making them more principles-based... (FRC, 28/6/02, AI 1)

A reading of the minutes suggests that prospects of US convergence were quite favourable. However, the reality was that this prospect was subject to significant challenges given the highly complex and culturally specific system of rules-based standards in place in the US (Street, 2008)⁵⁶. The FRC minutes provide no evidence that the members had considered the enormous complexities of US convergence. In addition, it is not clear from the minutes whether the FRC comprehensively considered the implications for Australia of ‘convergence’ between IFRS and US GAAP, but it is this issue which establishes the conditions for unintended consequences in Australia, as discussed in chapter 8.

⁵⁶ Some 10 years after adoption in Australia, US acceptance of IFRS for domestic companies has still not occurred and does not appear likely in the short-term (refer to section 8.5.1). As noted in section 1.2, financial statements prepared in accordance with IFRS are allowed for foreign registrants on US stock exchanges without the need to reconcile to US GAAP.

d) Due process via consultation

At the core of due process is an acknowledgement of the interests of various parties and a sincere willingness to consult with these parties. The FRC made numerous references to consultation with stakeholders:

The agenda for each meeting of the Council would be circulated to stakeholder organisations (FRC, 25/10/99, AI 2).

Consistent with the importance it places on consultation with stakeholders in the accounting standard-setting process, the FRC strongly supported the AASB's proposal to conduct a survey of its key constituents (FRC, 19/12/00, AI 1).

The FRC agreed to include a new standing agenda item on stakeholder issues (FRC, 12/9/03, AI 1).

However, in many of these minutes the stakeholders were not identified. On the few occasions that stakeholders were noted, they were invariably representatives of large listed companies, the government or other standard setters. For example, reference was made to the business community (FRC, 22/3/02, AI 1), the Parliamentary Secretary to the Treasurer, Senator the Hon. Ian Campbell (FRC, 22/3/02, AI 1), Mr Humphry, Managing Director and CEO of the Australian Stock Exchange (FRC, 28/6/02, AI 2), the AASB, the EU, the SEC, the FASB, the SEC and IOSCO. The foregoing suggests an opening of the discussion to other voices, although in all instances the views presented were consistent with the argument of the FRC; that is, they were all on common ground. There was no input to the meetings from advocates of domestic based standards, nor was there evidence of significant challenges to the quality of IASB standards.

Furthermore, there was no discussion evident of the complexities underlying these other voices. For example, the minutes (FRC, 28/6/02, AI 1) noted that the FRC Chairman

had visited Europe and held discussions regarding the EU adoption decision, however background to the EU decision was not provided. The underlying historical, political and cultural conditions of the European decision were complex and vastly different to those in Australia (refer to Chapter 5 and section 6.3.7). In particular, the European decision was made within the context of the establishment of the EU and the unification of a number of divergent and competing economies into one, aligned with the consequent demand for standardised accounting treatments and disclosures. IFRS was mandated for listed companies only. The realisation that the existing Fourth and Seventh Directives were insufficient for the needs of European companies attempting to list elsewhere prompted the search for a viable alternative; however, the only other alternative at the time, US GAAP, was culturally unacceptable to continental Europeans (refer to sections 6.3.7 and 8.6). As such, the Europeans took the IASB route. So, even though the FRC alluded to consultation with the Europeans, the relevance of European input to an Australian decision must be questioned. The Australian context was vastly different; Australian standard setters were concerned with the needs of only one relatively small nation, and the cultural aversion to US GAAP was not apparent.

Despite the frequent use of the word ‘stakeholder’ by the FRC in a rhetorical effort to appear inclusive, genuine engagement with a broad range of stakeholders was not evidenced. Only invited guests were allowed to attend meetings, and at no time were there any representations made to the FRC meetings from user, community, environmental or academic groups. There were no groups representing the public interest (Ramsay in Commonwealth of Australia, 2004a, p CFS31). While the FRC noted that future appointments to the AASB should draw on balanced expertise from the perspectives of preparers, users and auditors, priority was given to “the interests of

corporations who raise capital on the international market” (FRC, 4/6/01, AI 2). Mr Alfredson (chairman of AASB) (Commonwealth of Australia, 2004a, p CFS51) clearly affirmed this lack of due process, noting that “the whole process of adoption lacked robust and formal consultation” (Commonwealth of Australia, 2004a, p CFS51).

Furthermore, the FRC chose to ignore the responses to the AASB exposure draft on the international convergence and harmonisation policy, which effectively informed the AASB decision to continue with convergence (not adoption), and resulted in the release of its policy statement (PS4) to that effect. However, the FRC overrode the AASB opinion. As Alfredson notes, “it was as if that document [PS4] did not even exist. It was as if the process we [the AASB] had gone through had not taken place” (Commonwealth of Australia, 2004a, p CFS51).

e) Due process via Regulatory Impact Statement

Since March 1997 it has been mandatory for all government departments and bodies to prepare a Regulatory Impact Statement (RIS) for all proposed new or amended regulation that directly or indirectly affects business or restricts competition (Commonwealth of Australia, 2004c, p xvii). The FRC 2000 annual report (p7) specifically made reference to the requirement that the AASB carry out a cost/benefit analysis of the impact of a proposed accounting standard before it is formulated or promulgated. Adoption of IFRS would inevitably and significantly affect business, however the FRC (and AASB) failed to prepare an RIS in this regard. Despite an agenda item in the 28/6/02 meeting regarding a cost/benefit analysis of accounting standards (AI 8), this was deferred until the meeting of September 2002, where it was not subsequently addressed. Senator Conroy specifically asked Mr Macek about a cost-

benefit statement in respect of the adoption of IASB standards, to which Mr Macek responded that a detailed paper was not put to the FRC before it made its decision (Commonwealth of Australia, 2004a, p CFS22). The justification was that the FRC judgement and subsequent decision would “contribute to lowering the cost of capital at the margin...[which was compatible with the FRC responsibility] to promote the development of high quality international standards” (Commonwealth of Australia, 2004a, p CFS23).

f) Transparency of process

The legitimacy of the FRC was also sought by reference to transparency. A commitment to transparency perhaps indicates a willingness to be open, accountable and communicative. At its first meeting the FRC:

...adopted the rules of procedure...noting that...in the interests of transparency, the agenda for each meeting of the Council would be circulated to stakeholder organisations prior to each meeting (FRC, 25/10/99 AI 2).

To aid in further transparency, the FRC secretariat was to prepare a paper containing basic material and messages for use by FRC members when speaking with stakeholders, as well as annotated agenda papers (FRC, 28/2/00, AI 3).

Transparency would have been facilitated by the opening of FRC meetings to the public, but, this was not to be. The FRC discussed this issue at a number of meetings (eg.7/4/03, 12/9/03) but failed to make a decision on the issue. Noting the “possible costs in terms of hindering policy debate” it was decided by the FRC that:

...the Council could better consider the costs and benefits of opening meetings to the public and the mechanics of doing so once the full

scope of the FRC's expanded role under CLERP 9 is known (FRC, 12/9/03, AI2).

When challenged by Senator Conroy in the Joint Committee on Corporations and Financial Services (Commonwealth of Australia, 2004a), Mr Macek (chairman of the FRC from March 2003 to December 2007) failed to make a commitment on the issue. The FRC's compensation for closed meetings was to provide “detailed bulletins on the website” (FRC, 12/9/03, AI2).

Minutes of meetings were eventually made available on the FRC website. However, the detail of the meetings was not disclosed in the minutes. In most instances the reader did not find out who the individual speakers were (references were to ‘the FRC’ or ‘the meeting’), what alternatives were considered and the extent of debate prior to resolution of issues. Various external meetings were referred to, but the reader was not informed of the nature of discussions, the venue, their duration and their contribution to FRC policy. The reader gained no insight into the relative importance or influence of guest speakers or stakeholders. Even Mr Macek admitted to the summarised nature of FRC minutes: “I would caution you against inferring that only the written word is the totality of the discussion...A lot of discussion is not captured in the minutes” (Commonwealth of Australia, 2004a, p CFS30). It is doubtful whether the release of such a sanitised version of meetings could be seen as truly transparent; it is surmised that the release was purely an attempt to provide minimal evidence of legislative compliance, or that the decisions were so “apparent” that justification seemed superfluous.

Minutes were typically posted on the FRC website within a week; however, in the case of ratification of the adoption decision, they were posted within 48 hours (Macek in

Commonwealth of Australia, 2004a, p CFS19). Further, the FRC members were unwilling to comment on their meetings until the minutes had been posted, as it was claimed that council members needed an opportunity to “have input to the draft” (Macek in Commonwealth of Australia, 2004a, p CFS19). When challenged on the time delay between the actual meeting and the release of the minutes, Macek stated that “the words you use to describe a decision can at times have as much impact as the actual decision. Clearly the words influence the interpretation” (Commonwealth of Australia, 2004a, p CFS19). It is surmised that this ‘input’ from members resulted in published minutes that were negotiated and sanitised, bearing little resemblance to the original discussions. Despite claims of transparency, it was apparent that the FRC had an overriding desire to establish and maintain control over the content and distribution of minutes. Furthermore, this form of one-way mediated communication precluded effective consultation with stakeholders, and thus one of the fundamentals of due process.

In summary, the dominant rationale of the FRC adoption decision derived from a presumed internationalisation imperative, which was a product of the neoliberal and economic globalisation ideologies prevalent at the time. These ideologies were so entrenched that they were taken-for-granted by the members of the FRC. As far as they were concerned, international accounting standards were essential in the context of globalisation. Australian companies participating in the global market needed to be able to tap into the benefits offered by such standards, namely comparable financial statements, reductions in the cost of capital, and diminished financial risks of operating globally. Furthermore, neoliberal ideology suggested that the global market would determine the most appropriate vehicle for the provision of these international

standards, which in this case came to be the IASB. The arguments and justification presented by the FRC members were portrayed as common sense; there was simply no other valid course of action. As highlighted by Fairclough (1992, p87) “the ideologies embedded in discursive practices are most effective when they become naturalised, and achieve the status of common sense”. So, even though it appeared that the members of the FRC failed to comply with the accepted norms of behaviour for persons in their position (eg. failure to fully comply with legislative duties, to be transparent in their deliberations, to consult broadly), they were not sanctioned for this; adherence to the internationalisation imperative was a higher priority.

Given the significance of the decision in the history of standard-setting in Australia, the FRC sought additional legitimation for its actions via compliance with legislative mandate, adherence to due process, consultation with stakeholders and transparency of its processes. However, as highlighted in the foregoing, the FRC to some extent failed in its endeavours, but at no stage were the members sanctioned according to the norms and expectations of their profession and position. As suggested in section 7.8.3, the members of the FRC, as elites of their profession, were able to find ways to get things done, even if this was strictly outside accepted norms, and they were able to do this without sanction. As with any professional body, accountants are subject to both formal and informal codes of conduct, and breeches of these can result in formal and informal disciplinary action, such as fines, public disclosure, loss of practicing certificates or some form of remedial education. In the case of the adoption decision, professional norms would suggest, for example, that members of the FRC would act with due diligence in the public interest. This however, does not appear to have happened, as the adoption decision was pushed through quickly, in favour of large multi-national firms

and economic policy. As can be seen, “issues of power and communication [were] clearly involved in the determination of whether negative sanctions...ensue from the...group’s norm-related practices” (Stones, 2005, p19).

7.9.4 Conjuncturally specific domination structures

According to Stones (2005, p92), the agent-in-focus will consider his/her conjuncturally specific power resources in relation to “how much and what kind of power other goal relevant actors can command”. In other words, the agent-in-focus gauges his/her power in the context of the position practice relations that mediate external structures. Thus, the power resources and capabilities of the FRC are examined in the context of other actors and their available resources, details of which were provided in Chapter 6. These domination structures are classified as:

- a) authoritative – international and domestic political alliances
- b) authoritative – signification and legitimation structures
- c) allocative – domestic funding

a) Authoritative resources - International and domestic political alliances

In Chapter 6 it was noted that since its establishment in 1973 the IASB has garnered significant political and financial support from Western nations (eg. UK, Canada, Australia), and more recently from other sources such as China and India, multinational companies, professional accounting organisations (eg. IFAC), supranational organisations (eg the World Bank) and a variety of regulators (eg. IOSCO). The IASB has emerged as the preeminent authority on international standard-setting, and is now in a position of considerable influence.

The FASB was also established in 1973 with the mandate to develop and promote US accounting standards, referred to as US GAAP. By the end of the 20th century, US GAAP was mooted as a viable alternative for international accounting standards by many national standard-setting bodies, was supported by the significant resources of the US capital market, and reflected a substantial investment in standards tailored specifically to US economic, political and legal institutions. The FASB along with the SEC, as representatives of the US capital market, represent extremely powerful interests on the global standard-setting scene. The FASB convergence project with the IASB has heightened its capacity to shape the future of global financial reporting, including that in Australia.

Added to this mix were the European representatives, including EFRAG and PAAinE. As detailed in section 6.3.6, EFRAG was established in 2001 to assist the EC in the endorsement of IFRS, and PAAinE was established to provide a pro-active voice for European national standard setters in the global accounting debate (EFRAG, 2009a). These organisations have the political support of the EU and financial support of the European financial sector, which was demonstrated by the effectiveness of the lobbying of the requirements of *IAS39* and the stonewalling over fair value accounting (refer to section 8.6). It is also suggested that the early decision by the EC to endorse IASB standards gave the Europeans extra bargaining power with the IASB; after all, it was this decision that was a catalyst for adoption by other nations.

Accordingly, the FRC was positioned within complex sets of relationships, and its decision to adopt IFRS very much rested on the actions of international actors, which in turn were facilitated by the political and economic resources accessible by them. If

IOSCO had failed to endorse the IASB standards, or had the FASB rejected the possibility for convergence, then the future of IFRS would have been in doubt. The FRC would have been aware of the European aversion to the policies of the US (section 6.3.7) and the likelihood that they would take the IASB path. The EC decision to adopt IASB standards was certainly influential on the actions of the FRC, particularly with respect to the timing of the decision (FRC, 2002b). Further, the FRC clearly rested on the authority of the IASB in choosing its offerings rather than alternatives such as US GAAP. Ultimately, the FRC deferred to a higher authority, the IASB, as reflected in the constant and unchallenged references to that organisation. For example:

The IASB has achieved the international respect of key constituent groups for its leadership and there is a global level of confidence that they will produce the necessary high quality standards (FRC, 2002c, p8).

The IASB had emerged as the leader of international accounting governance, with a strong pedigree in standard-setting. Its status as a non-profit independent organisation invariably provided a sense of respectability and objectivity, and its quest to develop a single set of standards for worldwide use. Alfredson (Commonwealth of Australia, 2001, p E599) suggested that the “IASB has probably got the best group of people around the world...It has excellent people...if anyone is going to make a go of it [global harmonisation], they are going to go and make a go of it”. This authority was effectively supplemented by the decision of the EC to stipulate use of IFRS for listed European companies:

The political and community commitment in the EU to the adoption of IASB standards from 1 January 2005 is real and unequivocal. This has also been supported by a number of east European countries, and several key Asian countries (FRC, 2002c, p8).

Thus, the FRC drew on the authority of the IASB, and then the EC, to make the adoption decision. At a later date, Mr Macek (chairman of the FRC from March 2003 to December 2007) (Commonwealth of Australia, 2004a, p CFS25) reinforced the adoption decision by reference to a similar decision of the UK Accounting Standards Board. Overall, in the opinion of Macek, “Australia had made the right call in adopting IFRS from 2005 and ...although there were some transitional issues to address, they were not insurmountable” (FRC, 6/12/04, AI1).

Further, the FRC worked to establish itself (and the AASB) as well connected, with a certain degree of influence. The FRC perceived itself to be a valuable contributor to the cause of international standards. For example, the minutes included comments such as:

It was noted that Australians were very well represented on the various forums of the restructured international body (FRC, 4/6/01, AI 1).

The IASB was very happy with the AASB's role in relation to international accounting standards, with an AASB exposure draft setting out its proposed revised policy on international convergence and harmonisation being very well received (FRC, 28/9/01, AI 8).

Mr Spencer said that the IASB very much welcomed the 2005 decision and noted that Australia would continue to have a strong voice at the IASB via the quality of its contribution (FRC, 5/9/02, AI 3).

The Australian standard setters also believed that they were in a position to influence the deliberations of the IASB, as reflected in comments such as:

The AASB Chairman noted that, in general, non-conformities between AASB and IASB standards would be removed in the period leading up to adoption of IASB standards in Australia. Where these were regarded by the AASB as non-conformities of substance, the Board would ask the IASB to conduct a comprehensive review (FRC, 22/3/02, AI 3).

Australia is a liaison partner on the IASB, with representation on both the Board and the Council of Trustees. Our ability to influence debate and outcomes at the IASB is only restricted by our ability to present reasoned argument and debate (FRC, 2002c, p8).

Further, personal relationships built over the years proved to be a key factor in the so-called influence of Australians:

Australia has a high profile in the international accounting standard-setting arena particularly considering the small size of Australia's capital market relative to that of the EU and US. This was largely attributed to the strength of personal relationships developed during the previous framework for standard-setting (FRC, 27/2/04, A 15).

On the domestic stage, the FRC was established via corporate law reform, which was initiated by the Coalition government. The FRC was accountable to the Department of Treasury, which in turn was influenced by macroeconomic policies amenable to global competition and thus internationalisation of accounting standards. Politically, the FRC had the support of the Federal Government which had established FRC under its CLERP 1 reform:

The government's consideration of the financial reporting framework also includes pursuit of its commitment to international convergence to a single set of high quality accounting standards (Campbell, 2002b).

This was reaffirmed by the Government with the release of CLERP 9 "Corporate Disclosure: Strengthening the Financial Reporting Framework":

... the Government fully supports the FRC's position on the timing of adoption of IASB standards in Australia (Commonwealth of Australia, 2002a, p104).

The corporate law reform very much favoured large multinational companies and was strongly supported by representatives of these companies, particularly the ASX. Since

its establishment the members of the FRC have established strong links with business representatives, professional accounting organisations and international standard-setting organisations.

b) Authoritative resources – signification and legitimation structures

As indicated in sections 7.8 and 7.9, various signification and legitimation structures were also drawn on by the FRC as resources to enable change. Not only did the internationalisation imperative serve to create meaning in the standard-setting arena (section 7.9.2), it provided the justification for the adoption decision (section 7.9.3) and served as a foundation for international and domestic political support. As professionals, the members of the FRC were provided with the legitimacy for such a role (section 7.8). However this also facilitated the mediation of standard-setting policy privileging the international over the domestic (section 7.9.2), and precluding challenges from those outside of the ‘social elites’ (section 7.8.3). The FRC members were able to use their position to ‘push through’ policy despite conflicts with existing norms and due process expectations (refer to section 7.9.3).

Based on evidence from the minutes it is suggested that the FRC members acted with a presumed authority to act as they saw fit, even if they did not always comply with the accepted norms of their profession. The FRC members undoubtedly relied on their statutory mandate to do all that was necessary to incorporate IASB standards within the Australian framework. The FRC imposed its decisions, such as its treatment of the adoption decision: “The meeting agreed to formalise its support for the adoption by Australia of accounting standards issued by the IASB from 1 January 2005...” (FRC, 28/6/02, A I4). There was no disclosure of any relevant consultation, discussion or

arguments, just the decision. Decisions were usually attributed to the collective (ie. the meeting, the council, the FRC), thus obfuscating any differences and generating a strong sense of consensus. The reader of the minutes is left to wonder who exactly participated in the respective discussions, what their views were, what alternatives were considered or whether there were any dissenting opinions (and if so, what were they and why they were quashed).

c) Allocative resources – funding

Although the FRC was not as successful as the IASB in attracting funds from the corporate sector (Brown, 2006, p86), it still managed to draw on financial support from a range of parties. The Federal government provided significant funds for the cause:

The Parliamentary Secretary to the Treasurer, Senator Ian Campbell, today approved funding of an extra \$2 million over the next two years to help Australia meet its goal of adopting international accounting standards (Campbell, 2002a).

In addition, the professional bodies made a sizeable contribution:

The AASB chairman noted that the National Institute of Accountants had written to him advising that it had decided to contribute \$100 000 for the formulation of accounting standards by the AASB in 2001-02 (FRC, 4/6/01, AI 1).

The ASX and the companies most likely to benefit from IFRS, namely the large listed multinationals, offered their support as reflected in comments such as:

The secretariat outlined an offer by the Australian Stock Exchange for an in-kind contribution to funding of the standard-setting arrangements (FRC, 16/11/99, AI 2).

The Chairman reported on the state of play concerning the FRC's approach to the top 100 listed companies in Australia for voluntary contributions to funding of the accounting standard-setting process. It was noted that the response to date had been encouraging... (FRC, 5/9/02, AI 3).

Mr Humphry (Managing Director and CEO of the Australian Stock Exchange) emphasised the importance for the Australian economy of an early move to international accounting standards (FRC, 28/6/02, A I2).

To summarise, at the time of the adoption decision the FRC was situated within a network of position practice relations at the international and domestic level. In making the adoption decision, the FRC members necessarily drew on their knowledge of the agents-in-context and the relevant position practice relations. The members had an understanding of who the ‘movers and shakers’ were, the resources at the disposal of these interests and their likely courses of action. In its endeavour to adopt IFRS in Australia, the FRC had the political and financial support of the government, the ASX and to some extent the professional bodies (ie. access to authoritative and allocative resources). Added to this was the capacity of the FRC members to influence and silence the voices of others by virtue of their professional status. The FRC members leaned heavily on the authority of the IASB, and subsequently the EU and the UK Accounting Standards Board, in their justification for the adoption of IASB standards.

Figure 13 represents the conjuncturally specific internal structures of the FRC members.

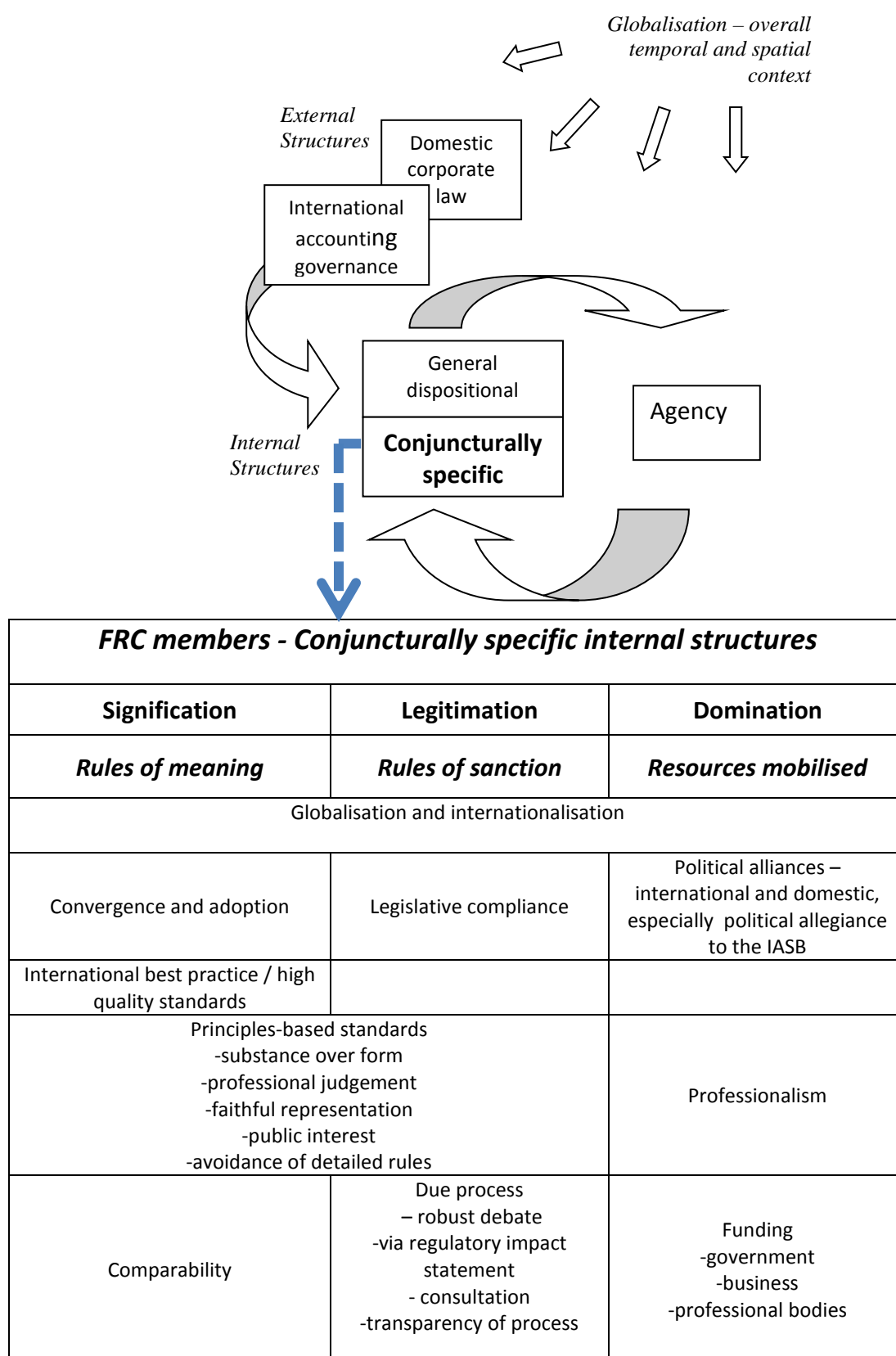


Figure 13 The structuration process - highlighting the conjuncturally specific internal structures of the FRC members

7.10 Chapter summary

For ease of analysis, the foregoing discussion separated internal structures into general dispositional and conjuncturally specific, and further into signification, legitimation and domination. However, the discussion also revealed that the structures were often intimately bound with one another. For instance, while the internationalisation discourse provided the language and rhetoric drawn on by the FRC members in their communications with stakeholders, it was also relied on as a means of legitimising their actions and as an authoritative resource. While the norms associated with professionalism (reflected in codes of conduct and acceptable forms of behaviour) served to mediate the legitimation structure, they were used as a resource in effecting change; the FRC members were elites who were able to achieve outcomes that for others may not have been possible. Further, this notion of professional ‘elites’, driven by the internationalisation imperative, served to obscure breaches in legislative mandate, due process and transparency of process.

