Department of Business Administration

LUND UNIVERSITY SCHOOL OF ECONOMICS AND MANAGEMENT

Political Influences on the IASB Accounting Standard-Setting: The Case of the Leases Standard

---

by Miranda Jamburia & Viktorija Lankevičiūtė

June, 2015

Master's Programme in Accounting and Auditing

Supervisors: Karin Jonnergård
Amanda Sonnerfeldt
Examiner: Peter W. Jönsson

Abstract

Title	Political Influences on the IASB Accounting Standard-Setting: The Case of the Leases Standard
Seminar date	2015-06-04
Course	BUSN69 Degree Project – Accounting and Auditing, 15 ECTS credits
Authors	Miranda Jamburia and Viktorija Lankevičiūtė
Supervisors	Karin Jonnergård and Amanda Sonnerfeldt
Key words	Leases, International Accounting Standards, IASB, Power, Influence
Purpose	This paper examines the role of powerful entities in shaping international accounting standards. The purpose of this thesis is to identify whether and to what extent the different actors influence changes in the leasing standard-setting process, and provide an in-depth understanding of the political influences throughout the development of the leasing accounting standard.
Methodology	In this paper the qualitative research strategy with an inductive view is applied. To examine the official documents, such as comment letters, content analysis, as a research method, was chosen.
Theoretical perspective	The theoretical framework is based on the model of bases of power in order to identify the key actors in the IASB standard-setting and the one-dimensional view of power in order to distinguish the influential actors. In addition to this, the accounting standard-setting process is explored by the lens of regulatory space, while also incorporating the tool of regulatory conversations.
Empirical Foundation	25 key actors were identified based on the French and Raven's (1959) power model. Next, those actors' submitted comment letters were considered on the leases project stages of DP, ED and Re-ED. In total 18 actors engaged in the due process by sending comment letters, which formed the sample of 57 comment letters for the basis of the documentary analysis.
Conclusion	This study reveals that the key actors over the IASB are various regulators, standard-setters, accounting firms and several representatives from profession and industry. No key actors seem to be outside the regulatory space. Some of the key actors significantly influence the standard, which are found attributable to the resources held by them. The findings also indicate that the involvement and positions of the key actors at such strategic times can dramatically affect the standard development.

Acknowledgements

This degree project has been produced during my scholarship period at Lund University. I am grateful to the Swedish Institute for providing me the scholarship to study here.

Miranda Jamburia

First and foremost, we would like to express our deepest gratitude to our supervisors, Karin Jonnergård and Amanda Sonnerfeldt, for their guidance and encouragement, as well as providing us with fruitful meetings during the thesis development process. We would also want to thank all the professors and visiting lecturers who gave us great insights in the field of accounting. In addition, we would like to thank our fellow students who have been an inspiration throughout the year and have actively contributed to the refinement of our thesis. Finally, we would like to thank each other for an interesting and challenging period characterized by a well-functioning and close collaboration.

Lund, June 2015

Miranda Jamburia

Viktorija Lankevičiūtė

Table of Contents

List of Tables

List of Figures

Abbreviations

AASB	Financial Reporting Council Australia
AICPA	American Institute of Certified Public Accountants
AMF	Autorite des Marches Financiers (France)
ANC	French Ministry of Finance
ARC	Accounting Regulatory Committee
ASBJ	Accounting Standards Board of Japan
ASCG	Accounting Standards Committee Germany
BCBS	Basel Committee on Banking Supervision
Big 4	KPMG, PwC, EY, Deloitte
CF	Conceptual Framework
CFA Institute	Chartered Financial Analyst Institute
CL	Comment Letter
CPA Canada	Chartered Professional Accountants of Canada
DP	Discussion Paper
DRSC	Deutsches Rechnungslegungs Standards Commitee
DTTL	Deloitte Touche Tohmatsu Limited
EC	European Commission
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EU	European Union
EY	Ernst & Young
FAF	US Financial Accounting Foundation
FASAC	Financial Accounting Standards Advisory Council
FASB	Financial Accounting Standards Board

FASF	Financial Accounting Standards Foundation (Japan)
FEI	Financial Executives International
FL	Finance Lease
FRC	Financial Reporting Council (UK)
FSA	Japan Financial Services Agency
G4+1	Members of national standard-setting bodies from Australia, Canada, New Zealand, the United Kingdom, and the United States of America
GTIL	Grant Thornton International
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards
IFRS AC	International Financial Reporting Standards Advisory Council
IFRS IC	International Financial Reporting Standards Interpretations Committee
IOSCO	International Organization of Securities Commission
KASB	Korea Accounting Standards Board
MinFin	Ministry of Finance of the Russian Federation
OIC	Organismo Italiano di Contabilita (Italy)
OL	Operating Lease
PwC	PricewaterhouseCoopers
Re-ED	Re-Exposure Draft
ROCE	Return on Capital Employed
ROU	Right-of-use Model
SARG	Standards Advice Review Group
SB	Supervisory Board
SEC	US Securities and Exchange Commission
TEG	Technical Expert Group

1. Introduction

1.1. Background

Accounting standard-setting process has attracted researchers' attention over years. A lot of studies have been undertaken on national level (Susela, 1999; Hope & Gray, 1982; McKinnon & Harrison, 1985; Hussein & Ketz, 1991; Miller et al. 1998) as well as international level (Kwok & Sharp, 2005; Cortese, 2006; Cortese & Irvene, 2010). Many authors identify that international standard-setting process has two dimensions: first, it is a technical dimension and second, it is political nature (Demski, 1973; Gerboth, 1973; Horngren, 1973; Cushing, 1977; Bromwich, 1980). The objective of this paper is to explore the political nature of the accounting standard-setting process for which the ongoing project of the leasing standard has been chosen.

Over the past decades there has been an increasing criticism of the existing lease standard which has been claimed to encourage deliberate structuring of lease transactions as operating leases resulting in off-balance sheet reporting, hence, not meeting the needs of financial statements' users. Therefore, great attention has been drawn towards a new leases standard development with the aim to enhance the transparency of reported information to investors, analysts and other users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease (IFRS Foundation, n.d.). Accounting for leases is of particular importance to many entities as leases and their treatment in financial statements can affect gaining access to assets, obtaining financing, and reducing an organization's exposure to the risks of asset ownership (IFRS Foundation, n.d.).

Currently, according to the IAS 17 standard, leases are classified as either finance or operating leases. Finance leases "transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor" while operating leases are expensed by lessees and the remaining assets are recognised by the lessors (Deloitte, 2015). However, lease assets and liabilities in operating leases are not required to be recognised by a lessee. Therefore, this model is among the most controversial topics of financial reporting as it does not always give a faithful representation of leasing transactions for investors, analysts and other users. It also omits significant information about assets and liabilities which arise from operating leases. For this reason, the amounts reported in a lessee's financial statements are adjusted by many investors and analysts in order to reflect the assets and liabilities arising from off-balance sheet leases. Although, because of the limited information on the consequential adjustments, the estimates made are often inaccurate (IFRS Foundation, n.d.). Therefore, many financial statements' users and other stakeholders have made requests to change accounting guidelines, abolish these differences and treat all leases as financial leases. As a result, as claimed by the standard-setters, the development of a new standard will help to increase transparency and comparability among various companies by recognizing lease assets and liabilities on the balance sheet and disclosing essential information (IASB & FASB, 2015). However, the proposed changes have become controversial, as opponents of the new standard emphasize increased costs of compliance and complexity of the standard as the main reasons of their dissatisfaction.

Development of a leasing standard was initiated in 2006 and represents a part of the convergence project of International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) (IASB & FASB, 2009). The Discussion Paper (DP) on Leasing Standard was issued in March 2009 and the Exposure Draft (ED) was published in August 2010, while the Re-Exposure Draft (Re-ED) was issued in May 2013. The final standard is expected to be issued at the end of 2015 (IASB & FASB, 2015).

1.2. Problem formulation and study contributions

Accounting of leasing has been a much debated issue and discussion of standard setting based on the case of leasing could provide a clear picture of influential actors, and the compromises achieved through this process. The leasing case is especially interesting as there has been a high level of interest of various stakeholders, as well as disagreements involved regarding IASB's proposed changes demonstrated by the fact that the exposure draft had to be reissued and the whole standard-setting stage had to be repeated. The case of the leasing standard attracts more attention also because it represents a part of the convergence project of the IASB and FASB, therefore, involvement of more stakeholders can be expected.

The prior research on the topic of leasing standard includes three papers that are positioned in lobbying literature. Two of them discuss lobbying based on the DP ('09) and ED ('10) documents (Betz & Pozzobon, 2011; Kort, 2011). However, their research papers are focused on analysis of corporate lobbying based on comment letters from companies (i.e. preparers) and do not consider other actors that also may be influential in the standard-setting process. The remaining third paper discusses lobbying based on all three documents issued by the IASB (DP, ED & Re-ED) (Bermejo & Esteban, n.d.). However, its scope is limited as it only researches the intensity of lobbying for different countries based on the number of submissions of comment-letters without analysing stance of respondents or any other contents of comment letters. All these research papers heavily rely on accounting choice literature.

Our research tries to close the existing gap in literature by considering the influences from various interested powerful parties, and therefore, not limiting our attention to one specific group. It also gives a more complete picture of the standard setting process as it includes reactions from different parties not only regarding the DP and ED, but also Re-ED. Therefore, our paper is unique as it provides an in-depth analysis of the influences in all three stages (DP, ED & Re-ED).

We contribute to the literature on political influences in the accounting standard-setting. We analyse the case using models of power and influence, as they allow us to distinguish key actors in the leasing standard-setting and identify influential ones among key actors. We also apply regulatory space theory as it allows us to consider relationships of different actors. Accounting standard-setting, especially on international level, has not been extensively analysed in terms of political influences, nor using concepts of regulatory space, therefore, we add to the diversity of accounting research.

Our study also contributes to respondents' knowledge regarding standard-setting process and various interested parties, as well as enhances understanding about the influences of those actors during the process, in the light of the changes in the regulatory arena. It is particularly important for all financial statements' preparers and users to have a complete and clear picture of leasing standard changes as treatment of leases in financial statements can affect raising finance, as well as completely transform the market for leasing activities.

1.3. Purpose and research questions

This thesis studies the role of different actors that are affected by and have an interest in the accounting standard development. In particular, this paper examines the role of powerful entities in shaping international accounting standards. The purpose of our thesis is to identify whether and to what extent the different actors influence changes in the leasing standard setting process, and provide an in-depth understanding of the political influences throughout the development of the leasing accounting standard.

Research Question asks:

Which are the key actors and is it possible to see whether some of those actors are more successful than others in influencing the IASB standard-setting process based on the case of the lease standard?

1.4. Research Limitations

The scope of this thesis involves the IASB's standard-setting process based on the case of lease accounting. For answering the second research question, the focus is made on four focus areas of the ROU model, lease term, short-term leases and dual accounting model. Due to the magnitude of the standard changes this concentration has been chosen, as not all issues could have been covered. However, the identification of changes in major issues will give insight into influential actors overall for the leasing standard.

1.5. Research structure

This paper is organized in the following manner. In Chapter 2, we provide an overview of the existing literature of the research and introduce our theoretical framework. Then, in Chapter 3 the research approach and chosen methods are discussed. Next, in Chapter 4, we introduce the institutional context of the IASB and its due process. Subsequently, the key actors are identified and presented. Later, in Chapter 5 we present the leasing project and explain the proposed lessee accounting model, as well as other selected focus areas. In Chapter 6 the comment letters from key actors on identified focus areas are examined. Later, in Chapter 7 we discuss the empirical findings in the light of the regulatory space concept and one-dimensional power model. Chapter 8 presents our conclusions, while Chapter 9 identifies the limitations and contributions of our study and provides the future research opportunities.

2. Theoretical Framework

This chapter presents the design of theoretical framework and introduces the concepts of power, interests and influence, which is followed by the review of the concept of regulatory space around which the framework is established. It also subsequently presents previous literature based on the regulatory space theory and regulatory conversations. Based on these earlier research studies an analytical framework is developed.

2.1. Power and Interests

Power has been defined by political scientists in many different ways. One of the most famous definitions of power has been that of Lukes (2005, p.37): "*A* exercises power over *B* when *A* affects *B* in a manner contrary to *B*'s interests". As we can see we cannot explain the term of power without first explaining what 'interests' represent. There are three views of power that Lukes (2005) has described that in turn approach the term of interest in different ways.

The one-dimensional or 'pluralist' view of power used by Dahl, Polsby and others, focuses on the actual exercise of power by examining which participants initiated alternatives that were finally adopted, had vetoed alternatives suggested by others or had recommended proposals that were rejected. Such a method would lead one to identify individual cases of 'successes' and 'defeats' of participants, where the parties with the most number of successes would be supposed to be the most influential. Hence, the object of examination is an actual conflict between participants' interests over certain issues. Interests are voiced in policy preferences that can be observed through actors' political participation. In the absence of an observable conflict, it is not possible to exercise power and thus, identify powerful actors (Lukes, 2005).

The two-dimensional view proposed by Bachrach and Baratz broaden the term of 'power' by encompassing the non-decision making ability into the definition, i.e. actors can exercise power not only when certain issues are discussed, but by also creating barriers for some policy issues to arise and hence, affecting the agenda formation process. Interests of participants can be observed by examining their policy preferences or grievances of that their interests were not incorporated in policies. Bachrach and Baratz similar to pluralists maintain that the power can be observed through the actual conflict over issues and potential issues (Lukes, 2005).

On the contrary to the first two philosophies of power, the three-dimensional view argues that the conflict of interests simply may not arise at all because some actors can influence, shape or determine others' wants. Interests here are themselves a product of a system which tries to exercise power rather than a conscious choice of individuals which would have been different if the influence of this system had not existed. Therefore, the ability to modify one's real interests into the ones desired by specific actors can be the supreme exercise of power attributable to such actors (Lukes, 2005). Such a view considers power as a wider term than the previous two as it incorporates the importance of ideologies affecting social preferences as a significant type of power.

2.1.1. Bases of Power

Different classifications of influence have been identified by various authors over years. For instance, Wrong (1979) categorises them as the following: force, manipulation, persuasion and authority. Ledyaev (1997, cited in Kwok & Sharp, 2005) distinguishes six forms: force, coercion, inducement, persuasion, manipulation and authority. One of the most well-known classifications of influences has been provided by French and Raven (1959), prominent representatives of social psychology. They provide a specific model of identifying different sources of social power.

French and Raven (1959) define power in terms of influence and influence in terms of change which includes changes in behaviour, opinions, attitudes, etc. Discussion of the basis of power necessitates examining the relationship between *O* and *P*, which is the source of power. Five bases of *O*'s power are: (1) reward power, (2) coercive power, (3) legitimate power, (4) referent power, (5) expert power. The existence of all of these bases of power depends on *P*'s perception that *O* has the ability to exert the mentioned type of power, e.g. the ability to mediate punishments for *P* as for (2) coercive power (French & Raven, 1959).

The ability to reward gives rise to reward power. The strength of the reward power depends on *P*'s perception that *O* has the ability to reward and increases and decreases of this power depend on the *P*'s perception of the probability that *O* will mediate the reward for conformity. The use of the reward power will increase the attraction of *P* towards *O* and will empower *O* to induce greater changes. Coercive power stems from *P*'s perception that in case he is not successful to conform to the influence of *O*, then *P* will be punished as a consequence. The strength of the coercive power will depend on the perceived effects of punishment as well as perceived probability to avoid such negative results. There is a certain similarity between reward power and coercive power. However, they are still distinguishable, as for reward power conformity stems from the desire to get benefits whereas for coercive power conformity is due to the fear of rejection or punishment. Legitimate power of *O* over *P* stems from "internalized values of *P* that *O* has a legitimate right to influence *P* and that *P* has an obligation to accept this influence" (French & Raven, 1959, p.153). The presence of authority gives rise to a legitimate power; for instance, *P* will accept the legitimate authority of *O* which holds a superior position in the hierarchy. However, legitimate power is not limited to authority, but can also appear where *P* accepts the standard or code that an external agent has a right to exert influence. The referent power denotes to the situation where *P* identifies himself with *O*. For instance, if *P* is associated with *O*, *P* will have the desire to maintain this relationship. Such identification is achieved, when *P* acts, believes or thinks as *O* does. *O* has the ability to influence *P*, not because *P* is afraid of sanctions (use of reward or coercive power) but because *P* perceives *O* to be a person/entity of high reputation and he also wants to be associated with such prestige. Notably, *P* may not be aware that *O* holds and exercises the referent power over *P*. Expert power denotes to *P's* perception of *O*'s knowledge in a given area, which is compared to *P's* knowledge of that area as well as an absolute standard. Expert power results in social influence on *P*'s cognitive structure. In cases where *P* accepts information from *O* because of his credibility, expert power is exercised. Expert power also has another dimension which is called 'informational power', in such a case the content of communication is examined and the logic of argument and persuasion tends to represent an influence (French & Raven, 1959). For all types of power, the stronger the basis of power, the greater the power.

