RESPONSES TO THE IASB'S DISCUSSION PAPER ON THE PROPOSED AMENDMENTS TO FAIR VALUE MEASUREMENTS

FRANCOIS CIBADIKA KENGA

RESPONSES TO THE IASB'S DISCUSSION PAPER ON THE PROPOSED AMENDMENTS TO FAIR VALUE MEASUREMENTS

By

Francois Cibadika Kenga

BCom(ISI, DRC), BCom Hons(UKZN)

Submitted in partial fulfillment of the requirements for the Degree of Master of Accountancy (Financial Accounting)

School of Accounting, University of KwaZulu-Natal

Durban, South Africa

Supervisor: Professor Lesley J. Stainbank

As the candidate's supervisor, I have approved this dissertation for submission

Signed …………………………………………………………..

DECLARATION

I, Francois Cibadika Kenga declare that

i. The research reported in this dissertation, except otherwise indicated is my original research.

ii. This dissertation has not been submitted for any degree or examination at any other university.

iii. This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:

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ABSTRACT

The study examines responses to the proposed amendments to *fair value measurements* by the International Accounting Standards Board (IASB) in its *discussion paper* (*DP*) of 30 November 2006.

The study describes lobbyists and their responses in terms of their nature or type, geographic backgrounds and professions, and provides additional understanding of the responses to the *DP*, contributes new knowledge of the standards-setting process and confirms similar research (Larson, 1997; MacArthur, 1999; Langendijk *et al.*, 2003, Schipper 2005; Laux and Leuz, 2009) with regards to fair value reporting and due processes.

The study has found that 90.78% of respondents were organisations and 9.22% were individuals. Amongst them, 3.55% were from Africa, 9.93% were from America, 9.22% were from Asia, 65.96% were from Europe and 11.35% were from Oceania. Professions represented were**:** Academics (6.38%), Accounting Professional Bodies (24.82%), Banks (9.22%), Companies (11.35%), Financial Analysts (0.71%), Financial Markets (4.26%), Insurance (6.38%), Investors (6.38%), Regulators (23.40%) and Others (7.09%). Seventy-seven (75,49%) lobbyers (out of 102) needed a single source of guidance for all *fair value measurements* in *International Financial Reporting Standards (IFRSs)* and *International Accounting Standards (IASs)*. Sixty-two (63.92%) respondents (out of 97), amongst whom (23.40% or 33/141) regulators and other national accounting standards-setters, wanted the term fair value to be replaced by other relevant terms such as current exit price and current entry price. Europe had the highest participation rate (65.96%), which was expected (Langendijk *et al.*, 2003; Schipper, 2005). European positions were harmonious. Few academics participated, which rate confirms prior lobbying studies (Kenny and Larson, 1995). Subsequent to the *DP*, the IASB implemented its proposals in the new *IFRS 13* (IFRS, 2011b).

TABLE OF CONTENTS

GRAPHS AND PIE CHARTS

LIST OF TABLES

LIST OF ABBREVIATIONS

%:	Profit Margin
AASB:	Australian Accounting Standards Board
AC:	Amortised Cost
AOALT:	Amount to be obtained from the disposal in an Arm's Length Transaction adjusted for incremental disposal costs
APALT:	Amount paid in an Arm's Length Transaction adjusted for incremental disposal costs
APALT:	Amounts the Acquirer would have paid for the assets in Arm's Length Transactions.
ASB:	Accounting Standards Board of the United Kingdom
AU:	African Union
Board:	International Accounting Standards Board
Boards:	International Accounting Standards Board and Financial Accounting Standards Board
CC:	Current Costs
CFV:	Current Fair Value of similar instrument
CLs:	Comment Letters received on the *DP*
CP:	Current Price
CP±:	Current Price as adjusted
CRC:	Current Replacement Costs
CS:	Costs to Sale
CtC:	Costs to complete
DCFP:	Discounted Cash Flow Projections
DEFCF:	Discounted Expected Future Cash Flows
DEFNCF:	Discounted Estimated Future Net Cash Flows
DM:	Discussion Memorandum
DP:	Discussion Paper on the Proposed Amendments to Fair Value Measurements of 30 November 2006 issued by the IASB
EC:	European Commission
ECO:	Estimated by a Company
ED:	Exposure draft
EFRAG:	European Financial Reporting Advisory Group

EMP:	Estimated Market Price
EMP-CD:	Estimated Market Price less the Costs of Disposal
ESP-CD:	Estimated Selling Price less the Costs of Disposal
ETP:	Estimated Transaction Price
EU:	European Union
EV:	Estimated Value
FV:	Fair Value
FV-f:	Fair Value less fees received
FASB:	Financial Accounting Standards Board
GAAP:	United States of America's General Accepted Accounting Principles
IAS 16:	International Accounting Standard: Property, Plant and Equipment
IAS 19:	International Accounting Standard: Employee Benefits
IAS 2:	International Accounting Standard: Inventories
IAS 26:	International Accounting Standard: Accounting and Reporting By Retirement Benefit Plans
IAS 32:	International Accounting Standard: Financial Instruments: Presentation
IAS 36:	International Accounting Standard: Impairment of Assets
IAS 39:	International Accounting Standard: Financial Instruments: Recognition and Measurement
IAS 40:	International Accounting Standard: Investment Property
IAS 41:	International Accounting Standard: Agriculture
IAS:	International Accounting Standard
IASB:	International Accounting Standards Board
IASC:	International Accounting Standards Committee
IFRS 2:	International Financial Reporting Standard: Share-Based Payment
IFRS 3:	International Financial Reporting Standard: Business Combinations
IFRS:	International Financial Reporting Standard
IOSCO:	International Organisation of Securities Commissions
IV:	Initial Value
MNC:	Multi-National Corporation
MoU:	Memorandum of Understanding between the two boards
MP/QP:	Market Price/Quoted Price

MP±:	Market Price as Adjusted
MP-CD	Market Price less the Costs of Disposal
MV:	Market Value
NRV:	Net Realisable Value
OPM:	Option Pricing Model
PBALT:	Price in a Binding sale agreement in an Arm’s Length Transaction adjusted for incremental disposal costs
PE:	Price of Exchange
PP:	Published Price
P-SC:	Price less Selling Costs
PV:	Present Value
PV-FV:	Present Value less Fair Value
PVENCF:	Present Value of Estimated Net Cash Flows
RP±:	Recent Prices Adjusted
RVA:	Revalued Amount
SAC:	Standards Advisory Council
SAICA:	South African Institute of Chartered Accountants
SEC:	United States of America’s Securities and Exchange Commission
SFAS 157:	Statement of Financial Accounting Standards No. 157 issued by the FASB for users in the United States of America and for those reporting under United States of America’s Generally Accepted Accounting Principles (US GAAP)
SFAS:	Statement of Financial Accounting Standards
SIC:	Standing Interpretations Committee
SP:	Selling Price
US GAAP:	United States of America’s General Accepted Accounting Principles
USA:	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Ogulu (2006:58) defines research as "… a process of studying and analyzing the issues surrounding a problem, and that is painstakingly aimed at proffering a solution". Since research is prompted by the existence or perceived existence of a problem, it ought to begin with its description and the problem statements (Welman, Kruger and Mitchel, 2006). The study outlines the specific problems in relation to the International Accounting Standards Board's (IASB) 2006 *Discussion Paper (DP)* on *fair value measurements* and describes respondents and their responses with reference to prior research and future trends in fair value reporting.

The purpose of the study is to describe lobbyists and analyse their responses to selected questions raised in the *DP* in terms of their nature or types [NAT], Continents of origin [LOC], and Professions [PROF]).

The study is justified by the need to provide additional understanding of the commentary to the *DP*, contribute knowledge on the standards-setting process, highlight characteristics of lobbyists and their responses during the *DP* due process and to confirm prior research (Larson, 1997; MacArthur, 1999; Langendijk, Swagerman & Verhoog, 2003, Schipper 2005; Laux and Leuz, 2009) with regards to fair value reporting and due processes.

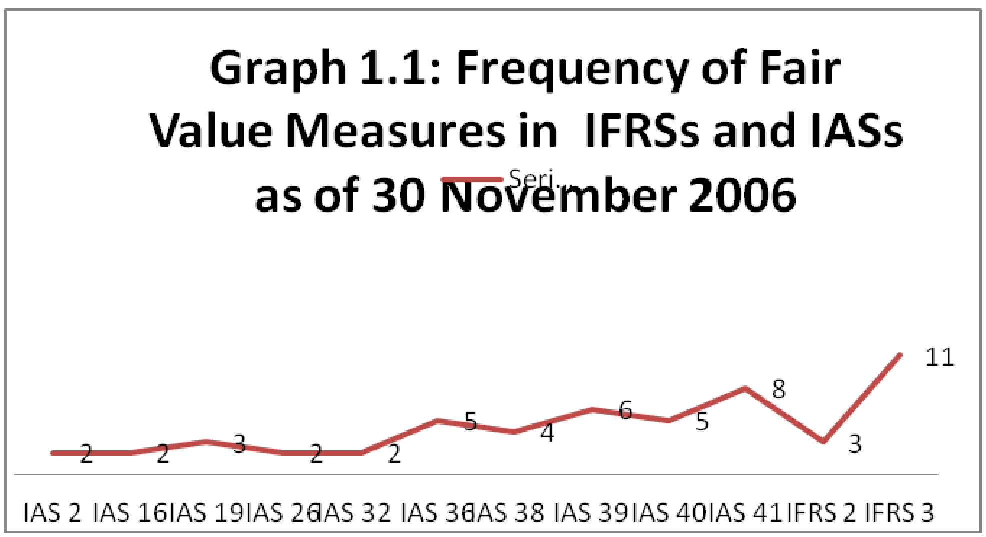
Prior research relevant to the topic is on due processes of other standard-setters, i.e. Financial Accounting Standards Board (FASB), International Accounting Standards Committee (IASC), Accounting Standards Board (ASB), and Australian Accounting

Standards Board (AASB), with very little studies on the works of the IASB. In these studies, respondents' analysis has been focused more on a single type of lobbyists, i.e. corporations or firms, and their geographic classifications focused on countries of origins of respondents. Of those accessed, no study has yet used a *DP* published by the IASB or investigated lobbyers to the IASB's *fair value measurements* project of 30 November 2006.

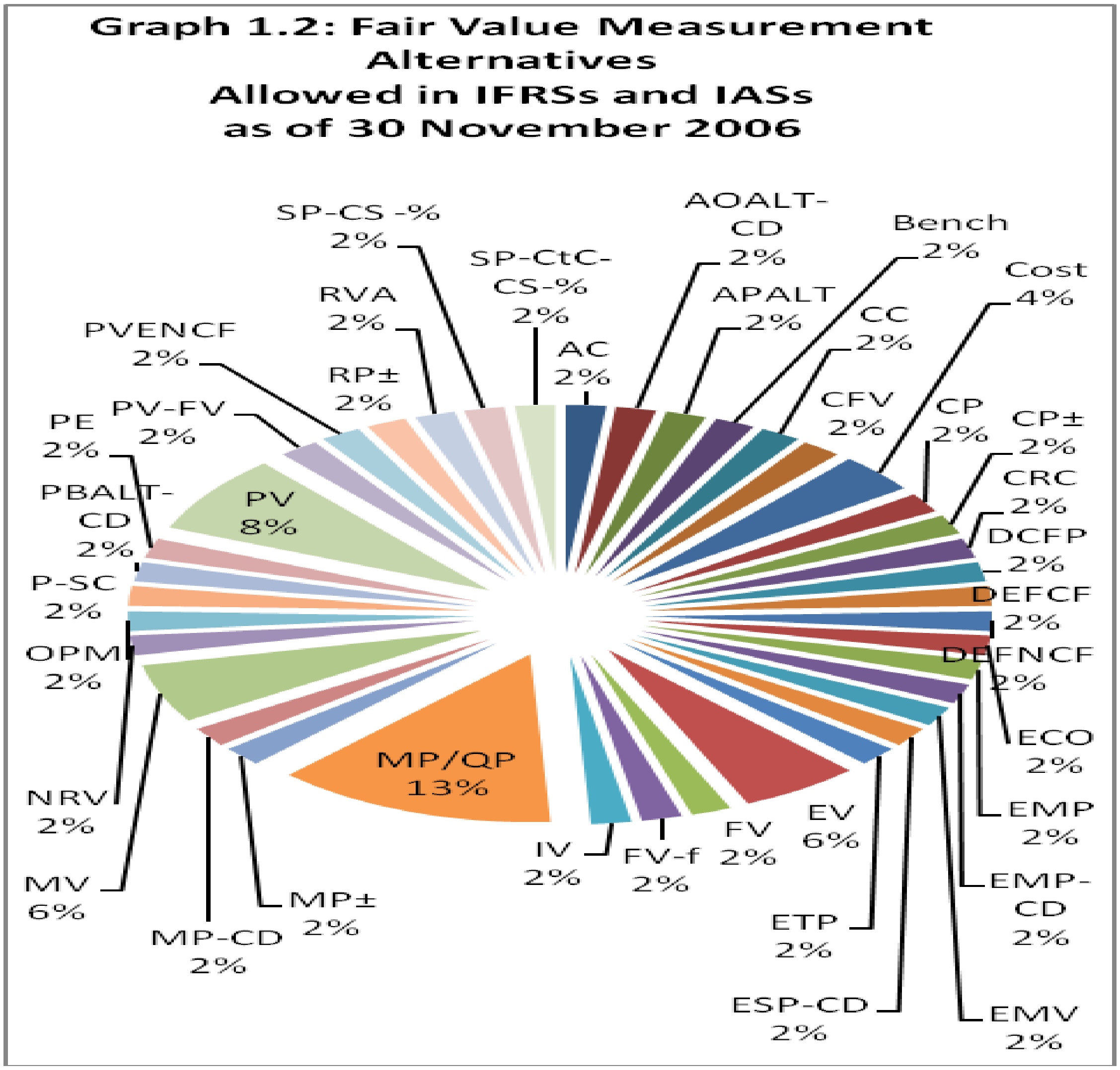
1.2 Study Background

In the *International Financial Reporting Standards (IFRSs)* and *International Accounting Standards (IASs)* about thirty-nine different measurements of fair value are found (Appendices 5 – 6).

Sometimes within a single *IFRS or IAS*, two or more *fair value measurement* alternatives are allowed (graphs 1.1 - 1.2). Determining some of those fair measurement alternatives can be straight forward whereas for others, the measurement process is complex which may reasonably result in less objective and reliable estimates (Cairns, 1989:81).



Source: Author



Source: Author

Preparers of financial statements using fair value reporting may experience difficulties on the application of appropriate fair value measures and would need guidance from the IASB. On 30 November 2006 the IASB proposed amendments to the *fair value measurements* and released a *DP* based on the *Statement of Financial Accounting Standards* (*SFAS) 157* (IASB, 2006a) inviting comments by the 2 April 2007. According to the IASB, the objectives of the project were to: "establish a single source of guidance for all fair value measurements; clarify the definition of fair value and related guidance; enhance disclosures about fair value measurements; and increase convergence between *IFRS* and *US GAAP*" (IASB, 2006a).

1.3 Overview of the IASB

In 2001, The IASB replaced the IASC (Hernández, 2004). The IASC was founded by the accountancy professions from Western countries (Cairns, 1989; Chandler, 1992; Kenny and Larson, 1993; 1995; Falk, 1994; Larson, 1997; Weirich, Pearson and Churyk, 2010) in order "to develop and promote a set of harmonized international accounting standards" (Falk, 1994; Kenny and Larson, 1995; Larson, 1997: 176), … "and [facilitate] the removal of differences between those requirements and international accounting standards" (Cairns, 1989). The IASB is funded by about thirty countries and/or organisations (Weirich *et al.*, 2010). In 2006, financial support for the IASB came from 283 donors from across the world (IFRS, 2007).

In 2000, when the International Organisation of Securities Commissions (IOSCO*)* recommended that multinational publicly-traded companies be allowed to use *IASs* in cross-border offerings and listings, the stage was set for the global use of *IASs*. In 2002 the countries of the European Union (EU) were alerted to the adoption of *IFRSs* on a wider scale when all listed companies under the European Commission (EC) were required to use *IFRSs* from 2005 (Weirich *et al*., 2010). Before the end of 2002, the 'Norwalk Agreement' between the FASB and IASB was signed (Schipper, 2005; Hermann, Saudagaran and Thomas, 2006; Weirich *et al.*, 2010), and the two boards published a *memorandum of understanding (MoU*). In terms of this agreement, the two boards will work together to ensure that *IFRSs* are converged with *SFASs.*

1.4 Overview of the Due Process

The due process "incorporates a formal public consultation by providing interested parties opportunities to express their views on debated issues before the adoption of the final standards" (Madalina, 2007:370). It is "an international consultation process… that involves interested individuals and organisations from around the world" (Cairns 1989; IASB, 2009). This formal system ensures that all financial reporting stakeholders are given the opportunity to express their views, ideas, and opinions on a consultative basis on a work or project undertaken by the IASB.

The due process consists of six stages: setting the agenda, planning the project, developing and publishing the *DP*, developing and publishing the exposure draft (*ED)*, developing and publishing the standard (IASB, 2009). This due process is similar to that followed by the FASB and other standard setters, i.e. Australia, with some significant differences between the different boards (Tuttici, Austan and Holmes, 1994; Kenny and Larson, 1995; SEC, 2008**;** Georgiou, 2004).

1.5 Research Problem

The IASB undertook the *fair value measurements* project as a result of:

- difficulties expressed by some constituents when measuring and reporting under fair value, and
- as part of the *MoU* between the two boards to converge their financial reporting standards and together, to develop high quality financial reporting standards for users across the world.

Although the IASB's methodology is that its due process is inclusive and aimed at enhancing overall usefulness of fair value reporting in the eyes of its global constituents, the convergence agenda of the two boards could have taken precedence in the *fair value measurements* project (Langendijk *et al.*, 2003; Schipper 2005:117). Analysing the comment letters on the IASB's *DP* enables an opinion to be reached in respect of this matter.

Furthermore, there is no analysis of the degree of agreement amongst lobbyers to the IASB's *DP*, of their rates of participation in this due process and of their backgrounds such as their nature or type (Cooper, 2010).

1.6 Research Objectives

The objectives of this study are:

- to describe the nature or type of respondents,
- to determine the continents of origin of respondents,
- to determine the professions of respondents,
- to examine responses to selected questions posed in the *DP*, and
- to established whether the IASB did take the responses into account in further deliberations on *Fair Value Measurements*.

The next section rephrases these objectives into research questions.

1.7 Research Questions

The study addresses the following questions with regard to the *DP*:

- What is the nature or type of respondents?
- What are the continents of origin of respondents?
- What are the professions of respondents?
- What are responses to the *DP?*
- Did the IASB take the responses into account in further deliberations on *Fair Value Measurements?*

The next section explains the justification of the study.

1.8 Research Justification

This study:

- provides additional understanding in the analysis of the respondents and their responses to the *DP*,

- contributes to the discipline of financial accounting by highlighting the participation of standard-setting bodies and their constituencies in the due processes of *IFRSs*, and analysing the participation of the respondents in these areas,

- confirms prior research in accounting standards-setting due processes. The lobbying factors, influences and profiles of respondents as documented in the accounting literature include conjectures that warrant verification, such as was made by Kenny and Larson (1993) in their analysis of respondents to the *ED35 – Financial Reporting of Interests in Joint-Ventures.* They suggest that there was a lower rate of corporate respondents as opposed to other types of respondents possibly due to the fact that in 1983, the due process procedure was in its early stages. Laux and Leuz (2009) suggest that the fair value debate would continue and hence would warrant further research as a result of intense lobbying and political interference in the accounting standards due processes. The categorisation of respondents in terms of their continents of origin supports the globalisation agenda of financial reporting practices as shown by the growing number of *IFRSs* users and recommendations. This categorisation minimises the impact of cultural and national guard-posts that have been suggested in prior studies (MacArthur, 1999) because some respondents rather voice their opinions through their international affiliates. An IASB's representative was quoted as saying: "The IASB has been under pressure to produce signs of convergence. A three-year period was set by the board from 2003 … Improvements like proposed amendments to fair value measurements must lead to convergence (Langendijk *et al.*, 2003). Interestingly, three years after this statement, the IASB launched a *DP* on *fair value measurements* using the *SFAS 157*. The present study aims at validating some of these findings; and

- provides an opinion on fair value reporting preferences of financial reporting groups across the world after the *fair value measurements* project.

1.9 Research Organisation and Structure

The study consists of five chapters.

Chapter one presents an introduction to the study and provides the background to the study.

Chapter two examines prior research. It discusses the implications of the issue by the FASB of the *SFAS 157*, the status of the convergence agenda of the two boards and justifies the IASB's methodology to base the *DP* on *SFAS 157* and the need for additional research on the IASB's due processes.

Chapter three describes the research methodology and the research design. It presents the research data, explains the measurements and procedures that are followed in the categorisation of data and data analysis. Conceptualisation and constructs of respondents and their responses are explained and the validity of procedures is affirmed.

Chapter four analyses the research data and discusses the findings of this study. A detailed analysis of respondents' profiles and opinions on selected areas in the *DP* is undertaken, the research results are presented and discussed in line with this study's objectives and compared to prior research. The chapter concludes with an update on the fair value measurements project's subsequent developments.

Chapter five presents the conclusion to the study and the limitations in the interpretation of the study's findings. Based on the study's objectives, the gaps identified and the new themes that have developed are explained before recommendations and suggestions for future research are made.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A literature review is the examination of existing research works on a particular subject. As such it is critical in ensuring that a new study fits within the existing body of knowledge. Thus, the review of prior literature provides valuable insights into a study by identifying gaps in the existing knowledge and by providing background information and definitions of key concepts relevant to the current study (Terre Blanche, Durrheim and Painter, 2006; Welman *et al.*, 2006). Furthermore, it serves as a framework for data analysis, explanations of concepts to be used in a new study and establishes the position to be taken or the understanding of the subject by its researcher (Badenhorst, 2008:155).

Accordingly, this chapter covers three areas: background, definitions of key concepts and prior studies.

The background establishes the context under which the IASB published its *DP*. Since the IASB is an international accounting standards-setting body and has signed a *MoU* with the FASB to fast track the convergence of *IFRSs* and *Generally Accepted Accounting Principles (US GAAP)*, the FASB publication of the *SFAS 157 Fair Value Measurements* in 2006 threatened the convergence agenda of the two boards. In order to close the gap, the IASB published the *SFAS 157* as the basis for its deliberations of its proposed amendments to *fair value measurements* to address the need of its constituents for guidance in *fair value measurements*.