Throughout this chapter structure and agency were treated independently, but in reality they operate in a duality of structure and are mutually constitutive of one another. As highlighted by Stones (2005, p20):

It is important to be wary of seeing the sequence in terms of a discrete structural moment being succeeded by a discrete and entirely separate moment of agency, which is then succeeded by another discrete moment of structure and so on...structures and agents intermingle, structures are within agents and agents continually help to constitute structures.

In drawing on various structures, the members of the FRC were “engaged in the process by which whole social systems are reproduced [or transformed]” (Stones, 2005, p19).

The actions of the FRC members served to reinforce the underlying ideologies; the language of the market, of internationalisation and of global comparability continued to prevail; the legitimacy afforded by professionalism was perpetuated; and, the power of the elite remained unchallenged. However, while under pressure from external structures, the FRC was provided with the catalyst for change in the form of corporate collapses. The avenue for change was via a new authority, the IASB, and by adopting the IASB standards the system of financial reporting in Australia was transformed.

The suite of accounting standards being offered by the IASB provided an answer to the FRC's dilemma of community concern over corporate collapses and at the same time had the advantage of removing the FRC and in turn the Federal Government from blame in the event of future collapses; responsibility for financial reporting regulation would be handed over to an international body (Haswell and McKinnon, 2003, Conley, 2004).

The outcomes of the adoption decision, that is, the fourth element of Stones' quadripartite model of structuration were intended and unintended, and involved reconstitution and transformation of the internal structures of the FRC members and ultimately the system of financial reporting in Australia. The Australian policy of *selective* convergence with international best practice standards, which privileged domestic discretion, was supplanted by adoption of IASB standards, supposedly informed by international best practice but in reality a mixed bag of principles and rules-based standards, which sometimes but not always favoured fair value accounting. The changes to structures brought about in the aftermath of corporate collapses became self-reinforcing (Buhr, 2002, p27); that is, they became the new reality and part of the

daily routine. As suggested by Buhr (2002, p27), the very act of communicating more about a particular issue, in this case internationalisation of accounting standards in response to the demand of the global market, ensures that people become more concerned about the issue. Effectively, consideration of domestic constituents and public interest was subsumed in the interest of international markets and multinational companies. Perhaps most importantly, the FRC relinquished the ability of Australian standard setters to determine the nature and content of accounting standards – the future of financial reporting lay in the hands of the IASB, which was subject to lobbying from powerful and competing interest groups.

It is suggested that the potential consequences of the decision were not thoroughly explored (or publicly acknowledged) by the FRC. But, as indicated by Giddens (1984, p328), any action is constrained by the knowledgeability (or lack thereof) of the actor. Furthermore, as Giddens (1984, p11) notes, how is it even possible to anticipate all of the consequences of one's actions? The further away in time and space that the consequences are from the action, the more likely they are to be 'unintended'. Thus, in the case of the adoption of IFRS, the decision was made with limited knowledge (the FRC could not possibly know all that there was to know), and its outcomes would not be immediate. Adoption of IASB standards necessarily exposed Australian constituents to ongoing developments in standards, all subject to the actions and interactions of distant others.

Chapter 8 Outcomes - Unintended Consequences

8.1 Introduction

This chapter presents some of the unintended consequences of the adoption decision. While the ‘in-principle’ decision was framed in the rhetoric of high quality standards to generate globally comparable financial statements, it also left open the possibility for the unfolding of other outcomes. The decision left Australian constituents with no clarity over the nature and content of future standards, nor the Conceptual Framework that would underpin those standards. Furthermore, the commitment of the IASB to develop standards for multi-national companies, and its vulnerability to international politics, meant that Australian constituents would be subject to IFRS that were not necessarily favourable to Australian conditions. Actions that were once possible, with domestic latitude over standard-setting, are now thwarted.

This chapter proceeds as follows. Section 8.2 provides a recap of Giddens’ and Stones’ conceptualisations of unintended consequences and the significance of unintended consequences to the structuration process. Section 8.3 gives a brief summary of the intended outcomes of the adoption decision, prior to an introduction of unintended consequences. The extent to which one set of high quality globally acceptable standards has been achieved is considered in Section 8.4. Sections 8.5 and 8.6 discuss the consequences for Australian constituents stemming from the strong influence of US and European interests on the IASB. Section 8.7 discusses the alliances that have emerged

in an effort to consider and represent regional concerns at the international level. Sections 8.8, 8.9 and 8.10 reflect on the consequences of the adoption decision for the Australian public sector, the not-for-profit sector and small and medium entities (SMEs) respectively.

8.2 Unintended consequences

According to Giddens and Stones, the extent of unintended consequences that emerge from a situation depends on how much knowledge an agent has of that particular situation and how that agent draws on that knowledge, as well as his/her reflexive monitoring of the situation (Giddens' stratification model of the agent as outlined in section 4.2.2). The fewer the relevant conditions of action that go unnoticed and the more that an agent considers alternatives, the less likely the agent is to engage in actions which lead to unintended consequences. Actions are thus shaped by context or as Stones suggests, they are:

...more or less inflected with time space considerations. [T]his will affect the degree to which the actual conditions of action are acknowledged or unacknowledged, just as it will affect the ways in which structures are drawn upon as a medium of action. The temporal and spatial exigencies of the external structures will also clearly make some projects more feasible than others (1985, p28).

The FRC decision was an 'in-principle' decision made suddenly at the intersection of various circumstances and events (explicated in Chapters 6 and 7, such as corporate collapses, corporate reform, EU adoption) contrary to a policy of gradual convergence, and arguably without due process. The FRC members were also facing pressure from the Government and the public to rectify the system of financial reporting in Australia that had endured considerable barraging in the wake of substantial corporate collapses. To the FRC the IASB option was the most compelling at the time or, in Stones' terms,

even though the members were in a position to resist the influence of the external structures they could not do so in their particular circumstances. The rhetoric, according to the FRC, was to improve financial reporting in Australia and to extend the advantages of global comparability of financial statements to those Australian entities operating in international markets.

Actions, however, are not reducible to ecological context (or material); they may also be affected by unconscious desires of actors and unacknowledged conditions of action (stratification model of the agent – refer to section 4.2.2). The FRC members, for example, may have acted to maintain their elite status and credibility, or to reinforce the notion that the global market would find the ‘right’ solution, without fully reflecting on their decision. The researcher, however, acknowledges that it is not possible to ‘know’ the motives, intentions or desires of others.

Furthermore, unintended consequences are affected by time/space distancing. To reiterate, Giddens’ concept of time/space distancing relates to the stretching of social systems across time and space, and acknowledges the effect of the actions of absent others who exist in another time or space.

The further removed the consequences of an act are in time and space from the original context of the act, the less likely those consequences are to be intentional – but this is, of course, influenced both by the scope of the knowledgeability that actors have...and the power they are able to mobilize (Giddens, 1984, p11).

The adoption decision was made in the context of large time/space distancing: the financial reporting system in Australia (ie. based on IFRS) was and is affected by temporally and spatially distant others (ie. actors-in-context). Therefore, regardless of

the intentions of the FRC members, the adoption decision would have some unintended consequences. Compounding this was the fact that the knowledge of the FRC members was incomplete. Even though they were moderately knowledgeable of the 'state of the game' of international accounting standard setting - they knew who the actors were, the relationships between them, the power differentials, the respective resources available to each, and the positioning of the FRC within this arena – they could not possibly know all there was to know about international standard setting. The FRC members were not privy to the innermost workings of international players such as the IASB, the FASB, the SEC or the EU, and their respective dealings with one another. They could not know of all the contextual factors that would influence these participants, particularly from political interests. This limitation of the scope of their knowledge and the inability to control the actions of these other participants in the standard-setting process would inevitably lead to unintended consequences.

Ultimately, unintended consequences are likely to flow from all actions and are manifest as unacknowledged conditions of future action (Giddens, 1984, p5). As a result, an agent's capacity to act in the future may be transformed by unintended consequences (Sewell, 1992, p4). In the context of the current thesis, this means that the adoption decision would change the future conditions of action, or the landscape of standard setting in Australia, and potentially disempower the FRC at the international level of standard-setting.

As stressed in section 4.2.4, the study of unintended consequences should always be interpreted within the flow of intentional conduct; the determination of what was 'unintended' can only be made with reference to what was 'intended'. As such, the

intentions or rationales of the FRC members, as reflected in public dialogue, will be identified in the following section. The researcher admits the fragile link between the personal ‘intentions’ of FRC members (which cannot be known), and the public ‘rationales’ presented by the FRC as a group.

8.3 Intended consequences of the adoption decision

As mentioned, it is only possible to identify unintended consequences by reference to “what purpose was intended by the agent when she[he] performed the action that led to the said consequences” (Stones, 2005, p78). Accordingly, the intentions of the FRC with respect to the adoption decision were identified by drawing on commentary in minutes of meetings and other texts.

8.3.1 One set of high quality globally accepted international accounting standards, and comparable financial statements

The FRC acted with the intention to change the system of financial reporting in Australia so that Australian entities would be able to access high quality and globally accepted standards, and in doing so those entities operating in the international arena would benefit.

The FRC fully supports the Government’s view that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital, and assist Australian companies wishing to raise capital or list overseas (FRC, 2002a)

This sentiment surfaced in many FRC documents, including the FRC Annual Report 2001/02 (FRC, 2002c, p13) and the FRC Timeline Planning Framework (FRC, 2005). It reinforced the ‘benefits of convergence and harmonisation’ as identified by the AASB

(2002), namely increased global comparability of financial statements, reduction in barriers to international capital markets (ie. increasing cross-border transactions), reduced financing costs and improved quality of financial reporting. McGregor, the Australian representative on the IASB at the time of the decision, suggested (in Abernethy, 2002, p38) that Australian corporations would “be able to produce accounts that are instantly comparable with a significant number of international players”, and by implication, present a decreased risk to international investors.

The official rhetoric of the Australian standard setters was that benefits would accrue to Australian companies if they complied with one set of standards accepted by major international capital markets. US GAAP would no longer be considered as an alternative set of internationally accepted standards, and IFRS would be affirmed as the only accepted suite of standards. At the very least, this outcome required acceptance of IFRS by the US and by the increasingly powerful economic jurisdictions of China and India. The need for consensus on one set of international standards was raised in the convergence/adoption dialogue as early as the original CLERP1 proposals. The AASB, for example, commented that:

Australia needs to ensure that it does not commit itself irrevocably to IASC standards until there is some certainty that they will become internationally acceptable...in major capital markets of the US, Japan and the UK (Spencer, 1997).

The FRC admitted that Australian companies would only be able to meet the 2005 deadline if the AASB had released the stable platform of IFRS by 30th June 2004 (FRC, 23/4/04, AI3), which in turn depended on the IASB releasing its stable suite of standards in an appropriate timeframe. The FRC acknowledged that Australian companies would face transitional issues (FRC, 6/12/04, AI1), along with the need for

professional development and accounting education (FRC, 2005 and FRC, 28/6/02, AI 3), and increased awareness of IFRS among the members and clients of professional accounting bodies and other stakeholder groups (FRC, 23/4/04, AI 3). The FRC noted that IFRS adoption would potentially impact on the financial statements and share prices of individual Australian companies (FRC, 2005), and that in some cases the effects might be adverse (FRC, 27/2/04, AI 5). However, as the suite of IASB standards was not finalised at the time of the adoption decision, the above were merely suppositions.

8.3.2 Ability of Australian standard setters to influence the international standard-setting process

Wagenhofer noted that “the game is one of speed...national standard setters may wish to influence the IASB's deliberations of a new standard early” (2009, p70). Consistent with this, the FRC members hoped that early adoption would give Australian standard setters the advantage of being able to influence the IASB in respect of development of standards in the early stages. The Australian standard setters felt confident with the extent of their influence, as demonstrated by the comments of the AASB Chairman:

In general, non-conformities between AASB and IASB standards would be removed in the period leading up to adoption of IASB standards in Australia. Where these were regarded by the AASB as non-conformities of substance, the Board would ask the IASB to conduct a comprehensive review (FRC, 22/3/02, AI 3).

Further, although not explicitly stated by the FRC, the IASB option kept open the possibility for Australians to have future influence over IFRS via membership on the IASB and associated committees. If, on the other hand, the FRC had taken the US GAAP route, then such an opportunity would not have been available. Having said this,

it was also possible that early adoption could result in loss of bargaining power, as IFRS use was a *fait accompli* in Australia. The IASB knew that the Australian FRC had committed to its entire suite, and that ‘cherry picking’ of individual standards was not permissible (refer to section 1.4). Furthermore, accounting standards submitted to the Australian Parliament for approval (refer to footnote 49) are routinely passed as legislation (there has been only one instance of disapproval - refer to Groen and Lamis, 1994).

Thus, at the time of the adoption decision, the FRC members aspired to a situation in which companies and markets worldwide relied on high quality IFRS to produce comparable financial statements that would enhance global investment. Ultimately, it was expected that the benefits of this would be forthcoming to Australian companies and, in turn, the Australian economy. Although Australian companies faced transitional costs, it was anticipated that the benefits of adoption would outweigh them.

After identifying the intended outcomes of the adoption decision, it is now possible to explore the unintended outcomes.

8.4 Unintended consequences – Failure to achieve one set of high quality, internationally accepted standards

8.4.1 High quality standards

While the previous AASB policy of harmonisation favoured selective convergence with international best practice standards, the adoption decision imposed standards that were purportedly ‘high quality’. For the FRC members, this rested with the ability of the

IASB to follow “due process” (FRC, 22/3/02, AI3) ⁵⁷ and to maintain the “highest standard-setting priorities” (FRC, 22/3/02, AI3). This expectation, however, was never fully explored by the FRC.

FRC minutes provided no evidence that IASB due process was assessed by the FRC members, nor was there acknowledgement of the undue influence on this process by significant funders (Brown, 2006) and politically influential countries (Chand and Cummings, 2008 and Haswell, 2006). The short time frame afforded to the IASB to compile its initial suite of standards ultimately led to pragmatism and compromise; Tweedie (in Sawers, 2008) acknowledged that the suite of standards was mainly comprised of standards drawn from the US and UK frameworks. Implicit in the decision was the assumption that any deficiencies in the IASB suite of standards would be addressed in the future. Further, the chairman of the AASB at the time of the decision, Keith Alfredson, noted that the IASB standards would fill gaps in the existing Australian standards (eg, intangibles and financial instruments), but that adoption would “take Australia backwards” in respect of standards on related parties and insurance (in Commonwealth of Australia, 2003d, p E153), as they failed to meet the requirements of the existing Australian standards.

An evaluation of the meaning of ‘high quality’, and whether or not ‘high quality’ standards ultimately result in high quality and value relevant financial information, is beyond the scope of this thesis, although these issues have been addressed by authors such as Jacob and Madu (2009), Soderstrom and Sun (2007) and Barth (2007). Further,

⁵⁷ Interestingly, the FRC expected the IASB to follow due process, but as indicated in Section 7.9.3, the FRC itself failed on this count.

whether or not IFRS result in lower cost of capital, another of the so-called benefits, has been addressed by Daske (2006, 2008).

8.4.2 One set of standards accepted in major international capital markets

The reality of IFRS as the successful set of global standards very much depended on US acceptance; ‘global’ is simply not global without participation of the world’s largest capital market. The adoption by the US is “critical to the G20 goal of one set of global accounting standards for the capital markets...if the US does not proceed...it is likely that other major capital markets throughout Asia, like Japan, may lose interest in IFRS adoption” (Hicks as cited in ICAA, 2011).

The FRC members also recognised the importance of US adoption for Australian companies, in that it would “provide global recognition of the financial statements [of Australian companies]” (FRC, 2005). Although the IASB and FASB have agreed on a 2013 completion date for their convergence program, and the SEC agreed to accept financial statements prepared in accordance with IFRS from foreign registrants, full acceptance of IFRS in the US will be a long and protracted process. At this stage (early 2013), companies in the US continue to abide by US GAAP.

Other countries around the world make inconsistent attempts at convergence/adoption with IFRS. European exchanges prescribe IFRS compliant statements for listed companies, as do the exchanges in Canada and Brazil. Closer to home, Japan allows IFRS compliant financial statements for foreign companies, and South Korea requires all companies to use IFRS from 2011. China and India are both on paths to convergence, although the extent of convergence is disparate. India currently has four

carve outs from IFRS relating to business combinations, translation of borrowings in foreign currency, fair value of liabilities and gain/loss on the fair value of property on construction contracts (Malegan, 2011). Chinese convergence, driven by the Ministry of Finance, has been significant, although “it is unlikely that China will give up all accounting sovereignty in the near future” (ICAS, 2010, p3).

Thus, the FRC intention to adopt standards that were ‘accepted in major capital markets’, has not been entirely fulfilled. FRC members’ knowledgeability and power to mobilize (Giddens, 1984, p11) at the time of the decision were limited. The FRC members had no way of knowing if or when a “complex of individual activities” (Giddens, 1984, p13) would coalesce into global acceptance, nor did they have the power to enforce acceptance by other parties. Global acceptance will ultimately depend on the actions of others, such as the US, China and India.

8.4.3 Comparability

The FRC members anticipated that IFRS would result in global comparability of financial statements, which in turn would facilitate cross-border transactions and reduce the cost of capital for Australian companies. However, apart from a brief reference to comparability by the FRC chairman, Lucy (FRC, 2002c) (refer to section 7.9.2), there is no evidence in the minutes of further discussion by the FRC members regarding the quality of comparability.

Not only does global comparability of financial statements necessarily depend on global adoption (see preceding section), it requires complete adoption (that is, no exceptions) and consistent interpretation of IFRS. This outcome may never eventuate with carve

outs, such as in the EU in respect of financial instruments (refer to section 8.6), or interpretations amenable to local cultures and institutions. Comparability also rests on the enforcement mechanisms of individual jurisdictions – the IASB has no authority to enforce IFRS. Whether Australian companies have been rewarded with the benefits of comparability is yet to be assessed, however Chua and Taylor (2008) suggest that no rigorous empirical evidence exists to support the claim that IFRS results in greater comparability. Similarly, Daske et al (2008, p1086) caution against attributing capital market effects to mandatory adoption of IFRS.

8.5 Unintended consequences – The influence of the US

As mentioned in section 8.4.2, to be able to argue global acceptance of IFRS requires acceptance by the US. Accordingly, the IASB has gone to great lengths to accommodate US needs and to establish ongoing relationships with US interests. An unprecedented working agreement was established between the IASB and the FASB (commencing with the Norwalk Agreement in 2002, and followed up by various MOUs and statements) in which the FASB has come to play a pivotal role in the development of IFRS and the *Conceptual Framework*. During deliberations on IFRS convergence/adoption the FRC acknowledged this point (FRC, 6/12/04, AI1) and maintained an optimistic view of US convergence (FRC, 28/9/01, AI8). The FRC members were well aware of the long history that US interests had in the international standard-setting arena (as outlined in Chapter 6) and the power of bodies such as the FASB and the SEC as representatives of the world's largest capital market. FRC members had a strong grasp of US GAAP, a complex and unwieldy system of rules and regulations custom made for the US environment. The FRC was aware of concerns

about the inability of such a ‘rules-based’ system to operate effectively in preventing or forewarning of an “Enron type collapse” (FRC, 22/3/02, AI3), which speaks to quality of standards (or lack thereof). As such, the FRC entered into the adoption decision aware of the nature of US GAAP and of the influence of the US on international standard-setting.

Despite this awareness, the FRC members maintained the desire for one set of global ‘principles-based’ standards (FRC, 2002c, p19) and believed that the IASB would be able to deliver accordingly. This option meant that the FRC members would have to accept the influence that the US would exert as part of the IASB/FASB convergence project. Inevitably, this project meant that the IASB would have to compromise its ideals with respect to high quality principles-based standards, a fact that the Chairman of the IASB, Sir David Tweedie reluctantly acknowledged (2007). Further, as suggested by Wyatt (cited in Street, 2008, p206), the IASB, just like the FASB, would not be immune to political forces and that:

...future IFRS will likely look more like FASB standards than principles-based standards. While principles-based standards are an admirable goal, the evolution of standards, be they US GAAP or IFRS, will continue to be influenced by forces unrelated to accounting concepts.

In this regard, Zeff draws attention to the political strength of “Corporate America” and the “full force of the SEC” on the IASB and the IASCF (2008, p278). Similarly, McGregor notes that “corporate America will not succumb to an externally imposed code of accounting principles that replaces its own rules-based system. Both sides will be forced to compromise” (in Abernethy, 2002, p40). Effectively, for those outside the US, the compromise could mean a move away from high quality principles-based standards (advocated by the IASB) in return for one set of global, uniform standards

(heavily influenced by US interests). Even though US GAAP may be seen as high quality in the US context, they may not be suitable or 'high quality' when transposed to another context. The aspiration of the Australian FRC for high quality standards perhaps would not be achieved, and Australian constituents would be subject to standards heavily influenced by US interests, particularly the FASB and the SEC.

The FASB has and will continue to have a significant influence over the content and nature of IFRS and the conceptual framework. One only has to examine existing standards, discussion papers or exposure drafts to appreciate the influence of the FASB and its tendency to be overly prescriptive. For example, the FASB/IASB discussion paper on leases (*DP 2009/1: Leases – preliminary views*) is 122 pages in length covering 10 chapters. These chapters cover the background, scope, approach to accounting, initial and subsequent measurement, leases with options, contingent rentals, presentation, other lease issues and lessor accounting. While there are some principles buried in the paper, there are certainly a host of rules – which is far from meeting the criteria of a principles-based approach as advocated by Tweedie (section 7.9.2) but reluctantly forfeited.

Another issue on the agendas of the IASB and FASB relates to financial instruments. The original standards on financial instruments, namely IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* were based on existing US standards, and have been criticised for their excessive complexity and overly prescriptive approaches. IAS 39 was subject to a carve-out by the Europeans, specifically in relation to fair value accounting for hedge contracts. A subsequent standard IFRS 7 *Financial Instruments: Disclosures* was released and effectively

superseded part of the recognition and measurement principles in IAS 39. The IASB and FASB are now engaged in a three-phase project to simplify accounting and reporting of financial instruments. In November, 2009 the IASB released *IFRS 9, Financial Instruments*, which related to the first phase of the IASB/FASB project and addressed classification and measurement of financial assets. As of mid-2012, it was expected that this standard will be supplemented by sections on financial liabilities. The IASB/FASB project is also considering ‘Derecognition of financial instruments’ and ‘Financial Instruments with the characteristics of equity’ (IASB, 2010a). As demonstrated, the mere identification of the various components of the work on financial instruments is complicated. When combined with relevant interpretations, the body of standards on financial instruments is comprised of multiple rules – again far from a principles-based approach to accounting standards. Australian entities are thus required to comply with IFRS that are a “global version of the FASB [GAAP]” (Stevenson as cited in Godfrey and Chalmers, 2007, p36), heavily influenced by the US environment and approach to standard-setting.