2.2. Background of Regulatory Space

The first systematic study of the regulatory space concept was undertaken by Hancher and Moran (1989). However, during the past thirty years much more information has become available on this theory (e.g. Young, 1994; MacDonald & Richardson, 2004; Jonnergård & Larsson, 2007; Jonnergård, 2012). According to the authors, this concept is particularly useful for investigating the impact on the accounting alteration processes as it lets us to understand which actors participate and how they influence the regulation process. Black (2002) and Jonnergård and Larsson (2007) state that the regulatory process is also inconceivable without regulatory conversations during which regulatory issues and interests are raised and appropriate solutions are made.

2.2.1. Hancher and Moran (1989)

Hancher and Moran (1989) were the first to introduce the concept of 'regulatory space'. The authors consider the regulation of economic activity in advanced capitalistic societies to form their views on common patterns of regulation. Regulatory space is a concept defined by the "range of regulatory issues subject to public decision" (Hancher & Moran, 1989, p.277). The authors identify the most distinguished features of economic regulation, suggest that the regulation is best understood through "the analytical device of 'regulatory space'" and explain how national political and legal settings, historical timing, organizational structure, the character of markets, and the nature of issue arenas all influence the shape of regulatory space and the distribution of power within that space (Hancher & Moran, 1989, p.271).

According to Hancher and Moran (1989) economic regulation is dominated by relations between large, sophisticated and administratively complex organizations, such as government departments, regulatory agencies, industrial associations and corporations. Understanding economic regulation means understanding a process or intermediation and bargaining between large and powerful organizations in the light of extensive state involvement. Importantly, Hancher and Moran (1989) argue against 'regulatory capture theory' which assumes that all regulation should be in public interest and that private influences on regulation can damage public interest. Instead, they claim that nowadays it is difficult to draw a distinction between private and public firms, especially emphasizing the fact that many large private firms carry out activities of mainly public character, because of which this theory is no longer relevant. On the contrary, the authors argue that to understand the regulatory activity, one should ask who participates in and benefits from regulation and explain the complex and shifting relationships between and within organizations that can impact economic regulation (Hancher & Moran, 1989).

Hancher and Moran (1989) state that different institutions share a common regulatory space. The critical issue to analyse this shared space is to understand "the rules of admission, the relations between occupants, and the variations introduced by differences in markets and issue arenas" (Hancher & Moran, 1989, p.276).

The authors also identify major features of regulatory space. Regulatory space is available for occupation and it can be unevenly divided between actors: there will be major and minor participants in the regulatory process. Regulatory space occupants are engaged in a fierce struggle for advantage. The outcomes of the struggles, the resources used and the distribution of these resources among involved institutions should be considered to explain the concept. Furthermore, some participants may be 'included' in space whereas others may be 'excluded' from it. Regulatory issues can also enter and leave space. To understand who is in and who is out, as well as who has power is critically dependant on the analysis of the organizational relationships in a regulatory space, whereas understanding why some issues are included and others excluded, requires an examination of how participants define the scope of regulatory space and become committed to it. Similarly, changes in the perceptions of what issues should be included can be explained by the shifting balance of power within and between occupants of the regulatory space (Hancher & Moran, 1989). Hancher and Moran (1989) point out that factors that shape regulatory space and power allocation among its occupants are many and complex.

Regulation occurs in particular places and times. Different national traditions of political and legal cultures influence access to regulatory space by different types of actors. Historical timing is also crucial in the shaping of the regulatory space (Hancher & Moran, 1989). Regulation is an organized activity and organization in turn requires resources, such as knowledge and expertise, as well as financial and human resources to design rules and create and run regulatory institutions. Organizations who dominate these resources at those critical moments when regulations are devised will be powerful actors in regulatory space. An importance of historical timing is also emphasized by the fact that changes in regulation are often induced by crisis. The balance of institutional forces and historical configuration at the moment of crisis can be detrimental in shaping regulations. During crises pressure of time is present which drives accelerated development of rules because of which, regulators have incentives to copy similar regulations from elsewhere (Hancher & Moran, 1989).

Everyday practice of regulation involves relations between individuals but only those individuals are allowed to access regulatory space that have some organizational role. Therefore, organizational status is the most vital condition limiting access to regulatory space, which is even more pronounced in multinational regulatory arenas. Individuals without organizational affiliation can seldom contribute to regulatory processes. Organizations are seen as shapers of regulation whereas individuals are 'takers' of regulation. Organizations that are dominant in regulatory space are usually big and are characterized by large hierarchical bodies, and there is usually no single organizational entity that can cause regulatory change. Therefore, the existence of powerful actors with complex hierarchical structures requires inter-organizational co-operation in order to accomplish any regulatory activity. This co-operation is always coupled with pursuit of institutional advantage by actors, e.g. for an advantage in the market or the ability to significantly influence regulatory processes. Regulation is done by and through organizations, variations of which influence the nature of the activity and affect allocation of power within regulatory space as well as perceptions of what should be regulated and how certain goals are achieved (Hancher & Moran, 1989).

The ways in which issues are identified and assigned to specific regulatory arenas are influenced by certain ideological constructions, as well as dynamism of market economies, which should also be taken into account. Advancement of these economies has led to multinational regulatory arenas, which are marked by greater struggles for advantage and less compromises. Whether activities take place in national or international arenas, the most important characteristic of regulatory space remains the same: it is shaped by relations of interdependence among occupants of this space that are powerful state and non-state organizations (Hancher & Moran, 1989).

2.2.2. Young (1994)

The regulatory space theory perspective is applied in Young's (1994) research in order to investigate the enacting changes which occur or fail to occur in the complex processes of accounting recognition practices. The entity which is responsible for those modifications in the United States is the Financial Accounting Standard Board (FASB). It maintains a technical agenda of accounting projects which will be altered in the future. The Board resides within a constricted institutional nexus deployed between the state and accounting profession and it acts in a broader social and economic environment. Therefore, according to the author, in order to comprehend how the accounting issues emerge onto the agenda, it is important to look beyond the boundaries of the FASB and explore the wider space in which the organization operates and regulations of accounting changes arise. All the change processes in financial accounting practices occur in the regulatory space which is seen as an abstract conceptual space which is constructed by various people, organizations and events that exert influence on accounting and accounting practices. Moreover, it allows encompassing the number of accounting issues for which a standard-setting action rationale can be prepared (Young, 1994).

According to Young (1994), there are several advantages for using the regulatory space metaphor as it not only acknowledges the complexity of the standard-setting and agenda formation processes but also it stands as a broad theoretical lens which concentrates on the concern of agenda creation. This lens leads the researcher to formulate the question: who belongs and are involved in these processes? Therefore, researchers must widen the boundaries of the organizational investigations of the FASB and take into account the roles of the other actors, such as the U.S. Securities and Exchange Commission (SEC), auditors and financial statements' preparers. Moreover, this research distinguishes that the FASB is not acting in a vacuum as accounting alteration and the shaping of demands for accounting change arise both inside and outside the organization's boundaries. By contrast, the Board acts in the broader social and economic environment with an interaction to the other actors and organizations that belong to the regulatory space. Further, by using this theoretical lens, the research does not assume to explain the dominance of interests of the FASB and other actors. Instead, interests are identified as constructed and can only be interpreted depending on the particular situations. Therefore, the interests of all the regulatory space actors are interpreted, constructed and reconstructed while they construct and link different issues, actions and solutions. On the whole, the regulatory space metaphor stresses the need of a deeper investigation of the actors and institutions that contribute to the accounting alteration processes (Young, 1994).

In order to explain how the accounting issues emerge into the FASB agenda, the study of Young (1994) investigates three different accounting issues, such as accounting for loan fees, the case of leasing accounting and non-profit organizations accounting. The author finds that not all accounting questions easily appear in the standard-setting projects as they must be formulated and interpreted appropriately for FASB standard-setting actions. Moreover, the studies reveal that the interpretation of expectations about the role and objectives of standard-setters are also a part of the agenda formation which is not a simple consequence of pressures from single interested actors. Finally, the agenda formation was used to build arguments by the Board and other regulatory space members to stress the need of changes in the accounting practices on the particular situations. However, the research does not exhaustively specify the number of responses available to the standard-setter and other actors and therefore, it demonstrates the complexity of the agenda formation process (Young, 1994).

It is also worth to consider the conclusion which Young (1994) draws from her study as it helps to gain insight into standard-setters environment and actions, as this thesis also focuses on the context and structure of a standard-setter the IASB. The three case studies performed in the loan fees, leases and non-profit organization's accounting reveal that the FASB does not participate alone in the constructing accounting problems process. Instead, the occupants of the regulatory space, such as the American Institute of Certified Public Accountants (AICPA), the SEC and Congress, also contribute to the accounting problems formulation. This process heavily relies on the presence and interpretation of wide range of participants in the regulatory space.

For example, in the case of loan fees accounting, the FASB reduced the ability for savings and loan organizations to lobby effectively and their active role in the regulatory space was precluded. While in the case of accounting for leases, the regulatory space was overcrowded by many different actors who had conflicting points of view about the accounting problem and its solution formulation. Therefore, the Board, with the help of the Financial Accounting Standards Advisory Council (FASAC) and its preference of the SEC, decided to increase the crowding in the regulatory space even more. It implies that the FASB used the tactic of delaying in order to escape from the lease accounting issue's inclusion into the agenda and also from taking improper actions. In the case of accounting for non-profit organizations as well as in different accounting issues, the actors in the regulatory space may change through the time.

Moreover, the study of Young (1994) shows that if actors take part in the problem construction process, it does not imply that they will also participate in the resolution processes. Nevertheless, consequential participation is highly institutionalized. Furthermore, the research identifies those individuals who serve on committees or fulfil their employee roles as frequent participants in the regulatory space. Academics and the assumed financial statements' users, for instance creditors or investors, seldom appear in the regulatory arena (Young, 1994). In conclusion, Young's (1994) research points out that an understanding of accounting-setting is closely related to the perception of the claims of accounting role and expectations about standard-setters who create the regulatory space for accounting alteration.

2.2.3. Black (2002)

According to Black (2002), regulation is not only an activity performed by state actors and involving legal mechanism but it is seen as the intentional, global-directed and problem-solving effort undertaken by both state and non-state participants. Moreover, regulators might act at a transnational, multinational, national or sub-national level. Therefore, communications between all participants in the regulatory process are an important part of their operation. This process is defined by the author as regulatory conversations which consist of the communicative interactions between all involved regulators, governments, associations, firms or individuals, professional advisors, creditors, auditors and other actors in the regulatory system. All forms of interpersonal communications which are extended beyond standards, policy documents, guidance notes including all micro-level discussions that might arise in formal or informal settings, policy briefings, conferences or seminars, in the course of the regulatory process among individuals within and across organizations or specific interconnected communities, are also included into this term. In addition, regulatory conversations create an understanding of the definition of problems and their suitable and appropriate resolutions, as well as the operational categories and the identities of and relations between those participants in the process are also produced (Black, 2002).

The study of Black (2002) identifies a number of situations where regulatory conversations are particularly significant elements of regulations. First, these patterns can be found in the regulatory process where reliance on written norms is present and discretion permeates. Second, conversations are also important where the regulatory tasks are uncertain and ambiguous or where consensus on the definitions of issues and resolutions in advance provide an extensive inter-subjective ideas sharing and negotiations of meaning. Third, some of the regulatory techniques, such as proceduralization, co-regulation or meta-regulation, are based on conversations. Finally, the incidence and character of regulatory conversation as well as who participate in a process might be affected by the context in which regulations arise. However, in order to understand the role that regulatory conversations play, it is significant to separate regulatory process into components and identify when, between whom and about what regulatory conversations occur (Black, 2002).

2.2.4. Jonnergård and Larsson (2007)

Jonnergård and Larsson (2007) use the metaphor of regulatory space in order to analyse the regulatory conversations which arise during the development and introduction of Swedish corporate governance code. Their research investigates the stand of the parties who submitted written comments and also what influence those formal responses had on the final code. Moreover, the communities of interest which were formed in response to the code and their influence on the composition of Swedish business community change are also analysed in the study. Therefore, examining the initial proposal for the corporate governance code in Sweden, written debate which raises a concern regarding the referral process and later comparing this information with the final proposal of a code, enables the authors to draw conclusions about how positions of different actors in the regulatory space have changed through the process, where those changes have happened, how they influence the power and the stand of the local elite (Jonnergård & Larsson, 2007).

According to Jonnergård and Larsson (2007), the regulatory space is the arena where different regulatory issues and interests are voiced and the agenda for various forms of regulations are set. The regulatory conversations are defined as the discursive activities among different participants, such as organisations, interest groups and other involved actors, which outline the space. Therefore, the regulatory space methodological device is used to identify the actors and determine issues which were most important in the negotiation of the code process. Moreover, the actors' positions in the regulatory space were also indicated by the effect of the conversation. However, the study reveals that in order to understand the regulatory space division or actors influence in the referral process, it is significant to investigate the events which arise in the regulatory space as well as the advance conditions for the regulatory conversations themselves because not only the initiators of the conversations but also the members who participate in the process are essential for such understanding. The authors conclude that the metaphors of regulatory space as well as regulatory conversations are useful methodical devices which capture relevant dimensions of the regulatory process and enable to explain changes on the basis of internationalisation (Jonnergård & Larsson, 2007).

2.3. Analytical Framework

- *Application of models of power and influence*

We decided to choose the one-dimensional view of power for several reasons. While we acknowledge that this view does not offer a complete view of influences around one standard but only a partial analysis as also argued by Lukes (1974), it can help us provide an insight into the standard-setting process. Moreover, due to the resource constraints we prefer to study one dimension of the influences in depth rather than give a complete picture which may hinder interpretation and accomplishment of our research purpose. Next, our paper considers an issue of the leasing standard which is about to be finalized, hence, we can conclude that it has not been excluded from the IASB's agenda, meaning that consideration of the second dimension of power here can be irrelevant.

While we use the one-dimensional view of power for identifying most successful actors in the standard-setting process among the chosen respondents, we incorporate various other theories, which add value to our analysis. In particular, we identify key actors in the leasing standard-setting process by applying the model of social power of French and Raven (1959) specifically examining the possession of one of the following types of power by actors: coercive, expert and reward power. Therefore, some limitations of choosing the one-dimensional model are overcome by our endeavour to incorporate the bases of power in our study. Hence, this is our attempt to establish an interdisciplinary approach by converging two models of power from political science and social psychology.

The one-dimensional or pluralist view of power allows us to observe participants of the standard-setting process by examining their policy preferences which are most clearly formulated in the comment letters submitted to IASB and FASB. Hence, we can see from this investigation whether actors initiate or veto any alternatives, which subsequently affect the IASB's amended proposals. We can identify successful actors by analyzing initial and subsequent proposals of IASB and alternatives suggested by actors. Overall, our framework will let us identify which key actors are successful in influencing the standard-setting process and how they exercise power on the outcomes of the standard by either supporting alternatives or creating barriers for others. There are four conditions that have to be present in order to be successful in achieving our aim of identifying successful actors, as also distinguished by Hope and Gray (1982) based on Lukes (1974): first, there should be an actual decision taken, second, key issues should be identifiable, third, observable conflicts of opinion regarding key issues must exist among interested parties, and finally, interests of actors must be expressed as policy preferences. All these conditions are present in the case of the leasing standard which is illustrated in Figure 1 below.