Definitions of key concepts are based on the IASB's *DP*. Identified key concepts are: fair value, measurement, market/market participants, valuation approach, due process, comment letters and analysis. Fair value is defined by the FASB as exit price. The literature shows support for exit price and that its measurement should be based on market assumptions or estimates. There are significant differences though in the definition of fair values in the IASB's *IFRSs* and *IASs*. Measurements of fair values need to be objective and agreed upon by the IASB's constituents. The valuation approach for the measurement of fair values therefore should be based on market approaches such as current cost or present value. Through the due process which has been established as an international consultative approach aimed at giving opportunity to the IASB's constituents to participate in standards setting, contributions were made into the *DP* by submission of comment letters (CLs). This study uses the CLs on the *DP* as secondary data in order to characterise respondents and analyse their responses to the project based on selected categories and variables using a content analysis technique.

Prior research on the topic has been based on specific standard-setting processes and there are few prior studies or investigations of lobbying that have been based on the works of other accounting standards setters such as the FASB, IASC, ASB, AASB with few studies on the works of the IASB. Respondents' analyses have been more focused on a single type of lobbyists i.e. corporations or firms, and their geographic classifications have been on countries of origin of respondents. No study has investigated lobbyists on a *DP* published by the IASB and no study has investigated lobbyers to the IASB's *DP* of 30 November 2006.

2.2 Background

In September 2006, the FASB issued the *SFAS 157 - Fair Value Measurements* for use in financial reporting in the United States of America (USA) and for preparers of financial statements following *US GAAP* or *GAAP* (IASB, 2006b; SEC, 2008).

SFAS 157 defined fair value and provided a hierarchy for the measurement of fair value and expanded fair value disclosures in financial statements. As such it provided much needed guidance on how to determine the fair value of financial instruments (SEC, 2008). The question that arises is: What impact would this move have on the convergence agenda of the two financial accounting standards setting bodies, the FASB and the IASB? (Barlev and Haddad, 2003) Before elaborating any further, the convergence concept of financial accounting standards in the world is examined next.

The FASB sets financial accounting standards in the USA and for *US GAAP* constituents. What about the IASB? In 1973, the IASC was formed by the accountancy profession from Western countries such as United Kingdom (UK), USA and Canada (Cairns, 1989; Chandler, 1992; Kenny and Larson, 1993; 1995; Falk, 1994; Larson, 1997; Weirich *et al.*, 2010) in order "to develop and promote a set of harmonized international accounting standards" and "to develop a basis for accounting in developing countries" (Falk, 1994; Kenny and Larson, 1995; Larson, 1997: 176). This is captured in the quotation below.

> *to develop truly international standards of accounting and disclosure that meet the needs of international capital markets and the international business community; to develop accounting standards that meet the needs of the developing and newly industrialised countries and assist with the implementation of those standards; and to work for greater compatibility between national accounting requirements (whatever their form) and international accounting standards and the removal of differences between national requirements and international accounting standards* (Cairns, 1989:80).

To execute its mandate, the IASC used its Standards Advisory Council (SAC) and the Standing Interpretations Committee (SIC). Under the *IASC*, 41 *IASs* were developed (Deloitte, 2011a). These standards were used by the IASC's constituents, some of whom were represented on the board of the IASC, such as accountants, auditors, financial analysts and business representatives (IASC, 1997, cited in Larson, 1997). From the list of countries represented on the board of the IASC in 1989, the following continental groupings could be observed: Africa (7%), America (14%), Asia (21 %), Europe (43%), Oceania (7%) and Others (7%) (Kenny and Larson, 1993).

Until 2000, the IASC's 143 members came from 104 countries (Epstein, Nach and Bragg, 2008). In 2000, when the IOSCO recommended that multinational publicly-traded companies be allowed to use *IASs* in cross-border offerings and listings, the stage was set for global use of *IASs* (Weirich *et al.*, 2010).

In 2001, major restructuring of the IASC took place. The IASC was replaced by the IASB (Hernández, 2004) and the International Financial Reporting Interpretations Committee (IFRIC) replaced the SIC (Schipper, 2005). The objective of the IASB was "to create a single set of high-quality global standards". Since then the development of *IFRSs* requires a Monitoring Board, the IASC Foundation, the SAC, the IFRIC and the IASB. The IASB processes are overseen by representatives from the EC, the Japan Financial Services Agency, U.S. Securities and Exchange Commission (SEC), IOSCO and the Basel Committee on Banking Supervision. The IASB members are five auditors (36%), five financial statement preparers (36%), three financial statement users (21%) and one academician (7%). From fifteen board members in 2010, membership will increase to sixteen in 2012 representing Europe, North America, Asia and Oceania, Africa and South America (IFRS, 2010a). The IASB is funded by about "thirty countries and/or organisations" (Weirich *et al.*, 2010). In 2006, financial support for the IASB came from 283 donors from across the world representing four big accounting firms, corporations and other private organisations, banks, governments, governmental organisations and other associations (IFRS, 2007). In 2009, the IASB provided a world map of its key countries donors (IFRS, 2010b). These countries can be categorised into the following continental participations: 3.23% from Africa, 6.45% from America, 35.48% from Asia, 48.39% from Europe and 6.45% from Oceania.

In 2002 the EU recommended the adoption of *IFRSs* and required all listed companies under the EC to use the *IFRSs* from 2005 (Weirich *et al*., 2010).

Before the end of 2002, the ‘Norwalk Agreement’ was signed (Schipper, 2005; Herrmann, Saudagaran and Thomas, 2006; Weirich *et al*., 2010), and the two boards published a *MoU*. In terms of the Norwalk agreement, the two boards will work together on accounting standards projects. The aim of this agreement is to ensure that *IFRSs* and *SFASs* are converged.

Subsequent to 2002, more countries joined the IASB and adopted or permitted the use of *IFRSs* (Holgate, 1997). Weirich *et al.* (2010) mention that China, Israel, Malaysia, Mexico, Brazil, Canada, Chile, India, Japan and Korea have set timelines for the adoption of *IFRSs*.

Currently, *IFRS* filers are allowed in the USA, and the IASB is recognised as an international accounting standards setter by the American Institute of Certified Public Accountants (AICPA). It is expected that *US GAAP* will be converged with *IFRSs* by 2014 (Weirich *et al.*, 2010).

The FASB’s move to publish *SFAS 157* on its own could be interpreted as an attempt to thwart the convergence agenda of the two boards as the following statements show: “The development of accounting standards reveals that historical cost accounting … is being replaced by the fair value accounting… paradigm. … [fair value accounting] …, is more value relevance” (Barlev and Haddad, 2003); “I believe that a key element of international convergence of financial reporting standards and their implementation is the use of fair value as a measurement attribute in a way that is comparable and consistent across IFRS and U.S. GAAP” (Schipper, 2005:117); and from the standards setter; “the IASB has been under pressure to ‘produce signs of convergence’. A three year period was set by the board from the year 2003…Improvements like ‘proposed amendments to fair value measurements' must lead to convergence" (Langendijk *et al*. (Eds), 2003:60).

The IASB had to try and close this gap. On November 2006, it released a *DP* based on the *SFAS 157* entitled *DISCUSSION PAPER Fair Value Measurements Part 1: Invitation to Comment and relevant IFRS guidance Comments to be submitted by 2 April 2007*. Part 2 of the *DP* was the actual *SFAS 157 Fair Value Measurements* standard as an appendix (*fair value measurements* project). The methodology adopted by the IASB on the *fair value measurements* project thus ensures that "the goal of the IASB-FASB convergence efforts … [of] mak[ing] US GAAP and IFRS financial reporting standards as nearly as possible the same across jurisdictions while also improving the overall quality of those standards" (Schipper, 2005:102) is preserved.

The *fair value measurement* project attracted 136 comment letters (CLs). Round-table discussions and observer meetings were held. After deliberation, as part of its due process, the IASB issued an *ED* on proposed amendments to *Fair Value Measurements* on 28 May 2009 inviting comments by 28 September 2009 and a further *ED* on 29 June 2010 for comments by the 7 September 2010 (IFRS, 2010c).

It is against this background that the present study investigates the nature or type of respondents, the continents of origin of the respondents, the professions of the respondents, examines responses to selected questions posed in the *DP*, and seeks to establish whether the IASB did take the responses into account in further deliberations on *Fair Value Measurements*.

As it is important to consider the meaning of the key concepts relevant to the study, these are discussed next.

2.3 Definitions of key concepts

2.3.1 Fair value

The IASB (2008b:1149) in *IAS 16 – Property, Plant and Equipment* defines fair value as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction". The definition of fair value as provided by the FASB in *SFAS 157* is conceptually different from the IASB's in that it is defined as "a price that would be received in selling an asset or paid in transferring a liability in an orderly transaction between market participants at the measurement date" (IASB, 2006b:10, 11). In the context of the FASB, *fair value measurements* have been over the years defined differently (Barlev and Haddad, 2003). Of significant interest though is the FASB's assumption of 'market participants'. Although, it is recognised that not all assets or liabilities have active markets, a number of financial reporting stakeholders such as users and investors prefer reference to market as "market prices have certain qualities … especially objectivity" (Staubus, 1986:118; Laux and Leuz, 2009). The fair value as defined by the FASB could equate the market price of certain transactions. Such understanding is consistent with the view of the efficient market hypothesis in which investors' behaviours are efficient and rational, resulting in transparent market (BPP Professional Education, 2005) or selling prices; since the FASB has advocated an exit price.

Benston (2008:102) has isolated two attributes from the definition of fair values as provided by the FASB namely, that the "FASB explicitly rejects the use of [entry price]", which concept the IASB uses in its existing *IFRSs* and *IASs* (IASB, 2006b), and that "Fair values need not be and often will not be based on actual market transactions, but hypothetical transactions – note the word "would" in the definition of fair values". According to Wolk, Dodd and Tearney (2004), fair value defined as exit price, would be an assessment measure involving marketable securities carried at market value. Clearly, the fair value as defined by the IASB in its existing standards is neither an exit (selling price) nor an entry (buying price) as it refers to "an amount for which an asset could be exchanged". Hence, the IASB's fair value would not often equate the market price. Therefore, it is with good reason that the IASB invited comments on its proposed amendments to *fair value measurements* as based on the *SFAS 157*.

2.3.2 Measurement

In the field of financial reporting, measurement could be understood as a process of assigning monetary value to items (i.e. assets or liabilities) in accounting records and published financial reports. The measurement of *"*a wealth item means to assign a number to its size – to place a value on the item" (Staubus, 1986:117). "Measurement consists of rules for assigning numbers to objects, events in such a way as to represent quantities of attitudes [characteristics or specific features of items and services or proceedings that require careful consideration]" (Nunnaly, 1978 cited in Terre Blanche *et al.*, 2006:140). Similarly, Campel (1938 cited in Godfrey, Hodgson and Holmes, 2003:75) defines measurement as "the assignment of numerals to represent properties material systems other than numbers in virtue of the laws governing these properties". Since 'rules' or 'laws' have to be applied in the measurements process, they need to "be explicitly stated, standardized, and generally agreed upon by scientific community" (Terre Blanche *et al.*, 2006:140).

The IASB is tasked with the development of *IFRSs* for a worldwide community of financial reporting stakeholders. Thus, the IASB sought to address the measurement rules in relation to fair value reporting. In line with the definitions and understandings of measurements, the IASB needs to clearly explain its rationale with regard to *fair value measurements* and convince its constituents that the rules to follow in measuring fair values are sound and objective. This study examines this issue through the analysis of responses on the *DP*.

2.3.3 Markets/Market participants

The *SFAS 157* prescribes that the determination of *fair value measurements* should take into consideration the characteristics of that asset or that liability or of a group of assets

(IASB, 2006b). “The objective of such a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date; an exit price” (IASB, 2006a). A price thus determined results from observations of market participants in a market (‘principal’ or ‘most advantageous’). The transaction costs should not be taken into account when measuring fair value as they are not embedded in an asset or a liability and such a fair value is established based on market assumptions (IASB, 2006b).

The determination of fair value based on market estimates is in line with accounting thoughts. Staubus (1986:117) showed that “the key features of accounting measurements are seen as market prices, principles of market prices, principles of market economies, and adaptive procedures artfully blended to assess the price at which the asset or liability would trade in an active market”. Therefore, *fair value measurements* that are based on or derived from market observations should lead to increased objectivity and reliability of reported fair value figures and further improve the quality of the *fair value measurement* basis (Walker and Jones, 2003). Barlev and Haddad (2003:384) alluded to this reasoning when they stated that:

> *The ... [fair value accounting] paradigm reduces the “manager’s voice” in favor of the “market’s voice” in an economic setting of perfect and complete markets the “market’s voice” takes its power from the measurement, valuation and reporting of assets, liabilities and consequently, income, at fair values, which are independent of the manager’s influence.*

These recommendations support the fair value hierarchy as prescribed in *SFAS 157* which hierarchy is grounded on market observations, estimates, hypotheses and simulations.

In the *DP*, the IASB recognises that the *fair value measurements'* objective in *SFAS 157* would differ from that of a number of *IFRSs* and would reconsider those affected *IFRSs*. While *SFAS 157* refers to market participants in measuring fair value, the existing *IFRSs* refer to "knowledgeable, willing parties in an arm's length transaction" (IASB, 2006b). Nevertheless, there is agreement on the understanding of the use of market assumptions by the two accounting bodies and that the assets' or liabilities' characteristics need to be taken into consideration in the measurement of relevant fair values. However, according to Riahi-Belkaoui (2004), *fair value measurement* requires identifying objects (assets or liabilities) and their attributes in the eyes of their users. As for the users of objects or assets or liabilities, the two boards focus on market or market participants. This study contrasts the views of users and other stakeholders (i.e. the respondents to the CLs) against those of the two boards.

2.3.4 Exit/Entry price

The concept of fair value as an exit price as is prescribed and proposed by the accounting standards-setters, is neither a new nor an isolated consideration. This concept was debated and recommended in 2000 by the Joint Working Group (JWG) of standards-setters in its *ED* on "reporting financial instruments at FV" (Barlev and Haddad, 2003; Hernández, 2004:357). Additionally, Walker and Jones (2003) reported that "since the 1990s a series of accounting standards and guidance releases [in Australia] issued by the profession incorporated requirements for the disclosure of exit prices for assets…". For the IASB, exit price is the price an entity would pay to transfer a liability or would receive to sell an asset whereas entry price would be the opposite (IASB, 2006b). In paragraphs 13 and 14 of the *DP*, the IASB (2006b:9) recognises two different views of its members with regard to conceptual acceptance of the exit price as prescribed under the *SFAS 157*. The first view is that since the *Framework to the Preparation and Presentation of Financial Statements* refers to inflows and outflows of economic benefits in defining assets and liabilities, an exit price is appropriate as it reflects market-based expectations of inflows or outflows of economic benefits of an entity. The second view is that, an entry price also reflects current market-based expectations of inflows or outflows of economic benefits of an entity.

In the joint *Conceptual Framework Project Part C: Measurement*, the project team summarises in appendix C nine measurement bases, two of which are pertinent to this study. The team stressed that the entry price differs from the exit price in that although the two terms refer to current costs, the former could be equal to replacement costs under certain assumptions (FASB, 2007). Entering the debate Godfrey *et al*. (2003:240, 241), using inputs from pioneers of current cost accounting such as Chambers and Sterling, and emphasising the superiority of exit price over entry price, stated: "The purchase price, or current cost, does not reveal the firm's ability to go into the market with cash for the purpose of adapting itself to present conditions, but the selling price does" and "the present market (exit) price is found to be superior". This view harmonises with that which was quoted from Bell (1982:43) by Walker and Jones (2003:364, 370) that the differences between exit price and entry price "may be more rhetorical than substantive, … After all, one can only sell, not buy, an asset already owned, and one can only repurchase (not sell) a long-term debt instrument already issued". They further argue that "For liabilities of longer duration, … the relevant attribute would be that reflecting the amounts for which those liabilities could be extinguished at balance [sheet] date (assuming the cooperation of the holder of those claims)" based on observed market values or estimates of present values at market rate. The position of respondents to the *DP* on this debate is investigated in this study.

2.3.5 Valuation approach

The valuation approach includes techniques, methods, models or ways a company or an organisation could use in the determination of monetary value or values to be attributed to items (i.e. assets or liabilities) in financial records. A valuation approach is based on human estimates. However, it is submitted that the valuer has the knowledge and expertise in the field of interest and would keep as close as possible to market conditions in which the item being evaluated could be traded or transacted.

It is recognised that different valuation approaches do exist. In the joint project of the *Improved Conceptual Framework*, the project team established measurement bases candidates which include among others historical cost, depreciated and amortised costs, replacement cost, current costs, net realizable value, market value, fair value and future costs (FASB, 2007). Similarly, Godfrey *et al.* (2003) discuss some valuation methods under the measurement of assets and liabilities such as historical cost, present value, expected cash and market price. While Godfrey *et al.* recognise the use of a variety of methods in financial records and financial statements, they highlighted the superiority of present value "whenever [it] can be [determined] objectively" (Godfrey *et al.*, 2003). Furthermore, they showed that some consensus existed about the use of current cost for measurement purpose in Australia.

The use of current cost for measurement purpose is no longer an isolated practice as accounting standards around the world would either prescribe or require as alternatives the use of a valuation method other than historical costs or expected cash flow (IASB, 2008a). Hence, the FASB (IASB, 2006c:15) under the *SFAS 157* required that valuation methods to be used be "consistent with the market approach, income approach, and/or cost approach" which includes among others market prices, matrix pricing in the absence of market prices, present amount or value and current replacement cost. Further, in the determination of fair value under *SFAS 157*, the FASB clarifies that the measurement should use 'in-use valuation premise' which has to establish the valuation from the perspective of markets. This should ensure that the fair value thus measured is neither below what the markets would pay to acquire that asset or group of assets nor is above the market estimates and should ensure neither understating nor overstating of assets or liabilities by an entity.

Even though opponents of fair value accounting would raise the issue of "management use of significant judgment in selecting market inputs" as impairing the fair value measurement (Raar 2008:793), the fair value established with reference to market estimates can be understood to be in agreement with the markets and the objectivity of the valuation method and of the technique employed.

The IASB (2006b:22) recognises that the determination of 'value-in-use' in the measurement of impairment of assets as prescribed under *IAS 36 – Impairment of Assets* results in "an entity-specific value". The state of affairs under *IAS 36*, understandingly, would have been less objective and even less reliable when used under the cost model (historical cost). No wonder the IASB has sought opinions on the matter from its constituents.

2.3.6 Due process

Literally this underscores the steps and procedures followed by the IASB in developing, setting and amending *IFRSs* or other pronouncements. It "incorporates a formal public consultation by providing interested parties opportunities to express their views on debated issues before the adoption of the final standards" (Madalina, 2007:370). It is "an international consultation process… that involves interested individuals and organisations from around the world" (Cairns 1989:81; IASB, 2009). A standard setter's constituents participate in the standards setting process either formally or informally, and their participatory procedures and methods are what is called lobbying (Morris, 1986).

This formal system ensures that all financial reporting stakeholders are given the opportunity to express their views, ideas, and opinions on a consultative basis on a work or project undertaken by the IASB. The system was amended by the IASB's predecessor, the IASC in 1989 when public consultations were expanded (Kenny and Larson, 1993; 1995; Larson, 1997) in order to align the due processes of the two boards.

The due process consists of six stages: setting the agenda, planning the project, developing and publishing the *DP*, developing and publishing the *ED*, developing and publishing of the standards and procedures after the standard is issued (IASB, 2009). At each stage, the members of the IASC Foundation ensure that the IASB complies with stated accounting standards-setting procedures from start to finish.

According to the IASB, the following steps would be required under a formal project: identification or review of existence of issues that might warrant the attention of the IASB; consideration of whether other institutions could be invited on board; establishment of a working group, publication of a *DP* and an invitation to its constituents to comment; review of comment letters and other consultative works; publication of exposure drafts and publication of standards or amendments thereof (Adapted from IASB, 2008a, Volume 1 A:7-9, 66). This due process is similar to that followed by the FASB and other standards-setters i.e. Australia; with some significant differences between the different boards (Tuttici *et al*., 1994; Kenny and Larson, 1995; SEC, 2008**;** Georgiou, 2004).

2.3.7 Comment letters

During the due process, interested parties are invited to study a document on a proposed accounting project and to answer a number of questions therein. The responses are received by the IASB in London via email, fax or post in a document known as a comment letter.

The IASB's staff or team tasked with that particular accounting work analyses the contents of the CLs for consideration. As such, CLs are a significant part of the due process. This statement however, may not hold every time an accounting standard-setting body undertakes an accounting standards setting or reviewing project as pointed out by Riahi-Belkaoui (2004:153) who wrote:

> *…it does not appear that standards are based on broad, debated principles and a comparison of the pros and cons of relevant theories, and then*

> *chosen on that basis by the standard-setting body. …there are definite conflicts of interests and needs among the entities concerned with accounting principles.*

Therefore, whenever the IASB, as a world player in financial reporting standards undertakes an accounting project such as the proposed amendment to the *fair value measurements*, establishing "the entities concerned", their nature, their geographic locations, their professions and their respective responses on its work should be considered as a crucial part of the standard setting process.

2.3.8 Analysis

For the purpose of this study, the analysis refers to an in-depth examination of the profile of the respondents together with the contents of their CLs in order to address the objectives of this study.

During a due process, the IASB may not publicly provide insights into the profiles or characteristics of respondents to an accounting project nor does it have to disclose its opinions in terms of their backgrounds or percentages of agreements or disagreements with its projects. Further, the IASB does not express an opinion on reporting behaviours or practices to be expected after it has concluded its accounting standard projects. These are issues the present study endeavours to illuminate.

2.4 Prior research

As the objective of this study is to focus on the CLs received by the IASB on its *DP*, prior empirical research on matters such as the users' perceptions on the usefulness of *fair value measurements*, the relevance of fair value measures to firm value, are not discussed in this study. Instead, the prior research focuses on research describing participants in the due processes of standard setting bodies.

However, in order to justify the importance of examining participants to the due processes, the next section describes the role of the IASB in providing useful information to a range of users, many of whom would be represented by the participants in the due process of the IASB.

2.4.1 Role of the IASB in meeting the needs of users

The IASB is tasked with the development and improvement of accounting standards that are used in the preparation and presentation of financial statements by companies, government entities and non-governmental organisations in a large part of the world.

Across the published financial statements however, the *fair value measurements* complexity is not a unique challenge. Following the *Framework for the Preparation and Presentation of Financial Statements***,** there are "historical cost, current cost, realisable value and present value measurement bases" which are used in financial reporting (IASCF, 2009:36, 37). "IFRSs … adopt an eclectic mix of accounting models … such as cost model …, fair value model … and hybrid accounting models … revaluation model and IAS 39's variant of the fair value model" (Stainbank, Oakes and Razak, 2008:8, 9). A further complication arises when the IASB allows alternatives in the use of accounting measurements. For example, preparers of financial statements can choose between the cost model and the fair value model in accounting for investment properties. Under the cost model, an investment property is initially recognised at cost and subsequently measured at a depreciated carrying amount, whereas under the fair value model, the same investment property is subsequently carried at fair value. The carrying amount under the fair value model is never depreciated. The treatments of depreciation, possible impairment, under the cost model and the fair value adjustments under the fair value model, are not consistent with each other resulting in different effects on the reported assets' values and profitability of a reporting entity (IASB, 2008c).