The FASB is leading much of the work on the conceptual framework project of the IASB and FASB. The project is divided into eight phases, with the first four currently active. The *Exposure Draft – Conceptual Framework for Financial Reporting* outlines the proposed objective of financial reporting and notes that the initial focus of the Boards (ie IASB and FASB) is on concepts applicable to business entities in the private sector (IASB, 2008, p9). The Boards state in the exposure draft that they will consider the appropriateness of these concepts for other types of entities at a later date (IASB, 2008). This emphasis on the financial reporting needs of profit-making entities and their capital providers is influenced by the needs of the global capital market. This, however,

does not align with the needs of Australian entities outside of this sector (eg. the public sector, the not-for-profit sector, and small and medium enterprises - refer to sections 8.8, 8.9 and 8.10). Prior to the restructuring of the Australian financial reporting framework in 2000 (refer section 2.2.2) the Public Sector Accounting Standards Board (PSASB) maintained standards specifically designed for the public sector (ie. AAS27 *Financial Reporting by Local Governments*, AAS29 *Financial Reporting by Government Departments* and AAS31 *Financial Reporting by Whole of Governments*). The PSASB was disbanded at the time of the restructure, and it was subsequently decided that the industry specific standards would be withdrawn and that government accounting and reporting would be in accordance with IFRS.

Traditionally the SEC has maintained several key roles: an oversight authority for the standard-setting process of the FASB with statutory responsibility for approving accounting standards to be used by publicly listed companies; the right to place items on the FASB agenda; and, a role in vetting new members of the FASB (Zeff, 2008, p278). In the event that the US moves to IFRS, Zeff (2008) suggests that the SEC may in fact become more aggressive in its dealings with the IASB and the IASCF as it attempts to maintain its statutory responsibility for protecting investors in the US. Further, Zeff (2008) suggests that this could extend to being able to affect the composition of the IASB and its rules of procedure, as well as the content and interpretation of standards. Evidence of the SEC influence was apparent in successful negotiations regarding the reconstituted IASB in 2000; that is, membership based on technical expertise (not geographical representation as argued by the Europeans) (Zeff, 2008, p280) and membership on a full-time basis (Alfredson in Commonwealth of Australia, 2001). Australian entities may therefore be faced with the unintended consequence of having to

comply with standards or interpretations shaped by the demands of the SEC as a representative of the US capital market.

Since 2002 the SEC has demonstrated the significance of its role in the movement towards one set of global accounting standards. In 2003 the SEC reaffirmed the FASB as the private sector accounting standard setter in the US (SEC, 2003a) and asked the FASB to consider “the extent to which international convergence of high quality standards was necessary or appropriate in the public interest or for the protection of investors” (FASB, 2010). In 2007 the SEC made the decision to allow foreign issuers to use IFRS without reconciliation to US GAAP (SEC, 2007a) and, whether or not this move was about invigorating the US capital markets, it is still a step in the convergence pathway (Street, 2008, p200). Another step towards convergence came as the SEC issued a concept release on the possible use of IFRS by US issuers (SEC, 2007b). In responding to this concept release, the FASB supported the move towards a single set of high quality standards but argued against optional use of IFRS, maintaining that it would be too complex to operate a dual accounting system (FASB, 2010). In 2008 the SEC issued a proposed ‘road-map’ to adoption of IFRS in the US (SEC, 2008) under which the SEC was to decide by 2011 (final staff report released June 2012, see following) whether IFRS was in the public interest and would benefit investors. On 24th February 2010, after much anticipation the SEC released another statement confirming its belief that:

...a single set of high-quality globally accepted accounting standards will benefit US investors and that this goal is consistent with our mission of protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation (SEC, 2010).

Thus, the FASB and the SEC have both confirmed their commitment to convergence with IFRS, and they will continue to exert tremendous influence on the IASB as it develops a Conceptual Framework, IFRS and associated Interpretations. However, despite assurances from the US authorities regarding their commitment to concept-based (principles-based) standards, US GAAP will not disappear without substantial resistance. The complexity of the US regulatory framework will not be easily dismantled, and the cultural attachment of US constituents to the US model will be difficult to unshackle. Current commentary from the US press and regulators reinforce this perception:

American enthusiasm for international accounting standards appears to have waned...Adopting them [IFRS] as authoritative in the US was not supported by the vast majority of participants in the US capital market, and ... it appears that whatever happens, international rules will not be adopted automatically in the US when they are enunciated by the international board (Norris, 2012).

In its final staff report regarding global accounting standards, the SEC outlined reasons why outright adoption in the US would be problematic, namely: the lack of a specific mechanism to incorporate IFRS into the regulatory framework; the burden of conversion for US companies; and the significant, if not impossible effort to change from GAAP to IFRS given the extent to which references to US GAAP are embedded throughout US laws, regulations and private contracts (SEC, 2012, pp 3-4). The SEC does note, however, that this staff report:

...does not imply – and should not be construed to imply – that the Commission has made any policy decision as to whether International Financial Reporting Standards should be incorporated into the financial reporting system for US issuers, or how any such incorporation, if it were to occur, should be implemented (SEC, 2012, Introductory Note).

As Australia is committed to IFRS, it therefore follows that it is subject to US influence

on IFRS. In the relatively short time since the adoption decision, Australia has been presented with IFRS that are certainly more prescriptive than they would have been under a ‘principles-based’ approach to the setting of standards, with the “main principles submerged under a series of exceptions and detailed guidance” (Tweedie, 2007, p7). The proposed conceptual framework is heavily influenced by the needs of the global and US capital markets, which privilege the information needs of capital providers and fail to meet the needs of other entities and stakeholders. Further, if the US does adopt IFRS, the FASB and the SEC are likely to amplify their efforts to influence the IASB and the IASCF in order to protect the interests of US investors. Despite concerted efforts by the Australian standard setters to maintain a voice at the international level, they may not be as effective in the context of US efforts.

If, on the other hand, the US fails to adopt IFRS, and there are reasons to suggest why this could be the case (refer for example to Street, 2008 and above commentary), then it is difficult to argue that IFRS may indeed be ‘global’ standards. While there is limited convergence, the expected benefits for Australian entities will also be limited. In addition to US influence, Australian constituents will also be subject to the influences of the Europeans.

8.6 Unintended consequences - The European influence

Not only was Europe the first major bloc to adopt IFRS, it represents a significant portion of the Western world using IFRS and, as such, the IASB has an unwritten obligation to seriously consider the demands emanating from European representatives. As outlined in Chapter 6, the FRC members were well aware of the influence of the Europeans on the IASB, as well as the European standard-setting history and the nature

of their regulatory systems which privileged stakeholders other than shareholders (Perry and Nolke, 2006). The FRC members would also have been aware of the aversion that the Europeans had to the US rules-based approach to accounting standard-setting; there was "a view in particular parts of Europe that having the IASB work with FASB [would] allow the importation into IFRS of bad American things" (Herz as cited in Rappeport, 2007). The FRC members were also aware that the EC decision was in respect of listed companies only, which was a very different scope to that in Australia. It is unclear from the FRC minutes, however, whether the FRC members adequately considered the realities of the European IFRS endorsement process and the vociferous responses from the Europeans to the detailed character of IFRS.

While the EU made the decision to adopt IFRS, it effectively maintained the right of veto over the content of the standards even after a long endorsement process. In this process, approval is initially sought by the EC at two levels, namely the technical (via the Technical Expert Group of EFRAG) and the political (via the Accounting Regulatory Committee) (Zeff, 2008, p279). Both groups provide advice on IFRS and interpretations to the EC, prior to a decision on endorsement. Another dimension to the process involves input from the Standards Advice Review Group (SARG), a body established by the EC whose job is to evaluate EFRAG advice and communicate its finding to the European Parliament (Zeff, 2008, p279). Thus, the European Parliament and the EC, as well as several advisory groups, are brought within the endorsement process.

The FRC members could not have anticipated the institutional responses of the Europeans to IFRS adoption. The Proactive Accounting Activities in Europe (PAAinE)

was established in 2005 as a cooperative effort by EFRAG and the European National Standard Setters (EFRAG, 2009c). The objective of this strategic alliance was to stimulate debate on important items on the IASB agenda at an early stage in the standard-setting process, prior to the formal issue of IASB proposals (EFRAG, 2009b) and, although not formally acknowledged, to maintain a counterweight to the influence of the FASB. This initiative has more recently been brought within the EFRAG Planning and Resource Committee (EFRAG, 2011). While multiple agent involvement in a standard-setting process suggests due process, it may be argued that it almost always guarantees long approval periods and difficulties in reaching consensus. Stevenson suggests that for the first five years of its existence the IASB was preoccupied with “high profile battles with [the] political side show” in Europe (in Godfrey and Chalmers, 2007, p38). As a result, the IASB may be tempted to acquiesce to the demands of the EU in order to shorten the endorsement process in Europe, which will ultimately affect the nature of IFRS adopted in Australia (Stevenson in Godfrey and Chalmers, 2007, Zeff, 2008, Wagenhofer, 2009). Further, the FRC is so removed from the EU and the political manoeuvrings of its vast array of actors that it would be naïve to assume that it could anticipate the influence of these actors on IASB deliberations.

In addition to the above, the European approach allows for differences to the original IFRS, which detract from global comparability. IASB member Leisenring (as cited in Rappeport, 2007) suggested that the greatest threat to convergence lies with the tweaking of IFRS by the Europeans, such as their carve out of IAS 39 *Financial Instruments: Recognition and Measurement*, failure to consider adopting the first stage of IFRS 9 *Financial Instruments*, and the withdrawal of IFRIC 3 *Emission Rights* (Chand and Cummings, 2008; Wagenhofer, 2009; Sanderson and Hughes, 2010). The

continental Europeans have an aversion to fair value accounting, as it creates significant tension with the underlying principle of conservatism in the European system of financial reporting (Perry and Nolke, 2006). They also believe that accounting should be a tool of economic stability (Sanderson and Hughes, 2010) and that the IASB preference for fair value accounting results in too much volatility in financial statements (as was the case in the global financial crisis). This resistance to fair value accounting is so strong in the EU that the internal market commissioner, Mr Barnier, has suggested that future funding of the IASB might be dependent on a more sympathetic view of the European perspective (in Sanderson and Hughes, 2010).

In addition to funding threats, the EU also maintains a hold over the IASB by the legitimacy it offers to it. The decision by the EU to adopt IASB standards was a strong endorsement of the IASB standards (and perhaps its attempt to be in a position of influence), and enough of a catalyst for adoption/convergence efforts by other countries. Further, the EU has continued to support the IASB, as reflected in the incorporation of an equivalence mechanism for foreign listed companies, whereby these companies could continue to use GAAP from their own countries, as long as the relevant country was converting or intending to adopt IFRS (Chiapello and Medjad, 2009, p465).

Thus, the politics of international standard-setting primarily vacillates between the IASB, the US and the EU, and between fair value accounting or otherwise. With its (tentative) support for convergence, the US is ultimately committing to greater use of fair value accounting, while the continental Europeans and their financial institutions resist such a move, as reflected in the EU failure to “consider adopting the first stage of IFRS9, the IASBs standard relating to valuing financial instruments, on the basis it

advocated too much use of fair value” (Sanderson and Hughes, 2010). The US influence is backed by the sheer size of its capital market (refer to footnote 7) and its sophisticated body of GAAP. It has been argued that IASB processes are tempered by its desire for US adoption:

...IASB’s sluggishness [to revise and issue standards] can be blamed on its preoccupation in convincing the US to adopt (King et al., 2012, p48).

The EU effort is effective by virtue of its unyielding pressure and threats of funding constraints (as above). Further, it has also been suggested that the IASB has been willing to acquiesce to the demands of the Europeans in an effort to facilitate a more expedient passage of standards through the long and protracted European endorsement process. The attention demanded by the Europeans and the influence of the US reduces the voice of other economies, such as Australia, China and India.

8.7 Unintended consequences - Australian alliances and representation

Australia has gone from being in a position of having total control over its own standard-setting destiny to one in which it must fight to have its opinions heard at the international level. Furthermore, it has been suggested that the technical expertise previously evidenced in Australia will be lost (Howieson and Langfield-Smith, 2003), and this in turn could result in a diminished ability to contribute at the international level. In other words, the power of the nation-state is eroded (Castells, 1997, p269), which is quite a paradox given that the changes to the standard-setting infrastructure were initiated by the government via CLERP reform. Accordingly, Australians have

responded strategically to this by making their presence known via representation on international standard-setting boards, and by establishing relationships that are more influential at the international level, or in other words, seeking out “platforms for joint ventures towards a diversity of goals” (Castells, 1997, p268).

As mentioned above, Australians strategically sought out positions of international influence. The previous FRC chairman, Jeff Lucy, is currently a trustee in the IASCF, holding positions on its Audit Committee, Due Process Oversight Committee and Education and Publications Committee. Warren McGregor, a previous technical director of the Australian Accounting Research Foundation, was a member of the IASB from 2001 to 2011. Ruth Picker, a previous partner with Ernst and Young in Australia, was appointed to the IFRS Interpretations committee in 2006 and served out her term to June 2012. Various working parties of the IASB reflect Australian representation: Financial Instruments (Leanne Long); Lease Accounting (Richard Richards); Insurance (Tony Coleman); and the Joint International Group on Financial Statement Presentation (W. Peter Day) (IASB, 2010b). As for IASB advisory bodies, there is one Australian representative (Judith Downes from the G100) on the IFRS Advisory Council (formerly the Standards Advisory Committee) ((IASB, 2010b). Thus, one of the consequences of the FRC’s adoption decision has been active solicitation by Australians of positions within the IASB infrastructure and the strengthening of expertise in particular areas.

In addition to representation by individuals, Australian governments and standard setters have made concerted efforts to establish and nurture relationships at a regional level. The Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) was established in 2004 by the Australian and New Zealand governments

to maximise their interests at the international level of standard-setting and to establish a single set of trans-Tasman standards (TTAASAG, 2010). This group initiated the ‘Regional Policy Forum’ with the inaugural forum held in Sydney in 2005 and attended by representatives from China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand, Australia and New Zealand. The aim of this forum was to “coordinate regional views on issues of common concern on IFRS related matters” (TTAASAG, 2005a). In 2008 this group established a nominations sub-committee to further maximise the influence of Australia and New Zealand at the international level of accounting standards setting (TTAASAG, 2008). In 2009 the forum was held shortly after the G20 summit on the global financial crisis, which served to focus attention on regional concerns of IFRS in the context of the crisis (TTAASAG, 2009).

The Asian–Oceanic Standards Setters Group (AOSSG) was established in 2009 by national standard setters in the Asian-Oceanic region⁵⁸ as a mechanism to discuss problems and share experiences regarding IFRS convergence/adoption and to coordinate regional responses to international developments (AOSSG, 2009). The group also provided an alternative to the views of the US and EU, “which don’t always agree. Having another group presenting their thoughts will be an advantage” (Lucy as cited in IASB, 2010e). Further, Lucy (as cited in IASB, 2010e) stressed that it was important that:

...the IASB hears a clear message from the region given its significant and increasing importance in the world economy...There will be a

⁵⁸ Members include representatives from standard setters in Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, Uzbekistan, Vietnam AOSSG, (2009).

two-way communication. We feel we are not communicating as effectively as we should.

Within this group, Australia is leading the work on financial instruments and will lead the work on the planned submission on Amortised Cost and Impairment (ED189), which will be the first AOSSG submission to the IASB (AASB, 2010d). While acknowledging the appeal of this type of regional group, the membership base is likely to generate its own internal complexities given the divergent cultural, economic and ideological backgrounds of the members.

CPA Australia has also established a committee comprising CPA members in the Asia Pacific region to present regional views to the IASB (TTAASAG, 2005b). Submissions have been made to the IASB on issues such as business combinations, audit reports, real estate sales and fair value measurement (CPA Australia, 2009, TTAASAG, 2005b, CPA Australia, 2007).

As indicated, there is particular concern in the Asia/Oceanic region that the powerful blocs of the US and the EU are dominating IFRS development, related interpretations and the conceptual framework, which has led to the establishment of various groups to present the interests of the region. This development runs contrary to the notion of global unity reflected in ‘one set of global standards’, whereby countries shed their domestic standards and defer to the IASB. Understandably, this makes it far more difficult for the IASB to achieve consensus on particular issues. From an Australian perspective, this arrangement suggests that compromises are inevitable, as standard setters are forced to “abide by rules favourable to capital flows” (Castells, 1997, p307). The outcome is reflected in a suite of negotiated standards, unsuitable for all but the

users and preparers of the financial statements of large multinationals, ostensibly serving global capital markets while overlooking the needs of other stakeholders. This aspect is particularly evident in financial reporting in the public sector.

8.8 Unintended consequences - The public sector in Australia

The AASB has a statutory responsibility to develop standards for all entities, that is, a sector-neutral approach (*ASIC Act, 2001* section 227). It is also subject to a strategic directive from the FRC, namely to:

... pursue as an urgent priority the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting. The objective should be to achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements (FRC, 12/12/02, AI 3).

Effectively, this directive meant that the AASB was presented with two significant projects related to public sector entities and IFRS. First, the AASB was responsible for reviewing IFRS and adapting them for Australian conditions, including public sector applications. At the same time, it was required to work towards harmonising the new IFRS with GFS⁵⁹. Although the public sector in Australia had embraced accrual accounting and was presenting reports in accordance with Australian Accounting

⁵⁹ Government Finance Statistics (GFS) is “an accounting framework for the production of national and government accounts that facilitates comparison of financial performance across jurisdictions and is increasingly used by financial markets, credit-rating agencies and other analysts and commentators” (Challen and Jeffrey, 2003, p48). The Australian Loan Council (the body that scrutinises Commonwealth and State Government borrowings) requires all Australian governments to present budgets and prepare outcomes reports in accordance with GFS, which is based on the system of reporting of the Australian Bureau of Statistics, which itself is based on international standards set out in the International Monetary Fund's “A Manual of Government Finance Statistics” and the United Nations' “A System of National Accounts” (Challen and Jeffrey, 2003, p48).

Standards, a parallel system of reporting (GFS) prevailed in budget reporting that presented information differently to that of IFRS. Confusion between the IFRS and GFS reports led to the call for harmonisation. The harmonisation project was tackled in two stages. The outcome of stage 1 was the issue of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard operates in conjunction with specific public sector paragraphs in the accounting standards for use in Australia.

The responsibility for adapting IFRS for the Australian public sector presented enormous difficulties for the AASB⁶⁰. As mentioned previously, IFRS are designed to meet the information needs of capital providers of large profit-making entities, and the IASB Advisory Council recommended that IASB policy should “[r]etain the current objective of serving the reporting needs of capital market participants for profit oriented entities” (2010, p64). The proposed conceptual framework is similarly biased (refer footnote 11). In many instances the nature of public sector entities is very different to that of profit-making entities, as are the respective users and their information needs. The FRC recognised this dilemma, and in 2006 commissioned a report on the use of a ‘Sector Neutral Framework for the making of Australian Accounting Standards’ commonly referred to as the Simpkins Report (Simpkins, 2006).

The Simpkins Report concluded that there was a need to better acknowledge and respond to the differences of the public sector in the standard-setting process (Simpkins,

⁶⁰ Note that in 1983 the board of the Australian Accounting Research Foundation (joint research body of the Institute of Chartered Accountants and the Australian Society of Accountants) established the Public Sector Accounting Standards Board (PSASB), a standard-setting board devoted to the interests of the public sector. The PSASB remained active until the CLERP amendments to the standard setting arrangements became effective on 1/1/2001 (Henderson et al., 1995). The Australian standard setters turned their attention to private sector standards.

2006, paragraph 8.16). Further, in Simpkins' view, a common conceptual framework was not possible given the existing approach of the IASB and the limited resources applied to public sector issues (2006, paragraph 8.26). Overall, "a single set of fully sector neutral (or transaction neutral) standards is not a realistic option post IFRS adoption" (Simpkins, 2006, paragraph 8.44). The report identified and evaluated other options for standard-setting. Submissions to the FRC on the Simpkins report focussed on three key issues:

1. The desire for a conceptual framework that adequately reflects the needs of the three sectors (for profit, public sector and not-for-profit),
2. The need for a statement of user needs; and
3. The provision of public sector guidance (FRC, 2007)

The chairman of the AASB at the time, Professor David Boymal, suggested that while there was a need for a separate conceptual framework for the public sector, it was more appropriate for Australia to contribute to the work of the IPSASB (International Public Sector Accounting Standards Board) rather than continue with a domestic solution (FRC, 2007).

Similar findings were made in a report prepared by a group of four national standard setters (Australia, Canada, New Zealand and the UK) (AASB et al., 2008a). These standards setters considered the appropriateness of applying private sector concepts to the not-for-profit sector (NFP sector) including the public sector, and their findings were consistent with that of the Simpkins report. Generally, this report found that as the IASB/FASB CF project focussed on the provision of 'decision useful information' for capital providers, it was not adequate for the NFP sector. According to the report, financial reporting for the NFP sector needed to embrace the concept of stewardship and the needs of a broader range of users. The writers of the report asked the IASB/FASB to

continuously consider the needs of the NFP sector throughout the *Conceptual Framework* project (refer to section 6.3.5), however the IASB/FASB rejected this proposal. The IASB/FASB maintained that the specific needs of the NFP sector:

...are not of the same priority as the broad cross-cutting issues being addressed in the first four phases of the [CF] project...[and] giving the necessary attention to specific NFP sector issues would unduly delay consideration of those broad conceptual issues that are of utmost importance to those Board's ongoing standards setting efforts (AASB et al., 2008a, paragraph 9).

Clearly, the IASB and the FASB acknowledged that the needs of the NFP sector were different to that of for-profit entities, however, they considered that the development of standards to meet the financial reporting needs of the NFP sector should be postponed. Any output from the IASB in the short-term was to be developed specifically for the 'for-profit' sector. The AASB was therefore in a position where it had to develop standards for the public sector without any assistance from the IASB.

Ultimately, the AASB decided to use existing IFRS where appropriate, adding AUS paragraphs to meet the requirements of public sector entities⁶¹. Where an IFRS did not address a public sector topic, the AASB's aim was to develop an appropriate standard, if possible with reference to International Public Sector Accounting Standards (IPSASs) issued by the IPSASB. This then places this aspect of standard-setting in a totally

⁶¹ For example, AASB102 *Inventories* recognises the different nature of some public sector inventories and the difficulties in measuring them. Paragraph AUS 8.1 states that "A not-for-profit entity may hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. These types of inventories may arise when an entity has determined to distribute certain goods at no charge or for a nominal amount. In these cases, the future economic benefits or service potential of the inventory for financial reporting purposes is reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the entity. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made. If the purpose for which the inventory is held changes, then the inventory is valued using the provisions of paragraph 9".

different realm, subject to different influences and funding, as the IPSASB is a body operated within the International Federation of Accountants (IFAC), a consortium of professional accounting bodies.⁶²

Financial reporting in the public sector was also affected by the AASB's 'Differential Reporting Project'. This project was initiated by the AASB in response to the regulatory burden on Australian reporting entities, and the increasing complexity of IFRS. The AASB released a consultation paper in February 2010 *Differential Financial Reporting – Reducing Disclosure Requirements*, along with an Exposure Draft *ED192 Revised Differential Reporting Framework*. AASB1053 *Application of Tiers of Australian Accounting Standards* was released in June 2010, and specifies two-tiers of reporting requirements:

- Tier 1: Full IFRS as adopted in Australia; and
- Tier 2: The reduced disclosure regime.

Basically, Federal, State and Territory Governments are required to comply with Tier 1, and all other public sector entities are required to comply with Tier 2 (AASB, 2010a).

