

Eurasian Studies in Business and Economics 16/1

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Eurasian Economic Perspectives

Proceedings of the 29th Eurasia
Business and Economics Society
Conference



 Springer

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Editors

Eurasian Economic Perspectives

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and Economics Society Conference

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Preface

This is Volume 1—Eurasian Economic Perspectives of the 16th issue of the Springer’s series **Eurasian Studies in Business and Economics**, which is the official book series of the Eurasia Business and Economics Society (EBES, www.ebesweb.org). This issue includes selected papers presented at the 29th EBES Conference—Lisbon that was held on October, 10–12, 2019, in Lisbon, Portugal. The conference is hosted by the *ISCTE-IUL Instituto Universitário de Lisboa*.

Amine Tarazi from the *University of Limoges*, France, **Robert William Vivian** from the *University of the Witwatersrand*, South Africa, and **Christo Auret** from the *University of the Witwatersrand*, South Africa, joined the 29th EBES Conference as keynote speakers. During the conference, participants had many productive discussions and exchanges that contributed to the success of the conference where 312 papers by 551 colleagues from 52 countries were presented. In addition to publication opportunities in EBES journals (*Eurasian Business Review* and *Eurasian Economic Review*, which are also published by Springer), conference participants were given the opportunity to submit their full papers for this issue. Theoretical and empirical papers in the series cover diverse areas of business, economics, and finance from many different countries, providing a valuable opportunity to researchers, professionals, and students to catch up with the most recent studies in a diverse set of fields across many countries and regions.

The aim of the EBES conferences is to bring together scientists from business, finance, and economics fields, attract original research papers, and provide them with publication opportunities. Each issue of *the Eurasian Studies in Business and Economics* covers a wide variety of topics from business and economics and provides empirical results from many different countries and regions that are less investigated in the existing literature. All accepted papers for the issue went through a peer review process and benefited from the comments made during the conference as well. The current issue covers fields such as accounting/audit, banking, economics of innovation, empirical studies on emerging economies, international trade, labor economics, public economics, and regional studies.

Although the papers in this issue may provide empirical results for a specific county or regions, we believe that the readers would have an opportunity to catch up with the most recent studies in a diverse set of fields across many countries and regions and empirical support for the existing literature. In addition, the findings from these papers could be valid for similar economies or regions.

On behalf of the series editors, volume editors, and EBES officers, I would like to thank all presenters, participants, board members, and the keynote speakers, and we are looking forward to seeing you at the upcoming EBES conferences.

Istanbul, Turkey

Ender Demir

Eurasia Business and Economics Society (EBES)

EBES is a scholarly association for scholars involved in the practice and study of economics, finance, and business worldwide. EBES was founded in 2008 with the purpose of not only promoting academic research in the field of business and economics but also encouraging the intellectual development of scholars. In spite of the term “Eurasia,” the scope should be understood in its broadest terms as having a global emphasis.

EBES aims to bring worldwide researchers and professionals together through organizing conferences and publishing academic journals and increase economics, finance, and business knowledge through academic discussions. Any scholar or professional interested in economics, finance, and business is welcome to attend EBES conferences. Since our first conference in 2009, around 12,459 colleagues from 99 countries have joined our conferences and 7091 academic papers have been presented. ***EBES has reached 2375 members from 87 countries.***

Since 2011, EBES has been publishing two journals. One of those journals, *Eurasian Business Review—EABR*, is in the fields of industrial organization, innovation, and management science, and the other one, *Eurasian Economic Review—EAER*, is in the fields of applied macroeconomics and finance. Both journals are published quarterly by *Springer* and indexed in *Scopus*. In addition, EAER is indexed in the *Emerging Sources Citation Index (Clarivate Analytics)*, and EABR is indexed in the *Social Science Citation Index (SSCI)* with an impact factor of 2.222 as of 2019.

Furthermore, since 2014 Springer has started to publish a new conference proceedings series (**Eurasian Studies in Business and Economics**) which includes selected papers from the EBES conferences. The 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th (Vol. 2), and 24th EBES Conference Proceedings have already been accepted for inclusion in the *Conference Proceedings Citation Index—Social Science & Humanities (CPCI-SSH)*. Subsequent conference proceedings are in progress.