Therefore, the mix of measurement bases and the allowance of different alternatives thereof results in presented financial statements that are inconsistent, incomparable, less understandable and overall less reliable. From the perspective of preparers of financial statements, "professional accountability is not enhanced" (Raar, 2008). Furthermore, this state of affairs, betrays the overall objective of the *Framework to the Preparation and Presentation of Financial Statements* which requires that information provided in the financial statements be useful to a wide range of users in making economic decisions (IASB, 2008a).

Since financial statements are means of communication of financial performance, financial position, cash flows and stewardship of management of various entities or organisations, a number of users of such financial statements rely on financial statements that are prepared in accordance with *IFRSs* in making financial decisions. Thus, to develop or improve such accounting standards, the IASB uses its conceptual framework (the *Framework*) that underlies the preparation and presentation of financial statements. When the *Framework* falls short, current practices and demands for guidance are examined and new or improved accounting standards are developed or amended.

The *Framework* stipulates the qualitative characteristics of financial statements. The FASB (2008) and the IASB, in their jointly proposed amendments to their *Conceptual Frameworks* also emphasise the qualitative characteristic of usefulness in financial reporting although the cost and the materiality of some transactions may impede efforts in ensuring that presented financial statements are useful and relevant. They propose that relevance and faithful representation are fundamental qualities whereas comparability, verifiability, timeliness and understandability are qualities that would improve relevant financial information prepared and presented faithfully. This view supports that of Herrmann *et al*. (2006) who recommend the use of *fair value measurements* on property, plant and equipment on the premise that *fair value* *measurements* enhance comparability, are superior to historical costs and result in more relevant financial information.

The stated objectives of the *DP* are in harmony with the *Framework*, and resulted from requests received from preparers of financial statements who had adopted fair value reporting but had experienced difficulties in applying measurements to certain financial transactions. Additionally, the IASB is required to amend standards in order to diminish complexity and inconsistency in the preparation and presentation of financial information and to clearly define the *fair value measurements* in its existing standards (IASB, 2006a). This move should strengthen the convergence efforts of the two boards resulting in accounting standards that are widely used thus ensuring comparability of financial reporting practices around the world.

The *DP* highlights that the use of fair value enhances the usefulness of financial statements and that a single basis for the application of *fair value measurements* would contribute to high quality financial information (IASB, 2006b).

Even though the qualitative characteristics of financial statements as defined in the *Framework* play an important role in the *fair value measurements* project in defining and selecting a single measure of fair values, it is possible that, during the development and amendment of *IFRSs* and *IASs*, the IASB ignores some of the views expressed by various financial reporting stakeholders since it has considered or expressed agreement with some of the conclusions in the *SFAS 157* or could decide to adopt conclusions of the *fair value measurements* statement as prescribed in the *SFAS No. 157* for its own *DP*. Assuming that the IASB went that route, in so doing, it would have focused more on its efforts to converge with the FASB instead of harmonising the views of the two boards with those of respondents to the *DP* who are global preparers, presenters and users of financial statements.

It is also possible, upon the completion of the *fair value measurements* project that, should the IASB allow alternative measurements in its new *IFRSs*, respondents whose views or comments may have been 'ignored' during the IASB's due processes are likely to adopt those other alternatives that would suit their financial reporting needs or preferences more thus restricting the globalisation of and comparability of financial reporting practices in the world, both of which are part of the objectives of the IASB in undertaking the *fair value measurements* project.

In the accounting literature there is evidence of intensive interest by researchers in describing participants in the accounting standard-setting processes of the works of financial accounting standards-setters (i.e. IASC, IASB, FASB, ASB) and in other areas of accounting. These are discussed next.

2.4.2 Research describing participants in the due processes of the FASB, the IASC and the IASB

Amongst the earliest studies is the study of Watts and Zimmerman (1978). They investigated the factors that account for the attitudes of management of companies on accounting standards and why companies would spend resources to lobby the outcome of accounting standards. Using submissions on the FASB's *Discussion Memorandum (DM)* on General Price Level Adjustments, large (18) firms whose earnings reduced due to accounting standards changes were found to be in support of the change whereas the other (34) companies did not, basing their position on incremental bookkeeping costs.

Puro (1984) investigated the lobbying behaviours of audit firms when the FASB proposes new accounting standards. One respondent group was examined, namely the Audit Firms. Although the *SFASs* were in use in jurisdictions other than the USA, the study focused on American audit firms only, and investigated the costs-and-benefits of lobbying. The results indicated that audit firms do consider their private incentives in lobbying proposed regulations and standards and hence they would lobby differently.

A year later, Staubus (1985) in describing the theory of accounting measurement, recognised the contributions of financial reporting stakeholders in the process of setting *GAAP*. However, he did not categorise or classify any financial reporting stakeholders.

Kenny and Larson (1993) who claim to have undertaken a first study on lobbying of the IASC examined the due process of the IASC on *ED* 35, "*Financial Reporting of Interests in Joint Ventures"*. They categorised lobbyists by size, type of their organisations, country of origin, multinational operations and activity in joint ventures. They found that larger firms lobbied more and that professional and trade organisations lobbied on behalf of their members. Overall, the rate of lobbying firms was low compared to that of the professional associations and trade organisations.

Subsequently, Kenny and Larson (1995) analysed respondents to the 14 *ED*s published by the IASC between 1989 and 1992. Using the 745 CLs that were available on the exposure drafts, they categorised participants by organisation types, interest groups and by country. They reported that 60% of all CLs came from organisations of which 40% were IASC member bodies. Their study focused on who responded to the *ED*s, not to a *DP*.

MacArthur (1996) studied the influence of cultural factors on the CLs submitted in response to the *ED*32 - *Comparability of Financial Statements* of the IASC. The analysis was limited to corporate respondents in terms of their countries of origin or of incorporation. No further characteristics such as industries or sectors to which those corporations belonged to were investigated. The results counted twenty-four accounting member bodies from twenty-three different countries

In analysing CLs of corporate respondents on the work of the IASC on a number of exposure drafts and draft statements for the period between 1989 and 1994, Larson (1997) examined corporate respondents in terms of characteristics such as countries of origin, size, revenue, income, assets, and whether listed in the USA or not. The study found that USA companies wrote 42% of the CLs, followed by the United Kingdom (15%), Australia (11%), Switzerland (10%), Netherlands (8%) and Canada (5%); and overall, very large companies lobbied more than the other companies. Still, the description of the respondents was limited to one type, corporations.

In 1999, MacArthur extended his 1996 study and examined the impact of cultural factors on the lobbying strategies employed by responding firms on *E[D]32 - Comparability of Financial Statements* of the IASC. The investigation addressed the influence of cultural considerations on the submissions from the accounting member organisations and the economic costs of lobbying. The study confirmed the hypotheses and found that 27 letters received by the IASC from the accounting member organisations came from 23 different countries. The study investigated a single type of respondent, namely lobbying firms.

Madalina (2007) undertook a deep and detailed description of the characteristics of lobbyers based on the 476 CLs received on the proposed amendments to *IAS 39 – Financial Instruments: Recognition and Measurement* with the focus on the "fair value option-amendment". In analysing the "environment in which IASB acts and …its influence on the standard setting process, using …institutional theory", respondents were classified into different categories such as preparers, accounting profession, users, national standard setters, stock exchanges, governments, individuals, academics and other interest parties. Country grouping was used and it was established that the majority of respondents were from UK and that the least number were from Belgium. Although the study was a comprehensive analysis of the characteristics of the respondents, its focus was on the proposed amendment to the *fair value measurement* option after the year 2002. Also, the geographical categorisation was based on country of origin and not on a continent basis which could have provided a global picture of the respondents. Madalina (2007:371) found that banks and insurers agreed with the fair value option whereas the insurance groups and the regulators strongly opposed it. The insurance groups and the regulators exercised their political influence and convinced the EC to exclude the fair value measurement of liabilities for preparers of financial statements in the EU.

2.4.3 Research describing participants in the due processes of other standards-setters

Morris (1986) reviewed the reasons and the extent to which organisations lobbied the accounting standards-setters on proposed standards in the USA and Australia. Submissions received by the Australian Accounting Research Foundation (AARF) on six *EDs* published between 1979 and 1980 were categorised into five different types, namely companies, accounting firms, academics, government and representative bodies and others. Companies were further classified from largest to smallest based on the value of their consolidated assets. The results indicated that the large companies and accounting firms lobbied more than the medium and the small organisations.

In the case study of *ED* 49 – *Accounting for Identifiable Intangible Assets*, Tuttici *et al* (1994) studied the strategies employed by lobbyists in their attempt to persuade the AASB. Participants were grouped by types such as Industry and Commerce, Accountants, Academics, Individuals, Government organisations and Accounting Representative Bodies. Further, respondents were classified as shareholders, preparers, managers and auditors. They found that Australian lobbyists employed strong supported arguments to convince the standards setter. Their analysis was limited to Australian constituents.

Van Lent (1997) explored the lobbying efforts made by participants in the promulgation of financial accounting laws for use by big firms in the Netherlands. The study categorised lobbyists into government, supervisors of banks and insurance companies, industry and industrial associations, users and auditors. Using the pluralist theory, the study found the political process in the Netherlands to be indeed pluralist, auditors and preparers of financial reports had more opportunities to lobby and users were able to present their arguments effectively and their preferences were acknowledged in the final financial accounting laws.

Georgiou (2004) investigated the nature, volume, timing and effectiveness of lobbying in the standard setting processes of the ASB. A total of 169 companies lobbied on *ED*s. This study examined only listed companies using questionnaire rather than analysing CLs.

2.5 Summary

This chapter has discussed the implications of the issue of the *SFAS 157 Fair Value Measurements* by the FASB on the convergence agenda of the two boards. The background information on the current status of the IASB with all the backing it has from the IOSCO, SEC, EU and other consultative partners both professionals and regulatory has strengthened its role as a world player in accounting standards and the need to preserve the convergence agenda and has justified its decision to issue the *DP* as it was based on the *SFAS 157*, since *fair value measurements* are a critical item under the *MoU* and on the convergence agenda of the two boards.

It has emerged from the literature that there is need for guidance on the definition and measurements of fair value in financial statements. The exit price adopted by the FASB has some support, and should be based on market assumptions and/or estimates. The IASB members' opinion on the *SFAS 157* is mixed. This has necessitated inputs from its constituents through its international due process. It will be interesting to characterise these international constituents and analyse their contributions in terms of other categories than can be discerned from the IASB's deliberation process.

The need for an additional investigation into the standards-setting process of the IASB has been strengthened by sparse lobbying studies. Previous investigations have reported lobbying activities of different accounting standards-setters both national and international (Puro, 1984; Staubus, 1985; Van Lent, 1997; Georgiou, 2004)**.** The majority of researchers have focused on the work of the FASB and IASC. In these studies, the lobbyists' characteristics analysed have been restricted either to a single respondent type or to geographical distinctions based on countries of origin of lobbyers (Kenny and Larson, 1993, MacArthur, 1996; Larson, 1997; MacArthur, 1999). Other than Watts and Zimmerman (1978) who undertook an examination of lobbyists on a *DM* issued by the FASB, no other studies accessed in the literature have been based on a *DP* issued by the IASB.

The present investigation is based on the *DP* on *fair value measurements* in *IFRSs* and *IASs* for the period up to 30 November 2006. Using a descriptive approach, the CLs received by the IASB on the *DP* are content-analysed and respondents and their responses are categorised in terms of their continent of origin in order to gain a global picture on the fair value reporting practice after so many controversies have and continue to dominate the fair value accounting debate, and other additional characteristics considered are nature or type of respondents, whether organisations or individuals, and professional category which examines respondents as Academics, Accounting Professional Bodies, Banks, Companies (manufacturing, mining), Financial Analysts, Financial Markets, Insurance Groups, Investor Groups, Regulators and Others. Also the study will establish whether respondents agree with the IASB on the *fair value measurements* proposals as redefined in the study.

The next chapter outlines the research methodology used to achieve the objectives of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study is based on the proposed amendments to *fair value measurements* in *IFRSs* and *IASs* for the period up to 30 November 2006 (graphs 1.1 and 1.2).

The content analysis of the CLs to the *DP* categorises respondents and their responses in terms of firstly, their nature or type, i.e. whether they are organisation or individual submitters; secondly, their continents of origin in order to gain a global picture of the fair value reporting practice after so many controversies have and continue to dominate the fair value accounting debate; thirdly, their professions (academics, accounting professional bodies, banks, companies (manufacturing, mining), financial analysts, financial markets, insurance groups, investor groups, regulators and others); and fourthly, responses to 12 questions in the study are analysed.

The purpose of the study is to describe the nature or type of respondents, to determine their continents of origin, their professions, to examine their responses to this study questions as raised in the *DP* and to establish whether the IASB did take those responses into account in further deliberations on *Fair Value Measurements* project.

The study follows a positivitism approach to research as it uses the IASB's quantitative data in the *DP* in order to describe respondents and their responses based on their characteristics of interests.

The IASB questionnaire in the *DP* is adapted in order to address the study's objectives. The study employs a nonparametric sampling technique in that all the CLs received on the *DP* by the IASB are used as secondary data. The views and opinions on the proposed amendments to *fair value measurements* were extracted, examined and recorded on dichotomous and nominal scales. Four variables are defined as follows: nature or type [NAT], continent of origin [LOC], profession [PROF] and Q1 – Q12.

3.2 Research strategy

The study is a descriptive study "in order to ascertain and be able to describe the characteristics of the variables of interest" (Sekaram 2003:121-122; Weirich *et al.*, 2010:87) in the *DP*. The characteristics of respondents are examined in nominal measurement level (Welman *et al.*, 2006).

As such, the study is based on positive theories that seek "to describe how people [or organisation] do behave (regardless of whether it is "right"); they explain why people behave in a certain manner, for example to achieve some objective such as maximising share values or their personal wealth regardless of whether that is 'right'); or they predict what people have done or will do (again regardless of whether that is 'right' or best behaviour)" (Godfrey *et al.*, 2003:58).

The different views and opinions on the *DP* are thoroughly examined to describe the characteristics of various respondents, namely their nature or type, their continents of origin, and their professions, and to address other research objectives.

3.3 Research design and methods

3.3.1 Definition

Research design is "…a plan or protocol for a particular piece of research. The plan defines the elements (e.g. variables, participants, their relationships, and methods (e.g.

sampling, measurement) that constitute the piece of research". "… it is a piece of research that is constructed to maximise the validity of its findings, subject to the costs and practical difficulties of doing so" (Mouton and Marais, (1990), cited in Terre Blanche *et al.*, 2006:162). According to Saunders and Thornbill (2003:9), "research design should include sources of data to be collected, objectives of the study, location of the study, limitations as to the time and money and how the data is to be analysed and meaningfully presented within the time frame allocated to the study". This study has endeavoured to follow similar procedures.

3.3.2 Research data

This study is based on the IASB's *DP* on the proposed amendments to *Fair Value Measurements issued in November 2006 – Part 1: Invitation to Comment and Relevant IFRS guidance*. Comments on the *DP* were due by the 2 April 2007, and were extended to 4 May 2007. The *DP* was based on the *SFAS 157* of the FASB for US GAAP constituents in the year 2007, effective from 15 November 2007 and 1 January 2008 [for companies with financial year ending 31 December 2007] (Deloitte, 2006). The use of a *DP* better allows an early investigation into the due process as "effective lobbying would occur as early in the process as possible" (Van Lent, 1997:109).

In the *DP*, the IASB (2006b) raised 13 issues and 27 questions. Using the *DP* as secondary data, this study does not examine all issues. Rather, consistent with prior studies (Madalina, 2007), it has extracted, and where appropriate, adapted 12 questions. Where there is replication or similarity of/between question(s) raised in the *DP* and those in this study, the *DP*'s question number(s) is/are shown in brackets.

The focus of this study is on the IASB's *DP* of 30 November 2006 and not on the *ED* or on any other documents subsequent to the *DP*. The following reasons justify the approach chosen.

Study questions: research questions emanate from the IASB's due process in general and, on its proposed amendments to *fair value measurements* in particular and also, from the fair value need of respondents. Thus, preliminary conclusions in *DP* are sufficient in addressing this study's objectives.

Study methodology: comments on the *DP* on the *fair value measurements* project are archived on the IASB website. Thus, this study uses a form of a cross-sectional study in examining responses ('*meaning of words'* according to Freedman and Stagliano, 1992:115) to extracted or slightly adapted questions from the *DP*.

Although a number of respondents to the *DP* could have used other lobbying methods such as meetings at discussion groups, telephone conversations, press conferences and other unobservable methods (Van Lent, 1997), those other methods are less verifiable than the written submissions (Watts and Zimmerman, 1978; Tuttici *et al.*, 1994) or are "… not considered to be more effective than the comment letters" (Georgiou, 2004:233). Hence, CLs continue to be employed in the accounting literature (Madalina, 2007).

3.3.3 Data type

The study has collected quantitative data. As is the case with its design, quantitative data supports the use of 'positivitism paradigm' as is widely accepted as appropriate research data. In line with this study's data analysis, Terre Blanche *et al.*, (2006) identify additional advantages associated with use of quantitative data. They indicate that comparisons are made possible and easier, relationships or responses can be expressed in terms of percentages and further statistical analysis can be undertaken. This methodology is appropriate to this study.

3.3.4 Data collection

The study has analysed responses in the CLs on the *DP* received from financial reporting stakeholders across the world. The relevant information to the study was extracted and organised descriptively.

The advantages of using secondary data are amongst others, the time and cost saving and verifiability and relevance of data since CLs source the opinions and assist in identifying relevant characteristics of respondents.

3.3.5. Data sampling

The *DP* attracted 136 CLs. Additionally, the IASB held round-table meetings on its proposals. Some respondents were invited to such meetings. The responses from both the CLs and round-table meetings had to be considered in the preparation of an *ED* on the project (IASB, 2006b). This study accessed the 136 CLs from the IASB's website. CL 129 was a group submission. The group comprised of six different financial reporting stakeholders from a same country. Since some of the responses of the group members differed, the study has considered and listed them separately, thus CL 129 has been coded as CL 129A – CL129F. This approach has increased the number of CLs included in the study from 136 to 141.

No sampling was made due to the small number of CLs received by the IASB on the *DP*. In this way, the study is limited to a nonprobability sampling which is a methodology by which "the selection of elements is not determined by the statistical principle of randomness". This research technique is valid to the study design in that it "can be useful for testing theory about processes that are considered to be universal" (Terre Blanche *et al.*, 2006:139) like a 'yes' is 'yes' and a 'no' is 'no'. Of all the 141 CLs, eight were considered blank in responses but their inclusion was limited only to profile variables (nature or type, continent of origin and profession). In all, only direct or indirect responses to this study's research questions are considered. Any comments or responses that could not be linked to a research question were left as blank (Watts and Zimmerman, 1978).

3.4 Research measurements and procedures

3.4.1 Conceptualisation and constructs

The study has conceptualised and constructed the profiles of the respondents to the *DP*. It is interesting to note that the IASB project team on the *fair value measurements* project did not (as is the practice of the IASB) categorise respondents in any form. (Cooper, 2010). Following from Terre Blanche *et al.* (2006:143), "a good conceptual definition is a clear and explicit description in language of an attribute that exists in reality". Constructs are "attributes that have been conceptualised and defined in language, and which have been theoretically elaborated in terms of how they are related to other constructs".

Accordingly, this study defines respondents in terms of their nature or type (individual respondents or organisations or group of individuals or organisations), their continents of origin (Africa, America, Asia, Europe and Oceania) rather than their countries of origins "to overcome … the cross-jurisdictional [reporting] differences …" (Schipper, 2005:112), and to appraise the globalisation of financial reporting in recent years, and their professions (academics, accounting professional bodies, banks, companies, financial analysts, financial markets, insurance groups, investor groups, regulators and others (Kenny and Larson, 1995)). As constructs, the following attributes define each respondent's category.

3.4.1.1 Nature or Type

Individual: has been conceptualised and construed to apply to any respondent who has made a submission on an individual basis i.e. a lecturer, a student, an accountant or a director of a company acting in his individual capacity. In a case where two individuals contributed to a CL, the nature of respondent is coded as individual, since their contribution will have been made in their individual capacity and not in a representative role. This is, for instance the case of CL 8.

Organisation: has been conceptualised and construed to apply to group submissions (representative groups) or submissions made on behalf of an organisation by its accountants, directors or authorised persons.

3.4.1.2 Continent of origin

Africa: has been conceptualised and construed to apply to any respondent (individual or organisation) whose physical or registered address is in an African country as can be read on a geographic map. Where membership to an organisation is open to individuals or organisations worldwide, the country of registration of the organisation is used to categorise the continent of origin for all its members.

America: has been conceptualised and construed to apply to any respondent (individual or organisation) whose physical or registered address is in an American country as can be read on a geographic map. Distinction is not made between North or South America or other political or economic blocks. Where membership to an organisation is open to individuals or organisations worldwide, the country of registration of the organisation is used to categorise the continent of origin for all its members.

Asia: has been conceptualised and construed to apply to any respondent (individual or organisation) whose physical or registered address is in an Asian country as can be read on a geographic map. Distinction is not made between various Asian political or economic blocks. Where membership to an organisation is open to individuals or organisations worldwide, the country of registration of the organisation is used to categorise the continent of origin for all its members. Where a submission was made in conjunction with an organisation from other continents, such a submission is classified under those other continents.

Europe: has been conceptualised and construed to apply to any respondent (individual or organisation) whose physical or registered address is in an European country as can be read on a geographic map. Distinction is not made between various European political or economic blocks. Where membership to an organisation is open to individuals or organisations worldwide, the country of registration of the organisation is used to categorise the continent of origin for all its members.

Oceania: has been conceptualised and construed to apply to any respondent (individual or organisation) whose physical or registered address is in an Oceania country as can be read on a geographic map. Distinction is not made between various Oceania political or economic blocks. Where a submission was made in conjunction with some other Asian constituents, such a submission is classified as Oceania since in most cases the submission will have been made through an organisation registered on the Oceania continent. Where membership to an organisation is open to individuals or organisations worldwide, the country of registration of the organisation is used to categorise the continent of origin for all its members.

3.4.1.3 Profession

This category has been conceptualised and construed to apply to a social or economic sector to which a respondent belongs. It comprises ten different professional classifications, namely academics, accounting professional bodies, banks, companies (manufacturing or mining), financial analysts, financial markets, insurance groups, investor groups, regulators and others (Appendix 1).

Academics: this classification applies to respondents from an academic background where a submission was made from academia. Respondents classified under this category identified themselves or could be identified as academics. Other organisations classified as academics were those whose members were academics or whose aims were primarily academic.