In summary, when the FRC made its adoption decision it expressly focussed on the needs of the private sector, and put to one side the consequences for financial reporting in the public sector. However, as the AASB has a sector-neutral policy, it was responsible for ensuring IFRS were appropriate for public sector entities, and it was

⁶² The IPSASB is an independent standard-setting board that operates under the umbrella of the International Federation of Accountants (IFAC). Its purpose is to develop public sector accounting standards and guidance for preparation of general purpose financial statements of public sector entities, and it ultimately aims to converge these standards with IFRS. It receives support (both direct financial and in-kind) from the World Bank, the Asian Development Bank, the United Nations and the governments of Canada, China, New Zealand, and Switzerland (IFAC, 2012).

forced to invest substantial resources into accommodating the needs of these entities within the IASB framework. Fundamentally, this remains an uneasy solution, as the nature and objectives of many public sector entities, specifically within the General Government Sector (GGS)⁶³, and the information needs of its users, are different to that of profit-making entities. A conceptual framework which privileges the provision of decision useful information to the suppliers of capital ignores issues of accountability and stewardship fundamental to entities in the GGS. Entities within this category have no revenue function, yet are forced to comply with spurious notions of profit and revenue recognition. Government assets with heritage, cultural or environmental significance, are ‘valued’ and ‘evaluated’ under principles and rules designed for assets in the profit-making sector (Barton, 2005), leaving open the possibility for decisions to be made about such assets on financial/economic grounds.

In addition to the extra work required to tailor standards for the public sector, the AASB was required to harmonise the two reporting systems operating in the public sector, AASB and GFS. The added burden related to public sector entities could have been avoided if the FRC had restricted adoption of IFRS for profit-making entities, preferably those large enough to be publicly listed. Many of the issues raised above in respect of the public sector have relevance to the private not-for-profit sector, which includes entities such as charities and sports clubs.

⁶³ The public sector within Australian may be broken down into 3 categories of entities:

1. The General Government Sector (GGS) – All government units and non-profit institutions controlled by the government which provide goods and services but do not have a source of income or financial gain. They are non- trading or non-financial.
2. Public Non-Financial corporations (PNFC) - Government controlled corporations or quasi corporations, which produce market goods and services of non-financial products. They are trading entities eg. Australia Post, National Broadband.
3. Public Financial Corporations (PFC) - Government controlled corporations or quasi-corporations, which provide financial services eg. Reserve Bank (CPA Australia, 2012).

8.9 Unintended consequences - Private sector not-for-profit entities

The issues raised above with respect to the appropriateness of IFRS for the public sector apply equally to the private NFPs. IFRS developed for the profit-making sector will not always meet the financial reporting needs of private sector NFPs and in many instances require accounting treatments and disclosures that are particularly onerous for this sector. A Senate Committee (Commonwealth of Australia, 2008) raised concerns about the disclosure regimes of this sector and recommended:

...that a new disclosure regime contain elements of narrative and numeric reporting as well as financial, in acknowledgement that the stakeholders of the Sector want different information to that of shareholders in the Business Sector. The financial reporting should be transparent and facilitate comparison across charities (Commonwealth of Australia, 2008, Recommendation 13).

The particular financial reporting needs of this sector were formally recognised by the AASB in its July 2009 meeting (ie. seven years after the adoption decision), at which time it was decided to initiate a project to consider this issue (AASB, 2009). The project was to initially identify the information regarding NFPs that is not being provided by IFRS, along with current disclosures that are excessive for these types of entities (AASB, 2010b). Consideration was to be given to the work being done in this area by the IPSASB and the New Zealand Financial Reporting Standards Board (AASB, 2009, 2010b).

Further, the findings of the AASB's differential reporting project (refer to section 8.8) are relevant to financial reporting for this sector. AASB1053 *Application of Tiers of Australian Accounting Standards* indicates that private NFPs will have the choice

between applying full IFRS (Tier 1) or the reduced disclosure regime (Tier 2) (AASB, 2010c). The Australian Federal Government has also recognised the unreasonable financial reporting burden on small NFPs, and as part of corporate law reform in 2010⁶⁴ reduced the financial reporting requirements of NFPs, particularly ‘Companies Limited by Guarantee’.

Thus, a further unintended consequence of the FRC adoption decision was the imposition of inappropriate financial reporting requirements on the NFP sector. In some instances private NFPs avoided the application of IFRS by “claiming to be non-reporting entities [the existing criteria for application of IFRS] and preparing SPFSs [special purpose financial reports] when they should be preparing GPFSs [general purpose financial statements]” (AASB, 2010a, paragraph 4.3). Further, the adoption decision effectively meant that reporting requirements more relevant to the NFP sector were overlooked for several years and are only now being addressed by the AASB.

8.10 Unintended consequences - Small and medium enterprises

In Australia ‘reporting entities’ are currently required to prepare general purpose financial statements in accordance with AASBs (ie. IFRS) as per *Statement of Accounting Concept 1 (SAC1)*. Reporting entities are those which have users dependent on information that they are unable to demand themselves (SAC1). This requirement has meant that in many instances small and medium entities (SMEs) have been required to prepare financial statements in accordance with IFRS, usually at considerable cost, often without the necessary expertise, and almost always without enjoying proposed

⁶⁴ Corporations Amendment (Corporate Reporting Reform) Act 2010.

benefits generated from the use of IFRS. In addition, the users of the financial statements of SME's have very different needs to those of large listed companies, that is, they are often more concerned with stewardship issues as opposed to the provision of decision-useful information. When the FRC made its adoption decision, scant regard was given to this segment of the Australian economy as the focus was on the needs of capital-raising companies (Kaidonis, 2008).

Most countries that have adopted IFRS have done so only in respect of large profit-making companies. The IASB rather belatedly recognised the different financial reporting requirements of SMEs, and in July 2009 released a standard for this sector, namely *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs). Since this standard is not a mandatory part of IFRS, countries can still be compliant with IFRS even if they do not adopt this standard. If invoked in a country, the standard applies to entities that publish GPFSs but which do not have public accountability (AASB, 2010a, p10). Generally, public accountability exists if an entity trades debt or equity instruments in a public market or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (eg. banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks) (AASB, 2010c, paragraph 24). After considerable public consultation (AASB, 2010c, paragraphs 11-17), the AASB decided not to adopt this standard in Australia, and a modified differential reporting regime was proposed, for which a standard AASB1053 *Application of Tiers of Australian Accounting Standards* was released in June 2010.

Although Australia currently has a differential reporting regime based on the notion of ‘reporting entity’, this has been open to abuse. Under the new differential reporting regime the ‘reporting entity’ concept will not be the determinant of IFRS application, rather the criteria centres on public accountability and GPFS (AASB, 2010c, paragraphs 33-35). The adoption decision eventually forced the Australian standard setters to consider the financial reporting needs of the majority of entities in Australia, and a new differential reporting regime was introduced. Thus, unintended consequences have given rise to new conditions of action – financial reporting for SMEs in the future will be very different to that expected at the time of the adoption decision in 2002.

8.11 Chapter summary

With any action or interaction, it is impossible for an agent to have access to all relevant information, just as it is impossible to comprehensively monitor and reflect on all actions and interactions and their respective contexts. In other words, an agent’s knowledge and the capacity to process that knowledge are always bounded. Further, any action is influenced by both the unconscious motivations of the agent as well as conditions beyond his or her control. As discussed in Chapters 5, 6 and 7, these actions are influenced by external structures, such as the irresistible causal force of international accounting governance, and by the broader context of globalisation. So, despite the clearest of intentions, the actions of an agent will inevitably give rise to unintended consequences. In turn, these consequences will go on to shape future conditions of action.

This chapter has demonstrated that the adoption decision has had and will continue to have unintended consequences for the Australian regulatory framework and for the constituents subject to that framework. Despite the FRC members having comprehensive knowledge of their conditions of action, this knowledge was limited. Attention at the time, both by the IASB and the FRC, was directed towards financial reporting for large multinational profit-making companies; this is where the demand was for internationally comparable financial information and where the Australian government gave direction. Insufficient consideration was given to the financial reporting needs of other reporting entities and their stakeholders, and to the ‘sector-neutral’ policy of the AASB.

Further, the FRC did not adequately consider the alternatives to adoption, such as a slower process of convergence or the adoption of US GAAP. Nor could the FRC members anticipate the respective moves of other participants in the global network of accounting standard-setting. Once committed to IFRS, Australia was subject to any subsequent developments in IFRS, regardless of how and by whom the standards were influenced. Given the economic effects of accounting standards and the underlying cultural traditions of national systems of financial reporting, it is inevitable that the international standard-setting process is bound within a context of complex political compromises between those interests that have the most to lose and those who have the most clout. Ironically, the move towards one set of global accounting standards has led to the emergence of a network of “powers and counter-powers” (Castells, 1997, p305) operating in the global standard-setting arena. Australian representatives are busily enmeshing themselves in various international standard-setting positions and alliances.

Chapter 9 presents the conclusion to the thesis, providing a response to the initial research questions and an outline of the potential contributions to accounting practice, research and theory.

Chapter 9 Conclusion

9.1 Introduction

The current chapter provides a conclusion to the thesis and proceeds as follows. Section 9.2 presents a summary of the chapters, outlining the process of structuration of the system of financial reporting in Australia. Section 9.3 revisits the research questions (initially proposed in section 1.4) and summarises the response to those questions. Sections 9.4, 9.5, 9.6 and 9.7 discuss potential contributions to the literature, methodology, theory and practice of accounting. Section 9.8 identifies some significant limitations to the study. Section 9.9 suggests future research possibilities, and section 9.10 provides concluding comments.

9.2 Summary of chapters

Chapter 1 provided an introduction to recent developments in the area of international financial reporting, particularly as they impacted on the Australian regulatory framework. The decision of the FRC to adopt IFRS is historically quite significant, as it commits Australian entities to reporting in accordance with the standards of a supranational organisation, which is one way that nation-states see their autonomy eroded in a global post-modern time. As indicated in Chapter 1, the aim of the study was to explore the context of the adoption decision and the factors that influenced the actions of the FRC. Another, but by no means secondary aim was to reveal the unintended consequences of the sudden and ‘in principle’ adoption decision, as distinct from outcomes advocated in the official rhetoric.

Before embarking on the study of the transformation of financial reporting in Australia, it was important to situate the study within the Australian standard-setting context and within the body of accounting literature. Accordingly, Chapter 2 outlined the history of accounting standard-setting in Australia, highlighting the passing of control between the accounting profession and the government. The chapter also revealed the political influences on the standard-setting process during the last part of the 20th century. This review identified gaps in the literature and thus the scope for potential research.

Chapter 3 outlined the methodological approach to the thesis. The researcher sought to provide a critical history of the transformation of the Australian financial reporting system. Instead of relying on conventional arguments for the transformation of financial reporting in Australia, the perspective in this thesis extended to a much broader interpretation and analysis of the prevailing structures and the role of agency in the transformation. This endeavour was ordered by the research steps as suggested by Stones (1995) and drew on both publicly available written and secondary material where appropriate. Although the thesis did not explicitly argue for change, it enabled it by virtue of the double hermeneutic and by the provision of a deeper understanding that, by clarification of the causal processes involved in a situation, allowed for the possibility of desirable or reparative practical intervention in the world (Stones, 2005, p192).

The combination of theories used to inform an analysis of the adoption decision was outlined in Chapter 4. Structuration theory, as advocated by Giddens, allows for the interplay of agency and structure in the reconstitution of social systems and practices, by acknowledging the importance of actors and their particular context, as well as the

structures that they draw on in their actions and interactions. This theory also acknowledges the significance of the unintended consequences of the actions of agents and the effects that these may have on system reproduction. Stones' strong structuration model provided additional theoretical definition to the study. Most importantly it allowed for consideration of the influences of external structures on agents and some discriminations between the general dispositional and conjuncturally specific internal structures drawn on by those agents. Castells' theorising on globalisation was incorporated into the study to situate changes to financial reporting in a wider spatial and historical context, specifically those changes ushered in by globalisation.

Framed by Castells' (1996, 1997, 1998) work, the phenomenon of globalisation with reference to international standard-setting was examined in Chapter 5. The technological revolution of the late 20th century precipitated numerous changes to economic, political and social spheres around the world, including the emergence of a network of global governance organisations to which many nation-states relinquished their sovereign rights. Included in these organisations was the IASC (IASB), now seen as the foremost authority on international accounting standards. Chapter 5 also highlighted the significant effects of globalisation on the various spheres of Australian life, particularly relating to the creep of neoliberal ideology into political and standard-setting policy.

Not only was the FRC situated in the broad context of globalisation, it was in the midst of multiple and complex relationships with other actors. These relationships, as discussed in Chapter 6, extended from international bodies to domestic lobby groups, and extended over long periods of time. These complex webs of relationships served to

establish two external structures, whose influence ultimately proved to be convincing to the FRC when making a decision regarding the future of financial reporting in Australia. These external structures were the international system of accounting governance and domestic corporate reform.

While Chapter 6 acknowledged that the actions of agents are sometimes influenced by factors beyond their control, it is important to remember that structuration theory involves a duality of structure and agency. The theory maintains that agents have an ability to “intervene in the world, or to refrain from such intervention, with the effect of influencing a specific process or state of affairs” (Giddens, 1984, p14). Chapter 7 focussed attention on the agency of the FRC members, as they drew on both general dispositional and conjuncturally specific knowledge in making their adoption decision. The chapter revealed that while the FRC members were situated in the broad context of globalisation and subject to pressure from external structures, they also maintained some discretion in respect of the future of financial reporting in Australia. They were, however, spurred into making their decision when faced with public outrage over corporate collapses in Australia.

Chapter 8 discussed the intended and unintended consequences of the adoption decision and their force in orchestrating future conditions of action. As the decision was made suddenly on an ‘in-principle’ basis, it left room for multiple outcomes, some of which may not have been favourable to Australian constituents. In the years since adoption, the Australian standard setters have scrambled to attend to the financial reporting needs of entities other than multinational companies, and they have also been presented with IFRS which are rationalised throughout by powerful interests. Not only is the ideal of a

robust set of ‘principles-based’ standards less likely than originally promised or expected, the Australian standard setters have been rendered relatively powerless to introduce standards that accommodate Australian conditions.

Although the initial research questions have been addressed in some detail throughout this thesis and in the foregoing summary, they are highlighted and discussed below.

9.3 The Research Questions

The three research questions are:

- 1. What was the broad spatial and temporal context of the adoption decision in Australia?*
- 2. What factors influenced a change in Australian accounting standard setting policy from that of harmonisation with international accounting standards to wholesale adoption?*
- 3. What are some of the unintended consequences that have emerged from the adoption decision?*

9.3.1 Influence of the broad spatial and temporal context on the adoption decision

With guidance from Castells’ theorising on globalisation, the thesis has outlined the broad context of the adoption decision. While the actual decision has been described as ‘sudden’ (refer to section 1.1), the move towards international accounting standards took shape over a considerable period of time and was influenced by multiple actions and interactions, both domestically and internationally. At the broadest level, the adoption decision was situated in the context of globalisation, which has reshaped and transformed many aspects of our society. This phenomenon was responsible for the emergence of supranational bodies in search of alliances in the new world, the

realignment of state responsibilities, and governmental policies based on neoliberal ideology. Globalisation also meant that crises in one part of the world reverberated in others, as was the case of corporate collapses in Australia in the early 2000s, and which provided the catalyst for the adoption decision. The globalisation phenomenon was manifested in the accounting realm in the internationalisation movement, which set the conditions for the development and partial acceptance of IASB standards around the world. Further, within Australia, successive governments, entranced by neoliberalist philosophy, initiated corporate reform to facilitate Australian companies competing in the global market. Consideration of these ‘big picture’ aspects is essential in understanding and interpreting the adoption decision.

9.3.2 Change from policy of harmonisation to commitment to adoption

The answer to the second research question is complex and of course depends on one’s perspective. The view presented in this thesis is that the FRC members were under pressure to respond to the crises of corporate collapses in the most politically expedient manner. As discussed in sections 1.3 and 7.4, there was much public angst over the corporate collapses and concern about the contributing role that financial reporting had played. The FRC, under pressure from the Government, was in a position where it had to respond expeditiously. Further, the report of the HIH Royal Commission (2003, p lxv) recommended that Australia pursue the adoption of high quality international accounting standards as a means (among others) of staving off any repeat performances of the HIH collapse. In addition, the Australian Government was a strong advocate of adoption of international accounting standards as a strategy to further macroeconomic policy and gain the support of ‘big business’.

The official rhetoric of the FRC, supported by the Government, was that the decision was made in response to a similar decision by the EU and that “Australia could not contemplate to be out of step with both Europe and the US” (Commonwealth of Australia, 2002a, p104). However, given that the decision occurred shortly after the FRC had ratified the AASB policy for long-term harmonisation, this justification appears superficial. Furthermore, the context in the EU was extremely different to that of Australia and US acceptance of IFRS was a long way off. It is suggested that the string of corporate collapses in the early 2000s, set against much broader structural forces, generated a period of crisis in which the FRC members were spurred into prompt action – thus the ‘sudden’ decision to adopt despite the long-term convergence policy.

The thesis has emphasised the role of the crises in the transformation of social systems. As highlighted in section 4.2.3, agents typically seek ontological security, that is, they strive to maintain a sense of routine. This concept of routine ensures the longevity of social practices and institutions. However, in times of crisis such as that presented by the corporate collapses, the agent-in-focus (ie. the FRC) sought out a different way of doing things. The FRC decided that it was no longer appropriate to pursue a long term policy of harmonisation; rather it opted for almost immediate adoption. Thus, financial reporting in Australia was changed from a system with latitude for accommodating domestic circumstances to one privileging international interests.

Structuration theory has allowed the researcher to ‘tease out’ the circumstances of the change in policy, which ultimately resulted in a change in the system of financial reporting in Australia. As emphasised by both Giddens and Stones, an examination of the time/space positioning of actors is essential in gaining an understanding of the

reconstitution and transformation of any social system. Context provides the conditions of action for any agent-in-focus, and their knowledge of this (or lack thereof) shapes their actions and interactions. An examination at this level provided insight into the complex of relationships that the FRC was situated in, which had developed over time and space and which imposed various influences or forces on the FRC members (external structures as discussed in Chapter 6). It also revealed the courses of action available to the FRC when faced with the crisis of corporate collapses in the early 2000s. It highlighted the impossibility of knowing all that was needed to be known, thus introducing unacknowledged conditions of action into the structuration process.

Structuration theory has also been used to explore how the FRC members drew on their knowledge and skills in negotiating the complex terrain of international standard-setting in the process of making the adoption decision. As professionals, the FRC members brought a raft of skills and knowledge to their job, or in structuration terms, their general dispositions. Their positions as FRC members also demanded a sophisticated knowledge of the particularities of the job and an understanding of their conditions of action. They needed to have an appreciation of the other actors-in-context, their available resources, the power differentials, acceptable norms and protocols, and appropriate interpretive schemes. These issues were discussed in Chapter 7 and explain to some extent why the FRC members acted as they did to diverge from a long term policy of harmonisation.

9.3.3 Unintended consequences of the adoption decision

As discussed in Chapter 8, any decision which is made in a context which stretches over time and space, and which involves multiple agents, will inevitably have unintended consequences. In making their decision, the FRC members had limitations on their knowledge – not only was it impossible for them to know everything that was occurring in the global standard-setting space, they also had no way of anticipating consequences in both the domestic and international spheres. Additionally, as structuration theory has helped to demonstrate in this thesis, the phenomena of globalisation and external structures have served to constrain the actions of the FRC.

The decision to adopt IFRS is one of the most important in the history of standard-setting in Australia. Its scope meant that the accounting and financial reporting practices of many Australian reporting entities have been impacted, resulting in financial and economic consequences for those entities and for the broader Australian community. More significantly, however, the transformed financial reporting system is now dependent on a system of concepts, standards and interpretations developed by an international private-sector body. While guidelines for IASB standard-setting require adherence to due process and independent monitoring, this process is subject to the whims and lobbying prowess of powerful actors such as those from the US and Europe. As the IASB pushes further to achieve global acceptance of its standards (and for this it needs acceptance by the US), it becomes more vulnerable to the political lobbying of the US and other emerging economies (eg. China). This vulnerability was heightened during the GFC when the IASB was seen to capitulate in a time of crisis (Chiapello and Medjad, 2009; Howieson, 2011). It is also being exposed with the current reluctance of the US to fully embrace IFRS (refer to section 8.5.1). Australian standard setters now

have limited control over the resultant standards used by Australian reporting entities and are relatively powerless to implement standards amenable to local conditions. Their only recourse, at this stage, is to exert influence via individuals on the various IASB committees, or via regional blocs as identified in section 8.7.

The creation of a workable solution for financial reporting in the public, not-for-profit and small business sectors has proven to be a challenge for the AASB. Although subject to a sector-neutral policy, it is forced to work with IASB standards that are specifically developed to meet the needs of large companies operating in the global capital market. The outcome has been a negotiated two-tier reporting system based on the criteria of ‘public accountability’ and a set of Australian IFRS supplemented with technical ‘paragraphs’ to meet the needs of public sector and NFP entities. These unintended consequences may resonate with other countries such as New Zealand, the UK and Canada whose respective standard-setting boards “have a responsibility to develop standards for NFP entities and [who] are committed to using the pronouncements of the IASB” (AASB et al., 2008b). An insight into such consequences may also prove useful for countries such as China, where state ownership of corporations is predominant. Australian concerns over the appropriateness or otherwise of IFRS for small to medium enterprises are shared and even amplified in countries such as Germany, where the increasing use of IFRS by small traditional companies (Mittelstand) for financial reporting threatens their capacity to raise capital and indeed their very existence (Perry and Nolke, 2006, p570).

9.4 Contributions to accounting literature

As mentioned in Chapter 3, a growing body of accounting literature adopts a critical approach to accounting research. Within this body of literature, structuration theory has been used primarily in the realm of management accounting research, from the early work of MacIntosh and Scapens (1990) to more recent work by Jack and Kholeif (2008) (refer to section 4.4 for an outline of accounting studies informed by structuration theory). Within the area of financial accounting and reporting, Buhr (2002) uses it to investigate new forms of reporting in selected organisations. Tollington (2006) is perhaps one of only a handful of accounting researchers to utilise structuration theory to gain an understanding of changes to financial reporting, though his study was confined to a specific jurisdiction (the UK), a specific time frame (4 years), and a selected financial statement element (intangible assets).

Guided by structuration theory and Castells' theorising on globalisation, this thesis has provided a comprehensive analysis of the circumstances of the adoption decision, which ultimately resulted in a transformed system of financial reporting in Australia. Given the significance of this change it was necessary to examine factors and agents beyond the immediate context of the financial reporting infrastructure in Australia. The combination of theories has allowed the analysis to extend from the broad context of globalisation, through to the meso-level of position practice relations in which the FRC was situated, and to the micro world of the FRC as the agent-in-focus. Insight at each of these levels is informative; however, it is the overlay of these levels which exposes the complexities of the transformation. The thesis provides an understanding and critique of the structures and agency in the structuration process; the effects of globalisation on the

emergence of the IASB and on economic policy in the Australian domain; the stealth of the neoliberal ideology, its ascension to taken-for-granted status and the discourse of process that it provides; the pressures applied to the FRC by virtue of its relationship with the IASB and multiple actors in the realm of international accounting standard-setting; the stimulus for change presented in the wake of corporate collapses; the obligation of the FRC as perceived by its members to comply with new corporate regulation in Australia; and, the agency of the individual members of the FRC. Further, given that the transformation of financial reporting in Australia was by no means complete with the adoption decision, it is suggested that the consequences of the decision will continue to unfold. In the future, the content and nature of IFRS, together with the scope of global acceptance, will to a large extent be dictated by the manoeuvrings in the US, as the FASB and SEC negotiate the enormous complications of and resistance to IFRS adoption in that jurisdiction.

The thesis has contributed to critical studies of accounting research which concern:

...the need to develop a more self-reflexive and contextualised accounting literature which recognises the interconnections between society, history, organisations and accounting theory and practice (Lodh and Gaffikin, 1997, p433).

More specifically, it has contributed to the body of critical histories of accounting which, using diverse lenses of interpretation, aim to provide “different, and often conflicting interpretations of our past” (Merino, 1998, p607). The thesis has provided a different insight into the social construction of standard-setting, with substantial guidance from a combination of theories. The traditional narrative for IFRS adoption, namely a technical response to the demands of changing economic conditions and the global market (Merino, 1998 and Perry and Nolke, 2006) has been challenged. Instead,

the view presented in this thesis is that IFRS adoption in Australia is the result of the actions and interactions of a multitude of actors, temporally and spatially dispersed, subject to and drawing on a multitude of structures, and in the context of a crisis of corporate collapses.