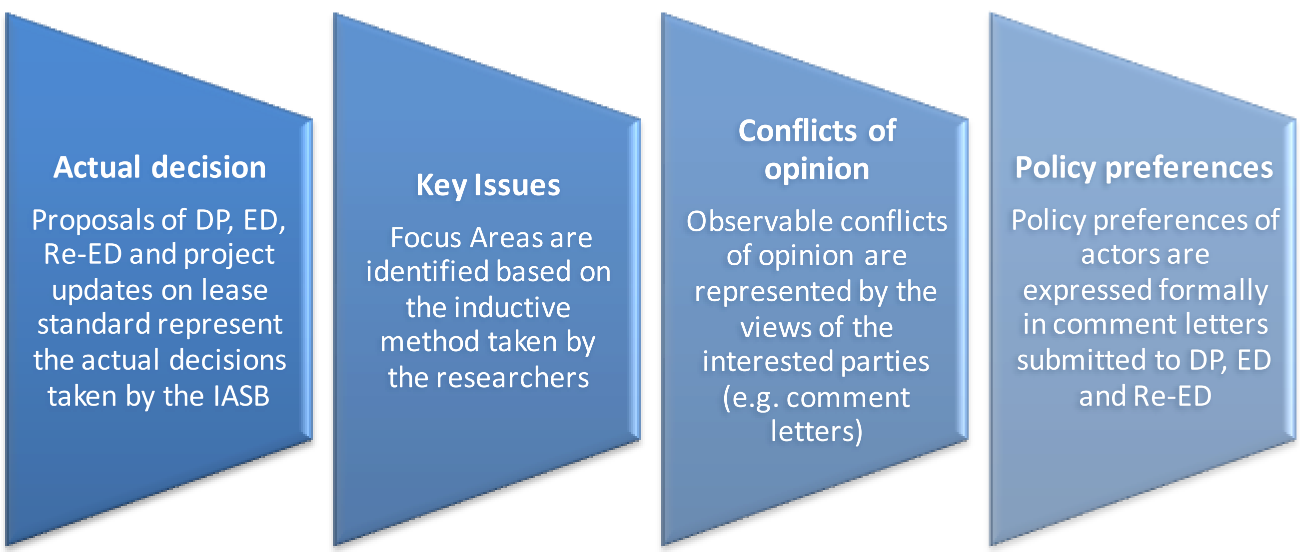


Figure 1. *Model of one-dimensional view of power*

We define key actors as those that have potential power to influence the standard-setting process and such power is considerably more than the power of others to do so. In this context we define power as the capacity or ability to influence and we do not argue that the powerful actors will definitely exercise their potential power. Therefore, while ‘power’ is the capacity of actors or a characteristic of them, the ‘influence’ denotes to the very exercise of this capacity, i.e. it is seen as an action undertaken by certain actors.

The power of actors will be identified according to the model suggested by French and Raven (1959). As legitimate power stems from formal authority and the IASB is founded as an independent standard-setting organization, we think legitimate power is irrelevant to the purpose of our study. The referent power is about charisma and interpersonal skills of individuals or prestige of entities, and as such we do not think IASB tries to identify itself with any particular entity, as it strives to be accepted by many different entities; therefore, we dismiss this as irrelevant as well. We consider the three remaining bases of power in our thesis to identify the key actors. The expert power of an entity is related to skills and expertise that it can provide. The reward power includes material rewards and benefits. The coercive power includes the application of negative influences.

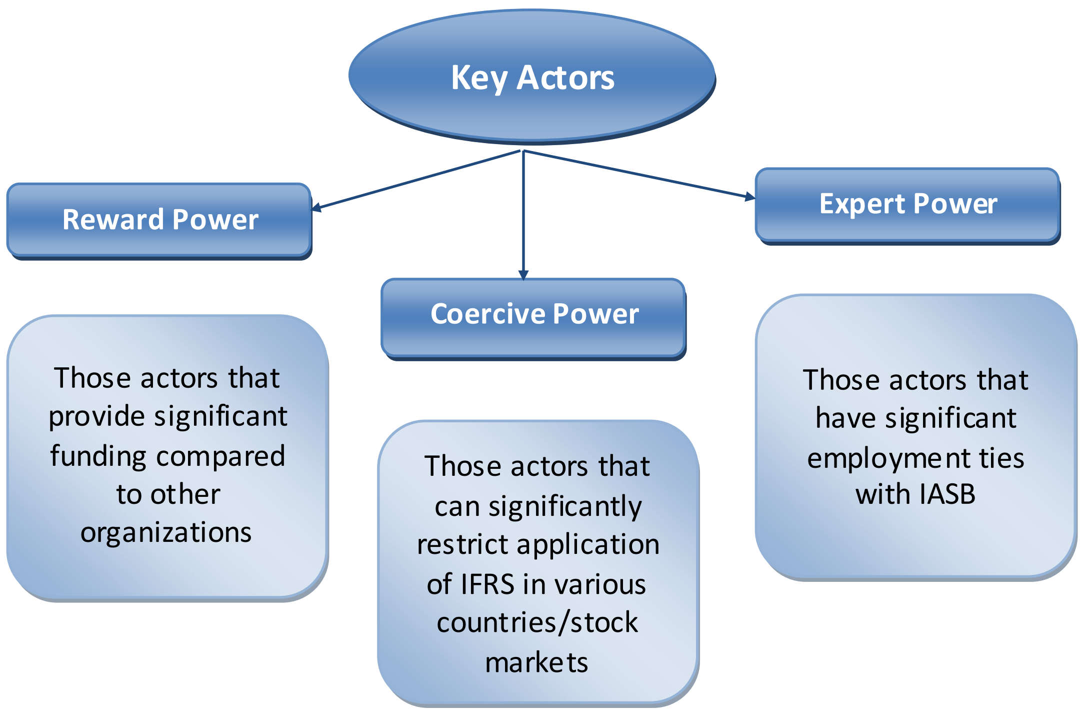


Figure 2. *Key Actor Identification*

In our thesis expert power will be defined as knowledge that is required by the IASB for their standard-setting process and would be majorly identified by the facts where IASB or its affiliated bodies employ personnel from certain organizations. Hence, these organizations are perceived by the standard-setter to produce certain type of knowledge applicable to the standard-setting process and equip their personnel with such expertise. Reward power is attributable to those organizations that provide funds to the IASB (or its affiliated bodies). While conformance of IASB with any certain entity's interests may not increase that entity's future monetary contributions to IASB, it can meanwhile provide assurance that IASB will continually receive funds from the considered entity. Finally, an entity holds coercive power if it can create barriers to the goals of the IASB, which we conclude is IASB's stated desire to become the global standard-setting body; hence, potential of creating obstacles to applicability of IFRS worldwide would be seen as a basis of coercive power.

- *Application of concepts of regulatory space and regulatory conversations*

In addition to the models of power and influence, in our study we explore the accounting standard-setting by using the lens of regulatory space, while also incorporating the tool of regulatory conversations. The above summaries of the regulatory space metaphor and regulatory conversations which are drawn from the studies of Hancher and Moran (1989), Young (1994), Jonnergård and Larsson (2007) and Black (2002) enable us to constitute the analytical framework as a foundation for our research process.

The concept of regulatory space allows one to analyse the standard-setting process in a great variety of ways. For this study we select to employ several dimensions of regulatory space. As the historical context and particularly, the configuration of actors in the regulatory space at critical points in time when the regulatory activity happens are crucial, we will examine who controls the resources that are necessary for the regulatory change to take place. It will specifically be examined how resources such as expertise to devise rules, as well as money and people needed to enact change that are under control of key actors contribute to their successes in the regulatory space. The regulatory space is highly contested and to discern who achieves success in this competition, outcomes of struggles among participants on the accounting standard development will be explored. To better understand the regulatory space of the leasing standard we will not only examine specific key actors but also outline major relationships among these actors using network analysis techniques.

Regulatory conversations take place among the occupants of the regulatory space that can affect the coordination and overall outcome of the regulatory activities. Examining where major regulatory conversations take place and between which actors and on what topics will give us an understanding of the development of the leasing standard and specifically, the influences that were exerted on it throughout various stages of the standard setting process.

2.4. Chapter summary

This chapter covered the literature on the concepts of power, interests and influence as well as regulatory space and regulatory conversations. Firstly, three views of power used by Dahl, Bachrach and Baratz, and Lukes (2005) were explained and power bases of French and Raven (1959) were introduced. Regarding the regulatory space metaphor, we discussed Hancher and Moran's (1989) paper as the authors shape the initiation and development of regulatory regimes. Next, we introduced Young (1994) who explains how enacting changes occur or fail to occur in a technical agenda of accounting project. Later, the importance of regulatory conversations is revealed by Black (2002) and Jonnergård and Larsson (2007). Finally, based on the literature review the analytical framework was developed which proposes the one-dimensional model of power for distinguishing influential actors complemented by the model of bases of power for key actor identification, which we apply throughout our thesis. The lens of regulatory space framework and the tool of regulatory conversations are applied during the analysis of the results.

3. Methodology

In this chapter the methodological standpoint of our research is presented. Specifically, the research approach, data collection method, focus areas and respondents' selection process are explained in detail. In addition, content analysis as our research technique, coding process for comment letters, and the one-dimensional model application are defined which serve as a basis for performing the research analysis. Lastly, some issues regarding reliability and validity, as well as the ethical considerations are outlined as integral parts of research.

3.1. Research Approach

The purpose of this thesis is to provide an insight into political processes on changing of the leasing accounting standard. In order to accomplish this purpose a qualitative research strategy has been chosen which we believe is an appropriate approach for answering our research questions. Our choice is due to the fact that the qualitative research is preoccupied with exploring phenomena (Creswell, 2009). It is concerned with understanding of words rather than quantification of data (Bryman & Bell, 2011). The interpretivist property of qualitative research focuses on the understanding of the social world by examining how its participants interpret that world, which we also strive to achieve by this research.

This study takes an inductive view characteristic of a qualitative approach as it strives to understand the nature of standard setting by exploring the phenomenon of regulatory space participants' influences on the development of the leasing accounting standard (Saunders et al. 2009). Therefore, we are especially concerned with the context in which changes to the leasing standard take place. In particular, the broad lens of chosen theoretical framework of regulatory space provides us with a set of dimensions with which to explore this context, such as examining resources held by regulatory space participants, organizational relationships, etc. The concept of regulatory space further assists us in the analysis of the empirical data. The data is gathered through a document study which includes on the one hand, comment letters sent to the standard setters and on the other hand, various research studies, publications, agenda papers and website information.

To answer our research question, we turn our attention to the context where the IASB is set in, first describing the structure of the standard setter and then following French and Raven's (1959) power model in order to distinguish key players in the international accounting regulation process which in turn will lead us to identify which actors can have influence on the standard setting process due to the institutional context. We also investigate the organizational relationships and employment interactions among IASB and identified key actors. Finally, we focus on the technical issues of the standard themselves to identify changes made over different stages of the due process by the IASB and the reactions and criticisms of respondents. In dealing with these regulatory conversations, we compare the comment letters to IASB's proposals and examine if certain actors' views have affected the dynamics in the standard setters' proposals and have been incorporated in proposal updates, which would be an indication of participants' influences over the IASB. For this we use a method of content analysis which will be explained later in this chapter.

For the intended analysis, we have carried out a document study of official documents of primary and secondary sources. Primary sources analyzed by us include the official publications of the IASB regarding the leasing standard and their project updates, meeting minutes, agenda papers and comment letters sent by respondents in the due process, as well as the annual reports for key actor identification with reward power. Comment letters can be regarded as our primary sources since they convey public opinions of many different participants which are the object of our study. Secondary sources include reports from organizations, journal articles as well as news articles for the discussion of the institutional context around the lease standard.

We have chosen to focus on the formal means of influences that we perceive comment letters represent. We are aware that constituents are also able to influence the standard setter by the means other than comment letters, as claimed by MacArthur (1988). However, comment letters still represent an essential way of formal participation in the due process, since the IASB strives to emphasize its transparent standard-setting process. In addition, Georgiou (2004) claims that those corporate actors that submit comment letters are also more likely to use other means of exerting influence on the Board than those that do not, such as private meetings with the standard setter.

3.2. Research Strategy

This section identifies how the chosen theoretical framework is linked with the selected methodology and gives an overall direction for this paper. As explained in Chapter 2, for the first part of our research question we use French and Raven's (1959) model and for the second part of our research question we apply the one-dimensional model of power.

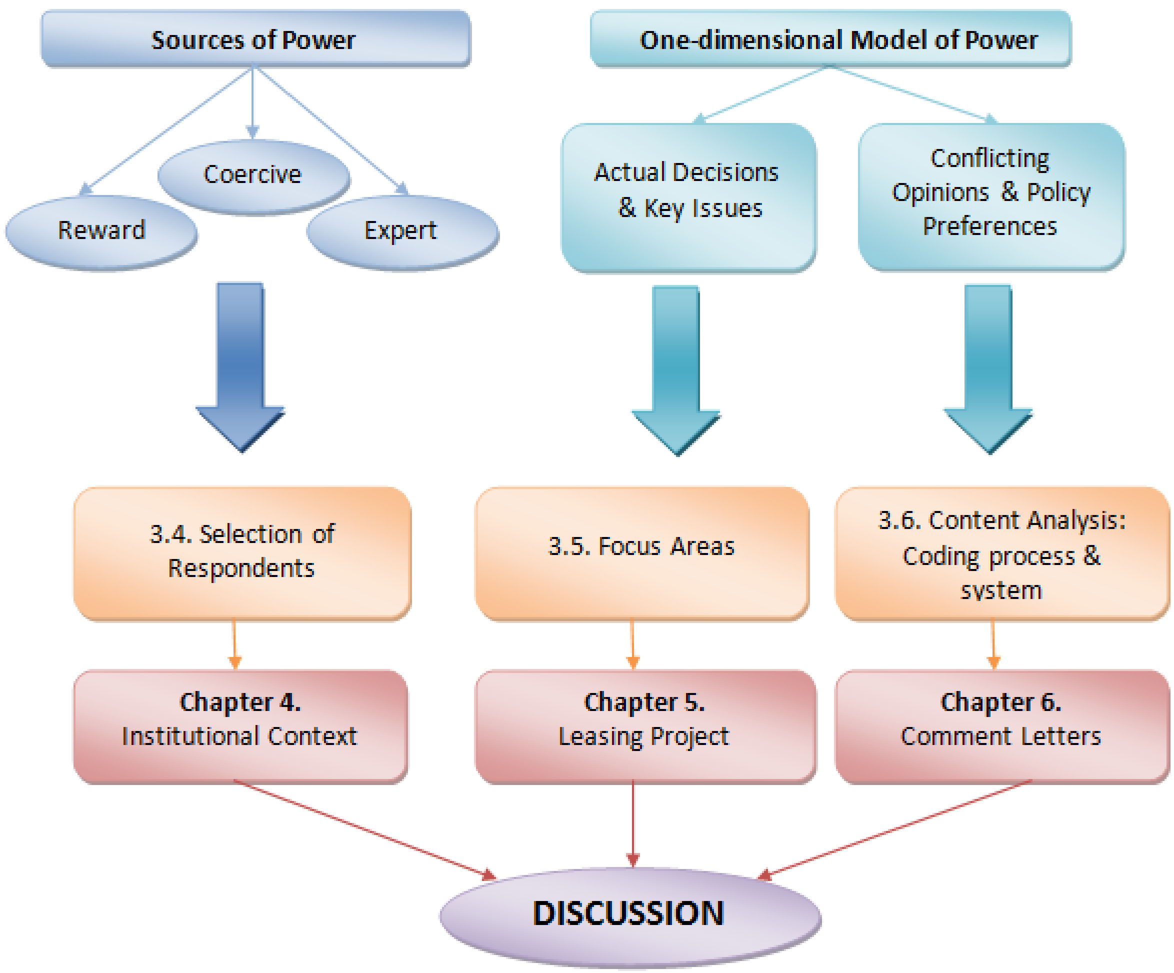


Figure 3. *Research Strategy*

As seen from Figure 3, section 3.4 of methodology chapter explains how the power sources model becomes operationalised in this study, for which empirical findings through application of the adopted method are presented later in Chapter 4. Similarly, the application of one-dimensional model of power is discussed in sections 3.5 and 3.6 of this chapter. As one part of this model deals with actual decisions of the IASB, these are explored in Chapter 5, the method for which is given in section 3.5. The remaining part of the power model deals with policy preferences of respondents, which is discussed in Chapter 6, the research method for which is presented in 3.6. Lastly, empirical results from these chapters are analysed.

3.3. Data Collection

The Case of the Lease Standard. For discussing the proposed standard and specific focus areas, as well as changes in them, we examined the following documents from the IASB: (1) Discussion Paper (DP); (2) Exposure Draft (ED); (3) Re-Exposure Draft

(Re-ED); (4) Project Updates after Re-ED; (5) other IASB staff papers regarding the standard changes.

Institutional context. For outlining the institutional context of the IASB, we conducted the following search: (1) examined the annual reports of IFRS Foundation for the years 2009-2014 to identify the reward power held by external stakeholders; (2) examined the website of the IFRS Foundation and the IASB in order to identify expert power by exploring the employment ties of IASB/ its affiliated bodies (e.g. IFRS IC, IFRS AC, etc.) and external stakeholders; (3) examined prior literature to identify bodies with coercive power over IASB (4) examined the websites of key actors to identify organizational relationships among them (e.g. Monitoring Board's relationships with other key actors), as well as employment interactions between key actors. The above steps 1-3 allow us to arrive at conclusions regarding which organizations could be distinguished as key actors based on the analytical framework which was explained in Chapter 2. For the description of the key actors we examined the websites of these actors as well as prior literature on their relationship with IASB.