We look forward to seeing you at our forthcoming conferences. We very much welcome your comments and suggestions in order to improve our future events. Our success is only possible with your valuable feedback and support!

With my very best wishes,

Klaus F. Zimmermann
President

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Part I
Accounting/Audit

Insights from Lobbying Research on the Accounting Standard-Setting Process Through Comment Letter Submissions



Lucía Mellado and Laura Parte

Abstract The purpose of this paper is to provide an overview of lobbying research through comment letter submissions in the accounting standard-setting process. First, we review the theoretical framework that supports lobby behavior in accounting standard-setting process. Second, we examine the participation in lobby process and constituents' incentives to participate worldwide. Third, we analyze the studies that focus on the content of comment letters to understand the position and argument of participants, and finally, we examine the effectiveness of a lobbying strategy through the relationship between the inputs (comment letters) and output (final standard). This paper identifies fundamental questions that remain unanswered and offers avenues for future research.

Keywords Lobbying · Comment Letters · IASB · FASB

1 Introduction

The accounting normative process is a subject of interest to the accounting community. The determination of standards has been considered not only a technical process but also a political process, due to the observation of pressures on the standard-setting (Gipper et al. 2013). In this context, the literature has defined “lobbying” as all of the actions taken by stakeholders to influence the regulatory process to defend their own interests (Sutton 1984). The differences among national regulators, for example, whether they are public or private, and their formal procedures or participation systems are important to study issues such as legitimacy or technical quality. Traditionally, the United States national standard-setter has been a reference for accounting regulation. However, in recent decades, the International Accounting Standards Board (IASB) has captured most of the attention of academics

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and practitioners because of its global scope, and mainly after the convergence project conducted jointly with the United States Financial Accounting Standards Board (FASB).

Hence, constituent participation in the international regulatory process has increased compared to previous national accounting projects (Jorissen et al. 2013). The FASB and the IASB follow a formal process in setting standards that encourages broad participation (Holder et al. 2013). Nevertheless, the methods used by interested parties to exert pressure on standard-setters can be numerous. Georgiou (2004) distinguishes between direct methods (e.g., participation in discussion panels) and indirect methods (e.g., using the media as a mediator to influence). Subsequently, Kwok and Sharp (2005) add the distinction between formal methods (participation in a standardized consultation process such as the submission of comment letters) and informal methods (e.g., private conversations with single members of the standard-setting institution). The submission of comment letters has been considered one of the most accessible methods and the most visible action for participating in the regulatory process. Comment letters contain a large amount of valuable information that researchers can infer from their analysis (e.g., information about the writers' characteristics, their incentives, their position relative to accounting rules, a strategy to persuade, and expectations).

The aim of this paper is to provide an overview of the lobbying literature in the accounting standard-setting process through comment letter submissions (particularly to the IASB and FASB). First, we explain the constituents' and regulators' behavior in the accounting standard-setting process from a theoretical perspective. Second, we classify the previous literature according to the following objectives: understanding participation in the process and inferring from text or content analysis. Finally, we examine the effectiveness of a lobbying strategy through the relationship between the inputs (comment letters) and output (final standard).

The paper contributes to the literature in lobbying research in different ways. First, it provides an overview of a theoretical framework to understand how political forces may influence the standard-setting process through comment letters. Early works consider self-interest and economic effects to be fundamental factors in a lobbying strategy (Watts and Zimmerman 1978; Sutton 1984). To gain a better understanding of the lobbying phenomenon, recent papers extend these arguments by providing a more robust framework to design future studies. For example, they integrate traditional accounting and economic theories with other strands in the social sciences, such as political science or psychology. The conjunction of different theories contributes to an enhancement of a more extended theoretical framework.