Accounting Professional Bodies: this classification comprises respondents affiliated to accounting and other related professional bodies. A professional body is related to the accounting profession if that profession deals primarily with the quantification of financial reporting items, the review of financial items or financial reports, or if it represents independent professional managers, consultants, valuers or actuaries.

Banks: this category comprises respondents from the banking sector as individual banks or representative bodies of banks which primarily focus on banking interests of their members.

Companies: this category comprises organisation respondents from other economic sectors other than those separately disclosed such as manufacturing companies, service companies, retail groups or warehouses (Freedman and Stagliano, 1992).

Financial Analysts: this category comprises respondents identified as financial or business analysts and credit rating agencies.

Financial Markets: this category consists of stocks and securities exchanges, clearing houses, financial service organisations that deal with a variety of financial services and representative bodies whose members and aims focus on the financial markets.

Insurance Groups: this category comprises insurance companies, representative bodies of insurance companies whose aims closely focus on the insurance market.

Investor Groups: this category consists of individual investors, investment banks and representative bodies of investment groups. Respondents under this category were identified as such or identified themselves as investors.

Regulators: this category comprises standards-setters, governments and government departments and advisory bodies in various economic activities.

Others: this category consists of all other respondents that could not be categorised separately due to factors such as, they were interest groups, the organisations had different aims other than say investment, professional accounting or insurance, or as individual respondents, they had made their submissions on an individual basis such as preparers, directors or financial officers in their organisations (Kenny and Larson, 1995).

3.4.2 Data coding

The following coding system is used:

CL refers to a comment letter received by the IASB on the *DP* and all CLs are included in the study.

In order to distinguish whether respondents submitted CLs in their individual capacity or as organisations representing groups of financial reporting stakeholders, or institutions or companies, variable NAT (NATURE) is used and coded as follows:

1. Organisation
2. Individual

To describe respondents in terms of their continents of origin, variable LOC (CONTINENT) is used and coded as follows:

1. Africa
2. America
3. Asia

4. Europe
5. Oceania

To categorise respondents according to their professions or economic sectors, variable PROF (PROFESSION) is used and coded as follows:

1. Academics
2. Accounting Professional Bodies
3. Banks
4. Companies
5. Financial Analysts
6. Financial Markets
7. Insurance Groups
8. Investor Groups
9. Regulators
10. Others.

Q1 to Q12 refer to 12 questions in the questionnaire:

1. Do you support the convergence of accounting standards by the IASB and the FASB boards? (The answer to this question is captured from the introductory comments made by respondents.)

2. Should the IASB board have used the *SFAS 157* standard on *fair value measurements* as published by the FASB as a starting point for its own deliberations of the proposed amendments to *fair value measurements* in *IFRSs* and *IASs*? (The

answer to this question is captured from the introductory comments made by respondents and/or response to Q1 of the *DP*.)

3. Could the *SFAS 157* standard on *fair value measurements* be applicable to all assets and liabilities that are measured at fair value or that could be measured at fair value by a reporting entity? (The answer to this question is captured from the introductory comments made by respondents and/or response to Q2 of the *DP*.)

4. Is there a need for a single source of guidance for all *fair value measurements* in existing *IFRSs* and *IASs*? (The answer to this question is captured from the introductory comments made by respondents and/or response to Q1 of the *DP*.)

5. Should the fair value of assets be defined as exit price in all circumstances under fair value reporting? (The answer to this question is captured from the introductory comments made by respondents and/or specific response to Q3 of the *DP*.)

6. Should the fair value of liabilities be based on the price that would be paid to transfer such liabilities in all circumstances? (The answer to this question is captured from the introductory comments made by respondents and/or specific response to Q9 of the *DP*.)

7. Should the term ‘fair value’ be replaced by other terms such as ‘current exit price’, ‘current entry price’ or others based on relevant reporting circumstances of an entity? (The answer to this question is captured from the introductory comments by respondents and/or specific response to Q5 of the *DP*.)

8. Should *fair value measurements* consider attributes specific to the asset or liability according to market participants? (The answer to this question is captured from introductory comments made by respondents an/or specific response to Q14.)

9. In selling an asset or in transferring a liability, would all transaction costs be an attribute of the transaction? (The answer to this question is captured from introductory comments made by respondents and/or specific response to Q15.)

10. In practice, would the *SFAS 157*'s fair value hierarchy be clear? (The answer to this question is captured from introductory comments made by respondents and/or specific response to Q18.)

11. In practice, would the differences between the three levels of the *SFAS 157*'s fair value hierarchy be clear? (The answer to this question is captured from introductory comments made by respondents and/or specific response to Q19.)

12. Would the *fair value measurements* guidance as provided by the *SFAS 157* be workable in all jurisdictions? (The answer to this question is captured from introductory comments made by respondents and/or specific response to Q5, and/or Q26.)

(Adapted from the IASB's *Discussion Paper: Fair Value Measurements, Part 1 pp. 7-28* (IASB, 2006b)).

3.4.3 Operationalisation

The study uses scales or indices to operationalise the above constructs. Operationalisation is defined as a task that seeks to link "the world of ideas (concepts) to observable reality. The attribute that needs to be measured is first translated into a conceptual construct and this construct is then translated into observable indicators of the constructs (either by scales or indices)" (Terre Blanche *et al*., 2006:145). Using a dichotomous scale, response in the questionnaire is coded as follows (Tuttici *et al*., 1994):

1. Yes = y
2. No = n

Dichotomous scales are similar to ordinal scales in that "none of the arithmetical operations can be used". Responses or respondents cannot be added, subtracted, multiplied or divided which could be considered as a disadvantage of this methodology (Godfrey *et al.*, 2003).

3.4.4 Data analysis

CLs on the *DP* were analysed using the content analysis (Freedman and Stagliano, 1992; Tuttici *et al.,* 1994; Madalina, 2007) in terms of the proposed research objectives using nominal and dichotomous scales.

To establish the profiles of respondents in the CLs, in most cases the website search methodology was employed. For most respondents, details of their backgrounds were accessed through masterseek (internet based business directory on the website). Where masterseek (www.masterseek.com) fell short, Google search engine was used (www.google.com) or respondents' individual websites. For some individual respondents, such as academics or business advisers and directors, the search engine pipl (www.pipl.com) was invaluable. This method was also employed by Ogulu (2006).

The scores of respondents (raw data) were organised in relative frequency tables (Pelosi, Sandifer and Sekaram, 2001). In relative frequency tables, each observation in a category is recorded. The score of observations are shown as a portion (%) of the total observations of each category.

3.4.5 Validity of measurement

Measurement validity is defined as "the degree to which a measure does what it is intended to do [...]. The aim of checking the measurement validity is to ensure that the conceptual definition of a construct corresponds with the attribute being measured, and that the operational definition corresponds to the conceptual definition" (Terre blanche *et al*., 2006:147, 151). The study uses specific codes and distinctive scores for each variable to ensure that research measures remain valid.

3.4.6 Criterion-related validity

Criterion-related validity is defined as "the degree to which a measure is related to some other standard or criterion that is known to indicate the construct accurately" (Terre Blanche *et al*., 2006:147) such as the continent of origin of a respondent, whether a respondent is an individual or an organisation. The criterion used is the geographic map which shows a location of a country on a specific continent and when that country is a country of origin or a country of registration of a respondent, the respondent is construed to belong to that continent. In the case of nature or type of respondents, their signatures, letterheads and personal pronouns used in CLs were analysed and distinguished either as an individual submission or as a submission on behalf of an organisation or a group submission.

3.4.7 Criterion-groups validity

The study groups respondents in terms of their nature or types, their continents of origin and their professions. It is assumed that group respondents have characteristics related to their categories. This can be observed by the existence of regional blocks such as the EU, the Canada and USA block, the African Union (AU) to name but a few. Similarly, professional accountants, auditors or management accountants tend to have common concerns on financial reporting projects. Thus, it is expected that the group membership influences the scores of their respective measures (Terre Blanche *et al*., 2006).

3.4.8 Content validity

Content validity is defined as "the extent to which a measure reflects a specific domain of content". This "is particularly important for test of knowledge" (Terre Blanche *et al*., 2006:149). The content validity is developed by "specifying the content area covered by the phenomenon when developing a measure of the construct definition" (Terre Blanche *et al*., 2006:149); writing questionnaire or scale items that are relevant to each of the content areas, and developing a measure of the construct that includes the best (most representative) [Yes or No] items from each content area (Terre Blanche *et al*, 2006:149). The study isolates and codes specific variables of interests and recorded their scores using dichotomous and nominal scales. This has ensured that the content of the research elements remains valid.

3.5 Ethical Requirements

Since the study is based on the IASB's *DP*, permission was sought from the IASB to use its records although it is the IASB's practice to archive its data and to make them public on its website. The IASB team working on the *DP* reaffirmed the IASB's position on accessing its archives and that there was no need to obtain formal permission to use its data.

Internally, the ethical clearance (HSS/0961/2010 M: Faculty of Management Studies) from the University of KwaZulu-Natal was received and is shown in appendix 4.

3.6 Summary

The research methodology outlines the study's design and techniques employed to ensure that scientific processes are applied. The study uses a descriptive design in examining, characterising and analysing the CLs on the *DP* following a non-sampling method.

The profiles of respondents to the *DP* and their responses were conceptualised, construed into variables (NAT, LOC, PROF and Q1 – Q12), coded, and their scores were recorded using dichotomous and nominal scales. This process ensured the validity and reliability of the design and methods employed in the study.

The following chapter presents the data analysis and discussion of findings.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

Consistent with the research methodology of the study, all 136 CLs on the *DP* were analysed. Since a group of six respondents from an Oceania country submitted individual CLs as part of one submission, the six CLs were included in the research data separately, thus the number of CLs in the study increased from the initial 136 on the IASB website to 141 in this study.

Sekaram (2003:306) lists three objectives of data analysis, namely, "[1] getting the feel for the data, [2] testing the goodness of data, and [3] testing the hypotheses developed for the research". Two objectives of data analysis; the feel for the data and the testing of goodness of data were ascertained through the examination of the descriptive frequency tables of the profiles of respondents, and their dichotomous responses. Also, the analysis of professions per each nature of respondents confirmed the validity of data analysis in that professions that are practiced only by organisations (i.e. banks, insurance groups, companies and regulators) scored 100% rates of frequency thus showing that the coding and measurement of observations were correct. The third objective of data analysis; the test of hypotheses was not ascertained since in terms of this study's design no hypotheses were developed.

The remainder of this chapter is structured as follows:

After the analysis structure and the discussion framework are introduced,

- first, the descriptive analysis of the variables (NAT, LOC and PROF) and the discussion of their findings as shown in Tables 4.1 – 4.5 are presented,

- second, responses to the research questions as summarised in Table 4.6 are presented in pie charts and discussed,
- third, responses of respondents based on their continents of origin are discussed as presented in Table 4.7,
- fourth, responses of respondents based on their professions as presented in Table 4.8 are discussed, and
- fifth, an update of the fair value measurements due process is described, followed by a summary of findings.

4.2 Data analysis structure and discussion framework of findings

The analysis of data is presented in Tables 4.1 to 4.8. The analysis is based on the number of actual responses made by respondents to the *DP*. The analysis does not assume any missing data. As the study set out to describe the characteristics of lobbyers and their responses to the *DP*, no further analysis was carried out. Therefore, when a percentage or a ratio of respondents or responses is provided and discussed, this has been determined based on the actual number of submissions that addressed that particular issue; as such generalisation should be made with care.

4.2.1 Descriptive analysis of respondents and discussion of findings

4.2.1.1 Nature or type of respondents (NAT)

The nature or type of respondents (NAT) to the *DP* is presented in Table 4.1.

Table 4.1 Nature or type of respondents

Nature of Respondents	Freq.	Percent	Cum.
Organisation	128	90.78	90.78
Individual	13	9.22	100
Total	141	100	

Table 4.1 shows that 90.78% of respondents were organisations, and that only 9.22% were individuals. The rate of 90.78% of organisation respondents in the *DP* is an acceptable number if compared with prior findings. For instance, Kenny and Larson (1995) found that 60% of all responses to 14 *EDs* published by the IASC between 1989 and 1992 were from 40 organisations.

4.2.1.2 Continents of origin of respondents (LOC)

The continents represented by respondents to the *DP* are shown in Table 4.2.

Table 4.2: Continents of origin of respondents

Continent of Origin	Freq.	Percent	Cum.
Africa	5	3.55	3.55
America	14	9.93	13.48
Asia	13	9.22	22.70
Europe	93	65.95	88.65
Oceania	16	11.35	100
Total	141	100	

Table 4.2 shows the following continental participations: Africa 3.55%, America 9.93%, Asia 9.22%, Europe 65.95% and Oceania 11.35%. The number of submitters to the *DP* (141) exceeds by far those found by Kenny and Larson (1993), who counted 41 CLs to the *ED 35* of the IASC. If countries of respondents in Kenny and Larson (1995) were grouped into continents, 1.25% of them will have been from Africa, 38.75% from America, 6.25% from Asia, 37.5% from Europe and 16.25% from Oceania. Additionally, in Larson (1997), where 17 *EDs* issued by the IASC between 1989 and 1994 (*ED32 – ED48*) were analysed, if their 97% of respondents were also grouped into continents of origin; they will have been 47% from America, 33% from Europe and 11% from Oceania. The present investigation shows a slight and a moderate increase in the participation rates of African and Asian respondents, a decline in the rate of

American respondents, a steady increase in the European rate and that the Oceania rate has remained constant.

Africa: a 3.55% participation rate was the lowest. A number of reasons may explain the low interest in the standards-setting process by African constituents. Firstly, it should be considered that, of the 24.82% of Accounting Professional Bodies that participated in the *DP* (Table 4.3), a number of them were international professional bodies registered in Europe or America with memberships scattered throughout the world. Therefore, considering the cost of lobbying, a number of African professions could have found it cost-saving to lobby through their international mother-bodies (*collective action*, Van Lent, 1997). Secondly, Africa's low participation rate may be explained by the fact that African accounting stakeholders still see little if any benefits in attempting to influence an international accounting standards-setter and would rather rely on their regional accounting professional bodies through their western affiliates to lobby on their behalf (Falk, 1994), instead of them using their scarce resources; "… their capacity, … professional accounting bodies, educational institutions, regulators and auditors, … [which] remain … [a] problem" (Bruce, 2011:3), to participating into a due process for which, as suggested by Morris (1986:46), lobbying costs may be too high and "the intricacies of a proposed standard" may make lobbying unattractive to most constituents.

America: a 9.93% participation rate exceeded by far that of Africa (3.55%), and slightly that of Asia (9.22%). In any case, the *DP* invited inputs from the IASB's constituents. Therefore, this study did not expect much interest from America since these constituents use the US *GAAP* and this *DP* was a replicate of their *SFAS 157.*

Asia: a 9.22% participation rate exceeded by far that of Africa (3.55%). However, when compared to that of Europe (65.95%), this rate was very low. One reason could be, as in the case of Africa, that Asian accounting stakeholders still see little if any benefits in attempting to influence an international accounting standards-setter and would rather rely on their regional accounting professional bodies through their western affiliates to lobby on their behalf (Falk, 1994) and for other similar reasons as found in Africa. Another reason could be due to the differences in cultural, social, economic and political blocks in Asia. These differences may explain the use of different financial accounting standards in the region.

Europe: at 65.95%, the European participation rate was the highest in the study. The high interest expressed by European participants could be attributable to the adoption of *IFRSs* in the EU in 2005, which necessitates implementation guidance (Schipper, 2005:103, 104), and that more constituents may have wanted to, despite the high lobbying costs or divergent perceptions of an intricate international accounting standard's due process, voice their opinions; "Europe wants its voice heard …" (Langedijk *et al*., 2003). As such their high participation rate should be expected to grow as the IASB continues its convergence agenda. Therefore, the IASB will need to consider inputs from this group of constituents with reasonable care.

Oceania: at 11.35%, this participation rate was a reasonable rate in comparison to the size of the Oceania population. This was expected since the two leading Oceania countries, namely Australia and New Zealand use what they call 'equivalent *IFRSs*'. In fact, since the 2005, all Australian private sector reporting organisations use *IFRSs*, the public sector uses *IFRSs* as basis in their financial reporting and Australian Accounting Standards meet the requirements of *IFRSs* (Deloitte, 2005; IFRS, 2011a; ASIC, 2011).

4.2.1.3 Professions of respondents (PROF)

The respondents' professions are presented in Table 4.3.

Table 4.3 Professions of respondents

Profession	Freq.	Percent	Cum.
Academics	9	6.38	6.38
Accounting Professional Bodies	35	24.82	31.21
Banks	13	9.22	40.43
Companies	16	11.35	51.78
Financial Analysts	1	0.71	52.49
Financial Markets	6	4.26	56.75
Insurance Groups	9	6.38	63.13
Investor Groups	9	6.38	69.51
Regulators	33	23.40	92.91
Others	10	7.09	100.00
Total	141	100	

Table 4.3 shows the following professional backgrounds of respondents: Academics (6.38%), Accounting Professional Bodies (24.82%), Banks (9.22%), Companies (11.35%), Financial Analysts (0.71%), Financial Markets (4.26%), Insurance Groups (6.38%), Investor Groups (6.38%), Regulators (23.40%) and Others (7.09%).

4.2.1.3.1 Professions per each nature or type of respondents

The professions of respondents in terms of their nature whether Individuals or Organisations appear in Table 4.4.

Table 4.4 Professions per each nature or type of respondents

	Nature		
Profession	Organisation	Individual	Total
Academics	1	8	9
Accounting Professional bodies	33	2	35
Banks	13	0	13
Companies	16	0	16
Financial Analysts	1	0	1
Financial Markets	6	0	6
Insurance Groups	9	0	9
Investor Groups	9	0	9
Regulators	33	0	33
Others	7	3	10
Total	128	13	141

Table 4.4 shows the following professions of respondents per their nature: One academic organisation against eight individual academics, thirty-three accounting professional organisations against two individual members of accounting professional bodies, thirteen banking organisations, sixteen companies, one financial analyst organisation, six financial markets, nine insurance groups, nine investor groups, thirty-three regulatory organisations, seven other organisations and three other types of individuals.

4.2.1.3.2 Professions per each continent of respondents

Professions per each continent of respondents appear in Table 4.5.

Table 4.5 Professions per each continent of origin

	Continents of Origin					
Profession	Africa	America	Asia	Europe	Oceania	Total
Academics	0	2	0	5	2	9
Accounting Professional Bodies	2	7	3	20	3	35
Banks	1	1	0	11	0	13
Companies	1	0	0	12	3	16
Financial Analysts	0	0	0	1	0	1
Financial Markets	1	0	0	5	0	6
Insurance Groups	0	1	2	6	0	9
Investor Groups	0	0	1	8	0	9
Regulators	0	3	7	17	6	33
Others	0	0	0	8	2	10
Total	5	14	13	93	16	141

Table 4.5 shows that amongst the nine Academics that responded to the *DP*, two were from America, five were from Europe and two were from Oceania. Of the thirty-five Accounting Professional Bodies, two were from Africa, seven were from America, three were from Asia, twenty were from Europe and three were from Oceania. Amongst the thirteen Banks, one was from Africa, one was from America and eleven were from Europe. Of the sixteen respondent Companies, one was from Africa, twelve were from Europe and three were from Oceania. The only Financial Analyst respondent was from Europe. Of the six Financial Markets, one was from Africa and five were from Europe. Amongst the nine Insurance Groups, one was from America, two were from Asia and six were from Europe. Investor Groups were one from Asia and eight from Europe. Of the thirty-three Regulators, three were from America, seven were from Asia, seventeen were from Europe and six were from Oceania. Others were seven from Europe and two from Oceania.

Academics: at 6.38%, this is a low participation rate. The possible low rate of academic respondents could be attributed to the costs of lobbying (it requires time to lobby with which most academics will struggle), also the “free riding” (Morris, 1986) perspective of implementation of published accounting standards in accounting education, and the nature of this education. A number of departments or schools of accounting have their accounting programmes accredited by national accounting professional bodies (like the South African Institute of Chartered Accountants (SAICA) in South Africa). All accredited universities and colleges teach final standards as approved by national accounting professional bodies instead of equipping their accounting “students with skills and content knowledge” (Schipper, 2005) that can enable them to engage, possibly in partnership with accounting academics, in the due processes.

Accounting Professional Bodies: of all the respondents, 24.82% were from the accounting, auditing, valuations, actuarial or management accounting professions. This category had the highest response rate followed by that of the regulators (23.40%). However, when compared with other studies over time, their participation rate has declined. For instance, in their classification, (Kenny and Larson, 1995) found that professional accountancy bodies were the most respondents accounting for 52% of all submitters.

Banks: at a 9.22% participation rate, the banking sector was the fourth highest respondent group to the *DP*. Coming in at fourth position was not surprising. Banks have a great stake in fair value reporting due to their dealings in financial instruments. Thus, it should be expected that the proposed amendments to *fair value measurements* will have direct financial reporting impacts on the banks.

Companies: at 11.35%, this is still a good participation rate, when considering that lobbying is ‘always costly’ in time and resources it requires. However, if considered from the world perspective, many more companies should have responded to the *DP*. In their analysis, Kenny and Larson (1995) attributed the low rate of responses from multi-national corporations (MNCs) to the fact that the *IASs* were voluntary. Adoption of *IFRSs* and *IASs* are still voluntary, although a number of national regulators and accounting standards-setters recommend or require compliance with them from their constituents, and therefore, by now the participation rate of companies should have improved.

Still, the low response rate of companies could be attributable to a number of other reasons: one possibility could be that more and more companies are "becom[ing]" aware "with the modus operandi of standard[s-]setter[s]" (Georgiou, 2004:233) and therefore see little point in arguing their positions on proposed projects. Whereas companies which responded could be considered to "be very large firms [that] can receive enough benefits to justify … [lobbying] costs and [those companies due to their size] could hope to influence the … [IASB]" (Kenny and Larson, 1993:537).

In terms of their locations, the majority of companies were in developed countries with relatively few in developing and emerging countries. This finding corroborates prior literature (Larson, 1997) and shows that the IASB's work is not viewed any differently by developing and emerging corporate lobbyists than it was with its predecessor, the IASC.

Financial Analysts: at 0.71%, this participation rate was the lowest in the *DP*. However, it should be borne in mind that financial analysts may have access to management reports in the determination of values of financial items, and as such are immune to the financial impact of fair value reporting. Therefore, they may have seen no incentive to engage in fair value lobbying.

Financial Markets: at 4.26%, this participation rate exceeded that of financial analysts, although, it was the second lowest. The study interprets the rate of lobbying by financial markets as being overshadowed by that of the regulators (23.40%), since most financial markets play the role of financial regulators between their clients.

Insurance Groups: at 6.38%, this participation rate was the same as that of the investor groups. However, at the time of issue of the *DP*, a different IASB document on the insurance sector was in the pipeline (The *DP* on Insurance Contracts was released on 27 May 2007 (IASB, 2007)) and since the intricacies of the insurance sector require greater professional advice, it is possible that this respondent group may have been represented by the accounting professional bodies and the regulators. Thus, their participation in the *DP* should be appreciated.