Comment Letters. As for the potential influences from selected participants, we examine comment letters, the strategy of which is explored in sections 3.5 and 3.6.

3.4. Selection of Respondents

As outlined in theoretical framework in Chapter 2, we use French and Raven's (1959) model for key actor identification. We distinguish actors holding coercive, reward and/or expert power. As a result of this analysis which is discussed further in Chapter 4, we identify 25 key actors. Next, we consider these actors' submitted comment letters to the stages of DP, ED and Re-ED. The comment letters were retrieved from the IASB and FASB websites under the lease project webpage. The total number of CLs received (i.e. 'population') for the DP was equal to 303, while for the ED and Re-ED 786 and 655 respectively. The examination of submissions outlines that some of the selected key actors did not participate in the due process, while others participated only in some stages of it. In total 18 out of 25 actors engaged in the due process by sending comment letters, which formed our sample of 57 comment letters. We only consider organizations as key actors and exclude individuals as the group that is least expected to influence the standard setting process because of the fact that they are not affiliated with organizations that are seen as major change drivers by Hancher and Moran (1989).

- *Key actors with coercive power*

To identify the key players with coercive power on the IASB standard-setting process, we examined the prior literature (see: Alali & Cao, 2010; Manh, 2011; Zeff, 2012). For the literature search we used Business Source Complete, Google Scholar and Google Search with keywords such as 'IASB' AND 'influence' OR 'key players'.

- *Key actors with reward power*

In order to identify the key actors with reward power, we investigated the IASB's biggest financial supporters. By doing this, we looked at the IFRS Foundation annual reports for the years 2009 – 2014 and selected organizations which have funded IASB more than £ 500,000 during those particular years. This amount was chosen because there was a big gap between other amounts, as the next category started only from £100,000. Moreover, the financial supporters who paid more than £ 500,000 compose from 61% to 75% of total contribution for IASB.

- *Key actors with reward power*

In order to identify key actors with experience power, we used network analysis technique based on employment ties (Perry & Nöelke, 2005). Firstly, we collected the data on IASB and its committees, as well as leases accounting working group employers, due to the fact that they are important in the standard-setting process as it is later dealt with in section 5.1.2.This data was gathered from the IFRS Foundation and the IASB website. From the data we identified two types of employees: (1) those who work in committees or leases accounting working group on a part time bases and at the same time represent their organizations; (2) those who work in IASB on full-time bases, besides three possible employees which might be part-time members. Therefore, those members who are permanent IASB employees and do not present other organization we classified according to the former employers, where they worked most recently before joining the IASB.

3.5. Focus Areas

The most significant alteration in the lease standard is the accounting model itself. The standard modification includes changes for both lessee and lessor accounting. However, as the changes have been referred to stem from the dissatisfaction with the lessee accounting due to its division into finance and operating leases and as the proposed right-of-use (ROU) model abolishing this distinction has become the most contradictory topic within the due process of IASB, we focus our research solely on the topic of lessee accounting. The proposed standard, as any other international accounting standard issued by IASB, consists of major components including the overall ROU model itself followed by topics of scope exclusions, lease term, recognition, measurement, presentation and disclosures. To answer the research question posed by this study we have concluded that it is crucial to consider several key issues within the standard which have been regarded critical by constituents of the standard setting process. Therefore, we have undertaken the following analysis:

1) We examined the *Invitation to Comment* section of each DP, ED and Re-ED where the IASB seeked response and we identified all key topics in the standard that were open for public comment and noted the changes made by the IASB from the point of the

Discussion Paper until now. We think that changes on certain topics might infer a variety of different opinions among stakeholders.

2) We also reviewed IASB agenda papers, audio recordings and project updates to see the emphasis made by the standard setter on crucial topics.

3) Further, we reviewed a sample of comment letters from various types of respondents (e.g. preparers, profession, standard-setters, etc.) to identify whether our general impressions regarding the criticality of issues coincided with the interpretations of those topics made by respondents and their general attitudes towards those areas. In comment letters the respondents give answers to questions posed by the IASB as well as provide an introductory section where they summarise their position and emphasize the points important to them. The inclusion of a topic in the introductory section hence was one of the indicators of importance and the frequency it appeared in such sections in comment letters was assumed to be positively related to the increasing significance to stakeholders. In addition, we also examined the content by assessing the level of concerns constituents had regarding specific topics and have also drawn conclusions based on it.

4) Moreover, in addition to the above the key issues had to satisfy the following criteria: the proposed key issue had to be material, specifically, it had to have a significant impact on the financial position and/or performance of the preparers compared to the one(s) required by the previous standard IAS 17.

Based on the above analysis, we strived to capture the most critical issues to the constituents of the due process, where it is possible to see the conflict of opinions as well as expect the actors to try to influence the standard-setter the most.

We have identified that the overall ROU model received most letters from respondents, though they were also further commenting on the issues they were mostly concerned with. We have seen that there are differences among various stakeholders; however, some patterns can also be identified. In addition to the ROU model, most stakeholders are concerned with the identification of the lease term. Moreover, many respondents are worried about scope exclusions available for short-term leases. While these topics have been present for all stages of the due process, the dual accounting model appeared only in the Re-ED of 2013, which sparked great interest as well as harsh criticisms. Therefore, we decided that this topic was also worthy of our consideration and could lead us to interesting insight. Hence, we have defined our four focus areas:

(1) ROU model;
(2) Lease term;
(3) Short-term leases;
(4) Dual accounting model.

All key issues identified in the standard from which we have made a selection are represented in Appendix C. While we have made a careful selection of the focus areas, we are aware that other important topics have also attracted senders' attention, among which we have seen the topic of disclosures, impairment, transition, definition of leases, etc., however, we have decided to limit our scope to the above four issues in order to be able to investigate the issues at the desired level of detail. The above topics and their relevance will be further explored in Chapter 5.

3.6. Content Analysis

Content analysis, as a research method, is chosen in order to examine comment letters which were submitted to the IASB and FASB in response to the leases discussion papers. According to Krippendorff (2004, p.18), it is a commonly undertaken "research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use". Content analysis is particularly useful for categorizing items from the text and it is suitable for a large amount of qualitative data analysis (Holsti, 1969). It also allows the examiner to discover and describe the focus of individual, group, institutional or social attention (Weber, 1990). Moreover, content analysis is a systematic study and it has structured forms that enable the researcher to extract relevant information more consistently than the same document could be read only casually (GAO, 1996). However, this type of analysis requires an enormous amount of work and time in order to develop a coding system which ensures reproducibility and reliability (Yen, Hirst & Hopkins, 2007).

In the previous studies, content analysis has also been considered as a well-established method for analyzing comment letters as the means of communication between different actors in the standard-setting process (Tutticci, Dunstan & Holmes, 1994; Yen et al. 2007; Chatham, Larson & Vietze, 2010; Schultz & Hollister, 2011; Holder et al. 2013). There are two generic approaches to content analysis: first, quantitative or 'form-oriented' analysis which focuses on word counts or similar measures; second, qualitative or 'meaning-oriented' analysis which involves investigations on the meaning of text. Form-oriented analysis is seen as more objective while meaning-oriented analysis can provide in-depth insights into the analysed text. (Smith & Taffler, 2000; Yen et al. 2007). This thesis is based on qualitative or 'meaning-oriented' approach of content analysis as we analyse the respondents' opinions and arguments for or against proposed changes on leases standard.

The process of content analysis is classified as computer-aided or human-coded (Beattie, McInnes & Fearnley, 2004). Computers have been always considered as reliable, processing large volumes of data at high speed and eager to code it easily Krippendorff (2004). However, according to Krippendorff (2004), it is misleading to think that computers are able to read text and interpret it correctly. Computers can only identify character strings while literate humans are proficient at understanding complex expressions in the reading text (Krippendorff, 2004). Therefore, this paper uses human-coded process as it makes the quantitative measurement more reliable which is especially important in order to ensure that different respondents' comment letters are coded in the same way.

Several steps have been taken in order to develop an appropriate method to this paper. First, by reading DP, ED, Re-ED and project updates the overall understanding of IASB's and FASB's proposals during the different stages of leases project was gained. We also tried to perceive which proposals for the same issues have changed over time and which were incorporated into the agenda only temporally. Subsequently, several comment letters were picked and thoroughly read in order to make a list of important topics. The length of the written comments varied from 1 to 46 pages which implies that significant issues and the depth of issues discussed depends on different respondents. The questions that reached the highest concern of respondents were finally determined after comparing and identifying significant topics in the comment letters, the Boards' proposal papers and feedback papers received on the proposals. For each focus area we identified separate categories which usually gave information whether respondents agreed or disagreed with suggestions, also for some focus areas some new categories were drawn from the participants' responses that identify the alternative solutions that respondents were supportive of or the reasons for which respondents disagreed with the suggested methods. The categories in which we coded the responses were refined throughout the research process. Our qualitative research studies were drawn on the principles of template analysis in an Excel spreadsheet which made the complex and large data coding process more manageable (Cassell, 2008).

3.6.1. Coding process

We consider the coding process as a two-step method: first, we identify the respondent's overall position towards the topic, and then, we identify alternatives proposed by them. Wherever needed we also identify key actors' arguments used for agreeing/ disagreeing with the IASB and the link established with the Conceptual Framework (CF), which also is revealed in the manner shown below.

Hence we can see that the OIC is 'strongly opposed' to the inclusion of options in the lease term (hence, *position*). The OIC suggests that the contractual term should be used as the lease term and the options should not be included (hence, *alternative*). The OIC claims that inclusion of options in the lease term is against the Conceptual Framework (hence, *argument*). OIC argues that this change would result in reduction in comparability (hence, link to *Conceptual Framework*).

Question 8: Lease term. *Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?*

"The OIC believes that the determination of the lease term should be based on the rights that the lessee holds on the basis of the contractual conditions and/or the law and not defined on the basis of the likelihood of exercising the renewal options.

Alternative

The OIC does not agree with the proposal of the IASB to consider in the estimate of the lease term the options for renewal or termination and, consequently, to include in the value of the liability (lessee) or the asset (lessor) the amounts payable or receivable stemming from the lease renewal options.

Position

To do so would run counter to the current definitions of liability and asset contained in the Framework, as: a) the lessee does not have an unconditional obligation to make the payments in the period of extension until the renewal option is exercised; and b) the lessor has neither an unconditional right to receive nor the control of the lease payments in the extension period until the lessee exercises the option…

Argument

…Last, it should be noted that taking account of the renewal options would cause a significant increase in the volatility in the accounting results as well as a reduction in comparability among entities operating in the same conditions with similar lease contracts" (OIC, 2010).

Link to CF

Figure 4. *Example of coding process*

3.6.2. Application of one-dimensional model of power

As explained in Chapter 2, one-dimensional model offers a framework of identifying successes and influences in the standard-setting process. Influences are identified in two major ways: first, disagreement of a key actor on a specific topic which is followed by the modified proposal is seen as an influence or a 'success' (e.g. actor X disagrees on topic Y in the DP and it is changed in the ED stage), and similarly agreement of a key actor on a specific topic which remains in the subsequent draft standard is also seen as an influence (e.g. actor X agrees on topic Y in the DP and it is not changed in the ED stage); second, if an alternative suggested by a key actor is incorporated in the subsequent proposal, this is identified as an influence (e.g. actor X proposes alternative Y after the DP which is later proposed on the ED stage by the IASB). For illustrating the degree of influence, when at one stage actor is influential by disagreeing/agreeing on a certain topic, it is given a score of 1. However, when actor's proposal is incorporated in the standard, a score of 2 is given (e.g. one point for disagreement and an additional point for having a successful proposal). When actors partially disagree with the proposal which is later changed (similarly, regarding agreement related to no subsequent change), only score of 0.5 is given, since such actors were not strongly opposed to the topic in question. In situations where the actor does not influence a topic, does not submit a comment letter or does not express an opinion about specific topic, a score of 0 is assigned. The larger the number of the scores, the more influential the actor is.

Table 1. *Coding System*

CASES	POINTS
a. Actor disagrees with the current standard policy and their proposal is incorporated in the subsequent DP	2
b. Actor disagrees with IASB proposal which is later changed but not in the direction favoured by the actor	1
c. Actor agrees with a proposal and it is not modified at the next stage	1
d. Actor only expresses partial disagreement or agreement and the situation in cases b or c correspondingly is repeated	0.5
e. Actor's opinion does not influence the direction of the standard changes	0
f. Actor does not submit a comment letter or does not express an opinion	0

3.7. Reliability and Validity

In order to make valid inferences from this study, particular emphasis on research reliability and validity should be paid. Reliability is defined as the degree to which data collection methods or analysis procedures can provide consistent results (Saunders et al. 2009). In other words, the research is considered to be reliable if another observer with the same methods and data set would come to similar conclusions (Ritchie & Lewis, 2003). Thus, we have identified a few threats to our research quality. One of them is observers' error which means that the same text or data might be coded differently by various researchers (Saunders et al. 2009). In order to avoid this threat, we checked the data for obvious mistakes as well as used cross-check coding method by comparing results that were independently derived by each of us (CTRL, 2011). All the important questions which arose during the individual work process were solved together after discussing them and coming to the same solutions. Moreover, according to Saunders et al. (2009), the reliability is easier assessed when the clear clarifications of the research process are made. Therefore, we included thorough explanations of how we used our chosen one-dimensional power and regulatory space analytical framework, how our empirical data was collected and coded, and how sample selections were made. All our findings and interpretations are theoretically driven that we believe also enhance the credibility of this study. Finally, observers' biases might have also been presented through the interpretation and coding the text process (Saunders et al. 2009). Cross-checking method can mitigate but not fully eliminate this threat.

The validity of findings or data helps to provide compelling reasons for approaching the research results with serious consideration. With this in mind, validity is understood as quality of research outcomes which leads one to believe them as true when one has in mind the real world of people, phenomena, events, experience and actions (Krippendorff, 2004). It is frequently explained through the concept of two distinct dimensions. The first, identified as internal validity, raises an issue to which degree the findings can be attributed to treatment and the second, known as external validity, concerned with the generalizability of the results (Ali & Yusof, 2011). Therefore, to achieve internal validity, the key actors' identification process is based on the French and Raven's (1959) power model and therefore, systematic and consistent treatment of data is achieved Moreover, the primary source of data, such as annual reports, as well as companies' web pages with information about their board structure and employees, academic articles as secondary data are systematically examined and applied to support the power model. The coding process is thoroughly presented and examples of it provided. In addition, we have not had any previous experience regarding the standard-setting process and any significant relationships with identified key players. Therefore, the risk of bias and subjective illustration of particular actors' influences on the IASB structure and due process, does not exist. As a result, we believe that these data presents a truthful picture of reality and the internal validity is considered to be relatively high.

As for external validity the part of our research which draws conclusions regarding the key actors in the IASB's standard-setting process could be generalizable to the IASB's other standard-setting processes, as the French and Raven's (1959) model could be applied with similar success. As for the identification of influences of these key actors, since the analysis did not use any statistical sampling forms we do not consider it appropriate to generalize the findings to other settings. Moreover, since this study is based on the case of particular leases standard, we are aware that interests, resources held and configuration of actors can vary for different standards. Therefore, our thesis strives to provide insight into the standard-setting process of the IASB based on a particular case rather than aim for generalizable findings.

3.8. Ethical Considerations

During the whole research process the ethical considerations have been taken into account in order to conduct and present this study in an ethical and social moral manner. The stance of universalism was taken on the issues, which suggests that ethical rules should never be broken (Bryman & Bell, 2011).

Ethics, in the context of research, points out to the suitability of the researcher's behavior in connection with the rights of those who become the focus of their work and might be affected by it (Saunders et al. 2009). However, this is not immediately concerned to our research as it is based on the written comment letters which are electronically submitted to the www.ifrs.org website and therefore, we did not have a direct connection with respondents which could influence their answers. All responses are put on the public record and posted on the website by the IASB and the IFRS Foundation, unless the respondents asked for confidentiality. Although, it is not common to grant confidentiality for respondents and it is only supported by good reason, such as commercial confidence (IFRS Foundation, 2013). This implies that we do not have to deal with the issue of data confidentiality and anonymity which according to Bryman and Bell (2011) raises particular difficulties for many forms of qualitative studies. Additionally, there is no issue of lack of informed consent, as all respondents were aware that by sending comment letters their opinions would become public and could potentially be used for research or other purposes (Bryman & Bell, 2011). Another important ethical principle which has to be considered is the maintenance of objectivity and quality during the process of data collection. Objectivity is vital in the analysis stage to make sure that we do not misrepresent the data (Saunders et al. 2009). Therefore, in order to investigate respondents' attitude and position towards the new leases standard and chosen focus areas, the responses were read thoroughly to gain an overall perception instead of searching only the key words and making conclusions from them. However, some extent of subjectivity might still exist which might affect the process of drawing the conclusions.