9.5 Contributions to methodology

Lodh and Gaffikin (1997, p436) note that while researchers in critical studies in accounting all reject the functionalist approach to research, their studies are far from homogenous. This thesis adds to this heterogeneity of approaches, with a synthesis of theories and the adoption of Stones' (2005) methodological guidelines. The approach adopted provides a comprehensive framework to analyse "histories of causal processes of structuration" (Stones, 2005, p126), such as those concerned with two events separated by either long periods of time or large tracts of space (Stones, 2005, p82); that is, the structuration of the financial reporting system in Australia. Diagrammatically, this approach is represented in Figure 14 (note this is a modified version of Figure 2). This approach has allowed a staged investigation, starting with a broad overview, and incrementally narrowing the focus, first to the institutional level of participants in the standard-setting realm, and then to the level of the FRC members. As noted in section 4.2.7, Giddens suggests that all social practices are embedded in wider reaches of time and space and that it is necessary to study the paths that people take in their everyday lives, the locales they pass through, and the physical and social locations where actions and interactions take place. He also suggests that actors are positioned relationally in multiple social relations.

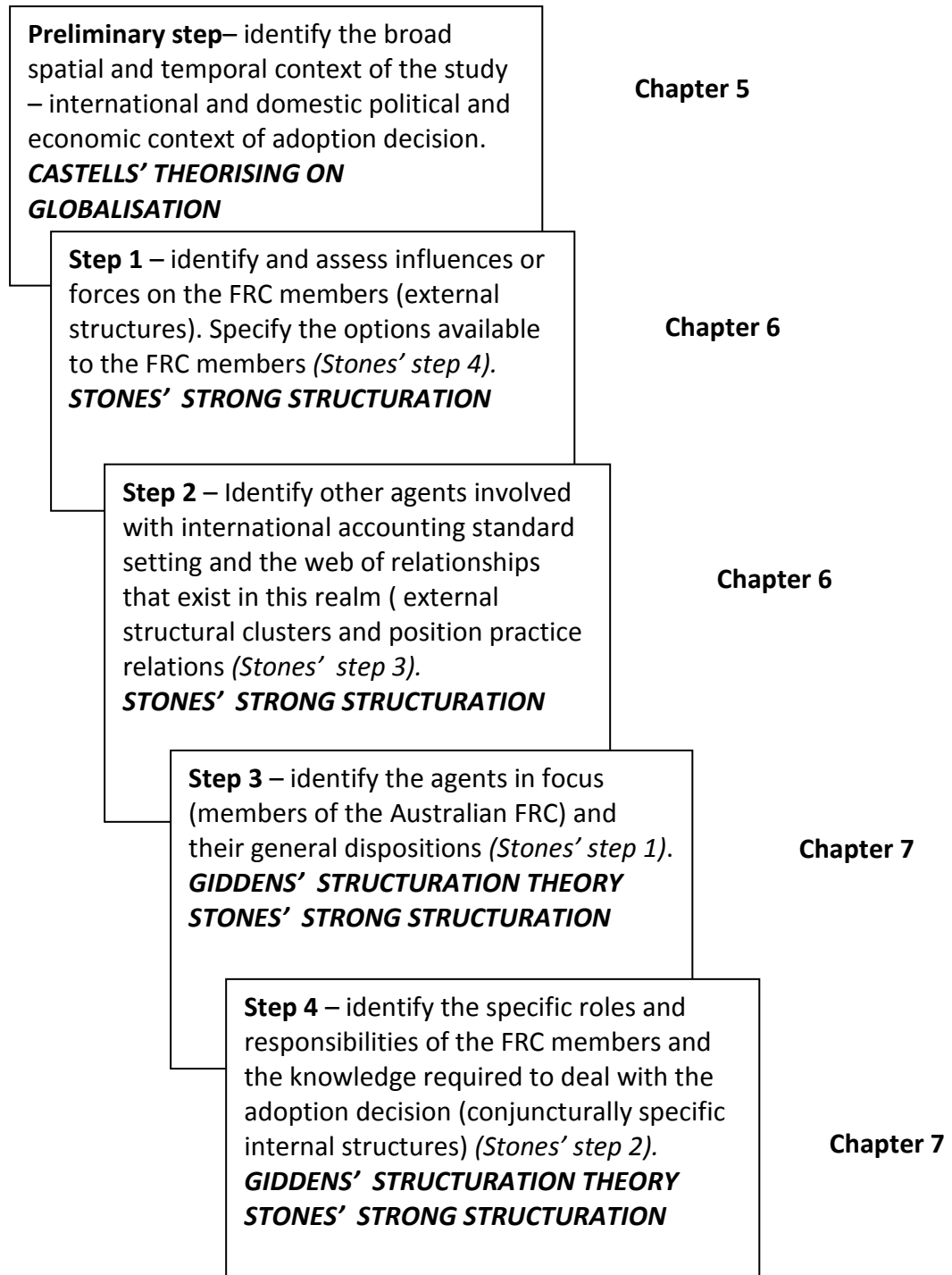


Figure 14 Methodological approach

The staged approach adopted in this thesis has not only provided the links between broad historical/spatial factors and the paths that people take, but has also shown the complex interrelationships between the distant and the local. It has drawn attention to the multiple social and institutional relations that the FRC members were party to. The breadth and depth of the study has been accommodated by the methodological bracketing as advocated by Stones, as it has facilitated a “regulative and selective” (Stones, 2005, p121) analysis of the duality of structure and agency in the (re)constitution of the system of financial reporting. However, it is acknowledged that this bracketing is for pragmatic purposes only; actors are subject to a complexity of structures as they move through their daily lives, and structures are constantly being reconstituted by actors.

9.6 Contributions to theory

The primary theoretical construct used in this thesis is structuration theory as advocated by Giddens and supplemented by Stones’ (2005) version of strong structuration. Further theoretical guidance is provided by Castells’ (1996, 1997, 1998) theorising on globalisation. As indicated in Chapter 4, Giddens’ theory provides numerous concepts that may be used in the examination of the reproduction or transformation of any social system, however many of these concepts are at the abstract level and cannot easily be applied to situated social practices. Stones’ (2005) version draws on the main concepts of Giddens’ theory but extends the model to include the four elements of structuration, namely; external structures (providing a link between the extremes of voluntarism and determinism which is not adequately dealt with by Giddens); internal structures

(including general dispositional and conjuncturally specific internal structures), active agency and outcomes of action (including unintended consequences).

The nature of structuration studies “means that they are naturally located at the meso and micro-levels” (Stones, 2005, p119), suggesting that they do not easily extend beyond intermediate temporal and spatial contexts. However, much of what happened in the context of Australian standard-setting and financial reporting was subject to broad historical contingencies. As such, it was necessary to draw on Castells’ (1996, 1997, 1998) theorising on globalisation to acknowledge the influence of globalisation on the adoption decision. This combination of theories has provided a much stronger and more expansive framework in which to gain insights into the adoption decision and the outcomes of that decision.

9.7 Contributions to practice

The thesis has highlighted the circumstances and consequences of the adoption decision in the Australian standard-setting context. It drew attention to the lack of due process by the FRC in making the adoption decision and the lack of input from stakeholders in the proceedings of the FRC. The FRC has since acknowledged this shortcoming to a limited extent by including a regular agenda item in its meetings to discuss recent stakeholder engagement (eg FRC, 26/11/08, AI 2 and FRC, 1/12/09, AI 2). However, if the Federal Treasurer is to meet the requirement of ‘broad representation’ as advocated in the initial proposal document regarding the establishment of the FRC (Commonwealth of Australia, 1997), it is suggested that the membership of the FRC be extended well beyond the existing group of accounting professionals.

The thesis emphasised how the members of the FRC (and most of the agents-in-context) took-for-granted a neoliberalist ideology; the neoliberal discourse pervaded FRC dialogue and pronouncements (refer section 5.2.2 and Chapter 6). This is consistent with the work of critical theorists, who “seek to show how a ‘specific way of seeing’, that was neither natural nor necessary, became institutionalised and made to seem ‘natural’” (Merino, 1998, p604). Given the current situation in the wake of continuing financial and corporate crises, the time might be right for standard setters and practitioners to consider an alternative discourse to inform the objective of financial reporting, its scope, its stakeholders and its characteristics.

In addition, the thesis highlighted the influence on the IASB from powerful interest groups, particularly since the release of the stable platform in 2004. Potential adopters of IFRS will need to give careful consideration to relinquishing control of their standard-setting to an international body, with the consequent loss of opportunity to develop standards amenable to their domestic environment and voice in the process of promulgating IFRS. The Europeans appear to have reached this point; while eagerly delegating standard setting in 2002 to the IASB, a private transnational body, they are now attempting to claw back some of their sovereignty in the area (Perry and Nolke; 2006; Chiapello and Medjad, 2009). Acknowledgement of the political influences of standard-setting is particularly relevant in the context of US waivering on IFRS adoption, and the potential for the IASB in its quest for global acceptance, to yield to US demands.

The unintended consequences of the adoption decision for Australian constituents and its regulatory framework were discussed in Chapter 8. This information may be relevant

to those other countries/jurisdictions that are considering the convergence or adoption pathway. It is suggested that potential adopters need to seriously weigh the costs of transitioning to IFRS against the supposed benefits – these costs extend beyond the mere financial, while benefits accrue primarily to those entities operating on a global basis. Furthermore IFRS, in their current iteration, are not appropriate for not-for-profit or public sector entities, so consideration needs to be given to the scope of application in a particular country or domain.

9.8 Limitations of the study

9.8.1 Limitations of theory and methodology

Section 4.2.8 outlined the limitations of Giddens' structuration theory, and the more salient of these are referred to in the following.

Despite his claim that structuration theory “can be of service to empirical research” (1984, p284-287), Giddens focuses extensively on ontology at the expense of epistemological and methodological concerns. Much of his work is devoted to developing concepts and ensuring their logical consistency within the structuration framework. His central concept of the duality of structure is underpinned by conceptualisations of the knowledgeable agent, drawing on discursive or practical knowledge in actions and interactions, and in doing so reconstituting social practices and systems. He argues that this agency is at once facilitated and constrained by the agent's context, and also influenced by unconscious desires and unacknowledged conditions of action. In relating his work to empirical research, he draws on existing studies and searches for concepts that he wants to illustrate; that is, his empirical work

is concept-led rather than question-led (Stones, 2005, pp38-39). Giddens suggests his concepts are to be used as sensitizing devices for empirical research, and he provides rather general methodological guidelines for this; however, his work provides poor definition with respect to ‘what it is we want to know’, and how one is to use these ‘sensitizing devices’.

This limitation is to some extent overcome in Stones’ model of strong structuration, with an emphasis on ontology-in-situ rather than ontology-in-general, and attention to empirically situated agents and practices with “particular qualities, relations, shapes, tones, texture, colour and so on” (Stones, 2005, p76). Stones provides detailed guidance in respect of methodology, in the form of methodological bracketing (that is, bracketing of selected dimensions of the subject matter to allow more focus) and a composite of research steps (refer to section 3.5.3). However, although Stones (2005, p189) claims “systematic attention to epistemology...with the foregrounding of the nature of the question or problem-at-hand”, he too falls short on epistemological clarity. He suggests that structuration theory has a strong motivation to:

...make respect for the intrinsic value of human agents count for something in the way that social theory is done...[This respect] encourages a desire to understand both the common humanity and cultural differences within others. It encourages a reflexive questioning of simple stereotypes and typifications, and an investigative commitment to reveal and to communicate the texture of cultural complexity. The hermeneutic revelation of this complexity is never, for structuration theory, the final word. Respect for the lived phenomenology and experience of an in-situ actor does not mean that her beliefs, opinions and judgements are epistemologically or morally incorrigible, beyond question. On the contrary, [they] will always be open to critique...(Stones, 2005, p191-2).

However, this does little to order the “incoherence and diversity regarding the ‘knowledge claims’ of critical studies in accounting” (Lodh and Gaffikin, 1995, p436). While this study has furthered the ‘understanding’ of financial reporting practice in its social, historical and political contexts, it has not provided heightened definition with respect to knowledge claims. The possibility for transformation, or ‘reparative practical intervention in the world’, rests with the double hermeneutic, in which the understanding of the researcher seeps into the everyday understandings of lay persons.

Another critique of Giddens’ structuration theory is that with its emphasis on the agents’ hermeneutic frame and the ability of the agent ‘to do otherwise’, it is overly voluntaristic in nature. Although Giddens incorporates structure in his duality of structure, his conception of structure is, to a large extent, internal to the agent; that is, the rules and resources drawn on by the agent in his/her actions and interactions. In acknowledgement of the foregoing critique of his work, Giddens introduces three types of constraints (material, negative sanction and structural) which he suggests stem from the objective existence of structural properties that an agent is unable to change (1984, p176). This acknowledges, to some extent, the pre-existence of structural constraints with respect to the actions of agents. However, Giddens does not comprehensively develop this aspect, leaving a tension between structures as “memory traces instantiated...in action” (Giddens, 1984, p377), and as “material levers of all transformations of empirical contents” (Giddens, 1979, p104). Stones’ attempts to overcome this with his conceptualisation of external structures, theorising that although a knowledgeable agent has the capacity ‘to do’, this capacity is limited by the context within which he/she is situated.

It is claimed that Giddens does not make the boundaries between structure and agency clear (eg Archer, 1995). According to Giddens, structures are rules and resources that exist only as memory traces; “one cannot tell where structures begin and agents end, and *vice versa*” (Archer, 1995 as cited in Stones, 2005, p52). Further, “because structure is inseparable from agency, then *there is no sense in which it can be either emergent or autonomous or pre-existent or causally influential...*” (Archer 1995, as cited in Stones, 2005, p54) (*italics in original*). While acknowledging the lack of development of Giddens’ theorising in this aspect of this theory, Stones does not disregard it. Rather, in his model of strong structuration he makes explicit the distinctions between external structures and agents, and between internal structures and action. Further, these distinctions are for the sake of “analytical clarity” (Stones, 2005, p55); in any real world situation, there are a multitude of processes of structuration, competing structures, agents, actions and interactions. Accordingly, this thesis has separated structures and agency for the purposes of analysis but acknowledges that they are part of an ongoing recursive process of structuration.

9.8.2 Limitations of methodology and method

As outlined in section 9.5, this thesis followed the methodological guidelines as offered by Stones (2005). The analysis extended from a consideration of the context of globalisation (preliminary step), to the action horizon of the FRC (steps 1 and 2) and finally to the actions of the FRC members (steps 3 and 4). The analysis was spatially and temporally broad, but at the same time gave attention to the intentions, knowledge, values and dispositions of the FRC members (with reservations as mentioned in sections 1.6 and 4.2.2). Given this breadth, it was impossible to incorporate every aspect, and such detail may have detracted from the overall account. Therefore, only the general

tendencies of globalisation were considered, and, while this approach served its purpose, it is important not to view these tendencies as inevitable and immutable (Stones, 2005). The broad setting of the thesis implies innumerable and competing structures and agents, engaged in multiple processes of structuration contingent on the relevant contexts of action, however only one process was examined (that relating to the transformation of the system of financial reporting). Further, given the constraints of the study and the desire to incorporate broad considerations, only selected structures of signification, legitimation and domination were discussed.

While this thesis addressed issues of agency and structure in the structuration process of financial reporting, it privileged the structural conditions of globalisation and supranational governance. As such, although the role of agency in the structuration process is acknowledged, a close hermeneutic study (ie. agents' conduct analysis) of the FRC members was not undertaken. It is acknowledged that interviews with previous FRC members, government officials or influential members of the business community may have shed light on the various elements of agency, but given the length of time between the adoption decision and the current research, along with constraints on the researcher, this was not done. Rather, theorist's conduct analysis was used to make suppositions from afar, whereby the researcher interpreted available materials to speculate about the frames of meaning, norms and resources drawn on by the FRC members in the course of their professional work. Stones (2005, p144) suggests that in some instances a close hermeneutic analysis may not be possible and may even be unnecessary if the focus of the research is on broader situational tendencies. Giddens (1984, p328) also notes that it is indeed reasonable for the researcher to make presumptions about hermeneutic moments where the researcher and the subject of the

study (ie. the FRC members) share a common cultural *milieu*, which is the case in this study. The researcher acknowledges the tenuous nature of this approach, given the impossibility of knowing exactly what these frames of meaning, norms and resources were, and the extent that they were drawn on and contributed to the structuration process. Also problematic is the attribution of agency to a group, even though as Giddens (1993, p5) notes “action is not simply a quality of the individual, but is, equally, the stuff of social organization or collective life”, and further that such agency “may be quite persuasive, such as that of a small number of individuals meeting together to enact decisions which have extensive consequences (Giddens, 1993, p7). This problem extends to the discussion of unintended consequences, which according to both Giddens and Stones are to be analysed within the flow of ‘intentional’ conduct. The impossibility of reducing the intentions of many individuals (ie. the FRC members) to the intentions of the group (ie. the FRC) is apparent. Furthermore, the nature of the study did not extend to identification of the various coalitions that may have existed within the FRC, nor the influence of one or more persuasive members such as the Chairman over the direction taken by the FRC.

The study is retrospective and historical, drawing on publicly available data, including minutes of meetings, parliamentary transcripts, web-based information and, where necessary, secondary material such as histories of standard-setting. The researcher examined the adoption decision after the event and outside the process so necessarily relied on the recollections and records of others. All of these sources have limitations. Any narrated history is only ever one interpretation. The FRC minutes are mediated text, written by the secretariat on behalf of the members of the FRC, and presented to the public via the FRC website. They are not actual transcripts of meetings, but rather

carefully scripted summaries of proceedings and decisions, or in other words highly sanitised organisational discourse offered for public consumption; the nuances, debate, dissent, manipulations and exact dialogue are not revealed. Four or five hour meetings are typically condensed into relatively brief bulletins, with much of the discussion not captured (Macek in Commonwealth of Australia, 2004a, p CFS30). Thus, while the researcher relied on these minutes, the limitation of this is acknowledged. Furthermore, as the FRC does not release information on agenda setting, it was impossible to determine the ‘what, why, when and how’ of issues that are (or are not) officially considered at meetings. In some instances, particularly in the case of the history of the IASC where access to original records was not possible, reliance was placed on secondary data.

While parliamentary transcripts provided some valuable insight to the standard-setting process, the exchanges were always in the context of debate and political manoeuvrings along party lines. Web-based information, such as that provided on the IASB and FASB websites, is also sanitised and biased, released at the discretion of the respective organisations and at the whims of voluntary self-disclosure. Thus, while it was necessary to rely on much of this data and information, acknowledgement is also made of the limitations.

9.9 Possibilities for future research

The narrative in this thesis is broad, encompassing multiple agents, events, structures, circumstances and consequences, however future research could focus on one or more of these elements to provide a richer understanding of each. The analysis of agency was

from afar, however future research could involve interviews with previous FRC members to gain an insight into their specific knowledge, general dispositions and motivations, or into the agenda setting process. The analysis of structures extended to both internal and external, with the latter being that of international accounting governance and domestic corporate law. It was noted that even though these external structures were within the action frame of the FRC, examination of their respective processes of structuration was beyond the scope of this thesis. However future research could examine these processes. An alternative direction for research could be an analysis of the unfolding consequences of the adoption decision and how they enter into new processes of structuration. Future research could focus on the composition of the FRC or the processes involved in nomination and selection of members.

As mentioned, the thesis relied on publicly available information acquired after events and outside the process. Although the opportunity for participant observation of the adoption decision has passed, such a method could be utilised for ongoing FRC meetings to gain an insight into the standard-setting process, stakeholder consultation or the treatment of emerging consequences of the adoption decision. Participant observation might also facilitate communication with stakeholders, with the purpose of gaining other perspectives on the actions of the FRC, or to gain an insight into real-time processes. Access to verbatim transcripts of meetings would enhance this sort of scholarship.

9.10 Concluding comments

Consistent with any critical or interpretive research, an account such as that given in this thesis can only ever be partial. This thesis has been shaped by the views of the researcher and the methodology employed. Furthermore, the researcher has been involved in a constant process of interpretation of global phenomena, social contexts, frames of meanings, intentions, actions and interactions. Decisions were made about what was to be communicated and what was to be ignored. As noted by Gaffikin (1998, p633) “it is not possible to separate the past from our perceptions of it. It is through our interpretation that we make the past coherent”. Nevertheless, the story has broken free “from traditional lines of inquiry” (Giddens cited in Held and Thompson, 1989, p293) and is now able to be “fed back into social life itself” (Giddens, 1984, p27), providing the stimulus for change.

But such “feeding back into social life” is itself a broad and ill-defined term. This story of accounting regulation may “feedback” in diverse ways. One way to understand this is through attention to the conventional rationales for financial regulation and disclosure, rationales having to do with the informational demands imposed by global capitalism. Here, for example, we can speak of what may or may not happen to, say, Australian markets and Australian investors in terms of the goal of securing private wealth through trading in securities. Or, we might speak of the shifting sands of competition among elites themselves – regulatory bodies, collisions between national law and global accounting standards, or the effects on national accounting firms and organisations as their ability to compete with multinational firms and organisations is

diminished. These are all interesting areas where questions of unintended (and as-yet-unknown) consequences will surface.

A discussion of the processes of international accounting standards, and the unintended consequences of these, may be held within the traditional neoliberal rhetoric; that is, as a lubricant for the global capital markets through the provision of uniform financial information. However, a much more powerful and meaningful interpretation of the transformative forces of the global capital markets can be presented. International accounting standards and how they will mediate human life in a postmodern world are metonymic reminders of some of the frightening prospects for the world that we live in. As discussed in this thesis, particularly with attention to Castell's work, global capital and the pleopenitentiary consequences of its power for those outside of the processes of accumulation and consumption are unknown, frightening, and brutally material as they loom large for the future. The imposition of international accounting standards on developing and impoverished nations is an abhorrence; what justification is there for the drain on public resources to ensure compliance with regulatory processes when they don't have sufficient resources to feed themselves, to clean their water, to build schools, hospitals, roads and so on? What do the international structures of accounting regulation mean for those countries where capital is provided through low-cost processes in relatively small amounts (for example micro-lending, the black peso system, or any number of other systems grounded in no transactions costs and trust)? What grounds are there to waste their public funds on completely irrelevant "compliance" with the desires of Western elites (see Stiglitz, 2002)? In a rather modest way, this thesis has sought to provide a glimpse of how the structures and agency of internationalisation may help us tease out some insights into what are now largely

unknown outcomes, certain to yield numerous unintended consequences. Most disturbingly, the consequences of those consequences remain, somewhat scarily, unknown.

Reference list

AASB (2002) *Policy Statement 4: International Convergence and Harmonisation Policy*, Australian Accounting Standards Board.

AASB, (2009) *AASB seeks to enhance accountability of not-for-profit organisations*, AASB Media release, accessed 31/3/10, <http://aasb.gov.au/News/Media-releases.aspx?newsID=22883>

AASB (2010a) *AASB Consultation Paper: Differential Financial Reporting - Reducing Disclosure Requirements*, accessed 4/11/10, http://www.aasb.gov.au/admin/file/content105/c9/AASB_Consultation_Paper.pdf

AASB (2010b) *Disclosures by private sector not-for-profit entities*, accessed 31/3/10, <http://www.aasb.gov.au/Work-In-Progress/Projects/Disclosures-by-Private-Sector-NFP-Entities-Project.aspx>

AASB (2010c) *ED192 – AASB Exposure Draft: Revised Differential Reporting Framework*, Australian Accounting Standards Board.

AASB (2010d) *On the international front...Regional role*, accessed 7/4/10, <http://aasb.cmail1.com/T/ViewEmail/r/41AFED0ABF54A17B#BC7542330FC061F3>

AASB, CASB, NZFRSB and UKASB (2008b) *A report on the application to not-for-profit entities in the private and public sector of the IASB/FASB Conceptual Framework Project's Exposure Draft of an Improved Conceptual Framework for Financial Reporting: Chapter 1: The objective of financial reporting, Chapter 2: Qualitative characteristics and constraints of decision-useful financial reporting information, and Discussion Paper: Preliminary views on an improved conceptual framework for financial reporting: the reporting entity*, accessed 24/3/11, <http://www.aasb.com.au/admin/file/content102/c3/NSS-4%20Comment%20Document%20on%20Phase%20A%20ED%20and%20Phase%20D%20DP%20-%20FINAL.pdf>

Abernethy, M. (2002). 'McGregor sets the standard', *CFO*, August, pp. 37-38.