Investor Groups: a 6.38% participation rate was the same as that of the insurance groups and was amongst the lowest. One possibility for this is the cost of lobbying. Another reason could be that since investors may have access to management reports through their representatives on boards of organisations and use financial analysts in the use of published financial information, therefore, no incentive existed to engage extensively in the *DP*.

Regulators: a 23.40% participation rate in the *DP* is significant. This is the second highest participation rate after the Accounting Professional Bodies (24.82%). This shows that it is "possible for all standard setting bodies, to play a full part in the process of developing and approving international standards" (Cairns, 1989:82).

Others: at 7.09%, the various interest and representative groups and individual directors and preparers had some interest in the *DP*, since their participation rate slightly exceeded those of the academics, the insurance and the investor groups.

This shows that all financial reporting stakeholders are interested in the work of the IASB and as such, their inputs in due processes should be acknowledged.

4.2.2 Responses to research questions in the study

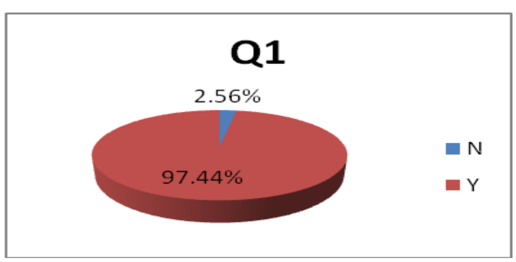
The dichotomous scores of each question (Q1 – Q12) in the research questionnaire appear in Table 4.6. These are discussed based on their respective scores in conjunction with those in Tables 4.7 and 4.8.

Table 4.6: Responses to research questions in the study

Question	Yes	No	Total	Yes %	No %
Q1	38	1	39	97.44%	2.56%
Q2	19	13	32	59.38%	40.62%
Q3	8	85	93	8.60%	91.40%
Q4	77	25	102	75.49%	24.51%
Q5	13	104	117	11.11%	88.89%
Q6	19	81	100	19.00%	81.00%
Q7	62	35	97	63.92%	36.08%
Q8	64	2	66	96.97%	3.03%
Q9	31	1	32	96.88%	3.12%
Q10	57	43	100	57.00%	43.00%
Q11	32	61	93	34.41%	65.59%
Q12	12	61	73	16.44%	83.56%
Total	432	512	944	45.76%	54.24%

4.2.2.1 Question one (Q1)

Do you support the convergence of accounting standards by the IASB and the FASB boards?



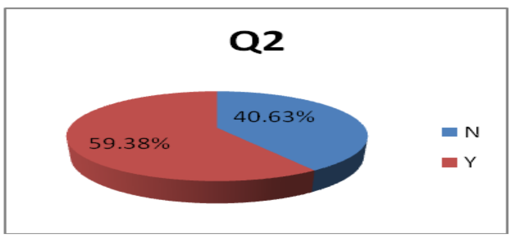
Thirty-nine CLs addressed Q1.

Thirty-eight (97.44%) respondents expressed their desire for the convergence of *IFRSs* and *SFASs*, with only one (2.56%) respondent not supporting the convergence agenda of the two boards. Table 4.7 shows that amongst those who supported the IASB on Q1, two were from Africa, five were from America, thirty were from Europe and one was from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, eleven were Accounting Professional Bodies, four were Banks, three were Companies, five were Financial Markets, one was Insurance Group, two were Investor Groups, eight were Regulators and three were of the Other category.

This is a good leverage for the IASB. It shows that the IASB can count on its constituents as it pursues the convergence agenda with the FASB.

4.2.2.2 Question two (Q2)

Should the IASB board have used the SFAS 157 standard on fair value measurements as published by the FASB as a starting point for its own deliberations of the proposed amendments to fair value measurements in IFRSs and IASs?



Thirty-two CLs addressed Q2.

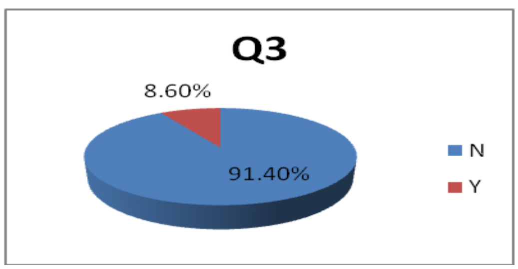
Nineteen (59.38%) respondents agreed with the IASB's methodology of using the *SFAS 157* in the *DP*. Table 4.7 further shows that of these respondents, one was from Africa, two were from America, fourteen were from Europe and two were from Oceania. When looking at the professions of these respondents (Table 4.8), five were Accounting Professional Bodies, two were Banks, two were Companies, one was a Financial Analyst, one was a Financial Market, two were Investor Groups, five were Regulators and one was of the Other category.

Thirteen (40.62%) respondents disagreed with this approach. Table 4.7 further shows that of these respondents, eleven were from Europe and two were from Oceania. When looking at the professions of these respondents (Table 4.8), six were Accounting Professional Bodies, two were Banks, one was a Company, two were Insurance Groups and two were Regulators.

Although the rate of agreement is close to 60%, responses to a number of other key issues (Q5, Q6, Q12) in the *DP* show that the use of *SFAS 157* in the *DP* caused serious conceptual and principle difficulties for the respondents.

4.2.2.3 Question three (Q3)

Could the SFAS 157 standard on fair value measurements be applicable to all assets and liabilities that are measured at fair value or that could be measured at fair value by a reporting entity?



Ninety-three CLs addressed Q3.

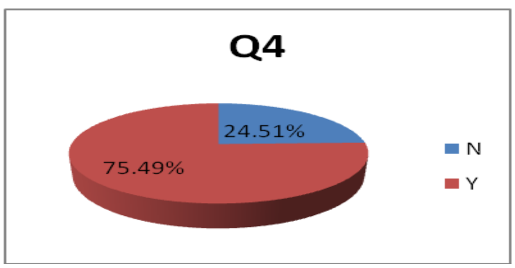
Eighty-five (91.40%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, three were from Africa, four were from America, five were from Asia, sixty-three were from Europe and ten were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, twenty-one were Accounting Professional Bodies, ten were Banks, twelve were Companies, one was a Financial Market, five were Insurance Groups, four were Investor Groups, twenty-three were Regulators and seven were of the Other category.

Only eight (8.60%) respondents agreed with this proposal. Table 4.7 further shows that of these, two were from America, two were from Asia and four were from Europe. When looking at the professions of these respondents (Table 4.8), two were Accounting Professional Bodies, two were Financial Markets, one was an Investor Group and three were Regulators.

This response rate explains the difficulty that respondents have had with the IASB proposals. Also, it justifies why the majority of them have rejected the proposals in Q5, Q6, and Q12, as is further explained below.

4.2.2.4 Question four (Q4)

Is there a need for a single source of guidance for all fair value measurements in existing IFRSs and IASs?



A hundred and two CLs addressed Q4.

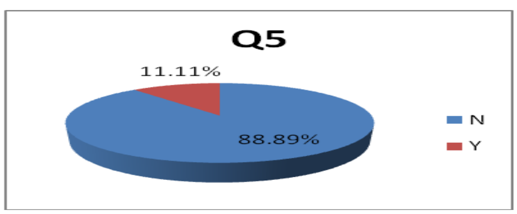
Seventy-seven (75.49%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, four were from Africa, seven were from America, nine were from Asia, fifty were from Europe and seven were from Oceania. When looking at the professions of these respondents (Table 4.8), three were Academics, twenty-two were Accounting Professional Bodies, four were Banks, five were Companies, one was a Financial Analyst, five were Financial Markets, four were Insurance Groups, four were Investor Groups, twenty-four were Regulators, and five were of the Other category.

Twenty-five (24.51%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents; one was from America, two were from Asia, twenty-one were from Europe and one was from Oceania. When looking at the professions of these respondents (Table 4.8), four were Accounting Professional Bodies, three were Banks, seven were Companies, two were Insurance Groups, two were Investor Groups, four were Regulators and three were of the Other category.

The response rate of 75.49% of lobbyers in favour of the need for a single guidance for all *fair value measurements* in existing *IFRSs* and *IASs* could suggest that financial reporting stakeholders (Accounting professions, 28.57% (22/77); preparers, 16.88% (13/77) and Regulators, 31.17% (24/77)) agree to "shift away from accounting system based on historical costs" and that financial reporting community has understood "the benefits of using" fair value reporting (Cornett *et al.*, 1996:120). But, the issue lies with how the IASB would like to achieve its convergence agenda.

4.2.2.5 Question five (Q5)

Should the fair value of assets be defined as exit price in all circumstances under fair value reporting?



A hundred and seventeen CLs addressed Q5.

A hundred and four (88.89%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, four were from Africa, five were from America, eight were from Asia, seventy-six were from Europe and eleven were from Oceania. When looking at the professions of these respondents (Table 4.8), four were Academics, twenty-seven were Accounting Professional Bodies, twelve were Banks, thirteen were

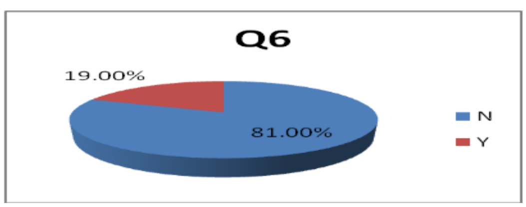
Companies, one was a Financial Analyst, two were Financial Markets, six were Insurance Groups, seven were Investor Groups, twenty-three were Regulators and nine were of the Other category.

Only thirteen (11.11%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, three were from America, three were from Asia and seven were from Europe. When looking at the professions of these respondents (Table 4.8), one was an Academic, four were Accounting Professional Bodies, two were Financial Markets, one was an Insurance Group and five were Regulators.

It is evident that this proposal was very unpopular amongst financial reporting stakeholders. What could the IASB have done? Will its convergence agenda have overshadowed the needs of its constituents? This issue is discussed later in this chapter.

4.2.2.6 Question six (Q6)

Should the fair value of liabilities be based on the price that would be paid to transfer such liabilities in all circumstances?



A hundred CLs addressed Q6.

Eighty-one (81.00%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, three were from Africa, five were from America, four were from Asia, fifty-nine were from Europe and ten were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, twenty were Accounting Professional Bodies, ten were Banks, eleven were Companies, one was a Financial Analyst, one was a Financial Market, four were Insurance Groups, seven were Investor Groups, eighteen were Regulators and seven were of the Other category.

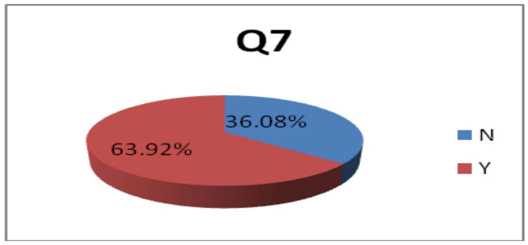
Only nineteen (19.00%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, two were from America, four were from Asia, twelve were from Europe and one was from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, six were Accounting Professional Bodies, one was a Company, two were Financial Markets, one was an Investor Group, seven were Regulators and one was of the Other category.

On whether fair value of assets should be defined as exit price in all circumstances, respondents have disagreed with the IASB's proposals against all suggestions that "current traded prices are more relevant, excellent measurement[s] … to the enterprise[s] and [their] owner[s] than… are old prices" (Staubus, 2004). Table 4.8 shows how unpopular these two IASB's proposals have been amongst all categories of respondents. Further, if representatives to the JWG on the development of the accounting standard on financial instruments using fair value were to be grouped into continents of origin such as America, Asia, Europe and Oceania (Hernández, 2004), the grouping will have shown that (Table 4.7) one hundred (96.15% or 100/104) respondents from these continents disagreed with Q5 and seventy-eight (96.30% or 78/81) respondents were against Q6.

The fundamental reason for this rejection, in the view of this study, could be the methodology used by the IASB. The *SFAS 157* was issued by the FASB for the measurement of financial instruments and not for all types of assets and liabilities. As indicated by eighty-five (91.14%) respondents to Q3, the *SFAS 157* could not be applicable to types of all assets and liabilities of a reporting entity.

4.2.2.7 Question seven (Q7)

Should the term 'fair value' be replaced by other terms such as 'current exit price', 'current entry price' or others based on relevant reporting circumstances of an entity?



Ninety-seven CLs addressed Q7.

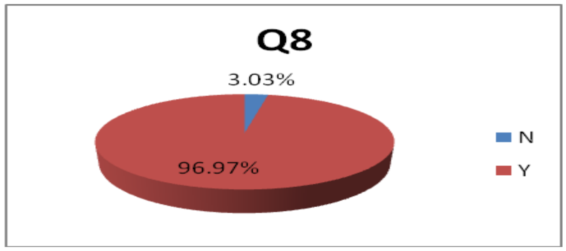
Sixty-two (63.92%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, one was from Africa, five were from America, six were from Asia, forty-eight were from Europe and two were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, nineteen were Accounting Professional Bodies, six were Banks, eight were Companies, one was a Financial Analyst, one was a Financial Market, three were Insurance Groups, two were Investor Groups, fifteen were Regulators and five were of the Other category.

However, thirty-five (36.08%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, two were from Africa, four were from America, five were from Asia, eighteen were from Europe and six were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, nine were Accounting Professional Bodies, three were Banks, four were Companies, three were Financial Markets, three were Investor Groups, nine were Regulators and two were of the Other category.

Sixty-two (63.92%) respondents as opposed to thirty-five (36.08%) respondents would like the term fair value replaced by other more relevant terms. This could in part explain the need, as expressed by most respondents (75.48%), for a single guidance in all the *fair value measurements* in existing *IFRSs* and *IASs*. This issue is discussed later in this chapter.

4.2.2.8 Question eight (Q8)

Should fair value measurements consider attributes specific to the asset or liability according to market participants?



Sixty-six CLs addressed Q8.

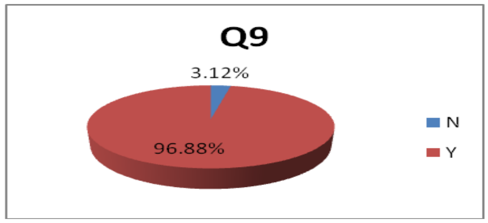
Sixty-four (96.97%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, three were from Africa, seven were from America, seven were from Asia, forty were from Europe and seven were from Oceania. When looking at the professions of these respondents (Table 4.8), three were Academics, twenty-one were Accounting Professional Bodies, two were Banks, six were Companies, four were Financial Markets, one was an Insurance Group, four were Investor Groups, nineteen were Regulators and four were of the Other category.

Only two (3.03%) respondents disagreed with this proposal, all were from Europe and all were Insurance Groups (see Tables 4.7 and 4.8).

Sixty-four (96.97%) lobbyers have agreed with this proposal. This shows that the constituents are not at all against reference to market or market assumptions in the measurements of their financial items. Therefore, it can be suggested that there is still a lot to be addressed by the IASB before its stakeholders agree with its thinking on the *fair value measurements* project.

4.2.2.9 Question nine (Q9)

In selling an asset or in transferring a liability, would all transaction costs be an attribute of the transaction?



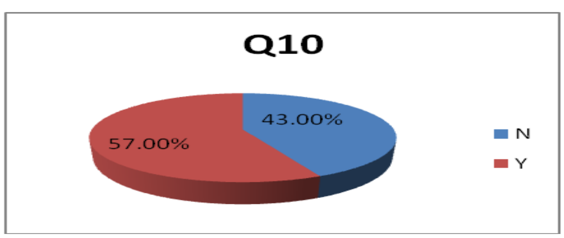
Thirty-two CLs addressed Q9.

Thirty-one (96.88%) respondents agreed with this proposal. One (3.12%) respondent disagreed with it. According to Table 4.7, of those who agreed with it, one was from Africa, four were from America, two were from Asia, twenty-one were from Europe and three were from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, eight were Accounting Professional Bodies, three were Banks, six were Companies, one was an Insurance Group, one was an Investor Group, ten were Regulators and one was of the Other category.

This result is not surprising, since it is an established practice to account for the direct selling or purchasing costs only when the actual transaction occurs. Therefore, most constituents consider such costs to be triggered by a selling or transferring transaction, and not by the item being sold or transferred.

4.2.2.10 Question ten (Q10)

In practice, would the SFAS 157's fair value hierarchy be clear?



A hundred CLs addressed Q10.

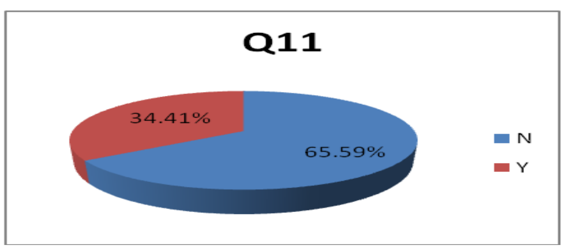
Fifty-seven (57.00%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, one was from Africa, six were from America, six were from Asia, thirty-six were from Europe and eight were from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, seventeen were Accounting Professional Bodies, five were Banks, three were Companies, one was a Financial Analyst, three were Financial Markets, three were Insurance Groups, three were Investor Groups, sixteen were Regulators and five were of the Other category.

Forty-three (43.00%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, two were from Africa, one was from America, one was from Asia, thirty-seven were from Europe and two were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, eleven were Accounting Professional Bodies, five were Banks, nine were Companies, one was a Financial Market, three were Investor Groups, nine were Regulators and three were of the Other category.

The responses to Q10 are further discussed under Q11.

4.2.2.11 Question eleven (Q11)

In practice, would the differences between the three levels of the SFAS 157's fair value hierarchy be clear?



Ninety-three CLs addressed Q11.

Sixty-one (65.59%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, two were from Africa, five were from America, five were from Asia, forty-four were from Europe and five were from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, seventeen were Accounting Professional Bodies, seven were Banks, eight were Companies, one was a

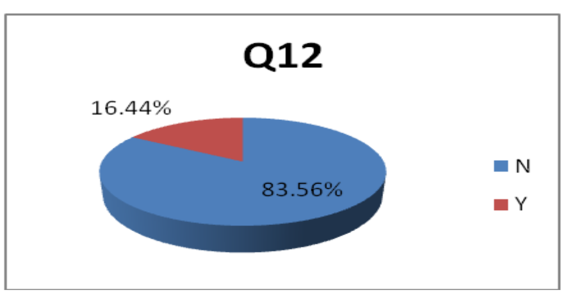
Financial Analyst, two were Financial Markets, one was an Insurance Group, two were Investor Groups, seventeen were Regulators and five were of the Other category.

Thirty-two (34.41%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, one was from Africa, two were from America, two were from Asia, twenty-two were from Europe and five were from Oceania. When looking at the professions of these respondents (Table 4.8), one was an Academic, nine were Accounting Professional Bodies, three were Banks, four were Companies, two were Financial Markets, one was an Insurance Group, three were Investor Groups, eight were Regulators and one was of the Other category.

However, when referring back to Q10, it was noted that 57.00% of the respondents agreed that the *SFAS 157'*s fair value hierarchy would be clear in practice. The response rate can be interpreted as less robust when 65.59% of respondents claim that the difference between the *SFAS 157's* fair value hierarchy levels would be in practice less clear. The lack of clarity between the levels could be explained as inherent from the proposal of the JWG which did not "provide [clearly] guidance on how to choose between different types of valuation techniques nor how to determine the appropriate inputs for such models" (Hernández, 2004:172). This study suggests that additional work will be needed before constituents fully agree with the IASB on these proposals.

4.2.2.12 Question twelve (Q12)

Would the fair value measurements guidance as provided by the SFAS 157 be workable in all jurisdictions?



Seventy-three CLs addressed Q12.

Sixty-one (83.56%) respondents disagreed with this proposal. Table 4.7 further shows that of these respondents, two were from Africa, four were from America, five were from Asia, forty-four were from Europe and six were from Oceania. When looking at the professions of these respondents (Table 4.8), two were Academics, sixteen were Accounting Professional Bodies, four were Banks, eight were Companies, one was a Financial Analyst, three were Financial Markets, two were Insurance Groups, one was an Investor Group, nineteen were Regulators, and five were of the Other category.

Only twelve (16.44%) respondents agreed with this proposal. Table 4.7 further shows that of these respondents, three were from America, one was from Asia and eight were from Europe. When looking at the professions of these respondents (Table 4.8), three were Accounting Professional Bodies, four were Banks, one was a Financial Market, two were Investor Groups and two were Regulators.

The proposed amendments to *fair value measurements* would not be applicable in all jurisdictions. Sixty-one (83.56%) respondents rejected this proposal. Amongst them were European submitters (72.13%), Accounting Professional Bodies (26.23%) and Regulators (31.15%). The European position confirms prior studies. Schipper (2005:120) conjectured:

> *I speculate that some European Union jurisdictions have fewer and less liquid markets for financial instruments and physical assets than does the USA, thereby exacerbating this aspect of the fair value measurement problem for enterprises that will apply IFRS beginning in 2005.*

Therefore, it will be surprising of the IASB if the proposal in Q12 is adopted without major adjustments to meet the needs of its worldwide constituency.

In the past, the IASC had been criticised for not “consider[ing] the needs of developing countries in preparing IASs” (Cairns, 1997:62). Therefore, the IASB needs to seriously consider the opposing views of these constituents, to prove that it upholds one of its main objectives of existence namely, “to develop accounting standards that meet the financial reporting needs of the developing and newly industrialized countries…” since financial reporting stakeholders need “mutually acceptable international standards of accounting and disclosure” (Cairns, 1989:80, 81).

An examination of Table 4.8 indicates that most constituents have rejected Q5, Q6, Q11 and Q12. These proposals dealt with the definition of fair value and the *SFAS 157* fair value hierarchy and its applicability in all jurisdictions. This may indicate that the IASB may not promulgate in *IFRSs* the proposals of its *fair value measurements* project without significant adjustments.

Of interest though is that this study (Table 4.8) has found that in the majority of their respective responses, the positions of the accounting professional bodies were reconcilable with those of the regulators. Thus, contrary to what Falk (1994) conjectured, the national accounting organisations do not necessarily and always support the work of an accounting standards-setting body like the IASB.

Further, Hussein and Ketz (1991:65, 71, 72), citing Cyert and Ijiri (1974:29 – 34) and Hawkins (1986:461 - 470), wrote about conflicts in the choice of accounting standards among three groups, namely “Investors, all other companies and accounting professional bodies”, and that the Regulatory group “will constitute constraints or provide opportunities”. This study (Table 4.8) has found that in major issues as raised in the *DP*, there seem to be no conflicts among the three groups and that the Regulatory group shares the same views with the other groups.

4.2.3 Responses of respondents based on their continents of origin

The responses of respondents to research questions based on their continents of origin are shown in Table 4.7.