3.9. Chapter Summary

This chapter briefly explained the qualitative research strategy of this thesis and indicated the guidelines how the research question will be analysed in further chapters. The methods regarding the data collection, as well as selection of respondents and focus areas were presented. Moreover, the advantages and disadvantages of content analysis were identified and coding process was clarified. In addition, it was also explained how the one-dimensional model is applied in key actor identification process. Finally, reliability, validity and ethical considerations were presented.

4. Institutional Context

The following chapter provides the necessary context on the institutional set-up of the IASB, as well as the background on the process of standard setting. It is also identifies who the key actors on the bases of power model are and how they influence the IASB within its structure and standard-setting process. Moreover, a few most powerful actors are introduced, as we believe that they frame our regulatory space. Finally, in order to show that leases accounting standard is not developed in a vacuum, organizational relationships and employment interactions among IASB and its key actors is presented.

4.1. The IASB Background

The current standard setting body in Europe is the International Accounting Standards Board (IASB) which replaced its former body, the International Accounting Standards Committee (IASC) in 2001 (Brackney & Witmer, 2005). It is an independent authority that develops, approves and publishes International Financial Reporting Standards (IFRS). The Board currently has 14 experts who represent the best available combination of technical proficiency and diversity of international business and market experience, as well as essential knowledge in auditing or accounting education, and in preparing or setting accounting standards (Deloitte, 2015a). In order to ensure the political and technical credibility of an international standard-setter, including the acceptability of its standards, the IASB members are elected from different geographical areas (Nobes & Parker, 2012). All its meetings are held in public and webcasts. Moreover, the IASB follows a systematic, open and transparent process where the publication of consultative documents for public comment is a vital component. Therefore, to fulfill the standard-setting duties and understand the community need, the Board closely collaborates with stakeholders around the world, such as investors, analysts, controllers, business leaders, accounting standard-setters and the accountancy profession (IFRS, 2015a). However, while the IASB is responsible for standards development that could be adopted on a global basis, to achieve this objective it heavily relies on the help from the United States and the European Union. Its dependence on these two key players is evident from their participation in oversight and standards-setting bodies (Brackney & Witmer, 2005). Therefore, in order to understand how these all actors influence the standard setting process, first the institutional set-up of the IASB and due process is presented.

4.1.1. The IASB Organizational Structure

The IASB is headed by the IFRS Foundation which is a non-for-profit corporation created under the US law. The IFRS Foundation is controlled by 22 trustees, who have undertaken to operate in the public interest. The main objective of the IFRS Foundation is to develop an understandable, single set of high quality, enforceable and globally accepted financial reporting standards which are based on clearly articulated principles (Deloitte, 2015b). Another important body is the Monitoring Board, which was formed in order to enhance the trustees' accountability for public. Its members initially comprise of the leading figures from the EU Commission, SEC, Japan's Financial Services Agency and IOSCO (Nobes & Parker, 2012). Moreover, the Brazilian Securities Commission (CVM), Financial Services Commission (FSC) of South Korea and the Basel Committee on Banking Supervision (BCBS) also participate in the Board meetings although, only as non-voting observers. The Monitoring Board formally interacts between capital markets authorities and the IFRS Foundation which allows successfully discharge their mandates relating to market integrity, investor protection and capital formation (Deloitte, 2015c). Further, there are two more essential bodies in the IASB structure. One of them is the IFRS Interpretations Committee which provides timely guidance on financial reporting questions and publishes the interpretations of existing standards which first have to be approved by the IASB. Its members are appointed by the IFRS Foundation Trustees. Another important body is the IFRS Advisory Council which consists of analysts, preparers, auditors and other experts who advise the IASB on its agenda decisions and project's priorities. Its members are also selected by the IFRS Foundation Trustees for a renewable term (Nobes & Parker, 2012). In addition, it is common for the IASB to form a consultative group of experts, in order to give recommendation on the major standard developments, such as the leases accounting working group. However, the members of advisory group act in their personal capacity and are not appointed to become as representatives of any group. Their role is only advisory and they do not attempt to find generally acceptable solutions (Appendix A) (Deloitte, 2015d).

4.1.2. IASB Standard-setting Process

The IASB develops the high quality global accounting standards via an international consultation process called the "due process" (IFRS, 2015b). There are a few principles which must be followed during the standard-setting: transparency, full and fair consultation, and accountability. The IASB and IFRS Interpretation Committee always perform their procedures over and above those principles, in order to improve their consultation and operation (IFRS, 2013a). There are six formal stages in due process which are followed during the leases standard development process[1]:

Agenda setting. In order to add potential items into the agenda, the IASB considers: whether the project would be relevant to users and the information's reliability could be

[1] *It is worth pointing out that during the period of 2012-2013, a number of changes were made to the Due Process Handbook, such as the research process has occurred before agenda setting step (Deloitte, 2015f). However, our period of study 2009 – 2014 which consisted, and it still does according to the IFRS Foundation webpage – of six identifiable stages.*

provided; whether or not any guidance is obtainable; the opportunity to strengthen convergence; the worthiness of the standard if they be developed; and resource constraints. All discussions and decisions regarding the potential projects are held in the public IASB meetings. Before the decision is accepted, the IASB consults with the IFRS Advisory Council and other standard-setting bodies on proposed agenda items and its priorities. To approve agenda and sufficient priority of items, a simple majority of votes during the IASB meeting is required (IFRS, 2015c).

Project planning. After agenda is formulated and most important issues are known, the IASB makes a decision whether to pursue the project alone or in collaboration with another standard-setter. Moreover, at this stage a consultative group, such as Leases Accounting Working Group, might also be established. The team must be represented by the two most senior technical staff members and may also include various members of staff from other accounting standard-setters. The working group consults the IASB staff until a project is complete (IFRS, 2015d).

Discussion paper's (DP) development and publication. Although, this stage is not mandatory in the standard-setting process, the IASB usually issues a discussion paper as "a vehicle to explain the issue and solicit early comment from constituents" (IFRS, 2010, p.9). The paper includes an in-depth insight into the issues, potential approaches, the IASB's or issues' authors' positions, as well as an invitation to public comment (IFRS, 2015e). When the commenting period ends, the project team prepares comment letters for the IASB's consideration. In addition, all comment letters and a summary of the comments are posted on the website. If the IASB makes a decision to investigate the issue further, it might arrange public hearings or round table meetings, in order to receive more comments and suggestions for conducting issues (IFRS, 2010).

Exposure draft's (ED) development and publication. Irrespective of whether a discussion paper has been published by the IASB, an exposure draft is a mandatory phase in the due process. The development of an exposure draft starts with the consideration of issues on the basis of research and recommendations which the project team prepared for the IASB, received comments on discussion paper, as well as the proposals made by the IFRS Advisory Council, consultative group, various accounting standard-setters and suggestions which arose during the public education sessions. When all issues are resolved, the IASB's staff starts drafting an exposure draft to be voted upon. After completing the draft and voting on it, the IASB publishes paper for one more public comment (IFRS, 2015f).

IFRS development and publication. After an exposure draft's comments are considered by the IASB, the development of IFRS is performed and all changes are posted on the website. However, revised issues may prompt that the IASB needs to expose its revised proposals for public comment and issue re-exposure draft. If it is decided that the re-exposure is essential, the standard setting procedures are similar to the first exposure draft (IFRS, 2015g).

Although, if the IASB determines that the exposure draft's issues have reached a conclusion, it informs the staff to draft the IFRS. Finally, the IFRS is published, when the standard-setting process is completed and all issues are solved, the IFRS Interpretation Committee reviewed the draft and the IASB members voted in favor of publication (IFRS, 2010).

Actions after IFRS is issued. After the standard's publication, the IASB and its staff organise regular meetings with all parties who are interested in helping to understand unforeseen problems which are related to the practical implementation and potential impact of its proposals. In addition, in order to guarantee consistency in the application of IFRS, the IFRS Foundation also stimulates educational activities (IFRS, 2015h).

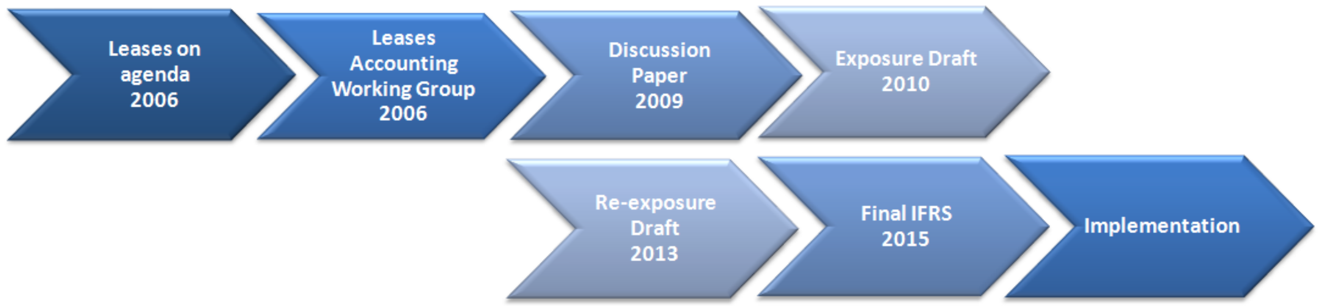


Figure 5. *Timeline of leases project in the due process*

According to the Alali and Cao's (2010) presupposition, the structure and due process of the IASB are designed in order to safeguard the IASB's members and the standard setting process from political influence. However, it is a difficult task to set the global standards and at the same time meet all different stakeholders' expectations (Alali & Cao, 2010). The following sections disclose how the IASB has been vulnerable to influences from different actors across and within its structure and standard-setting process.

4.2. Key actor identification

After outlining the main governance structure of IASB, we further explore the involvement of international bodies in the standard-setting process overall, as well as based on the specific case of leasing.

- *Key actors with coercive power*

Through the process which was identified in Chapter 3, three key actors who exert power on the IASB were identified: the European Commission, US SEC and IOSCO. This implies that, if one of these regulators is not satisfied with the proposed standard, one may reject to use it in its member states. All these regulators are discussed separately in the following sections 4.2.1.− 4.2.3.

Table 2. *Key actors with coercive power*

INSTITUTION	COERCIVE POWER
European Commission	Ability to restrict IFRS application throughout the EU
US SEC	Ability to restrict IFRS application in the US
IOSCO	Ability to restrict IFRS application on international stock markets

- *Key actors with reward power*

The reward method is based on the notion that power gives other people what they want, and for this reason ask them to do something for you in exchange (French & Raven, 1959). Through the key actor identification process 13 powerful players which contribute to the IASB's foundation were identified.

Table 3. *Key actors with reward power*

CATEGORY	TITLE	TYPE	2014	2013	2012	2011	2010	2009
European Union	European Commission (EC)	Regulator	£ 3.077.672	£ 3.461.965	£ 3.335.291	£ 3.653.314	-	-
United States	Financial Accounting Foundation (FAF)	Standard-setter	£ 1.839.231	-	-	*£ 300.000*	-	-
Japan	Financial Accounting Standards Foundation (FASF)	Standard-setter	£ 1.709.436	£ 1.784.896	£ 1.739.277	£ 1.712.869	£ 1.850.029	£ 1.736.875
International Accounting Firms	Deloitte Touche	Accounting Firm	£ 1.640.000	£ 1.650.000	£ 1.478.000	£ 1.478.000	£ 1.300.000	£ 1.300.000
	PricewaterhouseCoopers*	Accounting Firm	£ 1.640.000	£ 1.650.000	£ 1.478.000	£ 1.478.000	£ 1.300.000	£ 1.300.000
	Ernst & Young*	Accounting Firm	£ 1.640.000	£ 1.650.000	£ 1.478.000	£ 1.478.000	£ 1.300.000	£ 1.300.000
	KPMG*	Accounting Firm	£ 1.640.000	£ 1.650.000	£ 1.478.000	£ 1.478.000	£ 1.300.000	£ 1.300.000
United Kingdom	Financial Reporting Council (FRC)	Standard-setter	£ 862.717	£ 900.000	£ 939.270	£ 860.730	£ 855.000	£ 800.000
France	French Ministry of Finance (ANC)	Standard-setter	£ 792.016	£ 832.154	£ 810.504	£ 853.679	£ 860.733	£ 888.099
Italia	Organismo Italiano di Contabilità (OIC)	Standard-setter	£ 594.012	£ 633.010	£ 600.593	£ 661.117	£ 628.246	£ 683.683
Australia	Financial Reporting Council (FRC)*	Standard-setter	£ 535.743	£ 660.676	£ 644.012	£ 607.467	£ 591.993	*£ 438.009*
Russia	Ministry of Finance of the Russian Federation	Standard-setter	£ 505.781	*£ 356.817*	*£ 300.000*	-	-	*£ 18.203*
Canada	Chartered Professional Accountants of Canada*	Profession	*£ 444.377*	£ 522.884	£ 549.029	*£ 481.760*	*£ 487.310*	*£ 402.946*
		Total Contribution	**£ 16.920.985**	**£ 15.752.402**	**£ 14.829.976**	**£ 15.042.936**	**£ 10.473.311**	**£ 10.167.815**
		TOTAL CONTRIBUTION received by IFRS Foundation (million)**	**£ 22.591.000**	**£ 21.372.000**	**£ 20.030.000**	**£ 20.562.000**	**£ 16.640.000**	**£ 16.584.000**
		Share of selected actors' contributions in total contributions	**75%**	**74%**	**74%**	**73%**	**63%**	**61%**

**amounts translated from USD into GBP based on 7 May, 2015*
*** all organisations are included*

- *Key actors with expert power*

As it was mentioned in our power theoretical framework in Chapter 2, the expert power is defined as knowledge and skills that someone requires. In our case, it is the IASB or its affiliated bodies' employees who present particular organizations. Therefore, in order to identify key actors with expert power, we used network analysis technique based on employment ties (Perry & Nöelke, 2005).

The result of data collection identified 145 different private and public sector organizations with 179 employees on IASB, its committees and leases accounting working group. However, we took cut-off of 1 employee tie from the organization and considered only those organizations that have at least two ties to IASB or its affiliated bodies, as we believe that there can always be one member who is chosen from a random company. This reduced the number of organizations to 17, which represent the core of the IASB and its committees, as well as leases accounting working group network.

Table 4. *Key actors with expert power*[2]

	INSTITUTION	TOTAL NO. OF TIES	IASB	IFRS AC	IFRS Found.	IFRS IC	IFRS MB	Leases WG
1	IOSCO	**8**	2	3	2		1	
2	CFA Institute	**4**	1	1	1	1		
3	Deloitte Touche	**3**		1	1	1		
4	Ernst & Young	**3**		1		1		1
5	Group of European national standard-setters (FR, Germ, Italy, UK)*	**3**		3				
6	KPMG	**3**	1	1		1		
7	PricewaterhouseCoopers	**3**		1		1		1
8	SEC (US)	**3**		1	1		1	
9	AngloGold Ashanti	**2**			1			1
10	Autorité des Marchés Financiers (AMF)	**2**	1		1			
11	Basel Committee on Banking Supervision (BCBS)	**2**		1			1	
12	EC (EFRAG)	**2**		1			1	
13	Financial Executives International (FEI)	**2**	1	1				
14	Grant Thornton	**2**		1		1		
15	Japan Financial Services Agency	**2**		1			1	
16	Korea Accounting Standards Board (KASB)	**2**	1	1				
17	Nippon Keidanren (Japan Business Federation)	**2**	1	1				

As a result, French and Raven's (1959) power model helped us to identify 25 key actors who have potential authority to influence the IASB standard-setting process. These all actors are presented in Table 4 and Appendix B which provides a brief overview of the organizations' members and their missions, as well as their connection or interests regarding change of the leases accounting standard. While some of the organizations are presented briefly, few of them are discussed thoroughly in the next sections.