Ahrens, T. and Chapman, C. (2002) 'The structuration of legitimate performance measures and management: day to day contests of accountability in a UK restaurant chain', *Management Accounting Research*, vol. 13, pp. 151-171.

AICD (2009) *Australian Institute of Company Directors - Membership Base*, accessed 17/4/10, <http://companydirectors.com.au/About/Overview/default.htm>

Alexander, D. and Jernakowicz, E. (2006) 'A true and fair view of the principles/rules debate', *ABACUS*, vol. 42, no. 2, pp. 132-164.

Alfredson, K., Leo, K., Picker, R., Pacter, P. and Radford, J. (2005) *Applying international accounting standards*, John Wiley and Sons Australia, Milton.

Andrew, J., Kaidonis, M. and Andrew, B. (2010) 'Carbon tax: Challenging neoliberal solutions to climate change', *Critical Perspectives on Accounting*, vol. 21, no. 7, pp. 611-618.

Anonymous (2003). 'Italy's Parmalat collapse felt in US - \$1.6 billion says Moody's', *Insurance Journal*, December 24, accessed 26/4/09, <http://www.insurancejournal.com/news/international/2003/12/24/35266.htm>

Anonymous (2007) *Judge acquits swissair chiefs in airline collapse*, transcript, accessed 26/4/09, <http://www.cnn.com/id/19085927>

AOSSG, (2009) *Communique: Preparatory meeting of the Asian-Oceanic Standard Setters Group*, accessed 31/3/10, https://www.asb.or.jp/asb/asb_e/press_release/overseas/pressrelease_20090420_e.pdf

Archer, M. (1982) 'Morphogenesis versus structuration', *British Journal of Sociology*, vol. 33, pp. 455-483.

Archer, M. (1995) *Realist social theory: The Morphogenetic approach*, Cambridge University Press, Cambridge.

Archer, M. (1996) 'Social integration and system integration: Developing the distinction', *Sociology*, vol. 30, no. 4, pp. 679-99.

Arnold, P.A. and Sikka, P. (2001) 'Globalization and the state-profession relationship: the case of the Bank of Credit and Commerce International', *Accounting, Organizations and Society*, vol.26, no.6, pp475-499.

Australian Labor Party (2010) *Our foundations*, accessed 25/11/10, <http://www.alp.org.au/australian-labor/our-foundations/>

ASIC (2011) *Australian Securities and Investment Commission - What we do*, accessed 16/10/11, <http://www.asic.gov.au/asic/asic.nsf/byheadline/Our+role?openDocument>

ASX (2009) *ASX history of the market*, accessed 29/5/09, <http://www.asx.com.au/about/asx/index.htm>

ASX (2011) *ASX Group - History*, accessed 24/10/11, <http://www.asxgroup.com.au/history.htm>

Australian Stock Exchange (2006) *ASX report to shareholders 2005/2006*, accessed 29/5/09, http://www.asxgroup.com.au/media/PDFs/asx_annual_report_2006.pdf

Baker, C.R. and Hayes, R. (2004) 'Reflecting substance over form: the case of Enron Corp.', *Critical Perspectives on Accounting*, vol. 15, no.6-7, pp.767-785.

Barth, M., Landsman, W. and Lang, M. (2007) 'International accounting standards and accounting quality', *Journal of Accounting Research*, vol. 2007, no. 46, p. 3.

- Barton, A. (2005) 'Professional accounting standards and the public sector – A mismatch', *ABACUS*, vol. 41, no. 2, pp. 138-158.
- Bauman, Z. (1989) 'Hermeneutics and modern social theory', in Held, D. and Thompson, J. (Eds.) *Social theory of modern societies: Anthony Giddens and his critics*, Cambridge University Press, Cambridge, pp. 34-55.
- Beder, S. (2009) 'Neo liberalism and the global financial crisis', *Social Alternatives*, vol. 28, no. 1, pp. 17-21.
- Beeson, M. and Capling, A. (2002) 'Australia in the world economy' in Bell, S. (Ed.) *Economic governance and institutional dynamics*, Oxford University Press, Melbourne, pp. 285-303.
- Bell, S. (1997) 'Globalisation, neoliberalism and the transformation of the Australian state', *Australian Journal of Political Science*, vol. 32, no. 1, pp. 345-367.
- Bell, S. (2002) 'Economic governance and institutional dynamics' in Bell, S. (Ed.) *Economic governance and institutional dynamics*, Oxford University Press, Melbourne, pp. 1-33.
- Bettelheim, B. (1960) *The informed heart*, Free Press, Glencoe.
- Bhimani, A. (2008) 'The role of crisis in reshaping the role of accounting', *Journal of Accounting and Public Policy*, vol. 27, no. 6, pp. 444-454.
- Bourdieu, P. (1977) *Outline of a theory of practice*, Cambridge University Press, Cambridge.
- Boyce, G. (2008) 'The social relevance of ethics education in a global(ising) era: From individual dilemmas to systemic crisis', *Critical Perspectives on Accounting*, vol. 19, pp. 255-290.
- Brook, B. (1997) 'Submission to CLERP proposals: Review of standard-setting', 16 October.
- Brown, A. (2006) 'The financial milieu of the IASB and AASB', *Australian Accounting Review*, vol. 16, no. 1, pp. 85-95.
- Brown, P. and Tarca, A. (2001) 'Politics, processes and the future of Australian accounting standards', *ABACUS*, vol. 37, no. 3, pp. 267-296.
- Bryant, C. G. A. and Jary, D. (Eds.) (1991) *Giddens' theory of structuration: A critical appreciation*, Routledge, London and New York.
- Bryant, C. G. A. and Jary, D. (Eds.) (2001) *The contemporary Giddens: social theory in a globalizing age*, Palgrave, Houndmills, Basingstoke, Hampshire, New York.
- Buffini, F. (2003) 'Accounting chief slams standards', *The Australian Financial Review*, 5 August, pp. 1 and 6.

Buhr, N. (2002) 'A structuration view of the initiation of environmental reports', *Critical Perspectives on Accounting*, vol. 13, no. 1, pp. 17-38.

Byrne, B. (1997) 'ASCs response to the CLERP position paper', 17 October.

Camfferman, K. and Zeff, S. (2007) *Financial reporting and global markets: A History of the International Accounting Standards Committee, 1973-2000*, Oxford University Press, Oxford.

Campbell, I. (2002a) \$2 Million boost for adoption of international accounting standards, Media Release, 12/6/02, No. 28, accessed 21/2/10, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2002/028.htm&pageID=003&min=igc&Year=2002&DocType=0>

Campbell, I., (2002b) *Senator Campbell welcomes international accounting board chairman*, Media Release 7/8/02, No. 38, accessed 21/2/10, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2002/038.htm&pageID=003&min=igc&Year=2002&DocType=0>

Caramanis, C. V. (2002) 'The interplay between professional groups, the state and supranational agents: Pax Americana in the age of 'globalisation'', *Accounting Organizations and Society*, vol. 27, pp. 379-408.

Castells, M. (1996) *The rise of the network society*, Blackwell Publishers Inc, Oxford.

Castells, M. (1997) *The power of identity*, Blackwell Publishers Inc, Massachusetts, Oxford.

Castells, M. (1998) *End of millenium*, Blackwell Publishers Inc, Oxford.

Castles, S. (2000) 'Development, social transformation and globalisation', in *proceedings of the Centre for Asia Pacific Social Transformation Studies workshop*, University of Wollongong, Australia, 23-25 June 1999, accessed 21/6/07, <http://www.theglobalsite.ac.uk/press/012castles.htm>

Challen, D. and Jeffrey, C. (2003) 'Harmonisation of government finance statistics and generally accepted accounting principles', *Australian Accounting Review*, vol.13, no.2, pp 48-53.

Chand, P. and Cummings, L. (2008) 'The political and unstable nature of the IASB's 'stable platform': Post-convergence Australian experience', *Australian Accounting Review*, vol. 18, no. 3, pp. 175-184.

Chew, A. (1993) 'A structurational analysis of managment accounting practice in its organisational contexts: a social science perspective', PhD Thesis, Commerce, University of New South Wales.

Chiapello, E. and Medjad, K. (2009) 'An unprecedented privatisation of mandatory standard-setting: The case of European accounting policy', *Critical Perspectives on Accounting*, vol. 20, pp. 448-468.

Chua, W. F. (1986) 'Radical developments in accounting thought', *The Accounting Review*, vol. LXI, no. 4, pp. 601-632.

Chua, W. F. and Taylor, S. L. (2008) 'The rise and rise of IFRS: An examination of IFRS diffusion', *Journal of Accounting and Public Policy*, vol. 27, pp. 462-473.

Clarke, F. L., Dean G. W., and Oliver, K. G. (2003) *Corporate collapse: Regulatory, accounting and ethical failure*, Revised Edition, Cambridge University Press, Melbourne.

Clarke, F. and Dean, G. (2007) *Indecent Disclosure: Guiding the Corporate Lily*, Cambridge University Press, Cambridge.

Coad, A. F. and Herbert, I. P. (2009) 'Back to the future: New potential for structuration theory in management accounting research?', *Management Accounting Research*, vol. 20, pp. 177-192.

Cohen, I. J. (1989) *Structuration theory: Anthony Giddens and the constitution of social life*, MacMillan, London.

Collett, P. (1995) 'Standard-setting and economic consequences: An ethical issue', *ABACUS*, vol. 31, no. 1, pp. 18-30.

Collett, P., Godfrey, J. M. and Hrasky, S. (1998) 'Standard-setting in Australia: Implications of recent radical reform proposals', *Australian Accounting Review*, vol. 8, pp. 9-17.

Collett, P., Godfrey, J. M. and Hrasky, S. (2001) 'International harmonization: Cautions from the Australian experience', *Accounting Horizons*, vol. 15, no. 2, pp. 171-182.

Commonwealth of Australia, Attorney's-General Department (1993) *Corporations Law Simplification Program: Task Force Plan of Action*, accessed 4/4/10, http://www.takeovers.gov.au/content/Resources/corporations_law_simplification_program/downloads/Plan_of_Action_Stage_1.pdf

Commonwealth of Australia (1997) *Accounting Standards: Building International opportunities for Australian business, Corporate Law Economic Reform Program, Proposals for Reform: Paper no. 1*, accessed 28/5/09, <http://archive.treasury.gov.au/contentitem.asp?NavId=013&ContentID=281>

Commonwealth of Australia (1998) *Business Law and Regulation: Corporate Law Economic Reform Program (CLERP) Background Material*, accessed 4/4/10, http://archive.treasury.gov.au/content/business_law.asp?ContentID=321&titl=Business%20Law%20%26%20Regulation

Commonwealth of Australia (1998a) *CLERP: Policy Framework*, accessed 5/10/10, <http://archive.treasury.gov.au/documents/267/HTML/docshell.asp?URL=index.asp>

Commonwealth of Australia (1998b) *CLERP: Policy Reforms*, accessed 5/10/10, <http://archive.treasury.gov.au/documents/264/PDF/clerp.pdf>

Commonwealth of Australia (1998c) *Accounting standards: Building opportunities for Australian Business, Paper No. 1, Background*, accessed 28/5/09,
<http://archive.treasury.gov.au/documents/281/HTML/docshell.asp?URL=default.asp>

Commonwealth of Australia, Joint Committee on Corporations and Securities (1998d) *Official Committee Hansard, Monday 13th July*, accessed 20/2/06,
http://www.aph.gov.au/hansard/joint/commtee/J-ST-C-S_NonCurrent.htm

Commonwealth of Australia, Senate (1999) *Parliamentary Debates, Corporate Law Economic Reform Program Bill, 1998, In Committee Speech, Monday, 18 October, Third Reading*, accessed 26/3/10,
http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansards/1999-10-18/0162/hansard_frag.pdf;fileType=application%2Fpdf

Commonwealth of Australia, Senate (2001) *Official Committee Hansard, Economics Legislation Committee, Consideration of Budget Estimates, Thursday 7 June, 4909/0001*, pp E459-614, accessed 26/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/4909/toc_pdf/1327-2.pdf;fileType=application%2Fpdf#search=%222000s%202001%2006%2007%22

Commonwealth of Australia (2002a) *CLERP Paper No. 9: Proposals for reform - Corporate Disclosure : Strengthening the financial reporting framework*., accessed 5/10/10, <http://treasury.gov.au/documents/403/HTML/docshell.asp?URL=Ch6.asp>

Commonwealth of Australia (2002b) *The Treasury Annual Report 2001-2001*, accessed 6/2/02,
http://archive.treasury.gov.au/documents/462/PDF/Treasury_Annual_Report_2001-02_fullversion.pdf

Commonwealth of Australia (2003a) *The Failure of HIH Insurance, Vol 1: A corporate collapse and its lessons*, accessed 15/2/05,
<http://www.hihroyalcom.gov.au/finalreport/Front%20Matter,%20critical%20assessment%20and%20summary.HTML>

Commonwealth of Australia, Senate (2003b) *Official Committee Hansard, Finance and Public Administration Legislation Committee, Consideration of Additional Estimates, Monday 10 February*, 6141/0001, pp F&PA1-157, accessed 26/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/6141/toc_pdf/2201-4.pdf;fileType=application/pdf#search=%222000s%202003%2002%2010%22

Commonwealth of Australia, Senate (2003c) *Official Committee Hansard, Economics Legislation Committee, Consideration of Additional Estimates, Thursday 13 February*, 6150/0003, pp E161- 194, accessed 26/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/6150/toc_pdf/2218-2.pdf;fileType=application%2Fpdf#search=%222000s%202003%2002%2013%22

Commonwealth of Australia, Senate (2003d) *Official Committee Hansard, Economics Legislation Committee, Consideration of Additional Estimates, Wednesday, 12 February*, 6149/0013, pp E152-163, accessed 26/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/6149/toc_pdf/2211-3.pdf;fileType=application%2Fpdf#search=%222000s%202003%2002%2012%22

Commonwealth of Australia, Joint Committee on Corporations and Financial Services (2004a) *Official Committee Hansard, Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003, Thursday 29 April*, 7579/0000, pp CFS1-92, accessed 25/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/commjnt/7579/toc_pdf/3345-2.pdf;fileType=application/pdf#search=%22committees%202000s%202004%2004%2029%22

Commonwealth of Australia, Joint Committee on Corporations and Financial Services (2004b) *Official Committee Hansard, Corporate Law Economic Reform Program, (Audit Reform and Corporate Disclosure) Bill 2003, Wednesday, 14 April*, 7506/0000, pp CFS1-91, accessed 25/3/10,
http://parlinfo.aph.gov.au/parlInfo/download/committees/commjnt/7506/toc_pdf/3324-2.pdf;fileType=application%2Fpdf#search=%222000s%202004%2004%2014%20mr%20alfredson%22

Commonwealth of Australia, Productivity Commission (2004c) 'Regulation and its review 2003-2004', accessed 25/11/10, <http://www.pc.gov.au/annual-reports/regulation-and-its-review/regulationreview0304>

Commonwealth of Australia, Parliamentary Joint Committee on Corporations and Financial Services (2005), *Report on Australian Accounting Standards tabled in compliance with the Corporations Act 2001 on 30 August and 16 November 2004*. pp. 1-42, accessed 5/5/10,
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=corporations_ctte/completed_inquiries/2004-07/aas/report/index.htm

Commonwealth of Australia, Senate Economics Committee (2008) *Inquiry into the disclosure regimes for charities and not-for-profit organisations*, accessed 21/2/10,
http://www.aph.gov.au/Senate/committee/economics_ctte/charities_08/index.htm

Commonwealth of Australia (2010) *Historical information on the Australian Parliament – Prime Ministers*, accessed 25/10/10,
<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=HANDBOOK;id=handbook%2Fnewhandbook%2F2008-12-19%2F0088;query=Id%3A%22handbook%2Fnewhandbook%2F2008-12-19%2F0071%22>

Conley, T. (2004) 'Globalisation and the politics of persuasion and coercion', *Australian Journal of Social Issues*, vol. 39, no. 2, pp. 183-201.

Conrad, L. (2005) 'A structuration analysis of accounting systems and systems of accountability in the privatized gas industry', *Critical Perspectives on Accounting*, vol. 16, no. 1-26.

- Cooper, K. A. and Deo, H. N. (2005) 'Recurring cycle of Australian corporate reforms: a never ending story', *Journal of the American Academy of Business*, vol.17, no.2, pp 156-164.
- Cooper, C. and Puxty, A. (1996) 'On the proliferation of accounting (his)stories', *Critical Perspectives on Accounting*, vol. 7, pp. 285-313.
- Cooper, D. and Robson, K. (2006) 'Accounting professions and regulation: Locating the sites of professionalization', *Accounting Organizations and Society*, vol. 31, no. 4-5, pp. 415-44.
- Cooper, D. J. and Sherer, M. J. (1984) 'The value of corporate accounting reports: arguments for a political economy of accounting', *Accounting, Organizations and Society*, vol. 9, no. 3/4, pp. 207-232.
- Cortese, C., Irvine, H. and Kaidonis, M. (2010) 'Powerful players: How constituents captured the setting of IFRS6, an accounting standard for the extractive industries', *Accounting Forum*, vol. 34, pp. 76-88.
- Cortese, D. and Ward, R. (1997) 'Submission to the CLERP proposals for reform: Paper No. 1: Accounting Standards', 22 October.
- Costello, P., (1998) *Corporate Law Economic Reform Program - Draft Legislation Released for Public Comment*, Media Release 9/8/98, No 35, accessed 26/5/09, <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/1998/035.htm&pageID=003&min=phc&Year=1998&DocType=0>
- Costello, P. (1999), *Appointments to the Financial Reporting Council and the Australian Accounting Standards Board*, Media release 20/9/99, No. 57, accessed 5/4/10, <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/1999/057.htm&pageID=003&min=phc&Year=1999&DocType=0>
- Costello, P., (2001a) *Appointments to the Financial Reporting Council*, Media Release No 71, accessed 22/2/10, <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2001/071.htm&pageID=003&min=phc&Year=2001&DocType=0>
- Costello, P. (2001b) 'The challenges and benefits of globalisation', *The Sydney Papers*, vol. Winter, pp. 200-208.
- Costello, P., (2003) *New Deputy Chairman of the Australian Securities and Investments Commission*, Media Release No 008, accessed 7/1/14, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2003/008.htm&pageID=003&min=phc&Year=2003&DocType=0>
- Costello, P., (2007) *Appointment of Mr Jeffrey Lucy as part-time chairman of the Financial Reporting Council*, Media Release No 105, accessed 7/1/14, <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2007/105.htm&pageID=003&min=phc&Year=&DocType=0>

Cox, C. (2007) 'Chairman's address' in *Proceedings of the SEC Roundtable on International Financial Reporting Standards*, Washington DC, 6/3/07, accessed 19/11/11, <http://www.sec.gov/news/speech/2007/spch030607cc.htm>

CPA Australia (2007) 'Submission letter to IASB on IFRIC 13 Draft Interpretation Real Estate Sales', 8 October, accessed 21/4/10, <http://www.cpaaustralia.com.au/cps/rde/xbcr/cpa-site/submission-on-IFRIC-draft-interpretation-D21-real-estate-sales.pdf>

CPA Australia (2009) 'Submission letter to IASB: Comments on IASB Exposure Draft Fair Value Measurement', 7 September, accessed 21/4/10, [http://www.cpaaustralia.com.au/cps/rde/xbcr/cpa-site/Submission on Fair Value dss 12 11 09.pdf](http://www.cpaaustralia.com.au/cps/rde/xbcr/cpa-site/Submission%20on%20Fair%20Value%20dss%2012%2011%2009.pdf)

CPA Australia (2012) 'Fact Sheet – AASB1049 Whole of Government and General Government Sector, Financial Reporting', accessed 21/5/12, <http://www.cpaaustralia.com.au/cps/rde/xbcr/cpa-site/AASB-1049-fact-sheet.pdf>

CPA Australia (2014) *About us*, accessed 3/1/14, <http://www.cpaaustralia.com.au/about-us>

Craig, R. J. and Clarke, F. L. (1993) 'Phases in Australian Accounting standards setting: Control, capture, co-existence and coercion', *Australian Journal of Corporate Law*, vol. 3, no. 1, pp. 50-66.

Dal Bo, E. (2006) 'Regulatory Capture: A review', *Oxford Review of Economic Policy*, vol. 22, no. 2, pp. 203-225.

Daske, H. (2006) 'Economic benefits of adopting IFRS or US GAAP: have the expected cost of equity capital really decreased?', *Journal of Business Finance and Accounting*, vol. 33, no. 3-4, pp. 329-373.

Daske, H., Hail, L., Leuz, C. and Verdi, R. (2008) 'Mandatory IFRS reporting around the world: Early evidence on the economic consequences', *Journal of Accounting Research*, vol. 46, no. 5, pp. 1085-1142.

Deegan, C. (1990) 'Audit firm lobbying on proposed disclosure requirements', *Australian Journal of Management*, vol. 15, no. 2, pp. 261-280.

Deegan, C. (2008) *Australian Financial Accounting*, McGraw Hill, Australia, North Ryde.

Deloitte (2011) *Global use of IFRS*, accessed 1/3/12, <http://www.iasplus.com/country/useias.htm>

Dewing, I. P. and Russell, P. O. (2004) 'Accounting, auditing and corporate governance of European listed countries: EU policy developments before and after Enron', *Journal of Common Market Studies*, vol. 42, no. 2, pp. 289-319.

Dillard, J. F. (1991) 'Accounting as a critical social science', *Accounting, Auditing and Accountability Journal*, vol. 4, no. 1, pp. 8-28.

Dodd, C. and Sheehan, V. (2004) 'On your mark, get set...', *Charter*, vol. 75, no. 1, pp. 66-67.

Dunlop, I. (1997) 'Response to CLERP Accounting Standards Proposals', 20 October, accessed 4/9/09, <http://www.companydirectors.com.au/Director-Resource-Centre/Policy-on-director-issues/Policy-Submissions/1997/Response-to-CLERP-Accounting-Standards-Proposals>

Durocher, S., Fortin, A. and Cote, L. (2007) 'Users' participation in the accounting standard-setting process: A theory building study', *Accounting Organizations and Society*, vol. 32, pp. 29-59.

Eccleston, R. and Carroll, P. (Eds.) (2008) *Regulating International Business*, Pearson Education Australia, Sydney.

EFRAG (2009a) *EFRAG Facts*, accessed 9/5/09, <http://www.efrag.org/content/default.asp?id=4103>

EFRAG (2009b) *Proactive Accounting Activities in Europe*, accessed 7/11/07, <http://www.efrag.org/content/default.asp?id=4109>

EFRAG (2009c) *Proactive Accounting Activities in Europe (or PAAinE) initiative*, accessed 9/5/09, <http://www.efrag.org/content/default.asp?id=4109>

EFRAG (2011) *EFRAG Planning and Resource Committee*, accessed 26/9/11, <http://www.efrag.org/Front/c1-305/Pro-active.aspx>

Elbannon, M. and McKinley, W. (2006) 'A theory of the corporate decision to resist FASB standards: an organization theory perspective', *Accounting, Organizations and Society*, vol. 31, no. 7, pp. 601-622.

Ellwood, S. and Newberry, S. (2007) 'Public sector accrual accounting: institutionalising neo-liberal principles?', *Accounting, Auditing and Accountability Journal*, vol. 20, no. 4, pp. 549-573.

Englund, H., Gerdin, J. and Burns, J. (2011) '25 Years of Giddens in accounting research: Achievements, limitations and the future', *Accounting, Organizations and Society*, vol. 36, no. 8, pp. 494-513.