Second, this paper reviews the instrument, sample, and methodology used by researchers to achieve their objectives, focusing on both their weaknesses and their strengths. The main instrument is the analysis of comment letters to understand the decision to submit comment letters, the power of different groups, the characteristics of participants, the potential benefits of being involved in the regulatory process, and the letters' effectiveness (relationship between the inputs and the output). Although early research has used single accounting standards and small samples primarily due to the complexity of working with manually collected data, extended research has

overcome some of the weaknesses of preliminary papers, thereby increasing the scope of studies through multiple accounting standards and making it possible to maximize the sample and generalize the results. In fact, the combination of quantitative and qualitative data makes it possible to obtain a more complete view of the accounting standard-setting process with respect to early results.

Third, we identify fundamental questions that remain unanswered and that can be developed by future studies. We present some avenues at the end of each section, and we provide an agenda for future research in the conclusion section. Finally, we discuss the limitations of comment letters as a methodology for analyzing the accounting standard-setting process.

The structure of this paper is as follows. Section 2 provides an overview of the main theoretical aspects behind lobbying research. Sections 3 and 4 review the literature that explains the decision to submit comment letters (participation) and the literature that analyzes the substance of comment letters (content analysis), respectively. Section 5 examines the literature that investigates the usefulness of comment letters for constituents and regulators (the input-output relationship). Finally, Section 6 provides the conclusions, the future avenues, and the limitations of the paper.

2 Theoretical background

2.1 The role of theories in explaining regulators' behavior in the accounting standard-setting process

The IASB and the FASB seek to develop high-quality accounting standards to take decisions about the firms. They have also been involved in a convergence project to reduce accounting standards divergences between both regulatory bodies. Supranational government and domestic countries provide political legitimacy to the regulatory bodies. Consequently, the IASB and FASB work continuously to guarantee their technical expertise (substantial legitimacy) as well as to guarantee that the process is transparent, independent, considering the public interest (procedural legitimacy) (e.g., Burlaud and Colasse 2011). Legitimacy theory is being developed in the field of the standard-setting process (e.g., Botzem 2014).

The political and institutional environment surrounding the IASB and the FASB is complex but particularly in the case of the IASB because there are several formal and informal institutions and entities that can influence it at different levels: (1) authority level: national governments, supranational governments, or institutions such as the International Organization of Securities Commissions (IOSCO); (2) organizational level: national accounting standard-setters, advisory bodies, auditors and accounting associations, financial and industry associations; and (3) participation at the constituent level (business and investors) (Baudot and Walton 2014). In this paper, we focus on the third level to understand how standard-setters react to the

lobbying activities of constituents. Lobbying activities in the FASB standard-setting process have been studied for several decades (Gipper et al. 2013).

The decision-making process to review or adopt a new accounting standard is complex. According to Cortese and Irvine (2010), it is like a “black box.” To better understand this “black box,” economic theories of regulation are divided into three main approaches that explain the behavior of standard-setters: the public interest model, regulatory capture theory, and the ideology model. The public interest model (Posner 1974) holds that accounting rules are necessary public goods in unregulated markets and that standard-setters make socially efficient decisions because the interest payoff of regulators may be positively correlated to social welfare (Polk 2002). In Sunder 1988, Sunder already noted the necessity to have a structure that does not let the Boards to act unless they strongly consider the standard may be socially desirable. In contrast, the model proposed by regulatory capture theory (Stigler 1971) suggests that firms in the regulated industry “capture” the regulator, thereby opposing social efficiency. Watts (2006) explains that the accounting regulators have the responsibility to define the Agenda for reviewing, amending, or propose new accounting standards. During the process, it is important to guarantee the market equilibrium and prevent the potential lobby of special interest group or political forces that pursue their self-interest. Also, there is an intermediate theory, the ideology model, in which regulators are moved by their own beliefs and attempt to achieve public welfare but consider useful information concerning the effects of proposals provided by interested parties (Kothari et al. 2010).

The ideology theory is of particular interest for understanding the role of standard-setters in the accounting normative process. Allen and Ramanna (2013) argue that the background of board members is important for determining the accounting style. If they have a prior carrier in financial services, then they propose fair-value methods to increase the relevance instead of the reliability. The opposite results are found for members affiliated with the Democratic Party. The influence exerted by Big 4 members has also been studied (Botzem 2014), but the need for technical expertise is undeniable. Drawing on organizational theories, some studies do not consider the individualistic approach of the board, instead assuming the collective role of the boards as groups of interacting individuals with different ideologies. Morley (2016a) calls this approach internal lobbying, that is, the effects of the existing division into ideological groups but relaying in the IASB the final outcome.