[2] *The Group of European national standard-setters which is composed of representatives from France, Germany, Italy and the United Kingdom are seen as one organization. Group of European national standard-setters consists of UK Financial Reporting Council (FRC), French Ministry of Finance (ANC), Organismo Italiano di Contabilità (Italy) (OIC) and Accounting Standards Committee Germany (ASCG).*

Table 5. *Key players in the IASB standard-setting process*

	INSTITUTION	TYPE	Coercive	Reward	Expert
1	EFRAG*	Regulator	✓	✓	✓
2	IOSCO	Regulator	✓		✓
3	US SEC	Regulator	✓		✓
4	Deloitte	Accounting Firm		✓	✓
5	EY	Accounting Firm		✓	✓
6	KPMG	Accounting Firm		✓	✓
7	PwC	Accounting Firm		✓	✓
8	UK FRC*	Standard-setter		✓	✓
9	French ANC	Standard-setter		✓	✓
10	Italian OIC	Standard-setter		✓	✓
11	German DRSC	Standard-setter			✓
12	Japanese ASBJ*	Standard-setter		✓	
13	Australia AASB*	Standard-setter		✓	
14	CPA of Canada	Profession		✓	
15	CFA Institute	Profession			✓
16	AngloGold Ashanti	Preparer			✓
17	Franch AMF	Regulator			✓
18	Basel Committee	Regulator			✓
19	FEI	Profession			✓
20	Grant Thornton	Accounting Firm			✓
21	Japanese FSA	Regulator			✓
22	Korean KASB	Standard-setter			✓
23	Nippon Keidanren	Industry Organization			✓
24	US FAF	Standard-setter		✓	
25	Russian MinFin	Standard-setter		✓	

The authorities presented with asterisks in Table 5 are not always the same as they were defined during the key actor identification process. Firstly, EFRAG is used instead of the EC, due to the fact that it advises the EC on all the IFRS questions (see section 5.3.1). Secondly, Financial Accounting Standards Foundation (FASF) of Japan was replaced by the Accounting Standard Board of Japan (ASBJ), because it is a main organisation within the FASF which is directly accountable for the accounting standards development and deliberation, as well as it contributes to the international accounting standards improvement (IFRS, 2015i). Finally, since the Financial Reporting Council (FRC) of Australia appoints the Australian Accounting Standards Board's (AASB) members and only oversights the accounting standard-setting process, the AASB was chosen to be examined (AASB, 2015a). In brief, the EC, FASF and FRC do not participate directly in the standard-setting process, therefore their core bodies were selected for our further research.

In addition, the standard-setter in the UK is currently FRC, however, previously standards were set by the Accounting Standards Board (ASB) of the UK which was accountable to FRC and therefore, comment letters from both ASB and FRC are seen to represent the UK standard-setter's interests.

4.2.1. The European Commission (EC)

The European Commission is one of the main decision-making institutions in the European Union (EU) which represents and upholds the interests of its stakeholders. It is politically independent driving force within many areas in the EU's institutional system: the EC proposes legislation, policies and action programmes, as well as it is responsible for the decisions of the European Parliament and the Council implementation. The EC acts on behalf of the whole Union to the outside world with the exception of the general foreign and security policy (EU, 2013).

In 2001, the EC encouraged to establish the European Financial Reporting Advisory Group (EFRAG) which provides the EC not only with input into the development of IFRS issued by the IASB but also technical expertise and advice on accounting matters. EFRAG is a private sector body which is known as *EFRAG Member Organizations* and includes European stakeholders and national organizations which have knowledge and interest in the improvement of IFRS and their impact on the effectiveness of capital markets. It participates in the IASB consultation process, as well as performs proactive activities in order to ensure that European opinion on the development of international financial reporting standards is properly and clearly articulated. Moreover, upon the EC request, EFRAG provides the judgment whether newly published IFRS are in conformity with the 1606-2002 *IAS Regulation* and meet the EU criteria for endorsement (EFRAG, 2015).

The international financial accounting standards or their interpretations are developed and approved by the IASB, however they do not automatically become mandatory in the EU as the endorsement process is long and complex (Perry & Nöelke, 2005). The standards in Europe can only be adopted by the EC, if they are drawn up in accordance with the European public good and fulfil other important criteria, such as understandability, relevance, etc. (Flores, 2007). In order to advise the EC, the private and public bodies of representatives from the governments of the EU countries were established (Perry & Nöelke, 2005). One private sector body is EFRAG which was discussed above. The other important body which represents member states' governments and is formed by the civil servants from national ministries is called the Accounting Regulatory Committee (ARC). Taking into account EFRAG's advice, the regulation draft to adopt a new standard or interpretation is prepared by the EC and is sent to the ARC which can recommend approving it or rejecting it. If the ARC proposes rejection, the EC might either return the standard for further assessment to EFRAG or send it to the Council of Ministers for an eventual judgement. In addition, if the European Parliament and the Council decide that the EC has exceeded its implementing power during the standard-setting process or that the draft is not compatible with the aim or the content of the basic IAS regulation or other instruments, they can return the standard for revision to the EC within three months' time (Konigsgruber, 2009). In fact, after the standard is endorsed by the EC, it becomes a directive applicable to all EU member states (Armstrong et al. 2010).

However, despite the fact that EFRAG and ARC participate in the IASB standard-setting process and provide all information and support regarding IFRS, the EC has the final verdict on whether a standard becomes a mandatory regulation or not (Armstrong et al. 2010). Moreover, the EC also plays an important role to the IASB as the member of Monitoring Board where it is responsible for Trustees' appointment or reappointment and also that they execute their duties as stated in the IFRS Foundation Constitution (IFRS, 2015j). Furthermore, in order to ensure that the IASB continues developing transparent and comparable accounting standards for well functioning capital markets, as well as that the EU's interests are properly taken into account during the process, the EC plans to contribute annually approximately 4.3 million euros to the IFRS Foundation for the period of 2014-2020 and in 2014 EC's contributions represented 17% of the Foundation's total budget (EC, 2014). This implies that the EC's potential influence on the IASB and standard-setting process is evident.

4.2.2. U.S. Securities and Exchange Commission (SEC)

The SEC is a national government agency which regulates the public capital markets in the United States (Deloitte, 2015g). It oversees the main participants in securities' markets, such as securities exchanges, securities agents and dealers, investment consultants and mutual funds (SEC, 2013). The SEC aims to promote a securities market that is worthy of confidence of the public. In order to reach this goal, it focuses on market structure and systems strengthening, transparent disclosure to investors, as well as it promotes the disclosure of market-related information and protection against fraud and abuse (SEC, 2014). Its accounting regulatory authority is delegated to the FASB which is overseen by the FAF. The SEC can veto the FASB's proposals; however this veto power is the link between the FASB and politics (Luca & Kinsey, 2013).

The SEC is one of the key players in shaping the world's converging accounting standards. This has been demonstrated in different contexts. Specifically, in the 1990s, the SEC worked indirectly through IOSCO and directly with the IASC in order to develop and improve the Committee's papers. The SEC also worked indirectly to influence the IASC's strategic thinking (Walton, 2009). Moreover, the SEC and IOSCO were important contributors to raising a discussion regarding IASC Board's reorganization. The Chief Accountant of SEC wrote a letter to the IASC's Strategy Working Party where it was stated that IASC's potential standards would not be considered as possessing legitimacy in the world's capital markets unless IASC were to become a full-time, independent body. In addition, its members had to be chosen only on the basis of their technical expertise, with the essential research staff and an obligation to follow an open and deliberative process, as well as they had to be overseen by a board of Trustees formed of individuals who represented the public's interest and concerns. Despite the fact, that it was not stated in the letter, the SEC argue for establishment of a body similar to the FASB (Zeff, 2003).

In the 21st century, the SEC has strongly supported the convergence of IASB and FASB's standards which was officially welcomed by the Norwalk Agreement in 2002. Then, in 2007, the SEC finally issued a concept release to permit foreign companies to submit financial statements to the Commission according to IFRSs as adopted by the IASB (Deloitte, 2015g). However, it is not clear whether the SEC might decide to incorporate IFRS into the US domestic financial reporting system and it is not expected to do so for the foreseeable future (PwC, 2014). On the other hand, the SEC gets more and more experience by working with the companies' financial statements which are reported under IFRS. It continues to work on formal and informal level with the IASB. Moreover, the SEC is a direct observer on the IFRS Advisory Council and indirect, through the IOSCO on the IFRS Interpretations Committee. It also has a deputy chief accountant who comments on IASB discussion papers and exposure drafts regarding the international standards. Since 2009, it oversees the general governance of the international standards' structure as a member of the Monitoring Board. Finally, indirectly through IOSCO, the SEC participates in a device to ensure that regulators are informed of each other's decisions in respect of IFRS (Walton, 2009).

4.2.3. International Organization of Securities Commissions (IOSCO)

IOSCO is recognised as the leading multinational organization composed of national securities regulators and representatives from national securities exchanges. It develops and promotes standards of securities regulation to create efficient and growing markets. Moreover, in order to encourage the integrity of markets where standards are applied rigorously and enforcement against offences is effective, it provides mutual assistance to its international members (FSB, 2015). This association regulates more than 95% of the securities markets around the world and continues to expand (IFRS, 2013).

IOSCO has played an important role in the legitimating process of standard-setting since its collaboration with IASC, the predecessor to IASB. In 1989, both organizations reached a consensus that if IASC improved its standards to satisfy global security regulators, IOSCO would consider recommending them for all its members (Nobes & Parker, 2012). Finally, in 2000, the international accounting standards for cross-border use were endorsed and since then IOSCO closely monitors the standards development process, expresses opinion on proposed changes and regularly discusses standard-setting work with the IASB representatives (IOSCO, 2007). Moreover, in 2013, IOSCO and IFRS Foundation announced a new agreement on set of joint protocols in order to enhance the quality and consistency in the implementation of financial reporting standards globally. This agreement has strengthened both organizations' cooperation in support to their shared commitments to develop high standards (IFRS, 2013). Apart from this, IOSCO has an opportunity to exercise its influence on IASB as a member of Monitoring Board. It also has one permanent and two rotating seats in IFRS Advisory Council, as well as two former employees in each body as members of IASB and Trustees of the IFRS Foundation.

4.2.4. Multinational Audit Firms

The leading firms in the accounting and consulting industry consist of the Big 4 global network firms which include PricewaterhouseCoopers (PwC), Ernst & Young (EY), Deloitte and KPMG. These companies dominate the industry in terms of their size, ability to provide their services in different parts of the world, and reputation. The Big 4 accounting firms are at the forefront of any accounting related dilemmas throughout all sectors of business and therefore, they have the greatest understanding of modern accounting issues and the most diversified experience (Chiapello & Medjad, 2009).That has determined that their importance in the regulatory process in recent years has increased significantly (Cooper & Robson, 2006).

However, the global accounting firms have always been involved in the standard setting process and have strongly supported the work of the IASC, and later the IASB (Albu et al. 2011; Larson & Kenny, 2011). In respect of the IASB, the majority of its members are former or recent employees in one of the largest accounting firms (Chiapello & Medjad, 2009). Moreover, at least two of the IFRS Foundation Trustees must be partners from the Big 4 audit companies (Chiapello & Medjad, 2009; Zeff, 2012). There is no doubt that they are actively involved in the development of IFRS and also express their opinion in comment letters (Larson & Kenny, 2011). Besides, Table 3 shows that the global accounting firms together provide 30% of the total amount of IASB contributions. That implies that the Big 4 accounting firms can have substantial influence on the IASB and it also raises the question regarding its independence (Albu et al. 2011; Larson & Kenny, 2011).

In addition, the Big 4 audit firms play an important role in the whole accounting standard-setting process. They have representatives at the EFRAG Supervisory Board (SB) and are always willing to provide *volunteers* on demand (Chiapello & Medjad, 2009). Moreover, in order to minimize diversity of IFRS interpretations and applications from different Big 4 companies around the world, and to achieve consistency in practice, each of them set up international coordination mechanisms which mean “one brand-name, one interpretation” (Hoogendoorn, 2006, p.24). Specifically, these companies established global IFRS desks where they raise questions and answers on all kinds of interpretational issues which are not clear in IFRS itself (Hoogendoorn, 2006). In short, Chiappelo and Medjad (2009) argue that the four global accounting firms are not only the necessary funding donors to standard-setting and main contributors in terms of expertise, but they are also the most important actors when it comes to deciding those standards will be applied in practice.

4.2.5. Group of European national standard-setters

The Autorité des Normes Comptables (ANC) is the national French accounting standard setter which is responsible for three main tasks: (1) setting the accounting standards for companies in the territory of France; (2) participating in process of the international accounting standard-setting and the adoption in Europe; (3) promoting research in accounting (EFRAG, 2013).

The Organismo Italiano di Contabilità (OIC) is Italian accounting standard setter that represents and voices national opinions on accounting matters (OIC, 2015). It is in charge of three core tasks: (1) issuing accounting standards for companies which align with the Civil code in Italy; (2) participating in the international accounting standard-setting process, as well as providing support to the IFRS implementation group in Italy; (3) collaborating with the Legislator in accounting matters (EFRAG, 2013).

The Financial Reporting Council (FRC) is an independent regulatory authority in the UK which promotes high quality corporate governance and reporting to encourage investment. It is accountable for setting corporate reporting, auditing and actuarial practice standards and monitoring, as well as enforcing accounting and auditing standards. Moreover, the regulatory activities of the actuarial profession and the professional accountancy bodies are also overseen by the FRC (FRC, 2015).

The Accounting Standards Committee of Germany (ASCG or DRSC) is the accounting standard setter which acts in accordance to the Commercial Code’s section 342 (1). Its responsibilities include the development of recommendations for the future standards and applications of accounting principles for consolidated financial statements, as well as the interpretation of IFRS development. The ASCG also advises the Federal Ministry of Justice regarding the planned legislation on accounting regulations. Moreover, the Federal Republic of Germany on international standard-setting authorities are also represented by the ASCG (EFRAG, 2013).

4.3. Organizational relationships among key actors

The discussion above on a few key actors suggests that international organizations, regulators and various standard setters may as well be involved in a network of companies with interlocking relationships. In order to examine whether they have access to any networks, Table 6 presents members' and observers' interaction between the IASB Monitoring Group and IFRS Advisory Council. These two particular bodies were chosen, since both of them consist of representatives from organizations that are interested in the IASB's work but they are not IASB's personnel.

Table 6. *Organizational relationships*[3]

Monitoring board	IFRS Advisory Council	US SEC	IOSCO	BCBS
Members	*Members*	*Members*	*Members*	*Members*
EC	EC*			EC
FSA Japan	FSA Japan*	FSA Japan	FSA Japan	FSA Japan
US SEC	SEC*		SEC	
IOSCO	IOSCO			
CVM Brazilian*		CVM Brazilian	CVM Brazilian	
FSC Korea*		FSC Korea	FSC Korea	FSC Korea
BCBS*	BCBS			

*Observers

4.4. Employment relationships among key actors

The relationships might be identified not only among organizations, but also between their employees. Employment relationship in the literature is identified as 'interlocking director' and is applied when the board of two organizations share the same member (Shropshire, 2010). However, due to the lack of available information, our research shows only single direction relationships where one company's board member also sits in other companies board and represent its first company. In order to investigate the employment interactions between selected key actors, we first searched for the board members, as well as the committee board members in each organization's web page and later verified which stakeholders they represent. Overall, the employment relationship is identified between 12 out of 25 key actors, due to the fact that not all companies disclose full information about their board members or information is not provided in English language. Moreover, we relied on the information which was presented in the companies' websites, although it might be not updated. Therefore,

[3] *Relationships among IASB Monitoring Group's and IFRS Advisory Council's members and observers*

Table 7 might not present full picture of employment interactions between key actors, but it still helps us to have a better understanding of possible relationships.

Table 7 shows that the organizations that are deployed in the horizontal line have in their boards the representatives or members from the companies which are identified in the vertical column. For example, the Financial Accounting Standards Foundation (FASF) of Japan has on its board the representative from Deloitte. In comparison, one of EY global executive's is also a member of the Board of Trustees of the US Financial Accounting Foundation. In brief, our exploratory research reveals that the most relationships are seen among the Big Four actors, and especially between KPMG, as their total score are the highest. However, since it was mentioned before, this research does not provide conclusive evidence about all key actors' employment relationships

Table 7. *Employment relationships among key actors*

	ORGANISATION	EFRAG	IOSCO	EY	FRC UK	KASB	ASCG	FASF	FRC Australia	US FAF	Total Score
1	EC		X								1
2	SEC (US)		X								1
3	Deloitte	X					X	X	X		4
4	EY				X		X		X	X	4
5	KPMG	X				X	X		X	X	5
6	PwC					X	X		X	X	4
7	UK Financial Reporting Council (FRC)	X									1
8	French Ministry of Finance (ANC)	X									1
9	Organismo Italiano di Contabilità (OIC)	X									1
10	Autorité des Marchés Financiers (AMF)		X								1
11	Japan Financial Services Agency		X								1
12	US Financial Accounting Foundation			X							1

Board Members

Committees' Board Members

4.5. Chapter summary

This chapter has revealed that the IASB has been subject to negative political influences from different actors across and within its organizational structure and due process. It also identified 25 key actors which have coercive, reward or expert power on the IASB decision-making process that will be further analysed in the next chapters. Specifically, a few main players, such as the EC, SEC, IOSCO and multinational accounting firms were presented thoroughly, in order to show their authority and influences on the IASB and its standard-setting process. Moreover, the organizational relationships among the IASB Monitoring Group and IFRS Advisory Council's members and observers, as well as the employment interactions between the key actors were defined. It revealed that organizations are involved in a network of companies with interlocking relationships and the most employment relationships are noticed among the Big Four actors.