Table 4.7: Responses of respondents based on their continents of origin

	Q1		Q2		Q3	
Continent of Origin	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Africa	2/38	0/1	1/19	0/13	0/8	3/85
America	5/38	0/1	2/19	0/13	2/8	4/85
Asia	0/38	0/1	0/19	0/13	2/8	5/85
Europe	30/38	0/1	14/19	11/13	4/8	63/85
Oceania	1/38	1/1	2/19	2/13	0/8	10/85
Total	**38/38**	**1/1**	**19/19**	**13/13**	**8/8**	**85/85**
	Q4		**Q5**		**Q6**	
Continent of Origin	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Africa	4/77	0/25	0/13	4/104	0/19	3/81
America	7/77	1/25	3/13	5/104	2/19	5/81
Asia	9/77	2/25	3/13	8/104	4/19	4/81
Europe	50/77	21/25	7/13	76/104	12/19	59/81
Oceania	7/77	1/25	0/13	11/104	1/19	10/81
Total	**77/77**	**25/25**	**13/13**	**104/104**	**19/19**	**81/81**
	Q7		**Q8**		**Q9**	
Continent of Origin	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Africa	1/62	2/35	3/64	0/2	1/31	0/1
America	5/62	4/35	7/64	0/2	4/31	0/1
Asia	6/62	5/35	7/64	0/2	2/31	0/1
Europe	48/62	18/35	40/64	2/2	21/31	0/1
Oceania	2/62	6/35	7/64	0/2	3/31	1/1
Total	**62/62**	**35/35**	**64/64**	**2/2**	**31/31**	**1/1**
	Q10		**Q11**		**Q12**	
Continent of Origin	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Africa	1/57	2/43	1/32	2/61	0/12	2/61
America	6/57	1/43	2/32	5/61	3/12	4/61
Asia	6/57	1/43	2/32	5/61	1/12	5/61
Europe	36/57	37/43	22/32	44/61	8/12	44/61
Oceania	8/57	2/43	5/32	5/61	0/12	6/61
Total	**57/57**	**43/43**	**32/32**	**61/61**	**12/12**	**61/61**

Africa: African respondents agreed with Q1, Q2, Q4, Q8 and Q9. They rejected Q3, Q5, Q6 and Q12, while they diverged on Q7, Q10 and Q11.

This shows that African respondents do not see the fair value reporting issues any differently than do other constituents.

America: American respondents agreed with Q1, Q2, Q4, Q8, Q9 and Q10. They, in most cases, disagreed with Q3, Q5, Q6, and Q11 while they almost diverged on Q7 and Q12.

This explains some of the difficulties the FASB has had with the *SFAS 157* project.

Asia: Asian respondents substantially agreed with Q4, Q8, Q9 and Q10. They were nearly mixed on Q6 and Q7. As in the case of other respondents, the majority of them rejected Q3, Q5, Q11 and Q12. Asian respondents did not address Q1 and Q2.

These scores could have been influenced by their cultural, social, economic and political differences. Nevertheless, their positions indicate how difficult it will be for the IASB to please its global constituency.

Europe: Other than in Q2 and Q10 where they almost diverged on whether the strategy used by the IASB of using the *SFAS 157* in the *DP* and on whether the *SFAS 157*'s fair value hierarchy was in practice clear, the majority of respondents expressed Coalescing support for or against an IASB's proposal (Table 4.7). Their united position has significance to influence the rest of constituents to move toward global standards (Freedman and Stagliano, 1992).

Further, a 'visual' correlation can be observed between the responses of the majority of other European lobbyists and European Regulators (Table 4.7 vs. Table 4.8). Thus, one may expect the need for a single enforcement body in Europe over time to subside.

Oceania: Although Australian constituents have been exposed to exit prices requirement since the 1990s as part of their disclosure for assets (Walker and Jones, 2003), none of Oceania lobbyists supported the IASB's proposal to define fair value of assets as exit price in all circumstances. Of the 16 Oceania submitters, 11 respondents addressed Q5 and all disagreed with the IASB. In fact, in most cases, they disagreed with the IASB (see Table 4.7). The position taken by Oceania respondents may necessitate further analysis to validate agreements presented by Walker and Jones (2003:364 – 366, 370) on exit price reporting in that country.

4.2.4 Responses of respondents based on their professions

The frequency of responses to research questions based on professions of respondents is shown in Table 4.8.

Table 4.8 Responses of respondents based on their professions

	Q1		Q2		Q3		Q4	
Profession of Respondents	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Academics	1/38	0/1	0/19	0/13	0/8	2/85	3/77	0/25
Accounting Professional Bodies	11/38	0/1	5/19	6/13	2/8	21/85	22/77	4/25
Banks	4/38	0/1	2/19	2/13	0/8	10/85	4/77	3/25
Companies	3/38	0/1	2/19	1/13	0/8	12/85	5/77	7/25
Financial Analysts	0/38	0/1	1/19	0/13	0/8	0/85	1/77	0/25
Financial Markets	5/38	0/1	1/19	0/13	2/8	1/85	5/77	0/25
Insurance Groups	1/38	0/1	0/19	2/13	0/8	5/85	4/77	2/25
Investor Groups	2/38	0/1	2/19	0/13	1/8	4/85	4/77	2/25
Regulators	8/38	1/1	5/19	2/13	3/8	23/85	24/77	4/25
Others	3/38	0/1	1/19	0/13	0/8	7/85	5/77	3/25
Total	**38/38**	**1/1**	**19/19**	**13/13**	**8/8**	**85/85**	**77/77**	**25/25**

Table 4.8 continued…

	Q5		Q6		Q7		Q8	
Profession of Respondents	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Academics	1/13	4/104	1/19	2/81	2/62	2/35	3/64	0/2
Accounting Professional Bodies	4/13	27/104	6/19	20/81	19/62	9/35	21/64	0/2
Banks	0/13	12/104	0/19	10/81	6/62	3/35	2/64	0/2
Companies	0/13	13/104	1/19	11/81	8/62	4/35	6/64	0/2
Financial Analysts	0/13	1/104	0/19	1/81	1/62	0/35	0/64	0/2
Financial Markets	2/13	2/104	2/19	1/81	1/62	3/35	4/64	0/2
Insurance Groups	1/13	6/104	0/19	4/81	3/62	0/35	1/64	2/2
Investor Groups	0/13	7/104	1/19	7/81	2/62	3/35	4/64	0/2
Regulators	5/13	23/104	7/19	18/81	15/62	9/35	19/64	0/2
Others	0/13	9/104	1/19	7/81	5/62	2/35	4/64	0/2
Total	**13/13**	**104/104**	**19/19**	**81/81**	**62/62**	**35/35**	**64/64**	**2/2**
	Q9		**Q10**		**Q11**		**Q12**	
Profession of Respondents	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Academics	1/31	0/1	1/57	2/43	1/32	1/61	0/12	2/61
Accounting Professional Bodies	8/31	1/1	17/57	11/43	9/32	17/61	3/12	16/61
Banks	3/31	0/1	5/57	5/43	3/32	7/61	4/12	4/61
Companies	6/31	0/1	3/57	9/43	4/32	8/61	0/12	8/61
Financial Analysts	0/31	0/1	1/57	0/43	0/32	1/61	0/12	1/61
Financial Markets	0/31	0/1	3/57	1/43	2/32	2/61	1/12	3/61
Insurance Groups	1/31	0/1	3/57	0/43	1/32	1/61	0/12	2/61
Investor Groups	1/31	0/1	3/57	3/43	3/32	2/61	2/12	1/61
Regulators	10/31	0/1	16/57	9/43	8/32	17/61	2/12	19/61
Others	1/31	0/1	5/57	3/43	1/32	5/61	0/12	5/61
Total	**31/31**	**1/1**	**57/57**	**43/43**	**32/32**	**61/61**	**12/12**	**61/61**

Academics: Table 4.8 shows that Academics agreed with Q1, Q4, Q8 and Q9. They rejected Q3, Q5, and Q12, and they were divided on Q6, Q7, Q10 and Q11. Academics did not address Q2.

This indicates that, as with other respondents, Academics appreciate the need for a single guidance for fair value measurements in all *IFRSs* and *IASs* although they dislike the methodology followed by the IASB in the *DP*.

Accounting professional bodies: Although in most cases their positions on the *DP* were in agreement (Table 4.8), in Q2 and Q10 however, they diverged with twenty-two (56.41% or 22/39) respondents against seventeen (43.59% or 17/39) respondents. A possible explanation for this divergence could be that members have different specialties and incentives in a proposed accounting standard and as such should not be expected to be unanimous in their responses (Puro, 1984:641, 645). Kenny and Larson (1995) found that the IASC had support from the accounting profession but with less interest among MNCs in America. As can be seen in Table 4.8, this is not the case with the IASB in the *DP*.

Banks: In their responses, none of them supported the proposal of defining fair value of assets and liabilities as exit price in all circumstances even though they were divided on whether *SFAS 157* as used by the IASB could be applicable in all jurisdictions (Table 4.8). Some authors have suggested that "bankers … [have] negative perceptions regarding desirability, feasibility, and applicability of … [fair value reporting]" (Cornett, Rezaee and Teharanian, 1996:121; Laux and Leuz, 2009). The bankers' responses to the *DP* could be interpreted in line with their response to Q3. All (10/10) bank respondents indicated that the *SFAS 157* as used by the IASB as a starting point for its deliberations could not be applied to all types of assets or liabilities of a reporting entity. Further, to require banks to use exit price for all types of financial items other than traded instruments could result in new reporting costs which in turn could affect their security prices (Cornett *et al.*, 1996).

Companies: In total, 16 companies responded. Twelve (12) companies addressed Q3 and all disagreed with it. They all rejected Q5 and Q6. They agreed with the IASB on Q1, Q7 and Q9. On Q7, eight (50%) respondents would like the term fair value replaced by other relevant terms, but in many other cases disagreed with the IASB. Their response rate and their positions indicate that the benefits to lobby outweighed their lobbying costs (Deakin, 1989). Although, prior studies (Larson (1997; Holgate, 1997) proposed that corporations or other constituents would favor harmonisation efforts, this study (Table 4.8) suggests that this is not always the case.

Financial analysts: This respondent group agreed with Q2, Q4, Q7 and Q10. It rejected Q5, Q6, Q11 and Q12.

Although the participation rate of this group in the *DP* was the lowest (0.71%), on key issues, this group's opinions do not differ with the majority of respondents' opinions. This highlights the need for better financial accounting due processes.

Financial markets: Table 4.8 shows that Financial Markets agreed with Q1, Q2, Q4, Q8 and Q10. They, in majority of cases, rejected Q7 and Q12. However, there was no strong agreement or disagreement among them on Q3, Q5, Q6 and Q11. Financial Markets did not address Q9.

As suggested earlier, their positions are not far different from those of the regulators. Therefore, as with other respondent groups, the IASB should note the Financial Markets' positions on the *DP*.

Insurance groups: This respondent group agreed with the IASB on Q1, Q4, Q7, Q9 and Q10. It disagreed with the IASB on Q2, Q3, Q5, Q6 and Q12. However, it was divided on Q8 and Q11.

Although being a specialised sector, this group shows similar concerns with the other groups on the *DP*. Therefore its position should have the same bearing on the IASB.

Investor groups: The Investor Group agreed with Q1, Q2, Q4, Q8 and Q9. They disagreed with Q3, Q5 and Q6 although their responses (Table 4.8) to the other questions (Q7 – Q12) were mixed.

The position of the investor groups on exit price proposals is interesting. It has been established that "investors generally support measurements at fair value" (SEC, 2008) and that they would like to see improvements of them. They disagreed with most of the proposals in the *DP*. This suggests that the IASB's use of the *SFAS 157* was, for this group, not necessary an appropriate methodology as this standard cannot be applied to all assets and liabilities of a reporting entity. Additionally, their responses indicate that the IASB has failed this category of constituents in this crucial project (Cornett *et al.*, 1996:152).

Regulators: The *DP* attracted 33 (23.40%) responses from regulators and other national accounting standards-setters. Eight (88.89% or 8/9) respondents expressed overwhelming support for the convergence agenda between the two boards; they (71.43% or 5/7) liked the use of *SFAS 157* in the *DP*; they (85.71% or 24/28) agreed that there is a need for a single source of guidance for all of the *fair value measurements* in *IFRSs* and *IASs* and that (62.50% or 15/24) the term fair value should be replaced by more other relevant terms. However, they (88.46% or 23/26) disagreed that *SFAS 157* be applicable to all types of assets or liabilities of a reporting enties. They (82.14% (23/28) and 72.00% (18/25)) rejected that fair value of assets or liabilities be defined as exit price in all circumstances and they (90.48% or 19/21) do not believe the *fair value measurements* guidance as provided by the *SFAS 157* to be workable in all jurisdictions.

These findings may suggest some future difficulties for the IASB since market regulators such as IOSCO may not support the *fair value measurements* standard without the support from the regulators (Biener, 1997; Holgate, 1997).

Since the majority of regulators (i.e. IOSCO, SEC, European Financial Reporting Advisory Group (FRAG)) have not supported all the proposed amendments in the *DP*, serious implementation difficulties could be expected if the IASB, without major adjustments, effected its proposed amendments. Equally, for some of its other constituents, proposals that have been rejected by their respective regulators may not be implemented (Hussein and Ketz, 1991; Larson, 1997:176). Therefore, this study would expect the IASB to try to gain the support of key regulators (i.e. IOSCO, SEC, EFRAG) on the *fair value measurements* project during the next step of its due process, since the convergence work of the two boards will be directly or indirectly affected by regulatory changes (Schipper, 2005).

Others: The other interest group agreed with the IASB on Q1, Q2, Q7, Q8 and Q9. They disagreed with it on Q3, Q5, Q6, Q11 and Q12 while they were nearly mixed on Q4 and Q10.

Their positions on Q4 may appear unique when compared with those of other respondent groups. However, when taken in the context of their mixture of different groups, it can be understood that their different interests and perceptions of reality will result in no clear trends being discernible from this group.

Overall, it is interesting to note the trend (Table 4.8) in the responses of the Accounting professional bodies and those of other preparers of financial statements (Companies, Banks, and Insurance groups). The positions of the majority of responses between the two groups are in agreement. This observation is in line with prior findings. Van Lent, (1997) noted that "Auditors are expected to lobby for rules which benefit their clients and in the process, benefit the audit firms", since "anything which decreases client wealth, therefore, will reduce audit fees and audit firm wealth" (Puro, 1984:626), while Kenny and Larson (1993:531) commented that "professional and trade organisations lobby on behalf of their constituents and tend to support the majority positions held by those constituents".

4.3 Fair Value Measurements Project – Subsequent developments

In chapter two of this study, the due process of the IASB was outlined. It was noted that the IASB is not required to issue a *DP* on a proposed project. Therefore, the *Fair Value Measurements* project had to follow its full formal due process.

Subsequent to the *DP* of 30 November 2006, the IASB issued an *ED* on the *Fair Value Measurements* on the 28th May 2009, inviting comments by the 28 September 2009 (Deloitte, 2009a). Why did it take close to three years before the formal due process on the *fair value measurements* project could begin? It is worth mentioning that the convergence agenda between the two boards had a lot to do with it. As the *SFAS 157* was undergoing amendments, the *Fair Value Measurements* project needed to be aligned to it, as in fact the *ED* was the equivalent of the *SFAS 157 Fair Value Measurements* as amended (FASB, 2010). The *ED* added additional disclosure requirements about how entities could determine fair values and proposed authoritative guidance on the application of fair value measurements in inactive markets (Q12). As in the *DP*, the *ED* retained the definition of fair value as an exit price (Q5 and Q6), the use of market participant assumptions (Q8) and the three levels of fair value hierarchy (Q10 and Q11), amongst others.

In December 2009, the IASB invited additional views on the *Fair Value Measurements* project. Stakeholders from emerging and developing economies were invited to submit their opinions with examples highlighting their perceived difficulties with the proposals of the *ED* (Q12). Comments had to be sent in by the 31st January 2010 (Deloitte, 2009b)**.**

On the 29th June 2010, the IASB issued another *ED:* "*Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*". Comments were invited by the 7th September 2010 (Deloitte, 2010a). This *ED* proposed relatively minor amendments to the May 2009 *ED*. Since under the proposed fair value hierarchy, level 3 allows the use of unobservable inputs, the new *ED* required disclosure of '*measurement uncertainty analysis*' or '*sensitivity analysis*' in order to reflect the interdependencies between unobservable inputs used to measure fair values in level 3 (Q10 and Q11).

On the 28th July 2010, the IASB published a questionnaire on its *ED*: "*Measurement Uncertainty Analysis Disclosure for Fair Value Measurements"*, inviting comments by the 7th September 2010 (Deloitte, 2010b). This was a limited re-exposure of proposed disclosure about all level 3 (Q12) fair values included in financial statements. The questionnaire targeted financial analysts.

On the 19th August 2010, a staff draft of *IFRS* on *Fair Value Measurements* was released (IFRS, 2010d). This draft reflected tentative decisions made by the two boards. Amongst others, the staff draft retained the definition of fair value as an exit price (Q5 and Q6), the use of market participant assumptions (Q8) and the three levels of fair value hierarchy (Q10 and Q11). Under level 3, two approaches in the determination of fair value are proposed, namely the use of income approach (present value techniques) and the market approach. Under both approaches, market participation assumptions must be used. The level 3 disclosures need to show a clear reconciliation between opening and closing balances, and where transfers from one level to another have taken place; entities are required to provide reasons thereof.

Finally, on the 12th May 2011, *IFRS* on *Fair Value Measurements* was published; *IFRS 13*. The effective date will be on or after the 1st January 2013 (Deloitte, 2011b). As proposed, *IFRS 13* defines fair value as an exit price (Q5 and Q6), requires the use of market participant assumptions (Q8) and a three level fair value hierarchy (Q10 and

Q11), amongst others. In level 3, three valuation techniques are permitted, namely the market approach, the income approach and the cost approach. The disclosure of fair values must be presented in a tabular format. *IFRS 13* does not apply to all *IFRSs* and *IASs*; a number of *IFRSs* and *IASs* are scoped out of this standard.

It is evident that the *Fair Value Measurements* project did not have an easy ride. From November 2006 when the *DP* was released to the final standard in May 2011, 54 months passed before its completion. Interestingly, the *fair value measurements'* due process has revealed that the convergence agenda between the two boards was of paramount importance in this project as can be evidenced from the IFRS Board: "The fair value measurement project was part of the … [MoU] our joint work resulted in *IFRSs* and … [*US GAAP*] having the same definition and meaning of fair value and the same disclosure requirements about fair value measurements" (IFRS, 2011b).

4.4 Summary

The description of the lobbyers on the *DP* has revealed that overall, 90.78% of responses were made by organisations. The majority of respondents were from Europe (65.96%) followed by those from Oceania (11.35%). The rate of Asian respondents was close to those from America and that African respondents continue to be lowest respondent group. In terms of professions, the accounting bodies were the highest (24.82%) respondent group followed by the regulators (23.40%) and companies (11.35%).

The high response rate from Europe is in line with prior studies and suggests the need for implementation guidance a year after the countries of EU had adopted the *IFRS* (Schipper, 2005). Their harmonious positions indicate the need for the IASB to consider inputs from this category of respondents since, with cross-border listings, cross-border operations in Africa and elsewhere (Bruce, 2011) and, memberships and partnerships, Europe can catalyse major changes and acceptance of the work of the IASB.

The response rate of academics (6.38%) requires this profession to re-consider the influence it can exercise in accounting due processes. The nature of accounting education should be balanced. Rather than ‘free[ly]’ riding on the horse of the published and recommended *IFRSs*, students and accounting academics could venture in the accounting due processes thus ensuring that students are well equipped with the skills and content knowledge of financial accounting standards (Morris, 1986; Schipper, 2005).

The content analysis of the comment letters has revealed that Q5 was the most addressed (117/141 CLs), followed by Q4 (102/141 CLs), Q6 (100/141 CLs), Q10 (100/141 CLs), Q7 (97/141 CLs), Q3 (93/141 CLs), Q11 (93/141 CLs), Q12 (73/141 CLs), Q8 (66/141 CLs), Q1 (39/141), Q2 (32/141) and Q9 (32/141).

In the CLs, thirty-eight (97.44%) respondents indicated that they supported the convergence agenda of the two boards and seventy-seven (75.49%) respondents agreed that there is a need for a single guidance for all *fair value measurements* in *IFRSs* and *IASs*. Eighty-five (91.40%) respondents indicated that *SFAS 157* could not be applicable to all types of assets and liabilities of a reporting entity that are measured at fair value. A hundred and four (88.89%) respondents rejected the board’s proposal that fair value of assets be defined as exit price in all circumstances. Eighty-one (81.00%) respondents accordingly rejected the proposal that the fair value of liabilities should be based in all circumstances on the transfer price. Sixty-two (63.92%) respondents were in favour that the term fair value be replaced by other more relevant terms. Sixty-four (96.97%) respondents agreed with the proposal that *fair value measurements* should consider attributes specific to asset or liability according to market participants. Fifty-seven (57.00%) respondents agreed that the fair value hierarchy in *SFAS 157* would be clear in practice, although sixty-one (65.59%) respondents indicated that the differences between the three levels of hierarchy would in practice not be clear. On whether fair value guidance in *SFAS 157* could be applicable in all jurisdictions, sixty-one (83.56%) respondents disagreed with this proposal.

Although most respondents (97.44%) have confirmed their support (Table 4.6) for the convergence agenda of the two boards, their opposition on key issues in the *DP* (Tables 4.7 and 4.8), indicates that the harmonisation agenda should take cognisance of the needs of financial reporting stakeholders and that the IASB needs to use a proper and rational methodology in its due processes.

Subsequent to the *DP*, the IASB maintained its proposals to the *fair value measurements* and has implemented these proposals. In *IFRS 13*, the IASB defines fair value as an exit price (Q5 and Q6), requires the use of market participant assumptions (Q8) and a three level fair value hierarchy (Q10 and Q11), amongst others making *IFRS 13* equivalent to the revised *SFAS 157*, thus preserving the convergence agenda of the two boards. Unless the IASB, subsequent to the *DP*, managed to gain reasonable support from major fair value reporting stakeholders, there could still remain the need for guidance in the measurements of fair value in existing *IFRSs* and *IASs* and this need could even be acute for constituents in developing and emerging economies. Therefore, some preparers may, after the effective date of *IFRS 13*, look for convenience in this standard, if so, fair value reporting worldwide may suffer in reliability and relevance (Langendijk *et al*., 2003).

CHAPTER FIVE

CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

There are about thirty-nine different *fair value measurements* in *IFRSs* and *IASs* (Appendices 1 – 2) and sometimes within a single *IFRS* or *IAS* more than one alternative fair value measurement is allowed (graphs 1.1 – 1.2). The determination of some of this mosaic of measurements is somehow tedious and very complex which could reasonably result in less objective and reliable estimates (Cairns, 1989).