Ernst and Young (2007) *Ernst and Young Reporting earnings -Trends, analysis and predictions May 2007*, accessed 7/8/09, [http://www.ey.com/Global/assets.nsf/Australia/AABS_Reporting_Earnings_0507/\\$file/Reporting_Earnings.pdf](http://www.ey.com/Global/assets.nsf/Australia/AABS_Reporting_Earnings_0507/$file/Reporting_Earnings.pdf)

Europa (2012a) *Summaries of EU legislation - Fourth Directive: annual accounts of companies with limited liability*, accessed 20/11/12, http://europa.eu/legislation_summaries/internal_market/businesses/company_law/12600_9_en.htm

Europa (2012b) *Summaries of EU legislation - Seventh Directive: consolidated accounts of companies with limited liability*, accessed 20/11/12,
http://europa.eu/legislation_summaries/internal_market/businesses/company_law/126010_en.htm

Ezzamel, M., Zezhong, X. J. and Pan, A. (2007) 'Political ideology and accounting regulation in China', *Accounting, Organizations and Society*, vol. 32, no. 7-8, pp. 669-700.

Fair Work Commission (2013) *Fair Work Commission, Australia's national workplace relations tribunal: A history*, accessed 20/1/13,
<http://www.fwc.gov.au/index.cfm?pagename=abouthistory>

Fairclough, N. (1992) *Discourse and social change*, Polity Press, Cambridge.

Fairclough, N. (2001) '*The dialectics of discourse*', manuscript, accessed 17/11/11,
<http://www.ling.lancs.ac.uk/staff/norman/2001a.doc>

FASB (2002) *FASB Action Alert No. 02-37*, accessed 20/4/09,
<http://www.fasb.org/action/aa100202.shtml>

FASB (2008) '*Exposure Draft: Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information*', No 1570-100, May 29, accessed ,
http://www.fasb.org/draft/ed_conceptual_framework_for_fin_reporting.pdf

FASB (2009) *FASB News Release 07/01/09*, accessed 6/8/09,
http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176156318458

FASB (2010) *International convergence of accounting standards - a brief history*, accessed 8/4/10,
<http://www.fasb.org/cs/ContentServer?c=Page&pagename=FASB%2FPage%2FSectionPage&cid=1176156304264>

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.

Fogarty, T. (1992) 'Financial Accounting Standard-setting as institutionalized action field: Constraints, opportunities and dilemmas', *Journal of Accounting and Public Policy*, vol. 11, no. 4, pp. 331-335.

Fogarty, T., Hussein, M. E. A. and Ketz. (1994) 'Political aspects of financial accounting standard-setting in the USA', vol. 6, pp. 25-38.

FRC (2000) *Financial Reporting Council and Australian Accounting Standards Board Annual Reports 1999-2000*, accessed 5/2/10,
http://www.frc.gov.au/reports/1999_2000/html/AASB-06.asp

- FRC (2001) *Financial Reporting Council and Australian Accounting Standards Board Annual Reports 2000-2001*, accessed 5/2/10, http://www.frc.gov.au/reports/2000_2001/full-06.asp
- FRC (2002a) *Bulletin of the Financial Reporting Council*, 3 July, accessed 15/2/10, <http://www.frc.gov.au/bulletins/2002/04.asp>
- FRC (2002b) *Bulletin of the Financial Reporting Council*, 4 July, accessed 15/2/10, <http://www.frc.gov.au/bulletins/2002/04.asp>
- FRC (2002c) *Financial Reporting Council and Australian Accounting Standards Board Annual Reports 2001-2002*, accessed 5/2/10, http://www.frc.gov.au/reports/2001_2002/frc-06.asp
- FRC (2003) *Financial Reporting Council and Australian Accounting Standards Board Annual Reports 2002-2003*, accessed 5/2/10, http://www.frc.gov.au/reports/2002_2003/frc-06.asp
- FRC (2004) *Financial Reporting Council and Australian Accounting Standards Board Annual Reports 2003-2004*, accessed 5/2/10, http://www.frc.gov.au/reports/2003_2004/03_04-05.asp
- FRC (2005) *Information Paper: Financial Reporting Council – 2005, Timeline Planning Framework*, accessed 5/2/10, http://www.frc.gov.au/reports/other/info_paper.asp
- FRC (2007) *Bulletin of the Financial Reporting Council*, 8 March, accessed 15/2/10, <http://www.frc.gov.au/bulletins/2007/01.asp>
- Fry, E. (2003) 'The year of living compliantly (part 1 of 2)', *CFO*, December, p26.
- G8 (2011) *What is the G8?*, accessed 28/9/11, <http://www.g20-g8.com/g8-g20/g8/english/what-is-the-g8-/what-is-the-g8-/what-is-the-g8.847.html>
- G20 (2009a) *Leaders Statement: The Pittsburgh Summit, September 24-25, 2009*, accessed 12/3/10, <http://www.pittsburghsummit.gov/mediacenter/129639.htm>
- G20 (2009b) *The Pittsburgh Summit 2009: Key Accomplishments*, accessed 7/12/10, <http://www.pittsburghsummit.gov/resouces/129665.htm>
- G20 (2011) *Welcome from the French G20*, accessed 1/10/11, <http://www.g20.org/index.aspx>
- G100 (2002) *G100 Policy Statement: International Harmonisation and Convergence of Financial Reporting Requirements*, accessed 5/8/09, http://www.group100.com.au/policies/pol_harmonisation200204.htm
- G100 (2009) *Group of 100*, accessed 5/8/09, <http://www.group100.com.au/home.htm>
- Gaffikin, M. (1998) 'History is dead: Long live history', *Critical Perspectives on Accounting*, vol.9, pp.631-639.

- Georgiou, G. (2010) 'The IASB standard-setting process: Participation and perceptions of financial statement users', *British Accounting Review*, vol. 42, no. 2, pp. 103-118.
- Giddens, A. (1976) *New Rules of Sociological Method: A positive critique of interpretive sociologies*, Hutchinson, London.
- Giddens, A. (1977) *Studies in social and political theory*, Hutchinson, London.
- Giddens, A. (1979) *Central problems in social theory: Action, structure and contradiction in social analysis*, MacMillan Press.
- Giddens, A. (1982) *Profiles and critiques in social theory*, MacMillan, London.
- Giddens, A. (1984) *The constitution of society: Outline of a theory of structuration*, University of California Press, Berkeley and Los Angeles.
- Giddens, A. (1990) *The consequences of modernity*, Stanford University Press, Palo Alto.
- Giddens, A. (1993) *New rules of sociological method: Second Edition*, Polity Press, Cambridge.
- Godfrey, J. M. and Chalmers, K. (Eds.) (2007) *Globalisation of accounting standards*, Edward Elgar, Cheltenham, UK and Northampton, MA, USA.
- Godfrey, J. M. and Langfield-Smith, I. (2005) 'Regulatory capture in the globalisation of accounting standards ', *Environment and Planning A*, vol. 37, no. 11, pp. 1975-1993.
- Golob, U., Podnar, K. and Lah, M. (2009) 'Social economy and social responsibility: alternatives to global anarchy of neoliberalism?', *International Journal of Social Economics*, vol. 36, no. 5, pp. 626-640.
- Graham, C. and Neu, D. (2003) 'Accounting for globalisation', *Accounting Forum*, vol. 27, no. 4, pp. 449-471.
- Gregson, N. (1989) 'On the (ir)relevance of structuration theory to empirical research', in Bryant, C. G. A. and Jary, D. (Eds.) *Social Theory of Modern Societies: Anthony Giddens and his Critics*, Cambridge University Press, Cambridge, pp. 235-48.
- Groen, B. and Lamis, R. (1994) 'The saga of a disallowed accounting standard' *Australian Accounting Review*, vol. 14, no. 3, pp. 56-63.
- Gurd, B. (2008) 'Structuration and middle-range theory - A case study of accounting during organizational change from different theoretical perspectives', *Critical Perspectives on Accounting*, vol. 19, no. 4, pp. 523-543.
- 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.
- Haswell, S. and McKinnon, J. (2003) 'IASB standards for Australia by 2005: catapult or trojan horse?', *Australian Accounting Review*, vol. 13, no. 1, pp. 8-16.

Held, D. and McGrew, A. (2002) *Globalization / Anti-globalization*, Polity, Cambridge.

Held, D. and McGrew, A. (Eds.) (2003) *The global transformations reader: An introduction to the globalization debate*, Polity Press, Cambridge.

Held, D. and Thompson, J. B. (1989) *Social theory of modern societies: Anthony Giddens and his critics*, Cambridge University Press, Cambridge.

Henderson, S., Peirson, G. and Coombes, R. (1995) *Issues in financial accounting*, Longman Australia Pty Ltd, Melbourne, Australia.

Herz, R. H. (2002) 'Meeting the challenges of financial reporting in an era of change', in *Proceedings of the financial executives international: Current financial reporting Issues Conference*, New York Hilton Hotel, 4-5 November, accessed 5/5/09, http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1218220178082

Hill, N. T., Shelton, S. W. and K.T, S. (2002) 'Corporate lobbying behaviour on accounting for stock-based compensation', *ABACUS*, vol. 38, no. 1, pp. 78-90.

Hines, R. D. (1988) 'Financial accounting: in communicating reality, we construct reality', *Accounting, Organizations and Society*, vol. 13, no. 3, pp. 251-261.

Hines, R. D. (1989) 'Financial accounting knowledge, conceptual framework projects and the social construction of the accounting profession', *Accounting, Auditing and Accountability Journal*, vol. 2, no. 1, pp. 79-92.

Hines, R. D. (1991) 'The FASB's conceptual framework, financial accounting and the maintenance of the social world', *Accounting, Organizations and Society*, vol. 16, no. 4, pp. 313-351.

Hirst, P. and Thompson, G. (1996) *Globalization in question: The international economy and the possibility of governance*, Polity, Cambridge.

Hope, T. and Gray, R. (1982) 'Power and policy making: The development of an R & D standard', *Journal of Business Finance and Accounting*, vol. 9, no. 4, pp. 531-538.

Hopper, T. and Powell, A. (1985) 'Making sense of research into the organizational and social aspects of management accounting: A review of its underlying assumptions', *Journal of Management Studies*, vol. 22, no. 5, pp. 429-465.

Hopwood, A. (1983) 'On trying to study accounting in the contexts in which it operates', *Accounting, Organizations and Society*, vol. 2/3, pp. 287-305.

Howieson, B. and Langfield-Smith, I. (2003) 'The FRC and accounting standard setting: should I still call Australia home?', *Australian Accounting Review*, vol. 13, no. 1, pp. 17-26.

Howieson, B. (1998) 'International harmonisation: He who pays the piper calls the tune', *Australian Accounting Review*, vol. 8, no. 1, pp. 3-12.

Howieson, B. (2009) 'Agenda formation and accounting standards setting: Lessons from standard setters', *Accounting and Finance*, vol. 49, no. 3, pp. 577-598.

Humphrey, R. (1997) 'The competitive imperative of harmonisation with international accounting standards', *Australian Accounting Review*, vol. 7, no. 14, pp. 27-29.

Hussein, M. E. A. and Ketz, J. E. (1980) 'Ruling elites of the FASB: A study of the big eight', *Journal of Accounting Auditing and Finance*, vol. 3, no. 4, pp. 354-367.

IASB (2007a) *Information for Observers: IASB Board Meeting, 12 December 2007, London, Project: Intangible Assets*, accessed 5/3/12, <http://www.ifrs.org/NR/rdonlyres/73C77D51-E8DE-4BE7-9D8B-8668193F6BE0/0/AP0712b05aobs.pdf>

IASB (2007b) 'Myth, legacy and opportunities', *Insight*, Qtr. 3, pp. 1-20. http://www.ifrs.org/Archive/INSIGHT-journal/Documents/Insight_Q307.pdf

IASB (2009a) *IASB About Us*, accessed 1/7/09, <http://www.iasb.co.uk/>

IASB (2009b) *IASB How we develop standards*, accessed 1/7/09, <http://www.iasb.co.uk/>

IASB (2009c) *IASB Projects - Conceptual Framework*, accessed 5/8/09, <http://www.iasb.org/Current+Projects/IASB+Projects/Conceptual+Framework/Conceptual+Framework.htm>

IASB (2009d) 'Letter to President George Bush, Host of the G20 meeting held in Pittsburgh', accessed 12/11/11, [http://www.ifrs.org/NR/rdonlyres/BE29F49A-188E-4A46-8995-45FAE19DB09A/0/Trustees letter addressed to US President.pdf](http://www.ifrs.org/NR/rdonlyres/BE29F49A-188E-4A46-8995-45FAE19DB09A/0/Trustees%20letter%20addressed%20to%20US%20President.pdf)

IASB (2009e) *Memorandum of Understanding with the FASB*, accessed 6/5/09, <http://www.iasb.org/Current+Projects/Memorandum+of+Understanding+with+the+FASB.htm>

IASB (2009f) *Who we are and what we do*, accessed 4/5/09, <http://www.ifrs.org/The-organisation/Pages/IFRS-Foundation-and-the-IASB.aspx>

IASB (2010a) *Financial instruments - overview of all related projects*, accessed 16/4/10, <http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments/Financial+instruments.htm>

IASB (2010b) *IASB - The organisation*, accessed 1/4/10, <http://www.iasb.org/The+organisation/IASCF+and+IASB.htm>

IASB (2010c) *IASB responds to the financial crisis*, accessed 7/12/10, <http://www.ifrs.org/Financial+crisis/Response+to+the+credit+crisis.htm>

IASB (2010d) *IFRS Use around the world: the move towards global standards*, accessed 30/11/10, <http://www.ifrs.org/use+around+the+world/use+around+the+world.htm>

IASB (2010e) *Insight - Asian-oceanic Standards Setters Group created*, accessed 16/2/10, <http://www.iasb.org/Archive/INSIGHT+journal/Asian-Oceanian+Standards+Setters+Group+created.htm>

IASB (2011) *Who we are and what we do*, accessed 29/2/12, <http://www.ifrs.org/The-organisation/Documents/WhoWeAre2012MarchEnglish.pdf>

IASB (2012) *Joint update note from the IASB and FASB on accounting convergence, note from IASB governance enhancements*, April 2012, accessed 28/6/12, http://www.financialstabilityboard.org/publications/r_120420d.pdf

IASB and FASB (2006) *A roadmap for convergence between IFRS and US GAAP - 2006-2008: Memorandum of understanding between the FASB and the IASB*, accessed 27/2/2006, <http://www.ifrs.org/Use-around-the-world/Global-convergence/Convergence-with-US-GAAP/Documents/MoU.pdf>

IASB and FASB (2008) *Completing the February 2006 memorandum of understanding: A progress report and timetable for completion, September 2008*, accessed 15/9/09, http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1175801856967

IASB and FASB (2009) *FASB and IASB reaffirm commitment to memorandum of understanding: A joint statement of the FASB and IASB, November 5, 2009*, accessed 31/3/10, http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176156535882

IASC (1973a) 'An Agreement to establish an International Accounting Standards Committee', 29 July, in Camfferman, K. and Zeff, S. (2007) *Financial Reporting and Global Markets: A history of the International Accounting Standards Committee, 1973-2000*, Oxford University Press, Oxford, p. 500.

IASC (1973b) 'International Accounting Standards Committee Constitution', in Camfferman, K. and Zeff, S. (2007) *Financial reporting and global markets: A history of the International Accounting Standards Committee, 1973-2000*, Oxford University Press, Oxford, pp. 501-503.

IASC Foundation (2003) *International Accounting Standards Committee Foundation Annual Report 2003*, accessed 28/6/12, http://www.ifrs.org/NR/rdonlyres/7236576A-E9DD-4576-8831-B5F5A788365C/0/8_24_ar2003.pdf

IASC Foundation (2008) 'Due process handbook for the International Accounting Standards Board (IASB)', IASC Foundation, London, accessed 12/10/11, <http://www.ifrs.org/NR/rdonlyres/1E8D75B7-927F-495B-BE4A-04C9BE967097/0/DueProcess09.pdf>

IASC Foundation (2009a) 'Memorandum of understanding to strengthen the institutional framework of the International Standards Committee Foundation', accessed 31/10/11, http://www.ifrs.org/The-organisation/Governance-and-accountability/Documents/Monitoring_Board_Mou080110.pdf

IASC Foundation, (2009b) *Trustees enhance public accountability through new Monitoring Board, complete first part of Constitution Review*, Press Release, 29 January, accessed 3/11/11, <http://www.ifrs.org/NR/rdonlyres/6A31C6E6-423D-4C6D-A18C-D82DFEBE8FD9/0/PRTrusteesenhancepublicaccountability.pdf>

ICAA (2011) *International standard setter updates on the future of IFRS*, accessed 22/9/11, <http://www.charteredaccountants.com.au/Industry-Topics/Reporting/Current-issues/Recent-reporting-headlines/News-and-updates/International-standard-setter-updates-on-the-future-of-IFRS.aspx>

ICAA (2013) *Annual Report 2013*, accessed 3/1/14, <http://www.charteredaccountants.com.au/The-Institute/Who-we-are-and-what-we-do/News-and-updates/News/Annual-Report-2013>

ICAEW (2009) *Knowledge Guide to UK Accounting Standards: History and Development*, accessed 4/5/09, http://www.icaew.com/index.cfm/route/156255/icaew_ga/en/Technical_and_Business_Topics/Guides_and_publications/Knowledge_guides/em_UK_Accounting_Standards_em

ICAS (2010) *Chinese Accounting Reform: Towards a principles-based global regime*, Institute of Chartered Accountants of Scotland, accessed 20/9/11, http://www.icas.org.uk/site/cms/download/AA/Chinese_Accounting_Reform_Report.pdf

IFAC (2012) *About IPSASB*, International Federation of Accountants, accessed 24/10/12, <http://www.ifac.org/public-sector/about-ipsasb>

IFRS Advisory Council (2010) 'IFRS Advisory Council: A progress report' in *Proceedings of the world standard-setters conference*, 20-21 September, London, pp. 1-214, accessed 7/3/12, <http://www.ifrs.org/NR/rdonlyres/CBEAB38D-3B50-46F6-920F-7EABE90E0850/0/ConferenceDocumentation2010.pdf>

IFRS Foundation (2010a) *The Conceptual Framework for Financial Reporting*, IFRS Foundation, London

IFRS Foundation, (2010b) *IFRS Foundation Constitution*, IFRS Foundation, accessed 10/10/11, <http://www.ifrs.org/NR/rdonlyres/0B820728-7F10-4877-8068-7B65D2A3058B/0/ConstitutionDec2010.pdf>

IFRS Foundation (2011a) *Due Process Oversight Committee*, accessed 10/10/11, <http://www.ifrs.org/DPOC/DPOC.htm>

IFRS Foundation (2011b) *Extractive Industries Project History*, accessed 5/3/11, <http://www.ifrs.org/Current+Projects/IASB+Projects/Extractive+Activities/Project+history.htm>

IFRS Foundation (2011c) *IFRS Foundation - How we are structured*, accessed 16/10/11, <http://www.ifrs.org/The+organisation/How+we+are+structured.htm>

IFRS Foundation (2011d) *IFRS Foundation - The Organisation: The Advisory Council*, accessed 16/10/11, <http://www.ifrs.org/The+organisation/Advisory+bodies/The+SAC/Standards+Advisory+Council.htm>

IFRS Foundation (2011e) *IFRS Foundation - The Organisation: The Trustees*, accessed 16/10/11, <http://www.ifrs.org/The+organisation/Trustees/Trustees.htm>

IFRS Foundation (2011f) *IFRS Foundation; International Accounting Standards Board: Who we are and what we do*, accessed 9/11/11, http://www.ifrs.org/NR/rdonlyres/1D35BB5F-6E59-446F-9861-A84F9288CBB4/0/Who_we_areJuly11.pdf

IFRS Foundation (2011g) *Monitoring Board*, accessed 16/10/11, <http://www.ifrs.org/The-organisation/Governance-and-accountability/Pages/Monitoring-Board.aspx>

Institute of Public Accountants (2014) *About us*, accessed 3/1/14, <http://www.publicaccountants.org.au/about-us/history>

IOSCO, (2000) 'IASC Standards', Press Release, 17 May, accessed 8/6/09, <http://www.iosco.org/news/pdf/IOSCONEWS26.pdf>

IOSCO (2003) *Objectives and Principles of Securities Regulation*, accessed 22/7/09, <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD154.pdf>

IOSCO, (2007) *Authorities responsible for capital market regulation work to enhance the governance of the IASC Foundation*, Press Release: IOSCO/MR/007/2007, accessed 31/10/11, <http://www.iosco.org/news/pdf/IOSCONEWS106.pdf>

IOSCO (2009) *IOSCO Historical background*, accessed 25/4/09, <http://www.iosco.org/about/index.cfm?section=history>

Irvine, H. (2008) 'The global institutionalization of financial reporting: The case of the United Arab Emirates', *Accounting Forum*, vol. 32, no. 2, pp. 125-142.

Jack, L. and Kholeif, A. (2007) 'Introducing strong structuration theory for informing qualitative case studies in organization, management and accounting research', *Qualitative Research in Organizations and Management: An International Journal*, vol. 2, no. 3, pp. 208-225.

Jack, L. and Kholeif, A. (2008) 'Enterprise resource planning and a contest to limit the role of management accountants: A strong structuration perspective', *Accounting Forum*, vol. 32, no. 1, pp. 30-45.

Jacob, R. A. and Madu, C. N. (2009) 'International financial reporting standards: an indicator of high quality?', *International Journal of Quality and Reliability Management*, vol. 26, no. 7, pp. 712-722.

- Jay, C. (2001) 'Flow on effect of recent collapses', in *Collapse Incorporated: Tales, safeguards and responsibilities of corporate Australia*, CCH Australia Ltd, Sydney, pp. 9-40.
- Jones, M. (1998) 'The IASC (International Accounting Standards Committee)', *Management Accounting (British)*, vol. 76, no. 5, pp. 30-33.
- Jones, S. and Higgins, A. (2006) 'Australia's switch to international financial reporting standards: a perspective from account preparers', *Accounting and Finance*, vol. 46, pp. 629-652.
- Jones, S., Rahman, S., F. and Wolnizer, P., W (2004) 'Accounting Reform in Australia: Contrasting Cases of Agenda Building', *ABACUS*, vol. 40, no. 3, pp. 379-404.
- Kaidonis, M. (2008) 'The Accounting Profession: Serving the Public Interest or Capital Interest?', *Australasian Accounting Business and Finance Journal*, vol. 2, no. 4, pp. 1-7.
- Kellner, D. (no date) '*Globalization and the Postmodern Turn*', accessed 21/6/07, <http://pages.gseis.ucla.edu/faculty/kellner/essays/globalizationpostmodernturn.pdf>
- Kelly, P. (1999) 'Labor and Globalisation', in Manne, R. (Ed.) *The Australian century: Political struggle in the building of a nation*, Text Publishing, Melbourne, pp.224-263.
- Kenny S. and Larson R. (1993) 'Lobbying behaviour and the development of international accounting standards', *European Accounting Review*, vol. 2, no.3, pp.531-554.
- Kilminster, R. (1991) 'Structuration theory as a worldview' in Bryant, C. G. A. and Jary, D. (Eds.) *Giddens' Theory of Structuration*, Routledge, London and New York, pp.74-115.
- King, A., Drummond, S. and Rose, S. (2012) 'Unwieldy rules 'useless' for investors', *The Australian Financial Review*, 6 February, p. 48.
- Kohler, A. (2004) 'Who would have believed it? French revolt comes to the aid of Australia's intangible intransigents', *The Age*, 20 March, p.1.
- Kwok, W. C. C. and Sharp, D. (2005) 'Power and international accounting standard setting', *Accounting, Auditing and Accountability Journal*, vol. 18, no. 1, pp. 74-99.
- Larson, R. K. (1997) 'Corporate lobbying of the International Standards Committee', *Journal of International Financial Management and Accounting*, vol. 8, no. 3, pp. 175-203.
- Laughlin, R. (1995) 'Empirical research in accounting: alternative approaches and a case for "middle-range" thinking', *Accounting, Auditing and Accountability Journal*, vol. 8, no. 1, pp. 63-87.

Laughlin, R. (2004) 'Putting the record straight: a critique of 'methodology choices and the construction of facts: some implications from the sociology of knowledge'', *Critical Perspectives on Accounting*, vol. 15, no. 2, pp. 261-277.

Lawrence, S., Alam, M., Northcott, D. and Lowe, T. (1997) 'Accounting systems and systems of accountability in the New Zealand health sector', *Accounting, Auditing and Accountability Journal*, vol. 10, no. 5, pp. 665-83.