5. Leases Project

This chapter closely examines the case of the leases project First, it discusses the background to the leasing standard. The chapter then explains the proposed lessee accounting model called 'Right-of-use (ROU) model' as well as other selected focus areas and examines the changes in the subsequent drafts of the IASB.

5.1. Background

To analyse constituents' influence on the leasing project, it is crucial to have an understanding of the accounting standard. This will set a background to our discussion throughout the thesis. The aim of this chapter is to provide a clear picture of our case study of the lease accounting standard. Understanding the initially proposed accounting model and subsequent changes in the lease standard will set a foundation for Chapter 6, where we discuss the constituents' comment letters and analyze the proposed changes by the IASB in the light of key actors' responses.

5.2. Historical context

The leases accounting project officially appeared on the technical agenda of the IASB in 2006, when the board along with the FASB determined to issue a new standard on the leases. However, it was not the first time that the international accounting standard-setter had decided to introduce a new lease standard. It had already been proposed previously in the 1990s by the IASB's predecessor body International Accounting Standards Committee (IASC) (Boyle, Carpenter & Mahoney, 2014). However, though major work had been done for drawing up a new standard proposal by the *G4+1* committee in 1998, the issue did not advance further and the topic thus disappeared from the standard-setting agenda (Beattie, Goodacre & Thomson, 2006).

The revived interest in the project might have stemmed from various places. However, as Boyle, Carpenter and Mahoney (2014) claim, adding the topic to the agendas by the IASB and the FASB in 2006 was a response to the report of 2005 by the US SEC which called for changes in lease standards in order to reduce off-balance sheet financing. The reasoning of the SEC was that as off-balance sheet financing had led to major high-profile financial scandals at different times, such as that of Enron, WorldCom and Adelphia and had thus raised many questions regarding the practices of financial reporting, serious changes had to be introduced (US SEC, 2005).

5.3. Lease Accounting

5.3.1. Current Model

Two parties involved in the lease transaction are the lessor and the lessee. The lessor owns the asset and conveys the right to use this asset to the lessee for an agreed period. Based on IAS 17 lessees are required to classify leases into two categories: finance and operating leases. Finance leases transfer to the lessee substantially the risks and rewards of ownership of the leased asset. All remaining leases are qualified as operating leases. Leases classified under finance leases are treated similar to the purchase of an asset, based on the accounting concept of 'substance over form' since substantial risks and rewards of ownership of the asset now rest with the lessee. Accordingly, the lessee recognises an asset a liability arising from the lease and subsequently accounts for depreciation and interest charges. In contrast, under operating leases no asset or liability is recognised by the lessee, therefore, only rentals are charged to the income statement (IAS 17).

There has been a lot of criticism over the current accounting standard on leases. Firstly, it is important to consider the off-balance sheet financing related to operating leases. The assets or liabilities are not recognised on the balance sheet of the lessee, which gives rise to unrecognized finance. Off-balance sheet financing comes into conflict with the Conceptual Framework, which states that the financial statement must faithfully and completely represent all an individual's liabilities (Clendon, 2015).

By off-balance sheet method, preparers can influence two important financial ratios, such as return on capital employed (ROCE) and gearing. In businesses having operating leases, ROCE is shown to be higher, and gearing, a financial risk indicator, is shown to be lower. As a result, financial performance based on ROCE is seen as efficient, while the risks are deliberately hidden from users. Businesses have also practised selling their buildings and leasing them back to influence these indicators (Scott, 2006). Off-balance sheet financing can impact the decision-making process of users of financial statements, such as lenders (Hartman and Sami, 1989). The study of Hartman and Sami (1989) shows that the lenders would charge a lower interest rate to businesses that had operating leases rather than businesses having finance leases.

Lately, the criticism has been regarded that the nature of transactions in both leases is similar, and that they should not be accounted for differently. The existing accounting model for lessees fails to meet the needs of users, due to the fact that it fails to represent faithfully leasing transactions (FASB; 2015).

5.3.2. Proposed ROU model

Discussion Paper about a new approach to lease accounting was issued by IASB and FASB in March 2009, which introduces radically different views on lease accounting. According to the mutual definitions of IASB and FASB based on the Conceptual Framework, assets are created from *past events*, can be *controlled* by the entity and are expected to bring *future economic benefits*. According to the DP the leased item represents an economic resource of the lessee as it can be used to generate cash inflows. Moreover, the Boards concluded that the lessees obtain the right to use particular assets from lease agreements (past events), can control these assets during the contract period (control) and leased assets will potentially give rise to future economic benefits for the entities (future economic benefits). Therefore, the right to use a leased item for the lease term has been concluded to meet the definition of an asset in the CF and the Boards decided to introduce a category of right-of-use assets (IASB & FASB; 2009).

On the other hand, the lease agreements also create obligation to pay rentals. According to the DP, a liability is a *present obligation* that arises from *past events*, related to expected *outflows of economic benefits* from the business. The Boards decided that the lease obligation to pay rentals meets the definition of a liability. Therefore, for all leases, the lessee will have to recognise an asset that represents the right to use the leased item for the lease term (the 'right-of-use' asset) and a liability for its obligation to pay rentals upon inception of the lease (IASB & FASB; 2009). To reach the conclusion the Boards also discussed other approaches to lease accounting such as 'the whole asset approach' and 'the executory contract approach', however, dismissed them as not able to solve the problems associated with the existing standard.

It is important to point out, that the new approach abolishes differentiation for leases. All the leases will be accounted for similarly. According to the DP, the new lease accounting will eliminate off-balance sheet presentation and reduce structuring opportunities of leases by preparers. Comparability of financial statements is argued to be increased as a result of these steps (IASB & FASB, 2009). The ED maintained the ROU model that all leases should be treated similarly (IASB & FASB, 2010). The Re-ED did not introduce any changes to the model itself and no tentative decisions indicating such a shift has been identified in the post-Re-ED stage (IASB & FASB, 2013; IASB & FASB, 2015).

5.3.3. Key Issues

Based on the inductive approach explained in Chapter 3, we distinguished four focus areas out of all key issues that could be identified in the standard: ROU model; Lease term, Short-term leases and Dual Accounting, the remaining three of which will be discussed next. The information regarding changes in all identified key issues in the standard is summarized in Appendix C.

- **Lease Term**

"The *lease term* is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option" (IAS 17, p.7). Hence, IAS 17 defines the lease term as the non-cancellable contract period considering any further renewal terms when they are reasonably certain to be exercised. The DP instead proposes a different approach to recognize assets and liabilities ***over the most likely lease term***, including all renewal options.

Example: The Boards give an example that for instance in a 10-year lease including a renewal option of additional five years; the lessee must decide whether the most likely lease term is 10 or 15 years (IASB & FASB, 2009).

Under the new model, the lessees should recognize the right-of-use asset for the lease term. Therefore, the longer the lease term is, more amount is recognized on the balance sheet of the lessee under assets and liabilities. Therefore, this increases preparers' leverage ratios, decreasing their appeal to potential investors. Thus, it is natural that preparers would be dissatisfied with any suggested model that would make their liabilities seem larger.

In the ED, the Boards proposed the lease term to be the ***longest possible term that is more likely than not*** to occur taking into account effects of renewal options.

Example: The entity may have a lease that has a non-cancellable 10-year term, an option to renew for five years at the end of 10 years and another option to renew for five years at the end of 15 years. The probability of each term is the following: (a) 40% probability of 10-year term; (b) 30% probability of 15-year term; (c) 30% probability of 15-year term. There is a 60% chance that the term will be 15 years or longer, where there is only 30% chance that the term will be 20 years or longer, therefore, according to the new proposal the term of at least 15 years is the longest term more likely than not to occur. The lease term is hence determined to be 15 years (IASB & FASB, 2010).

According to the Re-ED, the lease term is given a new definition. The lease term is a non-cancellable period of the lease together with periods covering any options to extend or terminate the lease, provided that the lessee has ***a significant economic incentive*** to exercise such options. For instance, if the lessee pays for leasehold improvements that are expected to have the significant value even after the contractual period, then it can be concluded that the lessee would have a significant economic incentive to exercise an option (IASB & FASB, 2013).

Based on the redeliberations by the Boards post-Re-ED stage, when determining the lease term the lessees should consider all relevant factors that create economic incentives to exercise renewal options, and should include such options in the lease term only if it is ***reasonably certain*** that the lessee will exercise the option. The words 'reasonably certain' emphasize that a high threshold will establish the lease term (IASB & FASB, 2015). Therefore, the Re-ED proposal is further detailed here, emphasizing the addition of the phrase 'reasonably certain', maintaining that the options should give rise to economic incentives to be considered for inclusion in the lease term, but there is no more emphasis on the term *significant*. Therefore, the suggestions made for the lease term is similar to the current definition of the lease term in IAS 17.

As a result, from the stage of the DP to the expected standard it can be seen that the requirements for the lease term relatively softened. For renewal options to be considered in the lease term, the lessees now need to examine their economic incentives that are reasonably certain to be exercised, which significantly would limit the renewal options included in the lease term and would represent a relief for preparers.

The development of the standard regarding the lease term is demonstrated in Table 8, which also shows changes in other focus areas.

- **Short-term Leases**

The definitions of short-term leases did not appear in IAS 17, as there was already a distinction between finance and operating leases. Therefore, any short-term lease would fall under operating leases.

In the DP the Boards were undecided whether to allow for any scope exclusions for certain short-term assets. They were concerned that such exclusions could introduce more complexity to preparers and users, however, noted that short-term leases could be immaterial to the lessee. In particular, costs associated with recognition and measurement of such leases (short-term leases commonly defined as leases less than one year) could outweigh the benefits. However, short-term leases could still give rise to material assets and liabilities; also, such scope exclusion could potentially lead to structuring possibilities and reduce comparability in turn (IASB & FASB, 2009).

The ED defines short-term leases as leases for which the maximum possible lease term, including options to renew or extend, is twelve months or less. The ED clarifies the Boards' decisions that all short-term leases should be included within the scope, although presents the special treatment that can be applied to short-term leases: the lessee can recognise undiscounted payments on the balance sheet rather than applying the regular ROU model where present values of future lease payments are recognised on the balance sheet (IASB & FASB, 2010). The proposal in the ED would affect the financial position of lessees since they would have to recognize more assets and liabilities on the balance sheet and therefore, it can be regarded as a significant issue for preparers.

The Re-ED proposes a contrasting approach to the ED, providing a choice for the lessees to either recognise short-term leases according to the ROU model or to recognise lease payments in profit or loss without recognising assets and liabilities (IASB & FASB, 2013). Therefore, in essence lessees can choose to apply the same treatment to short-term leases as currently for operating leases. The Expected Standard based on the Boards' redeliberations maintains the exemption for short-term leases, however, the Boards state that the definition of short-term leases will be brought in line with the definition of the lease term (IASB & FASB, 2015).

Overall, the Boards have changed their decision from inclusion of the short-term leases within the scope towards the exemption, which represents a move in favour of preparers, as they will have to recognize less assets and liabilities on their balance (Table 8).

- **Dual Accounting Model**

The dual accounting approach only appeared on the Boards' agenda during the Re-ED stage, which sets the criteria for classifying leases into two types: Type A and Type B leases. According to the Re-ED, the classification is based on the nature of the assets. In particular, property would fall under Type B leases and any assets other than property would represent Type A leases. Property would be defined as land or a building, or part of a building or both, however, there were two additional criteria where a ROU asset could be classified as Type A lease even if it was property: (1) when the lease term represented the major part of the asset's remaining economic life, or (2) when the present value of the lease payments accounted for substantially all of the fair value of the leased asset at the lease inception. The treatment of both Type A and B leases would be similar on the balance sheet, and only the income statement would be affected as a result of this classification. For all leases ROU assets and corresponding liabilities would be recognized and initially measured at the present value of lease payments. As for subsequent measurement, for Type A leases it was proposed to recognize interest on the lease liability separately from the amortization of the ROU asset reflecting the pattern in which the lessee would expect to consume the ROU asset's future economic benefits, whereas for Type B leases it was proposed to recognize the total lease cost on a straight-line basis over the lease term as a single item including both the unwinding of the discount on the liability (i.e. interest) and the amortisation of the right-of-use asset (IASB & FASB, 2013). As the Type B leases were proposed to account for on a straight-line basis, for Type A leases costs would be recognized in a different manner, the unwinding of the discount in the beginning of the lease could result in higher costs than in later periods of the lease. Therefore, this approach could created differences in the financial performance of entities having Type A and Type B leases.

Based on the redeliberations in 2014, the IASB decided on a single approach for lessee accounting, under which a lessee would account for all leases as Type A leases, hence, would recognize interest on the lease liability separately from the amortization of the ROU asset. In contrast, FASB maintained the dual approach classifying most current finance/capital leases as Type A leases and remaining operating leases as Type B leases (IASB & FASB, 2015).

5.4. Chapter Summary

This chapter discussed the leasing project, particularly focusing on the key issues in the proposed standard. It showed how the SEC could have contributed to the revival of interest in the leasing standard. This was followed by the discussion on the existing leasing standard, where the major criticisms were distinguished to be off-balance sheet financing and deliberate structuring of leases as operating leases to impact key ratios such as ROCE and gearing and affect the views of financial statement users. The chapter also outlined that the major change proposed by the IASB is the ROU model which requires all leases to be capitalised on the balance sheet. Other key issues in the standard on the lease term, short-term leases and dual accounting model were also examined, following the changes in the IASB's decisions on them along the standard-setting process. It was also emphasized that these proposals can determine the size of liabilities as well as the magnitude of costs recognized by the lessees and can therefore substantially affect preparers' financial position and performance. Key actors' positions regarding these issues will be explored in Chapter 6.

Table 8. *Changes in Focus Areas – from DP to Expected Standard*

No.	FOCUS AREAS	IAS 17	DP	ED	Re-ED	Exp. Standard	CONSEQUENCES
ROU	**Lessee Accounting Model: Right-of-Use Model**	Finance and operating leases	all capitalised	all capitalised	all capitalised	all capitalised	No change
1	**Standard Scope: Short-term Leases *(leases with a maximum possible contractual lease term, including any options to extend, of 12 months or less)***	not specified	undecided	inclusion (simplified: not discounting)	voluntary capitalization (e.g. choice between capitalization and recording as expenditure is possible)	voluntary capitalization (e.g. choice between capitalization and recording as expenditure is possible)	Proposed capitalization for short-term leases first but later allowed voluntary capitalization
2	**Lease Term**	Recognition over non-cancellable term; examining bargain purchases	Recognition over most likely term: Inclusion of renewal options	Recognition over most likely term: Inclusion of renewal options	Recognition over non-cancellable period of the lease; Inclusion of renewal options (if significant econ. incentive)	Recognition over a high threshold if significant econ. Incentive is expected to be realized, (if reasonably certain that it will exercise option)	Started from inclusion of all renewal options of the most likely term but later added the words 'significant economic incentives' further amending it to the phrase 'reasonably certain to exercise'
3	**Dual Accounting Model *(treatment of leases in income statement)***	N/A	none	none	Type A leases: interest and amortisation separately (e.g. finance) Type B: single lease cost incl. both interest cost and amortisation (e.g. operating)	All Type A: recognize amortisation of the ROU asset separately from interest on the lease liability	Introduced dual model on Re-ED level but then switched to single model while FASB maintained dual accounting model

6. Comment Letters

Chapter 5 has reviewed the major changes in focus areas of the leasing standard from the stage of the DP up till the Expected Standard. Chapter 4 has introduced the key actors in the IASB standard-setting process. This chapter examines the comment letters from the key actors on the focus areas to identify whether they have influenced the changes in the standard.

6.1. Background

The identified actors include 18 out of 25 key actors, due to the fact that only they submitted comment letter to the Boards.