Nonetheless, to determine the position of regulators and their attitude toward constituents, we consider essential to examine the entire due process. The steps of the IASB are as follows: (1) setting the agenda (mandatory); (2) planning the project (mandatory); (3) developing and publishing the Discussion Paper (DP), including public consultation (facultative); (4) developing and publishing the Exposure Draft (ED), including public consultation (mandatory); (5) developing and publishing the Standard (mandatory); and 6) procedures after a Standard is issued (mandatory). Comment letters are submitted during the public consultation period of the third and fourth steps. It is interesting to complement comment letters analysis with formal and informal mechanisms during the due process, such as information from consultative

groups, staff documents, and interviews with the key actors, to obtain a more complete view of the process and extend the conclusions of previous papers.

Studies on the accounting standard-setting process are changing their focus to also include the regulator's perspective. The theories that support these advances are based on organizational studies, political science, and psychology. Recent papers on the behavior of standard-setter are analyzing the background of board members and the presence of ideology groups. Additionally, studying the manner in which standard-setters perceive constituents' opinions in comment letters and how they are reflected in the final standard requires theoretical support that may be reinforced. To show a global perspective, studies can include the examination of the evolution of projects, the formation of the agenda, and the timing of due process, among others.

2.2 The role of theories in explaining constituents' behavior in the accounting standard-setting process

Most empirical studies consider the 1970s to be the beginning of lobbying research due to the "rise of economic consequences" (Zeff 1978). Preparers changed the objective from simply presenting reporting information to incorporating economic effects. Consequently, the previous literature builds models that link the participation of constituents in standard-setting to the economic effects of accounting rules (Watts and Zimmerman 1978) and the type of accounting issue under consideration (Sutton 1984). The general assumption of these theories is that participants are moved by their self-interest. The classification of Durocher et al. (2007) is very useful in regard to understanding the basis of constituents' behavior. They classify these theories into three streams: the Economic Theory of Democracy (ETD), Positive Accounting Theory (PAT), and the Coalition and Influence Group (CIG).

The decision to submit or not submit a comment letter is defined as a cost-benefit function, as Sutton (1984) proposes on the basis of the rational choice theory. Considering the ETD, Sutton (1984) argues that a rational entity allocates resources to lobbying only if the benefits compensate for the costs, which is compared with a political system and the decision to allocate a vote. Then, if the participants pursue its own benefit instead of the public interest with values such as honesty, loyalty, or morality, it can be considered an opportunist behavior.

Based on the ETD, lobbying research has focused on studying constituents' participation in the process to determinate the benefits from lobbying. Participation is expected to be more concentrated among those who are more economically affected by the standard (e.g., considering whether a proposal is controversial) (see, e.g., Tandy and Wilburn 1992; McLeay et al. 2000; Giner and Arce 2012; Chircop and Kiosse 2015).

The PAT is also a relevant theory, which is based on the works of Watts and Zimmerman (1978) and explains the preparers' incentives to participate in lobby. Some accounting regulatory proposals impact on financial figures involved in other

contracts, such as debt covenants or manager compensation. The proposals can lead to unintended consequences and the redistribution of wealth among different actors, which is in line with the postulates of agency theory. Empirical studies suggest that changes in accounting standards and both their expected and unintended consequences may influence the willingness of preparers to participate and their global position with respect to the proposals. Although PAT excludes the group of users as a potential objective, it seems logical to consider that this group is concerned by economic incentives.

Previous researches assumed a pluralistic conception of power (Jorissen et al. 2006; Giner and Arce 2012). They have primarily focused on answering the following questions: who is involved in lobbying actions and why. Questions such as how to exert pressure and the effectiveness of instruments in influencing in the standard-setter's decision are less explored in the empirical literature.