As part of its mandate, the IASB set out to address the needs of its constituents and released a *DP* on *fair value measurements* on 30 November 2006. The fair value project also attempted to foster its convergence agenda with the FASB which had released *SFAS 157* in September 2006. However, the IASB decided to use *SFAS 157* as a starting point in the deliberations of its project. Although the IASB's methodology is that its due process is inclusive and aimed at enhancing overall usefulness of fair value reporting in the eyes of its global constituents, the convergence agenda of the two boards could take precedent in the *fair value measurements* project (Langendijk *et al.*, 2003; Schipper 2005:117). Analysing the comment letters on the IASB's *DP* enabled an opinion to be reached in respect of this matter.

Furthermore, the study aimed at analysing the backgrounds such as nature, continents of origin, and professions of respondents, the degree of agreement amongst lobbyers on selected key sections of the IASB's *DP* and to establish whether the IASB did take the responses into account in further deliberations on *Fair Value Measurements* project.

The study was justified by the need to provide additional understanding on the commentary to the *DP*, contribute knowledge on the standards-setting process, highlight characteristics of lobbyists and their responses during the *DP* due process and to confirm prior research (Larson, 1997; MacArthur, 1999; Langendijk *et al*., 2003, Schipper 2005; Laux and Leuz, 2009) with regards to fair value reporting and due processes.

Prior research relevant to the topic is on due processes of other standard-setters, such as the FASB, IASC, ASB and AASB, with very few studies on the works of the IASB. In these studies, respondents' analysis has been focused more on a single type of lobbyists, i.e. corporations or firms, and their geographic classifications focused on countries of origin of respondents. Of those accessed, no study had yet used a *DP* published by the IASB or investigated lobbyers to the IASB's *fair value measurements* project of 30 November 2006.

The study followed a descriptive methodology, and consistent with prior studies (Tuttici *et al.*, 1994; MacArthur, 1999; Madalina, 2007) used a content analysis of the 141 CLs received on the *DP* to address its objectives.

In describing lobbyists and their responses, four variables were used, namely NAT, LOC, PROF and Q1 – Q12. By nature or type (NAT); respondents were classified either as individuals or organisations. By locations (LOC); respondents were classified either as from Africa, America, Asia, Europe or Oceania, and in terms of their professions (PROF); they were: Academics, Accounting Professional Bodies, Banks, Companies, Financial Analysts, Financial Markets, Insurance Groups, Investor Groups, Regulators or Others. A dichotomous scale, frequency tables and pie charts were used in the analysis of data and presentation of results.

5.2 Discussion of Results and Findings

The study set out to address the following questions with regard to the respondents and the *DP*:

- What are their nature, geographic and professions backgrounds?

  From the 141 CLs analysed, 90.78% were organisations and 9.22% were individuals. Three point fifty-five percent (3.55%) of respondents were from Africa, 9.93% were from America, 9.22% were from Asia, 65.96% were from Europe and 11.35% were from Oceania. Professions represented were**:** **A**cademics (6.38%), Accounting Professional Bodies (24.82%), Banks (9.22%), Companies (11.35%), Financial Analysts (0.71%), Financial Markets (4.26%), Insurance Groups (6.38%), Investor Groups (6.38%), Regulators (23.40%) and Others (7.09%).When compared with prior studies (Kenny and Larson, 1993; 1995, Larson 1997) the continental participation rates have increased over time, although few Americans responded. The accounting professions still lead the way, although their response rate has lowered to 24.82%.

- What are responses to the *DP?*

  In the CLs, thirty-eight (97.44%) respondents indicated that they support the convergence agenda of the two boards and seventy-seven (75.49%) respondents agreed that there is a need for a single guidance for all *fair value measurements* in *IFRSs* and *IASs*. Eighty-five (91.40%) respondents indicated that *SFAS 157* could not be applicable to all types of assets and liabilities of a reporting entity that are measured at fair value. A hundred and four (88.89%) respondents rejected the board's proposal that fair value of assets be defined as exit price in all circumstances. Eighty-one (81.00%) respondents accordingly rejected the proposal that the fair value of liabilities should be based in all circumstances on the transfer price. Sixty-two (63.92%) respondents are in favour that the term fair value be replaced by other more relevant terms. Sixty-four (96.97%) respondents agreed with the proposal that *fair value measurements* should consider attributes specific to asset or liability according to market participants. Fifty-seven (57.00%) respondents agreed that the fair value hierarchy in *SFAS 157* would be clear in practice, although sixty-one (65.59%) respondents indicated that the differences between the three levels of hierarchy would in practice not be clear. On whether fair value guidance in *SFAS 157* could be applicable in all jurisdictions, sixty-one (83.56%) respondents disagreed with this proposal.

In the majority of their respective responses, the positions of the accounting professional bodies were reconcilable with those of the regulators. Thus, contrary to prior studies (Falk, 1994) “the national accounting organisations” do not necessarily always support the work of an accounting standards-setting body like the IASB. Further, this study (Table 4.8) has found that in major issues as raised in the *DP*, there seem to be no conflict among “Investors, all other companies and accounting professional bodies” (Hussein and Ketz 1991:65, 71, 72, citing Cyert and Ijiri 1974:29 – 34 and Hawkins 1986:461 - 470) and that the regulatory group shares the same views as the other groups.

Since the majority of regulators (i.e. IOSCO, SEC, EFRAG) have not supported the proposed amendments in the *DP*, serious implementation difficulties should be expected if the IASB effects its proposed amendments. Equally, for some of its other constituents, proposals that have been rejected by their respective regulators may not be implemented (Hussein and Ketz (1991). Therefore, this study expected extended due processes during which the IASB would try to gain the support of key regulators (i.e. IOSCO, SEC, EFRAG), given that the convergence work of the two boards will be directly or indirectly affected by regulatory changes (Schipper, 2005).

Although most respondents (97.44%) confirmed their support (Table 4.6) for the convergence agenda of the two boards, their opposition to key issues in the *DP* (Table 4.8), indicates that the harmonisation agenda should take cognisance of the needs of financial reporting stakeholders and that the IASB needs to use a proper and rational methodology in its due processes.

- Did the IASB take the responses to account into further deliberations on *Fair Value Measurements*?

Subsequent to the *DP*, the IASB maintained its proposals to the *fair value measurements* and has implemented these proposals. In *IFRS 13,* the IASB defines fair value as an exit price (Q5 and Q6), requires the use of market participant assumptions (Q8) and a three level fair value hierarchy (Q10 and Q11) amongst others, making *IFRS 13* equivalent to the revised *SFAS 157,* thus preserving the convergence agenda between the two boards.

Was the fair value measurements due process inclusive of fair value reporting stakeholders? If not, as speculated by Laux and Leuz (2009) the quest for guidance on *fair value measurements* may be far from over. Joseph-Bell, Joas and Bukspan (2008:3) recommended:

> *To succeed in improving fair value measurement guidance, active participation and contributions by all affected constituencies … is essential. This ultimately could lead to an improved financial reporting discipline that will be capable of meeting the information needs of investors and creditors, and of supporting the evolving*

global capital markets, under varying economic conditions, for many years to come.

Unless the IASB has met the need of its constituents for guidance on *fair value measurements* in *IFRSs* and *IASs*, users of financial statements will not only need 'unusually big glasses' to gauge reported fair value figures but also a walking staff or a guide as they negotiate their way through the fair value figures in reported financial statements.

5.3 Recommendations and Future Research

The study is based on the *DP*. An accounting standards-setter like the IASB is not obliged, as part of its due process, to issue a *DP*. Also, various other lobbying methods and instruments do exist. A further study based on the IASB's formal due process of the *fair value measurements* project using a different design could contrast the present findings to those of *IFRS 13* (Terre Blanche *et al.*, 2006).

Europe had the highest participation rate in the *DP* (65.96%), which was expected (Langendijk *et al.*, 2003; Schipper, 2005). Its positions were harmonious (Table 4.7). Some European influence should be expected in the IASB's future due processes and the IASB should take cognisance of European inputs.

Unity in the European responses between lobbyers and regulators suggest that the need for a single enforcement European body like the EFRAG may reduce. This is an interesting area for future studies.

Few academics participated in the *DP* (Kenny and Larson, 1995). Could accounting projects in departments and schools of accounting, based on the working plan of the IASB, assist in improving the academic participation in due processes? Could academics participate as schools, departments or organisations if costs to lobby were an obstacle (Kenny and Larson, 1993)? Future studies could provide answers.

The rate of participation of companies was not any different from past studies (Kenny and Larson, 1995; Larson, 1997) and few African corporations lobbied. As in the past, a number of reasons for the low interest are suggested. Interestingly, the *IFRS* conference that was held in Africa (Cape Town) in October 2010 attracted a number of African corporations. Thus, future research could examine these companies, reasons for attending and their perceptions of the work of the IASB before and after that conference.

In their responses, corporate lobbyers (Table 4.8) disagreed with the IASB substantially. Although prior studies (Larson, 1997) suggested that corporations support harmonisation, this study found that support is not automatic; that there should be proper methodology followed by the IASB, and the financial reporting needs of its constituents should be taken into consideration. Therefore, harmonisation between the two boards should not be pursued at any cost.

The study found that bankers and investors disagreed with the IASB on a number of proposals. Although the positions of bankers were in line with prior research (Cornett *et al*., 1996), those of the investor group were surprising. If accounting standards should be established to meet the needs of investors, then the IASB will strive to please this constituent group. It is proposed that the participation and responses of the two categories be further examined during the formal due process of the *fair value measurements* project.

Since respondents rejected a number of proposals in the *DP* (Table 4.8) and that in most cases accounting professional bodies' responses harmonised with those of regulators, the study suggests future implementation difficulties for constituents since the IASB has implemented its proposals (Hussein and Ketz, 1991:76, Falk, 1994:599). In the past, "[the IASC sought] acceptance from its constituency by adapting its position to which is more palatable to the lobbyists" (Kenny and Larson, 1993:531). Did the IASB, in the interim, try to gain the support of regulators (IOSCO, SEC, EFRAG). If not, there still remains a need among respondents for a single source of guidance in the definition of fair value in *IFRSs* and *IASs*, and a *fair value measurement* project based on the *SFAS 157* is likely to stall (Langedijk *et al.*, 2003:60). Future studies could investigate these suggestions.

The proposed amendments to *fair value measurements* would not be applicable in all jurisdictions (Tables 4.7 and 4.8). Subsequent to the *DP*, did the IASB gain the support of respondents to the proposals in Q12? If not, the IASB still has a long way to go to prove that it takes the needs of developing and emerging countries seriously (Cairns, 1989; Cairns, 1997).

The study categorised auditors as part of accounting professional bodies. A future study could consider their relative positions in the *DP*, whether they were incentivised for or against proposals in the *DP* (Van Lent, 1997:110).

The study found that most European lobbyers rejected the proposals in the *DP*. Since Europe adopted the *IFRSs* in 2005, their responses may have been influenced by European managers as they would like to "reduce or avoid the volatility [especially in the use of exit prices] of reported results that tend to accompany fair value measurements" (Schipper, 2005:122). This can be further investigated.

5.4 Limitations of the study

Data size and contents: the *DP* attracted a total of 141 CLs only. Thus, this study is restricted by the contents and size of the CLs.

Although some individuals made direct responses to the proposals, a number of other financial reporting stakeholders were represented by local, regional or international bodies, thus restricting the individual inputs that could have been collected and examined and sometimes rendering the geographic description of the respondents difficult to ascertain or less accurate.

A number of other respondents addressed issues in their CLs other than those raised by the IASB in the *DP*. Watts and Zimmerman (1978) found the same in their study. Where the contents of such responses could not be linked to any of the research questions raised in the study, they were regarded as blank and were not included in the study. This resulted in the reduction of the effective population size of the study by 8 CLs to 133.

The age of the research data: the deadline for the submission of the CLs was set to be 2 April 2007, and was extended to 4 May 2007 (Deloitte, 2007). More than four years have passed since the CLs were received. Thus, the research data used ignored the dynamic nature of *fair value measurements* issues.

Data analysis: the contents, volumes and writing styles of the CLs required more time than it could reasonably be devoted to for a thorough and a complete analysis of the profiles of respondents and of their responses. Also, since the study used manual content analysis, human factors (Madalina, 2007) may have limited the quality thereof.

5.5 Interpretation of Results

The study's use of only CLs in its methodology ignored other lobbying methods that could have been used by the respondents to *DP* and other respondents whose lobbying activities went unobserved by this study and as such this study could have suffered in the effectiveness of its research method (Lindahl, 1987 cited in Van Lent, 1997).

Hence, in interpreting results, care should be exercised to take into consideration the design of the study, the methodology and that the study used content analysis of the CLs received on the *DP*. The data type and the coding system utilised (categories and dichotomous) limited the analysis to the use of frequencies, tables and pie charts for the presentation of results. Therefore, no inferences could be made and as such the results are presented as actual rates of respondents in whose CLs indications pointed out to addressing one or more of the questions in the research questionnaire and thus the percentages reported were determined by counting the actual number of respondents to a particular question and not as based on the total population of 141 CLs included in the study.

5.6 Summary

The study has discussed the implications of the issue of the *SFAS 157 Fair Value Measurements* by the FASB on the convergence agenda of the two boards. The background information on the current status of the IASB with all the backing it has from the IOSCO, SEC, EU and other consultative partners both professionals and regulatory, have strengthened its role as a world player in accounting standards and the need to preserve the convergence agenda and have justified its decision to issue the *DP* on the *Fair Value Measurements* project based on the *SFAS 157*, since the *fair value measurements* is a critical item under the MoU and on the convergence agenda of the two boards.

It has emerged from the literature that there is need for guidance on the definition and measurements of fair value in financial statements. The need for an additional investigation into the standards setting process of the IASB was strengthened by sparse lobbying studies.

The profiles of respondents to the *DP* and theirs responses were conceptualised, construed into variables (NAT, LOC, PROF and Q1 – Q12), coded, and scores were recorded using dichotomous and nominal scales. This process has ensured validity and reliability of the design and methods employed in the study.

The description analysis has revealed that of all the respondents, 90.78% were organisations and 9.22% individuals. Three point fifty-five percent (3.55%) of respondents were from Africa, 9.93% were from America, 9.22% were from Asia, 65.96% were from Europe and 11.35% were from Oceania. Accounting professional bodies dominated with 24.82% participation rate, followed by the regulators (23.40%) and companies other than banks or insurance groups, constituted 11.35% of the responses.

Professions per each nature or type of respondents were in high majority of organisations. Of all the professions, the academics were in majority (88.88%) represented by individual submitters. Professions per each continent of origin of respondents mostly were from Europe (65.96% or 93/141).

The content analysis of the CLS has revealed that Q5 was the most addressed (117/141 CLs), followed by Q4 (102/141 CLs), Q6 (100/141 CLs), Q10 (100/141 CLs), Q7 (97/141 CLs), Q3 (93/141 CLs), Q11 (93/141 CLs), Q12 (73/141 CLs) and Q8 (66/141 CLs), Q1 (39/141), Q2 (32/141) and Q9 (32/141).

The analysis of CLs has revealed that thirty-eight (97.44%) respondents indicated that they supported the convergence agenda of the two boards and seventy-seven (75.49%) respondents agreed that there is a need for a single guidance for all *fair value measurements* in *IFRSs* and *IASs*. Eighty-five (91.40%) respondents indicated that *SFAS 157* could not be applicable to all types of assets and liabilities of a reporting entity that are measured at fair value. A hundred and four (88.89%) respondents rejected the board's proposal that fair value of assets be defined as exit price in all circumstances. Eighty-one (81.00%) respondents accordingly rejected the proposal that the fair value of liabilities should be based in all circumstances on the transfer price. Sixty-two (63.92%) respondents were in favour that the term fair value be replaced by other more relevant terms. Sixty-four (96.97%) respondents agreed with the proposal that *fair value measurements* should consider attributes specific to asset or liability according to market participants. Fifty-seven (57.00%) respondents agreed that the fair value hierarchy in *SFAS 157* would be clear in practice, although sixty-one (65.59%) respondents indicated that the differences between the three levels of hierarchy would in practice not be clear. On whether fair value guidance in *SFAS 157* could be applicable in all jurisdictions, sixty-one (83.56%) respondents disagreed with this proposal.

Despite the fact that the respondents rejected a number of key proposals in the *DP*, the IASB has implemented them in the *IFRS 13*, leading to the emergence from the study of a number of new themes. The "fair value [reporting] debate is far from over" (Laux and Leuz, 2009).

Appendices:

Appendix 1: Social or Economic Sectors of Respondents:

CODE	PROFESSION	ACTIVITIES
1	Academics	Researchers, Lecturers, Students, Representative Bodies of Academics
2	Accounting Professional Bodies	Professional Valuers, Professional Accountants, Representative Bodies of Controllers and Auditors, Professional Auditors, Professional Accounting and Auditing Bodies, Professional Management Accountants, Professional Actuaries
3	Banks	Banking Groups, Representative Bodies of Banks
4	Companies	Energy, mining, Manufacturing, Representative Bodies of Various Companies, Plantation, Service
5	Financial Analysis	Financial Analysts, Credit Ratings
6	Financial Markets	Stock Exchanges, Financial Services, Representative Bodies of Financial Services
7	Insurance Groups	Insurance Companies, Representative Bodies of Insurance Groups
8	Investor Groups	Representative Bodies of Investment Groups, Investment Groups, Investment Banks
9	Regulators	Regulators of Financial Reporting Standards, Regulators of Valuation Standards, Other Regulators, Government Departments, Standards Setters of Accounting Standards, Standards Setters of Valuation Standards, Advisory Bodies, Regulators of Securities and Exchanges
10	Others	Financial Directors, Financial Officers, Preparers, Accounting Managers, Representative Bodies of Preparers, Representative Bodies of Companies, Accounting forums, Representative Bodies of Various Interest Groups

Appendix 2: Coding of Descriptive Characteristics and Responses

	LOC	NAT	PROF	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
1	4	1	9			N	Y		N		Y		Y		N
2	5	1	4												
3	4	1	2				Y	N				Y	N		
4	2	1	2			N	Y	Y	Y	Y	Y		Y	N	Y
5	4	2	10			N	Y	N	Y	Y	Y		Y	Y	N
6	4	1	2					N	Y	Y	Y	Y	Y	Y	
7	4	1	9			N	Y	N	N	N	Y		N	N	N
8	4	2	1				Y	N			Y				
9	4	2	1				Y	Y	Y	N		Y	N		
10	5	1	9		N	N	Y	N	N	N	Y	Y	N	Y	N
11	2	1	2				Y	N	Y	N	Y	Y	Y	N	Y
12	5	1	10			N	Y	N	N	N	Y	Y	Y	N	N
13	4	1	8			N	N		N						
14	1	1	3	Y		N	Y	N	N	N	Y	Y	Y	Y	
15	5	2	1				Y	N	N	N	Y		Y	Y	
16	3	1	2			Y	Y	Y	N	Y	Y		Y	N	
17	2	2	1							Y					
18	4	2	1												N
19	4	1	9			N	Y	N	Y	Y	Y	Y	Y	N	N
20	4	2	10												
21	4	1	7			N	Y	N		Y	Y	Y	Y	Y	
22	3	1	2				Y	N	Y	N	Y	Y	Y		
23	4	1	7	Y	N	N	Y	N	N						N
24	4	1	9				N	N	Y	Y	Y		Y	Y	N
25	3	1	7				Y	N	N	Y					
26	3	2	2					N		Y					
27	5	2	1												
28	4	1	2				Y	N	N	Y	Y	Y	Y	Y	N
29	4	1	9	Y		N	Y	N		N	Y	Y	N	N	
30	3	1	7			N	Y	N							
31	4	1	2	Y			Y			N				Y	
32	1	1	4		Y	N	Y	N	N	Y	Y		N	N	N
33	2	1	9												
34	4	1	4				N	N	N	N	Y	Y	Y	Y	N
35	4	1	10	Y		N	Y	N	N	Y			Y	N	

36	4	1	2				Y	Y		Y			Y	N	
37	4	1	2		N	N	Y	N		Y	Y		N	N	N
38	4	1	7		N	N	N	Y	N	Y			Y	N	
39	4	1	9		N	N	Y	N	N	Y		Y	N	N	N
40	4	1	10	Y		N	N	N	N	N	Y		Y	N	N
41	1	1	6				Y	N							
42	4	1	2	Y	N			N	N	Y			N	Y	N
43	4	1	4			N	N	N	N	Y		Y	N	N	N
44	4	1	3			N	Y	N	N	Y		Y	Y	N	N
45	4	1	6	Y		Y	Y	Y	N	N	Y		Y	Y	N
46	2	2	2												
47	4	1	10			N	N	N							
48	4	1	2			N	Y	N	N	N			N	N	N
49	4	1	4			N	Y	N	N	Y	Y	Y	Y	Y	N
50	2	1	2	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N
51	4	1	2		Y	N	Y	N	N	Y	Y		Y	N	N
52	4	1	8				Y	N	Y		Y		Y	Y	Y
53	5	1	2			N	Y	N	Y	N	Y		Y	Y	N
54	4	1	9	Y		N	Y	N	N	Y			N	N	N
55	3	1	9				Y			N				N	N
56	4	1	3				N	N	N	N		Y			
57	1	1	2	Y		N	Y	N	N	N	Y		N	N	N
58	4	1	2		Y	N	Y	N	N	Y			N	N	N
59	3	1	8												
60	4	1	2		N	N	Y	N	Y	Y	Y	Y	N	N	N
61	4	1	9			N	N	N	N	Y			Y	N	N
62	4	1	1			N		N	N	Y	Y		N	N	
63	4	1	3			N	Y	N	N	Y			N	N	Y
64	4	1	3	Y	Y	N		N	N				N	N	Y
65	4	1	4	Y		N		N	N	Y		Y	N	N	N
66	4	1	4	Y	Y	N	Y	N							
67	4	1	4			N	N	N	N	Y		Y	N	N	N
68	4	1	3			N		N							
69	4	1	10			N	Y	N	N	Y			N	N	N
70	4	1	9	Y		N		N							
71	4	1	2		Y	N	Y	N	N	Y	Y		N	N	
72	4	1	9			N	Y	N	N		Y	Y	Y	N	
73	4	1	6	Y	Y		Y								
74	4	1	2		N	N	N	N	N	Y			N	N	N
75	4	1	10	Y	Y		N	N	N	Y			N		