Le Bon, G. (1896) *The Crowd: A study of the popular mind (English translation)*, London.

Llewellyn, S. (2003) 'What counts as theory in qualitative management and accounting research? Introducing five levels of theorizing', *Accounting, Auditing and Accountability Journal*, vol. 16, no. 4.

Lochner, P. (1991) 'The US role in achieving international harmonization of accounting standards', in *the Proceedings of The 10th Annual SEC and Financial Reporting Institute Conference*, Los Angeles, California, US, 16 May, accessed 5/5/09, <http://www.sec.gov/news/speech/1991/051691lochner.pdf>

Lodh, S. C. and Gaffikin, M. J. R. (1997) 'Critical studies in accounting research, rationality and Habermas: A methodological reflection', *Critical Perspectives on Accounting*, vol. 8, no. 5, pp. 433-474.

Lowe, A. (2004) 'Methodology choices and the construction of facts: some implications from the sociology of scientific knowledge', *Critical Perspectives on Accounting*, vol. 15, pp. 207-231.

Lundholm, R.J. (1991), 'Public signals and the equilibrium allocation of private information', *Journal of Accounting Research*, vol.29, no.2, pp.322-349.

MacIntosh, N. B. and Scapens, R. W. (1990) 'Structuration theory in management accounting', *Accounting, Organizations and Society*, vol. 15, no. 5, pp. 455-477.

MacIntosh, N. B. and Scapens, R. W. (1991) 'Management accounting and control systems: a structuration theory analysis', *Journal of Accounting Research*, vol. 3, Fall, pp. 11-38.

Maines, L. A., Bartow, E., Fairfield, P., Hirst, E., Iannacconi, T. E., Mallett, R., Schrand, C. M., Skinner, D. J. and Vincent, L. (2003) 'Evaluating concepts-based V rules-based approaches to standard setting', *Accounting Horizons*, vol. 17, no. 1, pp. 73-89.

Malegan, Y. H. (2011), 'IFRS carve outs', transcript, 21 Jan, accessed 4/11/11, http://www.moneycontrol.com/news/management/ifrs-carve-outs_515230.html

Manne, R. (2010) 'Is neo-liberalism finished?' in Manne, R. and McKnight, D. (Eds.) *Goodbye to all that? On the failure of neo-liberalism and the urgency of change*, Black Inc, Agenda, Melbourne, pp. 11-38.

McGregor, W. (1995) 'The setting of accounting standards in Australia: An evolving structure', *Australian Accounting Review*, vol.5, no.2, pp.17-22

McGregor, W. (1999) 'An insider's view of the current state and future direction of International Accounting Standard setting', *Accounting Horizons*, vol. 13, no. 2, pp. 159-168.

Mead, G. H. (1967) *Mind, self and society*, The University of Chicago Press, Chicago.

Melancon, B. and Elliot, R. (2000) 'Comment Letter on concept release: International Accounting Standards', 1/6/2000, accessed 14/8/09, <http://www.sec.gov/rules/concept/s70400/melanco1.htm>

Merino, B. (1998) 'Critical theory and accounting history: Challenges and opportunities', *Critical Perspectives on Accounting*, vol. 9, pp. 603-616.

Merino, B., Mayper, A. and Tolleson, T. (2010) 'Neo-liberalism, deregulation and Sarbanes-Oxley', *Accounting, Auditing and Accountability Journal*, vol. 23, no. 6, pp. 774-792.

Mitchell, A., Sikka, P. and Willmott, H. (2001) 'Policing knowledge by invoking the law: critical accounting and the politics of dissemination', *Critical Perspectives on Accounting*, vol. 12, pp. 527-555.

Moody, S. and Flescher, D. (1986) 'Analysis of FASB voting patterns: Statements Nos 1-86', *Journal of Accounting Auditing and Finance*, vol. 1, no. 4, pp. 319-30.

Moore, D. (2011) 'Structuration theory: The contribution of Norman Macintosh and its application to emissions trading', *Critical Perspectives on Accounting*, vol. 22, no. 2, pp. 212-227.

Mouzelis, N. (1991) *Back to sociological theory: the construction of social orders*, Macmillan, London.

Mouzelis, N. (2000) 'The subjectivist-objectivist divide: against transcendence', *Sociology*, vol. 34, no. 4, pp. 741-762.

Murray, L. (2009) 'King Kevin', *The Sydney Morning Herald*, Weekend Business, 2-3 May, pp1-4.

Nobes, C. (1998) 'Towards a general model of the reasons for international differences in financial reporting', *ABACUS*, vol. 34, no. 2, pp. 162-187.

Nobes, C. (2005) 'Rules-based standards and the lack of principles in accounting', *Accounting Horizons*, vol. 19, no. 1, pp. 25-34.

Norris, F. (2012) 'SEC wary on global accounting standard', *The New York Times*, 14 July, accessed 13/8/12, http://www.nytimes.com/2012/07/14/business/sec-wary-on-international-accounting-standard.html?_r=1&ref=floydnorris

Nottle, R. (1997) 'Submission to Corporate Law Economic Reform Program: Proposals for Reform: Paper No. 1'.

- Orlikowski, W. (1992) 'The duality of technology: rethinking the concept of technology in organizations', *Organization Science*, vol. 3, pp. 398-427.
- Parker, J. (2000) *Structuration Theory*, Open University Press, Buckingham.
- Parker, J. (2006) 'Structuration's future? From 'all and every' to 'who did what, where, when, how and why?', *Journal of Critical Realism*, vol. 5, no. 1, pp. 122-138.
- Peck, J. and Tickell, A. (2002) 'Neoliberalizing space', *Antipode*, vol. 34, pp. 380-404.
- Perera, H. B., Rahman, A. R. and Cahan, S. F. (2003) 'Globalisation and the major accounting firms', *Australian Accounting Review*, vol. 13, no. 1, pp. 27-37.
- Perry, J. and Nolke, A. (2006) 'The political economy of International Accounting Standards', *Review of International Political Economy*, vol. 13, no. 4, pp. 559-586.
- Pound, G. (2004) 'Smooth the way', *Charter*, vol. 75, no. 4, pp. 64-65.
- PriceWaterHouseCoopers (2007) *PWC report on the Australian financial reporting environment*, November 2007, accessed 6/8/09, http://www.corporatereporting.com/reporting_environment_nov07.pdf
- Rappeport, A. (2007) 'Convergence killers', *CFO Magazine*, October 25, accessed 19/4/10, http://www.cfo.com/article.cfm/10046187/c_2984368
- Ravenscroft, S. and Williams, P. (2009) 'Making imaginary worlds real: the case of expensing employee stock options', *Accounting, Organizations and Society*, vol. 34, no. 6/7, pp. 770-786.
- Richardson, A. and Eberlein, B. (2011) 'Legitimizing transnational standard-setting: The case of the International Accounting Standards Board', *Journal of Business Ethics*, vol. 98, pp. 217-245.
- Riley, P. (1983) 'A structuration account of political culture', *Administrative Science Quarterly*, vol. 28, pp. 414-437.
- Roberts, J. (2013) 'Testing the limits of structuration theory in accounting research', *Critical Perspectives on Accounting*, Article in press, <http://dx.doi.org/10.1016/j.cpa.2012.12.002>, pp. 1-7.
- Roberts, J. and Scapens, R. W. (1985) 'Accounting systems and systems of accountability - understanding accounting practices in their organizational contexts', *Accounting, Organizations and Society*, vol. 10, no. 4, pp. 443-456.
- Rodrigues, L. L. and Craig, R. (2007) 'Assessing international accounting harmonization using Hegelian dialectic, isomorphism and Foucault', *Critical Perspectives on Accounting*, vol. 18, no. 6, pp. 739-759.
- Ryan, C., Dunstan, K. and Stanley, T. (1999) 'Constituent participation in the Australian public sector accounting standard-setting process: the case of ED55', *Financial Accountability and Management*, vol. 15, no. 2, pp. 173-200.

Sanderson, R. (2010) 'Accounting convergence threatened by EU Drive', *Financial Times*, 4 April, accessed 19/4/10, http://www.ft.com/cms/s/75349480-4011-11df-8d23-00144feabdc0,dwp_uuid=24032e94-b4d2-11dd-b780-0000779fd18c,print=yes.html

Sanderson, R. and Hughes, J. (2010) 'Accounting: carried forward', *The Financial Times*, 19 April, accessed 20/4/10, <http://www.ft.com/cms/s/0/49de6b00-4be5-11df-a217-00144feab49a.html>

Sargant, W. (1959) *Battle for the mind*, Pan, London.

Sawers, A. (2008), 'Profile: Sir David Tweedie, setting the standards', transcript, accessed 20/7/08, <http://www.accountancyage.com/aa/feature/1781591/profile-sir-david-tweedie-setting-standards#>

Scapens, R. W. and MacIntosh, N. B. (1996) 'Structure and agency in management accounting', *Accounting, Organizations and Society*, vol. 21, no. 7/8, pp. 675-690.

Scheepers, P., Felling, A. and Peters, J. (1990) 'Social conditions, authoritarianism and ethnocentrism: a theoretical model of the early Frankfurt School updated and tested', *European Sociological Review*, vol. 6, no. 1, pp. 15-29.

Schipper, K. (2003) 'Principles-based Accounting Standards', *Accounting Horizons*, vol. 17, no. 1, pp. 61-72.

Schirato, T. and Webb, J. (2003) *Understanding globalization*, Sage Publications Ltd, London, Thousand Oaks, New Delhi.

SEC, (1996) *SEC statement regarding International Accounting Standards*, SEC News Digest Issue 96-67, accessed 9/6/09, <http://www.sec.gov/news/digest/1996/dig041196.pdf>

SEC (2003a) *Policy statement: Reaffirming the status of the FASB as a designated private-sector standard setter*, accessed 8/4/10, <http://www.sec.gov/rules/policy/33-8221.htm>

SEC (2003b) *Study pursuant to section 108(d) of the Sarbanes-Oxley Act of 2002 on the adoption by the United States financial reporting system of a principles-based accounting system*, Release Nos. 33-8221; 34-47743; IC-26028; FR-70, 25/4/2003, accessed 8/4/10, <http://www.sec.gov/news/studies/principlesbasedstand.htm>

SEC (2007a) *Acceptance from foreign private issuers of financial statements prepared in accordance with International Financial Reporting Standards without reconciliation to US GAAP*, Release Nos. 33-8879; 34-57026, accessed 6/5/09, <http://www.sec.gov/rules/final/2007/33-8879.pdf>

SEC, (2007b) *Concept release on allowing US issuers to prepare financial statements in accordance with International Financial Reporting Standards*, Release Nos. 33-8831; 34-56217; IC-27924; File No. S7-20-07, accessed 8/4/10, <http://www.sec.gov/rules/concept/2007/33-8831.pdf>

SEC (2007c) *SEC takes action to improve consistency of disclosure to U.S. investors in foreign companies*, Press Release 2007/23, 15th November, accessed 4/5/09, <http://www.sec.gov/news/press/2007/2007-235.htm>

SEC (2008) *Roadmap for the potential use of financial statements prepared in accordance with International Financial Reporting Standards by US Issuers*, accessed 4/8/10, <http://www.sec.gov/rules/proposed/2008/33-8982.pdf>

SEC (2010) *Commission Statement in support of convergence and global accounting standards*, accessed 8/4/10, <http://www.sec.gov/rules/other/2010/33-9109.pdf>

SEC (2012) *Work plan for the consideration of incorporating international financial reporting standards into the financial reporting system for US issuers: Final staff report*, accessed 14/8/12, <http://www.sec.gov/spotlight/globalaccountingstandards/ifrs-work-plan-final-report.pdf>

Sewell, W. (1992) 'A theory of structure: Duality, agency and transformation', *American Journal of Sociology*, vol. 98, no. 1, pp. 1-29.

Sharpe, M. (1997) 'Submission to the CLERP Proposals: Accounting Standards', 29 September.

Sharpe, M. (1998) 'Looking for harmony: Building a global framework', *Australian Accountant*, vol. 68, no. 2, pp. 16-18.

Shilling, C. (1997) 'Reconceptualising structure and agency in the sociology of education: structuration theory and schooling', in Bryant, C. G. A. and Jary, D. (Eds.) *Anthony Giddens: Critical Assessments*, Routledge, London, pp. 342-64.

Simpkins, K. (2006) *A review of the policy of sector neutral accounting standard setting in Australia*, accessed 10/8/10, http://www.frc.gov.au/reports/other/Sector_neutral_Standards_Report.pdf

Soderstrom, N. and Sun, K. J. (2007) 'IFRS adoption and accounting quality: A review', *European Accounting Review*, vol. 16, no. 4, pp. 675-702.

Spencer, K. H. (1997) 'AASB submission letter - Accounting Standards: CLERP proposals for reform paper no. 1', 14 October.

Stalder, F. (1998) 'The network paradigm: Social formations in the age of information', *The Information Society*, vol. 14, pp. 301-308.

Stiglitz, J. (2000) *Globalization and its discontents*, W.W. Norton New York

Stoddart, E. (2000) 'Political influences in changes to setting Australian accounting standards', *Critical Perspectives on Accounting*, vol. 11, no. 6, pp. 713-740.

Stones, R. (1991) 'Strategic context analysis: A new research strategy for structuration theory', *Sociology*, vol. 25, no. 4, pp. 673-695.

Stones, R. (2005) *Structuration theory*, Palgrave MacMillan, Hampshire and New York.

Stones, R. (2010) 'Theorising big IT programmes in healthcare: Strong structuration theory meets actor-network theory', *Social Science and Medicine*, vol. 70, no. 9, pp. 1285-1294.

Street, D. L. (2008) 'The impact in the United States of global acceptance of IFRS', *Australian Accounting Review*, vol. 46, no. 18, pp. 199-208.

Street, D. L. and Shaughnessy, K. A. (1998) 'The evolution of the G4+1 and its impact on international harmonization of accounting standards', *Journal of International Accounting, Auditing and Taxation*, vol. 7, no. 2, pp. 131-161.

Suzuki, T. (2007) 'A history of Japanese accounting reforms as a microfoundation of the democratic socio-economy: Accountics part II', *Accounting, Organizations and Society*, vol. 32, no. 6, pp. 543-575.

Sykes, T. (1994) *The Bold Riders: behind Australia's corporate collapses*, Allen Unwin, St Leonards, NSW, Australia

Sykes, T. (1988) *Two Centuries of Panic: a history of corporate collapses in Australia*, Allen Unwin, Sydney, Australia.

Thompson, J. B. (1989) 'The theory of structuration', in Held, D. and Thompson, J. B. (Eds.) *Social theory of modern societies: Anthony Giddens and his critics*, Cambridge University Press, Cambridge, pp. 56-76.

Tinker, A. T. (1980) 'Towards a political economy of accounting: An empirical illustration of the Cambridge Controversies', *Accounting, Organizations and Society*, vol. 5, no. 1, pp. 147-160.

Tollington, T. (2006) 'UK goodwill and intangible asset structuration: The FRS10 rule creation cycle', *Critical Perspectives on Accounting*, vol. 17, pp. 799-826.

Tomasic, R., Bottomley, S. and McQueen, R. (2002) *Corporations Law in Australia*, 2nd Edition, The Federation Press, Sydney.

Tonts, M. and Jones, R. (1997) 'From state paternalism to neoliberalism in Australian rural policy: Perspectives from the Western Australian wheatbelt', *Space and Polity*, vol. 1, no. 2, pp. 171-190.

TTAASAG (2005a) *International Financial Reporting Standards Regional Policy Forum Australia 2005 - Communique*, accessed 31/3/10, http://www.treasury.gov.au/ttaasag/content/IFRS_Policy_Forum/2005_communique.asp

TTAASAG (2005b) *International Financial Reporting Standards Regional Policy Forum: Session Three Background Paper*, accessed 31/3/10, http://ttaasag.treasury.gov.au/ttaasag/content/IFRS_Policy_Forum/downloads/Session3_bp.pdf

- TTAASAG (2008) *Trans-Tasman Accounting and Auditing Standards Advisory Group - 2008 Report to Ministers*, accessed 31/3/10,
http://www.treasury.gov.au/ttaasag/content/Reports/report_2008.asp
- TTAASAG (2009) *International Financial Reporting Standards Regional Policy Forum Beijing 2009 – Communique*, accessed 31/3/10,
http://www.treasury.gov.au/ttaasag/content/IFRS_Policy_Forum/2009_Communique.asp
- TTAASAG (2010) *Trans-Tasman Accounting and Auditing Standards Advisory Group*, accessed 31/3/10, <http://www.treasury.gov.au/ttaasag/>
- Tweedie, S. D. (2002), 'Statement of Sir David Tweedie , Chairman, International Accounting Standards Board before the Committee on Banking, Housing and Urban Affairs of the United States Senate, February 14 2002', transcript, accessed 5/8/09,
<http://www.ifrs.org/News/Announcements-and-Speeches/Documents/TweedieFebruary2002.pdf>
- Tweedie, S. D. (2007) 'Keep it simple stupid: Can global standards be principle-based?' in the *Proceedings of The 2007 Ken Spencer Memorial Lecture*, Melbourne, accessed 1/11/07,
http://www.frc.gov.au/reports/lectures/ken_spencer/downloads/2007_ken_spencer_memorial_lecture.pdf .
- Tweedie, S. D. (2008) 'Top IFRS challenges and opportunities. A dialogue with Sir David Tweedie: Chairman of the International Accounting Standards Board', transcript in *Deloitte IFRS Summit (virtual)*, 11 December, accessed 3/6/09
<http://www.deloitte.com/dtt/article/0,1002,sid%253D2333%2526cid%253D239855,00.html>
- Van Dijk, T. (1993) 'Principles of critical discourse analysis', *Discourse and Society*, vol. 4, no. 2, pp. 249-283.
- Van Hulle, K. (1993) 'Harmonization of accounting standards in the EC: Is it the beginning or the end?', *European Accounting Review*, vol. 2, pp. 387-396.
- Van Hulle, K. (2004) 'From accounting directives to international accounting standards', in Leuz, C., Pfaff, D. and Hopwood, A. (Eds.) *The Economics and Politics of Accounting*, Oxford University Press, Oxford, pp. 349-375.
- Van Lent, L. (1997) 'Pressure and politics in financial accounting regulation: The case of the financial conglomerates in the Netherlands', *ABACUS*, vol. 11, no. 1, pp. 88-114.
- Wagenhofer, A. (2009) 'Global accounting standards: reality and ambitions', *Accounting Research Journal*, vol. 22, no. 1, pp. 68-80.
- Walker, R. G. (1987) 'Australia's ASRB: a case study of political activity and regulatory capture', *Accounting and Business Research*, vol. 17, no. 67, pp. 269-287.

Walker, R. G. and Robinson, P. (1993) 'A critical assessment of the literature on political activity and accounting regulation', *Research in Accounting Regulation*, vol. 1993, no. 7, pp. 3-40.

White, A. (2001) 'Flow on effect of recent collapses', in *Collapse Incorporated: Tales, safeguards and responsibilities of corporate Australia*, CCH Australia Ltd, Sydney, pp. 41-70.

Whittington, G. (2005) 'The adoption of international accounting standards in the European Union', *European Accounting Review*, vol. 14, no. 1, pp. 127-153.

World Federation of Exchanges (2011) *Market capitalization of domestic companies*, accessed 20/1/11, <http://www.world-exchanges.org/statistics/domestic-market-capitalization>

Woolworths Limited (2014) *Who we are, Board of Directors*, accessed 7/1/14, http://www.woolworthslimited.com.au/page/Who_We_Are/Directors_and_Management/Board_of_Directors/Michael_Ullmer/

Young, J.J. (1994) 'Outlining regulatory space: agenda issues and the FASB', *Accounting, Organizations and Society*, vol. 19, no. 1, pp. 83-109.

Young, J.J. (2003) 'Constructing, persuading and silencing: the rhetoric of accounting standards', *Accounting, Organizations and Society*, vol. 28, no. 6, pp. 621-638.

Yuthus, K. and Dillard, J. F. (1998) 'Ethical structuring of advanced information technology in public accounting firms', *Accounting Forum*, vol. 21, pp. 361-393.

Yuthus, K., Dillard, J. F. and Rogers, R. K. (2004) 'Beyond agency and structure: Triple loop learning', *Journal of Business Ethics*, vol. 51, no. 2, pp. 229-243.

Zeff, S. (1978) 'The rise of 'economic' consequences', *Journal of Accountancy*, vol. 146, no. 6, pp. 56-63.

Zeff, S. (2008) 'IFRS developments in the USA and EU, and some implications for Australia', *Australian Accounting Review*, vol. 47, no. 18, pp. 275-282.

Zeff, S. and Nobes, C. (2010) 'Commentary: Has Australia (or any other jurisdiction) 'adopted' IFRS?', *Australian Accounting Review*, vol. 53, no. 20, pp. 178-184.

Appendix 1 – FRC minutes of meetings: agenda items

References in the thesis to FRC agenda items are in the form (FRC, Date, AI). The following table lists those agenda items that were relevant to the adoption decision. Minutes available at: <http://www.frc.gov.au/minutes/archive.asp>

Meeting No.	Date	Agenda item (AI)	Heading
1	25/10/99		Remarks by AASB and PSASB Chairs
		2	FRC administrative arrangements
2	16/11/99	1	Appointments to the Australian Accounting Standards Board
		2	Other Business
3	9/2/00	1	Appointments to the Australian Accounting Standards Board
		2	Possible nominations for appointment as Trustees of the restructured International Accounting Standards Committee
4	28/2/00	3	FRC Operations – keeping members informed; communications with stakeholder bodies
		4	FRC relationship with AASB
		8	Other Business
5	10/4/00	9	
6	3/7/00	1	Report by Chairman of AASB
7	8/9/00	6	Stocktake of FRC's oversight role
8	19/12/00		Request under the Freedom of Information Act
		1	Report by Chairman of AASB
		5	Conflict of interest guidelines for FRC members
		7	FRC consultation with stakeholders and AASB members
		8	International issues
9	30/4/01	1	Report by chairman AASB
		11	Other Business
10	4/6/01	1	Report by Chairman of AASB
		2	Report by Chairman of FRC Nominations Committee
		4	Determination of AASBs broad strategic direction for 2001-2002
		9	International issues- Report by Warren McGregor, Aust

			member of IASB
		11	Discussion with business stakeholders
11	28/9/01	2	Report by FRC Chairman on developments since his appointment as Chairman – including meeting with Sir Bryan Nicholson, Chairman of the UK Financial Reporting Council
		4	Report by Chairman of AASB
		7	Amended conflict of interest guidelines for FRC members
		8	International issues - Reports by Warren McGregor, Aust member of IASB and Ken Spencer, IASC Foundation member
12	3/12/01	5	Stocktake of FRC activities
13	22/3/02	1	Introduction by FRC Chairman – report on his meeting with Mr Michael Groom, Deputy Chairman of the UK Financial Reporting Council
		2	Funding of AASB and IASB operations
			Report by Chairman of AASB: Adoption of particular IASB standards in Australia
		3	Report by Chairman of AASB: Risks of future corporate failures
14	28/6/02	1	Introduction by FRC Chairman
		2	Funding of AASB and IASB operations
		3	International issues
		4	AASB broad strategic direction for 2002-03, including plan for adoption of IASB standards and IFRC interpretations
15	5/9/02	2	AASB broad strategic direction for 2002-03, including approach to public sector issues
		3	Preparations for 2005
16	12/12/02	2	FRC Chairman's Report
		3	AASB broad strategic direction on public sector issues
17	7/4/03	2	Question of opening FRC meetings to the public
		8	Clarification of AASB broad strategic direction on public sector issues
18	26/6/03	1	Introduction by chairman: Report on overseas visit
19	12/9/03	1	Introduction by FRC Chairman
		2	AASB/FRC strategy for influencing the international standard-setting process
		3	Strategy for adoption of International Accounting Standards Board (IASB) standards
20	5/11/03	2	Report by acting Chair of the AASB: Report on recent AASB activities

21	5/12/03	4	2003-04 AASB Budget and Business Plan
22	27/2/04	5	Transition to 2005
23	31/3/04	3	Address from IASB Chairman, Sir David Tweedie
24	23/4/04	3	Transition to 2005
25	19/5/04		
26	18/6/04		Report from Chair of the AASB
27	20/9/04		
28	6/12/04	1	Introduction by FRC Chairman