The third stream of research proposed by Durocher et al. (2007)—the CIG—is more focused on analyzing the effectiveness of groups and alliances in the standard-setting process. They argue that the potential alliances and cooperation between groups may exert pressure on the accounting standard-setting process, including groups with high power that face the process non-pluralistic. Hence, Metcalf Report (1976) points out that large audit firms exert a high influence on FASB. Puro (1984) explains that large audit firms can join their clients to create a strong coalition. However, MacArthur (1988) does not support the above arguments. Cortese and Irvine (2010) also note coalitions among powerful groups and their influence over regulators (Kwok and Sharp 2005; Yen et al. 2007).

The concept of power is a key feature in lobbying studies. Most previous studies assume that power is distributed through all constituents addressing a comment letter but that it can vary across constituents (Morley 2016b). We think that conduct a more in-depth analysis of theories that explain the behavior of a powerful accounting firms is a challenge for studies focusing on the IASB context. Also the empirical approach to test the influence of more (less) interested groups can help to understand the accounting standard-setting process through comment letter submissions. Futures challenges are related to finding a method to measure hidden lobbying activities or indirect lobbying, or to quantify the effect of other factors, e.g., media. Additionally, the combination of several methods to lobby may be a signal of how interested an entity is.

3 Literature on participation: the decision to submit a comment letter

3.1 Participants' profile in the process

Sutton (1984) divides the participants in the standards development process into preparers of financial reporting and users to explain the differences in decisions by

collectives of interest. Empirical studies show that preparers are the collective that participates the most in the accounting standard-setting process (e.g., Tandy and Wilburn 1992; Jorissen et al. 2006; Jorissen et al. 2012; Giner and Arce 2012; Kosi and Reither 2014; Mellado and Parte 2017a). The literature considers self-interest and the probability of influencing the outcome to be the key factors. Compared to users, preparers are richer and less diversified, and their economic interests are more homogeneous. These characteristics reduce the cost of submitting a comment letter and increase the possibility of success (Sutton 1984). Even in the case in which users are wealthier than preparers, they are less interested in any standard because of their diversified portfolios (Giner and Arce 2012). Additionally, the empirical research shows that preparers participate significantly more when proposals have a major impact on a firm's financial statements (e.g., Jorissen et al. 2012).

In contrast to preparers, the group formed by auditors has been less studied in the literature. Different theories seek to predict the behavior of auditors focusing on the firms' motivation to participate: (1) auditors are expected to lobby on behalf of their clients and to the transfer of wealth (Watts and Zimmerman 1982; Puro 1984); (2) auditors are expected to lobby to protect their own interest according to their inclination toward conservatism to preserve rule reliability and avoid litigation risk (Hilton-Meier et al. 1993, and Mora et al. 2015); (3) auditors are expected to lobby to protect public interest or users financial statements.

The groups formed by users, academics, or national standard-setters are also scarcely explored by the literature. Giner and Arce (2014) focus on the participation of national standard-setters, providing an interesting contribution to the field. The evidence suggests that the participation of national standard-setters is not continuous during all the process, being higher at the end of the projects, which is consistent with institutional theory. It is also noted that national standard-setters search a convergence process with the IASB in order to gain legitimacy with the participation. Findings also reveal that the participation of other collectives (i.e., academics) is low.

In summary, extended research on lobbying behavior through comment letters has primarily focused on the behavior of preparers, with the following as the main issues being examined: the lobbyist profile, the incentives to participate, the period of time, the methods of performing lobbying, and the effectiveness of lobbying actions. However, with respect to preparers, the research may be extended in several ways. For example, the evidence on financial firms is still preliminary. The role of financial firms as preparers and users is also an interesting question. Auditors are also an interesting collective in the accounting standard-setting process, and little evidence on this group exists.

3.2 Corporate characteristics associated with participation

Watts and Zimmerman (1978) introduce the assumption that comment letters reflect the position of managers using PAT. This theory identifies three factors that explain

the manager's incentive to incur in several accounting practices: the political cost hypothesis, contractual arrangements associated to debt covenants, or associated costs to manager remuneration and compensation. Based on this framework, Kelly (1985) and Francis (1987) examine the decision of firms to participate in the FASB standard-setting process through comment letters versus firms that do not. Kelly (1985) finds that size is the main corporate characteristic in the decision to lobby. Although the empirical model includes interesting variables such as management ownership, the evidence is limited due to the small sample. To overcome this problem, Francis (1987) uses a large sample and shows that size and adverse financial statement effects are key factors that explain lobbying behavior.