76	2	1	7												
77	5	1	9			N		N	N						
78	4	1	7			N	N	N			N		Y		N
79	4	1	7						N						
80	4	1	4			N	N	N	Y	N	Y		N	N	N
81	4	1	9			N	Y	Y	Y	Y					
82	4	1	6	Y			Y	N	Y	Y	Y		Y	Y	Y
83	2	1	2	Y		N	Y	N	N	Y	Y		Y	N	Y
84	4	1	3	Y			Y	N			Y		Y	Y	Y
85	4	2	1			N		N							
86	4	1	3		Y	N	N	N	N	Y			N	N	N
87	4	1	4			N	N	N	N	Y			N		
88	4	1	2			N		N	N						
89	4	1	2				Y	N	N		Y		Y		
90	4	1	3			N	N	N	N	N			N	N	
91	4	1	3			N		N	N	Y			Y	Y	N
92	2	1	9				Y	N	N	N	Y	Y	Y	Y	
93	2	1	2			N	N	N	N	Y	Y		N	N	N
94	4	1	8	Y	Y		Y	N	N	N	Y		N	N	
95	5	1	9	N			Y	N	N	Y	Y	Y	Y	Y	N
96	4	1	9			Y	Y	Y	Y	Y	Y		Y	Y	
97	4	1	9	Y			Y	N			Y		Y	Y	
98	2	1	2	Y		Y	Y	N		N					
99	4	1	3	Y	N	N		N	N	Y			Y	N	Y
100	4	1	8		Y			N	N	N			N		
101	3	1	9			N	Y	N	N	Y	Y		Y	N	N
102	5	1	2		Y	N									
103	4	1	2	Y	N	N	N	N	N	N	Y	Y	Y	Y	
104	4	1	9	Y	Y	N	Y	N	N	Y	Y		Y	N	Y
105	4	1	5		Y		Y	N	N	Y			Y	N	N
106	4	1	2			N		N	N	Y	Y		Y	Y	N
107	3	1	9			N	Y	N	Y	N	Y		Y	N	
108	2	1	3												
109	4	1	4												
110	4	1	2	Y		N	Y	N	N	Y	Y		Y	Y	N
111	4	1	6	Y		N	Y			N	Y		N	N	N
112	4	1	4			N	N	N	N	Y	Y		N	Y	
113	4	1	9		Y	N	Y	N	N	Y		Y	N	N	N
114	4	1	4	Y		N	Y	N	N	N	Y		N	N	N
115	4	1	2	Y		N		N	N	Y	Y		N	N	N
116	4	1	8			Y	Y	N	N	Y	Y	Y	Y	Y	Y

117	2	1	9	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N
118	4	1	9	Y		N	Y								
119	4	1	8			N	N	N	N	Y			Y	Y	N
120	4	1	10			N	Y	N	N	Y	Y		N	N	N
121	3	1	9				Y	N	N	Y					N
122	3	1	9			N	N	N		N	Y		Y	Y	Y
123	4	1	6	Y		Y		Y	Y	N	Y		Y	N	N
124	4	1	3		N	N		N	N	Y			N	N	N
125	3	1	9			Y	N	Y	Y	N	Y	Y	N	N	N
126	4	1	7					N			N				
127	5	1	9		Y	N	Y	N	N	Y	Y		Y	N	N
128	4	1	9	Y	Y	N	Y	N	N	Y			N	N	N
129 A	5	1	2	Y		N	N	N	N	N	Y	N	Y	N	
129 B	5	2	10					N	N				Y		
129 C	5	1	4											N	
129 D	5	1	4		N	N	Y	N	N	N			Y	Y	
129 E	5	1	9			N							N	N	
129 F	5	1	9			N		N	N						N
130	1	1	2												
131	4	1	8	Y		N	Y	N	N	N	Y		N	N	
132	2	2	1	Y											N
133	3	1	9			N	Y	Y	Y	Y	Y		Y	Y	N
134	4	1	2	Y	N	N	Y	N	N				Y	N	N
135	4	1	8			N		N	N						
136	4	1	4			N	N	N	N	Y		Y	N	N	

Appendix 3: Research Respondents Analysis and Coding

CL	RESPONDENT	CONTINENT OF ORIGIN	CODED	NATURE OR TYPE	CODED	PROFESSION	CODED
CL1	The Charity Commission	Europe	4	Organisation	1	Regulator of Charities	9
CL2	Alinta	Oceania	5	Organisation	1	Energy company	4
CL3	Markit Valuations Ltd	Europe	4	Organisation	1	Valuations company	2
CL4	Certified General Accountants Association of Canada	America	2	Organisation	1	Accounting professional body	2
CL5	Neil Chisman	Europe	4	Individual	2	Financial Director	10
CL6	Institute of Chartered Accountants in Ireland (ICAI) (Ireland)	Europe	4	Organisation	1	Accounting professional Body	2
CL7	Swedish Financial Accounting Standards Council	Europe	4	Organisation	1	Regulator – Accounting	9
CL8	University of Verona and Beatrice Frazza, Prof. Giuseppe Ceriani - Ph.D Student,	Europe	4	Individual	2	Academics	1
CL9	University of Tampere , Petri Vehmanen Professor, Ph.D.	Europe	4	Individual	2	Academic	1
CL10	New South Wales Treasury	Oceania	5	Organisation	1	Government Department	9
CL11	RHL International Group	America	2	Organisation	1	Valuations Company	2
CL12	Group of 100	Oceania	5	Organisation	1	Representative Body - Preparers and Financial Officers	10
CL13	The Association of Investment Companies (AIC)	Europe	4	Organisation	1	Representative Body - Investment Groups	8
CL14	FirstRand Banking Group	Africa	1	Organisation	1	Banking Group	3
CL15	Massey University, Michael E. Bradbury PhD, FCA, CMA,	Oceania	5	Individual	2	Academic	1
CL16	Korea Accounting Association (KAA)	Asia	3	Organisation	1	Accounting Professional Body	2
CL17	Miss Rosanna O'Guynn	America	2	Individual	2	Academic	1
CL18	University of Malta , Ivan Grixti MA(Lanc)	Europe	4	Individual	2	Academic	1

CL19	Dutch Accounting Standards Board (DASB)	Europe	4	Organisation	1	Standards Setter - Accounting	9
CL20	Ruth Farrant	Europe	4	Individual	2	Preparer – Accounting Manager	10
CL21	Austrian Insurance Association	Europe	4	Organisation	1	Representative Body – Insurance	7
CL22	Japanese Institute of Certified Public Accountants (JICPA)	Asia	3	Organisation	1	Accounting professional Body	2
CL23	Joint Response: European Insurance Forum, CEA, GNAIE, Japanese Life Inusrers	Europe	4	Organisation	1	Representative Body – Insurance	7
CL24	International Valuation Standards Committee	Europe	4	Organisation	1	Regulator and Standards Setter - Valuations	9
CL25	The General Insurance Association of Japan	Asia	3	Organisation	1	Representative Body – Insurance	7
CL26	Takeshi Imamura C.P.A	Asia	3	Individual	2	Professional Accountant	2
CL27	University of Western Sydney, Prof John Ryan	Oceania	5	Individual	2	Academic	1
CL28	Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri	Europe	4	Organisation	1	Accounting Professional Body	2
CL29	IPEV Valuation Board	Europe	4	Organisation	1	Advisory - Valuation Board	9
CL30	Life Insurance Association of Japan	Asia	3	Organisation	1	Representative Body - insurance	7
CL31	Swiss GAAP FER	Europe	4	Organisation	1	Accounting Professional body	2
CL32	Anglo Platinum Limited	Africa	1	organisation	1	Mining Company	4
CL33	State of New York Insurance Department	America	2	Organisation	1	Government Department – Regulator – Insurance	9
CL34	Unilever	Europe	4	Organisation	1	Manufacturer	4
CL35	Association of Corporate Treasurers	Europe	4	Organisation	1	Representative Body – Preparers	10
CL36	International Controllers Association (ICV)	Europe	4	Organisation	1	Representative Body – Controllers and Auditing	2
CL37	Mazars	Europe	4	Organisation	1	Accounting Professional	2

						Body	
CL38	International Association of Insurance Supervisors (IAIS)	Europe	4	Organisation	1	Representative Body – Insurance	7
CL39	Accounting Standards Board (ASB)	Europe	4	Organisation	1	Regulator – Accounting Standards Setter	9
CL40	International Energy Accounting Forum	Europe	4	Organisation	1	Representative Body – Energy Companies	10
CL41	JSE Limited	Africa	1	Organisation	1	Financial Market	6
CL42	Institut der Wirtschaftsprüfer (IDW)	Europe	4	Organisation	1	Auditing Professional body	2
CL43	F Hoffmann La Roche	Europe	4	Organisation	1	Manufacturer	4
CL44	French Banking Federation	Europe	4	Organisation	1	Representative Body – Banks	3
CL45	Credit Suisse Group	Europe	4	Organisation	1	Financial Services	6
CL46	DR. R. A. Rayman	America	2	Individual	2	Professional Accountant, Academic	2
CL47	The Swedish Enterprise Accounting Group (SEAG)	Europe	4	Organisation	1	Representative Body - Accounting	10
CL48	The Royal Institution of Chartered Surveyors (RICS)	Europe	4	Organisation	1	Professional Body Valuations	2
CL49	Syngenta International AG	Europe	4	Organisation	1	Agricultural company	4
CL50	Grant Thornton	America	2	Organisation	1	Accounting Professional Body	2
CL51	PricewaterhouseCoopers	Europe	4	Organisation	1	Accounting Professional Body	2
CL52	London Investment Banking Association (LIBA)	Europe	4	Organisation	1	Representative Body – Investment Groups	8
CL53	CPA Australia	Oceania	5	Organisation	1	Accounting Professional Body	2
CL54	Austrian Financial Reporting and Auditing Committee (AFRAC)	Europe	4	Organisation	1	Regulator – Accounting	9
CL55	The International Financial Reporting Standards Review Committee (IFRSRC) of the Korea Accounting Standards Board (KASB)	Asia	3	Organisation	1	Advisory Body – Accounting	9

CL56	German Savings Bank Association (DSGV) and the Association of German Public Sector Banks (VÖB)	Europe	4	Organisation	1	Representative Body – Banking	3
CL57	South African Institute of Chartered Accountants (SAICA)	Africa	1	Organisation	1	Accounting Professional Body	2
CL58	Institute of Chartered Accountants of Scotland (ICAS)	Europe	4	Organisation	1	Accounting Professional Body	2
CL59	Franklin Templeton Investments	Asia	3	Organisation	1	Investment Group	8
CL60	FAR SRS	Europe	4	Organisation	1	Accounting Professional Body	2
CL61	Conseil National de la Comptabilité (CNC)	Europe	4	Organisation	1	Standard Setter – Accounting	9
CL62	British Accounting Association Special Interest Group in Financial Accounting and Reporting	Europe	4	Organisation	1	Representative Body – Academics	1
CL63	Swedish Bankers Association	Europe	4	Organisation	1	Representative Body – Banking	3
CL64	Irish Banking Federation	Europe	4	Organisation	1	Representative Body – Banking	3
CL65	Shell International	Europe	4	Organisation	1	Manufacturer – Petroleum	4
CL66	RWE AG	Europe	4	Organisation	1	Warehousing - Energy	4
CL67	SwissHoldings	Europe	4	Organisation	1	Representative Body – Various Companies	4
CL68	Groupe Caisse d'Epargne	Europe	4	Organisation	1	Bank	3
CL69	Association pour la participation des entreprises françaises à l'harmonisation comptable internationale (ACTEO) and Association Française des Entreprises Privées (AFEP) and Mouvement des Entreprises de France (MEDEF)	Europe	4	Organisation	1	Representative Body – of various types of companies	10
CL70	Basel Committee on Banking Supervision	Europe	4	Organisation	1	Supervisor of Banks	9
CL71	Institute of Chartered Accountants in England and Wales (ICAEW)	Europe	4	Organisation	1	Accounting Professional Body	2
CL72	The Committee of European Banking Supervisors (CEBS)	Europe	4	Organisation	1	Advisory Body – Banking	9
CL73	Morgan Stanley	Europe	4	Organisation	1	Financial Market	6

CL74	Ernst and Young	Europe	4	Organisation	1	Accounting Professional Body	2
CL75	Arbeitskreis Externe Unternehmensrechnung (AKEU)	Europe	4	Organisation	1	Representative Body – Various groups	10
CL76	Property Casualty Insurers Association of America	America	2	Organisation	1	Representative Body – Insurance	7
CL77	Heads of Treasuries Accounting and Reporting Advisory Committee (HOTARAC)	Oceania	5	Organisation	1	Government Department – Advisory Body	9
CL78	International Underwriting Association	Europe	4	Organisation	1	Representative Body – Insurance	7
CL79	Swiss Re	Europe	4	Organisation	1	Insurance	7
CL80	BG Energy Holdings Limited	Europe	4	Organisation	1	Petroleum Company	4
CL81	Committee of European Insurance Occupational Pensions Supervisors (CEIOPS)	Europe	4	Organisation	1	Advisory Body – Insurance	9
CL82	International Swaps and Derivatives Association (ISDA)	Europe	4	Organisation	1	Representative Body – Financial Services	6
CL83	Institute of Management Accountants (IMA)	America	2	Organisation	1	Management Accounting Professional Body	2
CL84	Deutsche Bank	Europe	4	Organisation	1	Bank	3
CL85	University of Portsmouth	Europe	4	Individual	2	Academic	1
CL86	British Bankers' Association (BBA) (UK)	Europe	4	Organisation	1	Representative Body – Bank	3
CL87	Nestlé	Europe	4	Organisation	1	Manufacturer	4
CL88	CIPFA	Europe	4	Organisation	1	Accounting Professional Body	2
CL89	Austrian Actuarial Association	Europe	4	Organisation	1	Valuations Profession Body	2
CL90	Italian Banking Association (ABI)	Europe	4	Organisation	1	Representative Body - Bank	3
CL91	BNP Paribas	Europe	4	Organisation	1	Bank	3
CL92	Province of British Columbia	America	2	Organisation	1	Government Department – Regulator	9
CL93	International Actuarial Association (IAA)	America	2	Organisation	1	Actuaries Professional	2

						Body	
CL94	UBS AG	Europe	4	Organisation	1	Investment	8
C9L5	Australasian Council of Auditors-General	Oceania	5	Organisation	1	Government Department – Regulator	9
CL96	Norsk RegnskapsStiftelse - Norwegian Accounting Standards Board	Europe	4	Organisation	1	Standards Setter – Accounting	9
CL97	Bundesverband deutscher Banken	Europe	4	Organisation	1	Advisory Body – Bank	9
CL98	The Appraisal Institute	America	2	Organisation	1	Valuations Professional Body	2
CL99	Joint Response: Banking Federation of the EU, European Savings Banks Group, European Association of Cooperative Banks, European Association of Public Banks	Europe	4	Organisation	1	Representative Body – Bank	3
CL100	Quoted Companies Alliance	Europe	4	Organisation	1	Representative Body – Investment	8
CL101	Hong Kong Institute of Certified Public Accountants	Asia	3	Organisation	1	Standards Setters – Accounting	9
CL102	National Institute of Accountants	Oceania	5	Organisation	1	Accounting Professional Body	2
CL103	The Chartered Institute of Management Accountants	Europe	4	Organisation	1	Management Accounting Professional Body	2
CL104	German Accounting Standards Board (DRSC)	Europe	4	Organisation	1	Standards Setter – Accounting	9
CL105	Fitch Ratings Ltd	Europe	4	Organisation	1	Financial Analyst – Credit Rating	5
CL106	Association of Chartered Certified Accountants (ACCA)	Europe	4	Organisation	1	Accounting Professional Body	2
CL107	National Accounting Standards Board of Russia (NASB)	Asia	3	Organisation	1	Standards Setter – Accounting	9
CL108	Canadian Bankers Association	America	2	Organisation	1	Representative Body – Banks	3
CL109	SIPEF SA	Europe	4	Organisation	1	Plantation Company	4
CL110	KPMG	Europe	4	Organisation	1	Accounting Professional Body	2

CL111	Goldman Sachs	Europe	4	Organisation	1	Financial Analyst and Market	6
CL112	Business Europe	Europe	4	Organisation	1	Representative Body – Various Companies	4
CL113	Wales Audit Office	Europe	4	Organisation	1	Government Department – Regulator	9
CL114	Suez	Europe	4	Organisation	1	Service Company	4
CL115	Deloitte Touche Tohmatsu	Europe	4	Organisation	1	Accounting Professional Body	2
CL116	European Investment Bank	Europe	4	Organisation	1	Investment	8
CL117	Canadian Accounting Standards Board	America	2	Organisation	1	Standards Setters – Accounting	9
CL118	International Organization of Securities Commissions (IOSCO)	Europe	4	Organisation	1	Representative Body – Financial Market	9
CL119	Societe Generale	Europe	4	Organisation	1	Investment bank	8
CL120	UK 100 Group	Europe	4	Organisation	1	Representative Body – Financial Directors	10
CL121	Accounting Standards Board of Japan (ASBJ)	Asia	3	Organisation	1	Standards Setter – Accounting	9
CL122	Council on Corporate Disclosure and Governance (CCDG)	Asia	3	Organisation	1	Standards Setter	9
CL123	Duff and Phelps GmbH	Europe	4	Organisation	1	Financial Services	6
CL124	HSBC Holdings	Europe	4	Organisation	1	Bank, Investment and Financial Services	3
CL125	Malaysian Accounting Standards Board (MASB)	Asia	3	Organisation	1	Standards Setter – Accounting	9
CL126	Association of British Insurers (ABI)	Europe	4	Organisation	1	Representative Body – Insurance	7
CL127	Australian Accounting Standards Board	Oceania	5	Organisation	1	Standards Setters – Accounting	9
CL128	European Financial Reporting Advisory Group (EFRAG)	Europe	4	Organisation	1	Advisory and Regulator – Accounting	9
CL129A	The Primary Sector Committee of the New Zealand	Oceania	5	Organisation	1	Accounting Professional	2

	Institute of Chartered Accountants					Body	
CL 129B	Tony Gray	Oceania	5	Individual	2	Other	10
CL 129C	Contact Energy Limited	Oceania	5	Organisation	1	Manufacturer	4
CL 129D	Major Electricity Users' Group	Oceania	5	Organisation	1	Representative Body – Energy Group	4
CL 129E	New Zealand Treasury	Oceania	5	Organisation	1	Government Department – Regulator	9
CL 129F	Financial Reporting Standards Board (FRSB)	Oceania	5	Organisation	1	Standards Setter - Accounting	9
CL130	Standard Bank	Africa	1	Organisation	1	Bank	2
CL131	Allianz	Europe	4	Organisation	1	Investment Group	8
CL132	J Alex Milburn	America	2	Individual	2	Academic	1
CL133	Securities and Exchange Committee	Asia	3	Organisation	1	Regulator – Financial Markets	9
CL134	FEE (Fédération des Experts Comptables Européens)	Europe	4	Organisation	1	Representative Body – Accounting	2
CL135	Corporate Reporting Users Forum (CRUF)	Europe	4	Organisation	1	Representative Body – Investment	8
CL136	Confederation of British Industry (CBI)	Europe	4	Organisation	1	Representative Body – Various Companies	4

Appendix 4: UKZN Ethical Clearance

UNIVERSITY OF
KWAZULU-NATAL
University of KwaZulu-Natal
Research Office
Govan Mbeki Centre
Westville Campus
University Road
Chiltern Hills
Westville
3629
South Africa
Tel No: +27 31 260 3587
Fax No: +27 31 260 2384
E-mail :naidoos4@ukzn.ac.za

13 September 2010

Mr F C Kenga
2 Stanmore
178 Che Guevara Road
GLENWOOD
4001

Dear Mr Kenga

PROTOCOL: "Responses to the IASB'S discussion paper on the proposed amendments to fair value measurements"
ETHICAL APPROVAL NUMBER: HSS/0961/2010 M: Faculty of Management Studies

In response to your application dated 03 September 2010, Student Number: **202526646** the Humanities & Social Sciences Ethics Committee has considered the abovementioned application and the protocol has been given **FULL APPROVAL.**

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Professor Steve Collings (Chair)
HUMANITIES & SOCIAL SCIENCES ETHICS COMMITTEE

SC/sn

cc: Prof. L Stainbank (Supervisor)
cc: Mrs C Haddon

Postal Address:

Facsimile: **Email:** **Website:** www.ukzn.ac.za

Appendix 5: IFRSs and IASs Prescribing Fair Value Measurements as of 30 November 2006

IAS 2	2
IAS 16	2
IAS 19	3
IAS 26	2
IAS 32	2
IAS 36	5
IAS 38	4
IAS 39	6
IAS 40	5
IAS 41	8
IFRS 2	3
IFRS 3	11

Appendix 6: Thirty-nine Fair Value Measurement Alternatives Allowed in IFRSs and IASs as of 30 November 2006

AC	1	IAS 26
AOALT-CD	1	IAS 36
APALT	1	IFRS 3
Bench	1	IAS 41
CC	1	IFRS 3
CFV	1	IAS 39
Cost	2	IAS 39, IAS 41
CP	1	IAS 40
CP±	1	IAS 40
CRC	1	IFRS 3
DCFP	1	IAS 40,
DEFCF	1	IAS 19
DEFNCF	1	IAS 38
ECO	1	IAS 38
EMP	1	IFRS 2
EMP-CD	1	IAS 36
EMV	1	IFRS 3
ESP-CD	1	IAS 36
ETP	1	IAS 39
EV	3	IFRS 3, IAS 16, IAS 41
FV	1	IAS 2
FV-f	1	IAS 39
IV	1	IAS 32
MP/QP	7	IFRS 2, IFRS 3, IAS 19, IAS 38, IAS 39, IAS 41
MP±	1	IAS 41
MP-CD	1	IAS 36
MV	3	IFRS 3, IAS 16, IAS 26
NRV	1	IAS 2
OPM	1	IFRS 2
P-SC	1	IAS 41
PBALT-CD	1	IAS 36
PE	1	IAS 40,
PV	4	IFRS 3, IAS 19, IAS 32, IAS 39
PV-FV	1	IFRS 3
PVENCF	1	IAS 41
RP±	1	IAS 40
RVA	1	IAS 38
SP-CS -%	1	IFRS 3
SP-CtC-CS-%	1	IFRS 3

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UNIVERSITY OF KWAZULU-NATAL

University of KwaZulu-Natal
Research Office
Govan Mbeki Centre
Westville Campus
University Road
Chiltern Hills
Westville
3629
South Africa
Tel No: +27 31 260 3587
Fax No: +27 31 260 2384
E-mail : naidoos4@ukzn.ac.za

13 September 2010

Mr F C Kenga
2 Stanmore
178 Che Guevara Road
GLENWOOD
4001

Dear Mr Kenga

PROTOCOL: "Responses to the IASB'S discussion paper on the proposed amendments to fair value measurements"
ETHICAL APPROVAL NUMBER: HSS/0961/2010 M: Faculty of Management Studies

In response to your application dated 03 September 2010, Student Number: **202526646** the Humanities & Social Sciences Ethics Committee has considered the abovementioned application and the protocol has been given **FULL APPROVAL.**

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

[redacted]

HUMANITIES & SOCIAL SCIENCES ETHICS COMMITTEE

SC/sn

cc: Prof. L Stainbank (Supervisor)
cc: Mrs C Haddon

UNIVERSITY OF
KWAZULU-NATAL
University of KwaZulu-Natal
Research Office
Govan Mbeki Centre
Westville Campus
University Road
Chiltern Hills
Westville
3629
South Africa
Tel No: +27 31 260 3587
Fax No: +27 31 260 2384
E-mail : naidoos4@ukzn.ac.za

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