There is a consensus in the literature that larger firms submit more comment letters than smaller firms across all industries around the world (e.g., Sutton 1984; Kelly 1985; Francis 1987; Georgiou 2005; Jorissen et al. 2012; Kosi and Reither 2014; Santos and Santos 2014; Mellado and Parte 2017a). Smaller firms have less discretion (and power) to engage in lobbying behavior; they often participate through trade associations.

Empirical research on preparers' incentives driven by compensation management contracts and the debt covenant hypothesis from the positive accounting perspective are still scarce, and the results do not show a clear direction. Using the accounting regulation of the oil industry, Santos and Santos (2014) find an association between lobbying strategies and firm size but a weak association with compensation management contracts. Georgiou (2005) and Koh (2011) show that debt covenant effects influence corporate lobbying behavior, but for example, Kelly (1985) does not find any association. The proxy used in empirical research to measure debt covenants can explain the results. Although most empirical studies use the debt-to-equity ratio, some authors argue that the debt covenant is a better proxy (see, e.g., Georgiou 2005). The literature also argues that profitability is a good proxy of the decision to participate in the accounting standard-setting process (Jorissen et al. 2012; Kosi and Reither 2014; Santos and Santos 2014).

Empirical studies also show differences by industry when examining lobbying participation. The industries most affected by accounting standard projects are more likely to participate compared to industries that show less exposure to accounting figures. For example, in the leasing accounting project, companies from sectors that use operating leases more intensively, such as transport services, retail, restaurants, hotels, and utilities, tend to lobby more than companies in other industries (Mellado and Parte 2017a).

Kosi and Reither (2014) state that firms lobbying in the past may have experienced economies of scale. It could be reasonable to make more effort in an early stage of the project and decrease the effort in subsequent periods, due to marginal cost. However, it could be also logical to continue with lobby strategy (instead to decrease in subsequent periods) when the participant achieved success the first time (Kosi and Reither 2014). More recently, Mellado and Parte (2017a) show that the decision to submit a comment letter in a lease accounting project is associated with firm age or experience.

Another stream of research focuses on the association between the lobbying strategy and variables such as management ownership and internal and external corporate governance. Koh (2011) analyses lobbying during the “stock option” standard-setting process conducted by the FASB in 2004. He concludes that small firms are more likely to participate in the process when similar firms in the industry have also lobbied and when they have higher board independence. Kosi and Reither (2014) find that variables such as size, profitability, past lobbying experience, and financial constraints are positively related to lobbying decision. Furthermore, less concentrated ownership’s firms tend to lobby more. Chircop and Kiosse (2015) show that the likelihood of firms to submit a comment letter is positively associated with pension fund size and that the number of shares available for trading is a positive influence. It is also interesting to extend the proxies used in these studies to better understand the lobbying strategy. For example, political connections, enforcement control, and more firm variables can improve the results and implications.

In terms of methodology, prior papers use univariate test to examine lobbyist participation (e.g., Georgiou 2005; Giner and Arce 2012; Kosi and Reither 2014; Mellado and Parte 2017a; Mellado and Parte 2017b), discrete choice model (such as probit or logit) to examine the probability of submitting a comment letter and the variables that explain the decision to participate or submit a comment letter (e.g., Francis 1987; Koh 2011; Jorissen et al. 2012), or multinomial regression to examine the probability of submitting one, two or more comment letters (Kosi and Reither 2014; Santos and Santos 2014; Mellado and Parte 2017a).

Regarding empirical design, de Figueiredo and Richter (2014) find two main challenges for lobbying studies: omitted variables (hidden lobbying activities) and endogenous selection into the lobbying process. Both are related and pervasive. In the first case, there are some unobserved variables not included in the model that can be correlated with the error term in a regression, resulting in an incorrect causal inference. The decision to lobby by an interest group is not a random event. Therefore, not permitting random selection (in which some interest groups will be assigned to lobby and others not) can lead to biased results because of a possible correlation between the group assignment process and outcomes. Consequently, researchers may pay attention to these challenges in future research by finding techniques to measure unobservable relevant variables for lobbying and applying methods to reduce the risk of endogenous selection to increase the robustness of statistical analysis.

In this sense, the decision to submit a comment letter and their determinants, with a robust framework, is an area of special interest in this field. A fruitful avenue is to continue developing the theories and find additional explanation to understand the reasons for lobbying, including the sociological and psychological theories that can help to comprehend certain human behaviors. Also it is important to advance in small collectives, which are scarcely examined until the date.

3.3 *Jurisdiction*

A seminal study by La Porta et al. (1998) provides a comprehensive investigation of country-level attributes, setting the basis for future cross-country studies. Subsequent empirical studies show that international financial reporting and accounting practices are influenced by variables such as economic factors (capital market development, per capita Gross Domestic Product (GDP)), national legal systems (political systems, tax mechanisms, investor protection, enforcement systems, securities regulation disclosure requirements), cultural values, and social attitudes, among others.

The IASB is a global standard-setter that seeks to make financial information comparable worldwide; therefore, it needs to have international legitimacy. However, country participation is not homogeneous worldwide and the academia and authorities have paid special attention to this issue. Empirical researches find that factors such as legal factors, cultural variables, institutional factors, informational environments, etc., confirm a different behavior in geographical participation (e.g., Orens et al. 2011; Jorissen et al. 2013; Larson and Herz 2013; Dobler and Knospe 2016; Mellado and Parte 2017b).

Orens et al. (2011) explain that civil law countries participate more because they are less familiar with the accounting standard-setting process. Jorissen et al. (2006) confirm that geographical participation depends on the rule of law, enforcement controls, tax compliance, and earnings management. Jorissen et al. (2014) also find that the participation is high in developed countries compared to less developed countries. Considering individual countries, constituent from countries such as the United Kingdom, the United States, Australia, Hong Kong, and Switzerland participates more compared to constituent from countries such as Japan, India, Brazil, or Africa (Jorissen et al. 2013; Dobler and Knospe 2016).

Hofstede (2001) introduces cultural variables (individualism, power distance, uncertainty avoidance, or masculinity) creating an index for every country in the sample. Previously, Gray (1988) provides accounting classifications between countries (such as professionalism vs statutory control, uniformity vs flexibility, conservatism vs optimism, and transparency vs secrecy) which some relationship with Hofstede's country division. Empirical studies have used both as determinants of the decision to participate or participation intensity at the country level (Jorissen et al. 2013; Larson and Herz 2013; Dobler and Knospe 2016; Mellado and Parte 2017b). As a part of the culture of a country, language barriers can influence the decision to lobby.

Regarding the use of IFRS by jurisdiction and the influence of IFRS differences in the lobbying decision, the evidence is mixed. Larson and Herz (2013) suggest that higher differences with IFRS in historical accounting practices lead to a higher submission of comment letters. In contrast, Holder et al. (2013) find that countries exposed to IFRS present more comment letters with an unfavorable opinion. Some studies explore the relationship between non-compliance with standards caused by corruption and lobbying. The majority of studies suggest that they are substitutes,

assuming that they are negatively associated with one another (Jorissen et al. 2006; Harstad and Svensson 2011). Under a regulatory constraint, firms have the option to bribing bureaucrats to avoid rules or lobbying through the accounting standards process. The first is positively associated with the poverty trap due to restrain lobbying strategies (Harstad and Svensson 2011). The second seems to be effective for political influence. It implies a greater investment but guarantees a better quality of reporting and credibility of the market in the long term.

Prior research uses the number of comments letters submitted by a country as a proxy to lobbying intensity (Larson and Herz 2013). To measure the variables is common to use absolute values (Jorissen et al. 2012; Dobler and Knospe 2016) or relative values such as deflated variables by listed firms (Jorissen et al. 2006) or economics variables such as capital market development and per capita GDP (Jorissen et al. 2013). The methodology used in this area is very similar to that of empirical papers that focus on investigating the corporate determinants of lobbying. Generally, they use a univariate methodology to test significant differences among country variables and linear regression models (OLS regressions) to test the association between dependent and independent variables (e.g., Jorissen et al. 2012; Jorissen et al. 2013; Larson and Herz 2013; Dobler and Knospe 2016).

Summing up, to examine the lobby is common to use large samples with several accounting standards projects (since the early stage to the final publication), including a wide set of variables and factors associated to firm levels and country factors. As a result, the evidence contributes toward our lobby understanding worldwide. Accounting regulators could benefit from these results not only to understand lobby motivations and incentives for different collectives (including auditors and firms) and country factors but also to anticipate several behaviors in the accounting standard-setting projects. Considering the objective to gain legitimately worldwide, the participation to certain countries (Western countries) and emerging countries should be an objective for accounting setters. Hence, researchers should be focused on understand such low participation of certain countries, including appropriate countries variables—microeconomic and macroeconomic factors.

Several limitations have been detected. The country representation though databases is not representative; large amounts of data exist for developed countries, but limited data are available for small and emerging countries. This situation makes it difficult to fully compare the results. A deeper analysis of country-level variables is also required to identify possible correlations and interrelations between variables. Recent studies include a large set of variables to find differences between countries without appropriate controls. Researchers may also pay attention to the index included in the database that allows countries around the world to be classified because they typically assume that the classification holds constant during various periods.

4 Literature on the content of comment letters: positions and arguments

The content of comment letters is valuable to know the agreement or disagreement with the proposal and also the specific arguments and comments for constituents. However, researchers should analyze the content of comment letters by categorizing and codifying the text. Content analysis could be oriented to: (i) explore the structure of the text (number of words, number of questions answered, number of complex words, number of specific words, and expressions associated to the research objective, etc.); (ii) understand the meaning of words (what they are saying and why). This approach is more accurate to understand the reasons to lobby.

Previous work that uses the content analysis methodology has focused on the single-issue accounting standard due to the necessity to process the letters, which contains large amount of text (Yen et al. 2007; Holder et al. 2013). Examining a single-issue standard is easier to codify the arguments of interest, the lobbying position (Georgiou 2005), the meaning of the comments (Giner and Arce 2012), and accuracy in the content of the letter. Puro (1984), Giner and Arce (2012), Holder et al. (2013), and Anantharaman (2015) identify the global position of respondents through three categories: agreement, opposition or, occasionally, neutrality. Also, they emphasized the relationships between the characteristics of respondents and their position in the letter (e.g., Koh 2011).

Yen et al. (2007) identify five types of arguments in comment letters: definitions, scope, due process, outcome-oriented, and others. Later, Mora et al. (2015) classify the arguments in comment letters submitted to lease DP issued by IASB in 2009 in more categories: conceptual framework arguments (concepts, subjectivity, cost/benefit, anti-abuse, business model. . .) and economic consequences arguments.

Other studies focus on understand the arguments by groups of respondents. Regarding the concept of control, Stenka and Taylor (2010) consider two groups: corporate versus non-corporate. They analyze arguments and find that corporate respondents are more concerned about specific subjects. Giner and Arce (2012), using comment letters on ED for IFRS 2 issued by IASB, identify arguments related to recognition, valuation, and allocation. The evidence suggests that constituents provide arguments when they do not agree with the proposal. Hence, preparers and consultants use more arguments related to the economics effects than conceptual arguments are used less frequent than economics. In contrast, regulator uses mainly conceptual arguments. Mora et al. (2015) suggest that preparers know that conceptual arguments are the best strategy to influence regulators. Interesting, Stenka (2013) provides a rhetorical analysis through comment letters. The categories and dimension selected are as follows: (i) lexical choice, (ii) sound patterning, (iii) figurative language, and (iv) schematic language.

As noted above, content analysis is a methodology that is mainly used to draw conclusions through comment letters. The process of codification can be human-coded or computer-aided. Early studies have used the former to draw conclusions on the position and arguments driven by constituents. However, the commercialization