Table 9. *Key actors*

	INSTITUTION	TYPE	CLs	No.	DP	ED	Re-ED
1	EFRAG	Regulator	Yes	3	Yes	Yes	Yes
2	IOSCO	Regulator	Yes	3	Yes	Yes	Yes
3	US SEC	Regulator	No	0	No	No	No
4	Deloitte	Accounting Firm	Yes	3	Yes	Yes	Yes
5	EY	Accounting Firm	Yes	3	Yes	Yes	Yes
6	KPMG	Accounting Firm	Yes	3	Yes	Yes	Yes
7	PwC	Accounting Firm	Yes	3	Yes	Yes	Yes
8	UK FRC	Standard-setter	Yes	5	Yes	Yes	Yes
9	French ANC	Standard-setter	Yes	3	No	Yes	Yes
10	Italian OIC	Standard-setter	Yes	3	Yes	Yes	Yes
11	German DRSC	Standard-setter	Yes	3	Yes	Yes	Yes
12	Japanese ASBJ	Standard-setter	Yes	3	Yes	Yes	Yes
13	Australia AASB	Standard-setter	Yes	3	Yes	Yes	Yes
14	CPA of Canada	Profession	No	0	No	No	No
15	CFA Institute	Profession	Yes	3	Yes	Yes	Yes
16	AngloGold Ashanti	Preparer	No	0	No	No	No
17	French AMF	Regulator	No	0	No	No	No
18	Basel Committee	Regulator	Yes	1	No	Yes	No
19	FEI	Profession	Yes	8	Yes	Yes	Yes
20	Grant Thornton	Accounting Firm	Yes	3	Yes	Yes	Yes
21	Japanese FSA	Regulator	No	0	No	No	No
22	Korean KASB	Standard-setter	Yes	3	Yes	Yes	Yes

23	Nippon Keidanren	Industry Organization	Yes	1	No	Yes	No
24	US FAF	Standard-setter	No	0	No	No	No
25	Russian MinFin	Standard-setter	No	0	No	No	No
		Total number of comment letters:		**57**			

Source: *The comment letters have been retrieved for the DP, ED, Re-ED stages from the corresponding websites of IASB & FASB (2009a), IASB & FASB (2010a) and IASB & FASB (2013a).*

6.2. Focus Areas

6.2.1. ROU Model

Upon the issuance of the DP, the Boards invited comments on the specific topic of ROU to hear respondents' views regarding the recognition of a right-of-use asset and a corresponding liability. Table 10 shows the answers from key actors: most respondents support the suggested approach, though some of them have reservations and therefore only partly support the ROU model. For instance, EFRAG suggested that considering lessor accounting could have affected the Boards' views on the lessee accounting, therefore, they preferred to be aware of full implications of the new accounting model. ASBJ had reservations whether the approach was in line with the revenue recognition standard and AASB was concerned that the impact on income statement had not been fully discussed by the Boards. Apart from these concerns, many respondents emphasized the need to include lessor accounting in the standard as well as consider lease/service differentiation in a more detailed way. However, these views only affected the participants' overall stance towards the whole standard and not the ROU model specifically. ANC was strongly opposed the concept, since they expected the standard to make a distinction between leases that correspond to in-substance purchases of assets and leases that correspond to the acquisition of a right of use. KPMG was undecided, as they did not believe the DP had articulated it clearly how the ROU model was superior to other models and how it would be applicable to more complex leases.

Table 10. *ROU Model – DP*

Do you agree that a lessee should recognise a right-of-use asset and a liability to make lease payments?			
	Yes	**No**	**Undecided**
Regulator	EFRAG (partly), IOSCO		
Accounting Firm	Deloitte, EY, PwC, Grant Thornton		KPMG
Standard-setter	FRC, OIC, DRSC, KASB, ASBJ (partly), AASB (partly)	ANC	
Profession	CFA Institute, FEI		

The ED repeated the question regarding the ROU model to which the answers remained broadly similar to those during the DP stage. EFRAG now decided to fully support the proposal, while IOSCO had no concerns even after the DP. Deloitte and PwC remained supportive of the ROU model, to which KPMG joined while EY reconsidered its position and demonstrated only partial agreement with the ROU model. FRC remained fully supportive of the concept further justifying its position with arguments for the ROU model. Other European standard-setters demonstrated partial approval of the new approach, while ANC remained radically opposing to it, claiming that it lacks the robust conceptual basis. Out of all respondents only KASB and Nippon Keidanren showed concern that the Draft Standard was highly focused on financial statement users and did little to incorporate the interests of other parties such as preparers whether lessees or lessors. Those actors that partially supported the model maintained that significant improvements had to be made to the standard, such as clarifying distinction between service and lease so that the approach could appropriately reflect the economics of transactions and assessing whether benefits from change would outweigh the costs of implementing the standard. Overall, the actors supported the ROU model and their major concerns regarded other specific standard issues and not the model itself.

The Re-ED did not pose a similar question regarding the ROU model anymore; therefore, only two stages are considered here for exploring the respondents' attitudes.

Table 11. *ROU Model – ED*

Do you agree that a lessee should recognise a right-of-use asset and a liability to make lease payments?			
	Fully supports	**Partly supports**	**Does not support**
Regulator	EFRAG, IOSCO		
Accounting Firm	Deloitte, KPMG, PwC	EY, Grant Thornton	
Standard-setter	FRC, ASBJ	OIC, DRSC, AASB, KASB	ANC
Profession	CFA Institute, FEI		
Industry Organization			Nippon Keidanren

6.2.2. Lease Term

The DP suggested that the recognition of assets and liabilities should happen over the most likely lease term. Following the DP, comment letters were received to the following question: *"Do you support the proposed approach? If you disagree with the proposed approach, please describe what alternative approach you would support and why" (IASB & FASB, 2009, p. 69)*.

The period following the DP was characterised by diverse and conflicting opinions regarding the topic. Many respondents did not agree with the proposed approach and instead suggested alternative approaches.

Table 12. *Lease term – DP*

Should the assets and liabilities be recognised over the most likely lease term?				
	Yes		**No**	
	Fully	**Partly**	**Fully**	**Partly**
Regulator		EFRAG, IOSCO		EFRAG, IOSCO
Accounting Firm		EY	Deloitte, KPMG, PwC, Grant Thornton	EY
Standard-setter	AASB	KASB	FRC, ANC, OIC, DRSC, ASBJ	KASB
Profession		CFA Institute	FEI	CFA Institute

On the other hand, some constituents partly agreed with the DP but still proposed new suggestions for the lease term definition. This is illustrated in Table 13:

Table 13. *Lease term – DP: Alternatives*

ALTERNATIVES	RESPONDENTS
Supports the DP approach: Over most likely term	EFRAG (P[4]); IOSCO (P); EY; AASB; CFA Institute (P); KASB (P)
Disagrees with the DP approach: Over most likely term	KPMG, PwC, Deloitte, FRC, ANC, OIC, DRSC, ASBJ, FEI, Grant Thornton
More Likely than Not (incorporated in the ED)	Deloitte, FRC
Components approach	EFRAG (P), DRSC, CFA Institute, ANC
Probability-weighted approach	IOSCO (P), Grant Thornton
Best-estimate approach	IOSCO (P), PwC
Reasonably Certain	EY (P), KPMG, FEI
Virtually certain	ASBJ
Qualitative assessment	KASB (P)
Options only in disclosures	OIC

EFRAG, DRSC, ANC and CFA Institute proposed components approach which considers recognition and measurement of lease options separately from the ROU asset. However, this approach has not been considered by the IASB at any stage, since its view was to assess optional periods at the recognition stage of the asset. Others agreed that options should be recognised together with the ROU asset. Interestingly, rather radical view was held by OIC that argued that options should only be included in the disclosures as they do not satisfy the definition of the liability based on the Conceptual Framework of the IASB, as there is no obligation created at the lease inception date. The similar opinion was held by DRSC who also claimed that there is no present obligation based on the past event and that it could only be acceptable in rare circumstances, such as when lessees have no alternative economically other than exercising the option. ANC has a similar view to other European standard-setters – OIC and DRSC. However, the IASB never considered in its standard drafts to completely exclude lease options from the lease term determination. No view dominated in the post-DP stage, however, most users that were against the proposed approach in the DP, argued that 'the most likely' basis would introduce more volatility in the financial statements of companies, therefore, reducing comparability, as well as negatively

[4] *P (Partly) – indicates partial support for the proposal and is essentially used when respondents support more than one proposal.*

affecting decision-usefulness and relevance. Importantly, 'more likely than not' definition for the lease term was suggested by Deloitte and FRC which subsequently became incorporated in the ED. Both Deloitte and FRC present illustrative examples of two different lease term models ('most likely' and 'more likely than not'). Deloitte provides an example based on a 10-year lease with 5-year renewal option and demonstrates how using the most likely lease term approach the lease could be structured in a way that would make the lease term appear less than it actually was and also shows how 'more likely than not' approach would solve this problem. FRC also illustrates how the 'most likely lease term' model fails in certain cases and 'more likely than not' approach seems superior. Apart from Deloitte and FRC, only ASBJ is seen to present an illustrative example.

In the ED, the Boards proposed the 'more likely than not' lease term model. As seen from Table 14, most respondents were against the proposal of 'more likely than not' lease term, with IOSCO and FEI only partly supporting the concept.

Table 14. *Lease term – ED*

Should the assets and liabilities be recognised over the 'more likely than not' lease term?		
	Yes	**No**
Regulator	IOSCO (partly)	EFRAG
Accounting Firm		Deloitte, EY, KPMG, PwC, Grant Thornton
Standard-setter		FRC, ANC, OIC, ASBJ, KASB
Profession	FEI (partly)	CFA Institute, FEI (partly)
Industry Organization		Nippon Keidanren

Participants suggested different approaches and in contrast to the DP stage, more respondents had similar views regarding the lease term: they perceived that the lease term had to be based on the threshold of 'reasonably certain', i.e. options should only be incorporated in the ROU asset, when their exercise is reasonably certain at the lease inception date. Less popular alternatives were components approach, probability-weighted approach and approaches based on 'most likely', highly likely or 'virtually certain' lease terms. Excluding options from the ROU asset and basing the lease term on the contractual term was also suggested by OIC and Nippon Keidanren. The arguments against the approach 'the longest possible term more likely than not' were the following:

- Under this approach options that do not meet the definition of the liabilities would be capitalised;
- The use of this low threshold could overstate the liabilities;
- It would not provide relevant information for the users of financial statements.

On the other hand, most respondents still supported inclusion of lease options in the ROU asset, since it would reduce structuring opportunities; however, they also advocated the approach where options are reasonably certain / assured to be exercised. Among them EY explained that when lessees have significant economic incentives to exercise the option, options can seen as 'reasonably certain' to be exercised.

Table 15. *Lease term – ED: Alternatives*

ALTERNATIVES	RESPONDENTS
Supports the ED approach: More Likely than Not	IOSCO (P), FEI (P)
Disagrees with ED approach: More Likely than Not	EFRAG, Deloitte, EY, KPMG, PwC, FRC, ANC, OIC, ASBJ, CFA Institute, FEI (P), Grant Thornton, KASB, Nippon Keidanren
Significant Economic Incentive (incorporated in the Re-ED)	EY (P)
Components approach	ANC
Probability-weighted approach	CFA Institute
'Most likely' approach	KASB
Reasonably Certain	EFRAG, EY, KPMG, FRC, ASBJ, FEI (P), Grant Thornton
Virtually certain	Deloitte, PwC
Highly likely	IOSCO (P)
Contractual lease term only, options not on balance	OIC, Nippon Keidanren

After the ED, the IASB abandoned the definition of 'more likely than not' and refined the standard to determine the lease term based on the significant economic incentive, which it claimed to be similar to the concept of 'reasonably certain' existing in the current IAS 17, which apparently most respondents were suggesting. However, as seen from Table 16, most respondents were still against the proposed definition of the lease term, claiming that introduction of the new term 'significant economic incentive' could pose new complexities for preparers, as it was not clear whether this new threshold was equal, higher or lower than the existing threshold of 'reasonably certain'.

Table 16. *Lease term – Re-ED*

Should the lease term be determined according to the significant economic incentive of lessees?		
	Yes	**No**
Regulator	IOSCO	EFRAG
Accounting Firm	EY	Deloitte, KPMG, PwC
Standard-setter	DRSC, ASBJ (partly), AASB, KASB	FRC, ANC, OIC, ASBJ (partly)
Profession	CFA Institute (partly)	FEI, CFA Institute (partly)

Instead, respondents' opinions were even more in line with one another compared to the ED stage and now there were only two new approaches suggested. While components approach was only recommended by one constituent (OIC), the approach based on current IAS 17 standard which proposes to determine the lease term based on the threshold of 'reasonably certain' was largely supported by different types of constituents, such as EFRAG (Regulator), three Big 4 firms, two European standard-setters, etc.

Table 17. *Lease term – Re-ED: Alternatives*

ALTERNATIVES	RESPONDENTS
Supports the Re-ED approach based on: Significant Economic Incentive	IOSCO, EY, DRSC, ASBJ (P), AASB, CFA Institute (P), KASB
Disagrees with Re-ED approach based on: Significant Economic Incentive	EFRAG, Deloitte, KPMG, PwC, FRC, ANC, OIC, FEI
Reasonably Certain (expected to be incorporated in the Standard)	EFRAG, Deloitte, KPMG, PwC, FRC, ANC, ASBJ, FEI
Components approach	OIC, CFA Institute (P)

After the Re-ED, the Boards have tentatively decided to base the determination of the lease term on the threshold of 'reasonably certain / assured', in line with most key actors' views.

6.2.3. Short-term leases

As noted in Chapter 5, the Boards were undecided whether to include the short-term leases within the scope. Therefore, they invited comments regarding this issue. The question was the following: *"Should the proposed new standard exclude short-term leases? Please explain why?"* (IASB & FASB, 2009, p.22).

Table 18. *Short-term leases – DP*

Should the proposed new standard exclude short-term leases?		
	Yes	**No**
Regulator	EFRAG (partly)	EFRAG (partly), IOSCO
Accounting Firm		Deloitte, EY, KPMG, PwC, Grant Thornton
Standard-setter	ASBJ, KASB	FRC, ANC, OIC, DRSC, AASB
Profession	FEI	CFA Institute

As seen from Table 18, most actors were against excluding short-term leases from the scope. Most actors gave the following reasons for not justifying exclusion:

- Whether short-term or long-term, the right-of-use asset is created, therefore, there is no conceptual basis for such a distinction;
- The distinction would be arbitrary and could provide for structuring possibilities and misuse;
- It would introduce a rules-based guidance;

Actors suggested that lessees should be able to assess materiality of assets themselves and apply general materiality principle as included in the Conceptual Framework. Only a few actors thought short-term leases should be excluded, among which EFRAG held an undecided position, as it had opinions both for and against the proposal. These actors all considered cost/benefit implications, that costs of recognizing such short-term leases could outweigh the benefits and therefore, it would be favourable to have an exception to lessen the burden on preparers. However, in the subsequent ED, the Boards proposed inclusion of short-term leases within the scope. They asked constituents whether they agreed with the capitalisation of short-term leases.

Table 19. *Short-term leases – ED*

Should the short-term leases be capitalised?		
	Yes	**No**
Regulator	EFRAG, Basel	IOSCO
Accounting Firm	Deloitte, EY, KPMG, PwC	Grant Thornton
Standard-setter	FRC, ANC, OIC, ASBJ, KASB	
Profession	FEI	CFA Institute
Industry Organization	Nippon Keidanren	

As seen from Table 19, most actors were against capitalisation of short-term leases. The actors were concerned that the standard did not provide enough relief for lessees; therefore they argued that costs of recognising and measuring short-term leases would not exceed benefits. FEI, one of the actors, also added that it would represent a burden especially for small companies which rely on short-term leases to a greater degree than larger ones. Most actors thought that the treatment currently available for operating leases would be relevant for short-term leases. However, there were still actors supporting capitalisation of leases. For instance, CFA Institute argued that such a treatment would avoid structuring possibilities.

On the Re-ED stage as seen in Chapter 5 the Boards proposed a relief for short-term leases. They did not ask a specific question regarding short-term leases in the draft, however, some constituents still identified this as an important issue.

Table 20. *Short-term leases – Re-ED*

Explicit support for the exclusion of short-term leases		
	Yes	**No**
Regulator	EFRAG	
Accounting Firm	KPMG	
Standard-setter	FRC, ANC, DRSC, ASBJ	AASB

While several actors demonstrated support for the proposal on short-term leases, they also identified concerns. FRC, ANC, DRSC, ASBJ and EFRAG all commented that the short-term lease definition had to become in line with the lease term definition. They argued that some non-short-term leases where actors do not have significant economic incentives to undertake an option would essentially have a lease term similar to short-term leases. Therefore, they supported eradication of conceptual differences between these two terms.

6.2.4. Dual Accounting Approach

Chapter 5 discussed how the Boards introduced a new classification model of leases on the Re-ED stage. Comment letters received to Re-ED from key actors all emphasized the significance of the topic and urged the Boards to reconsider the decisions, since most of the constituents did not support the dual accounting model, while some only supported partly (Table 21).

Table 21. *Dual Accounting Model – Re-ED*

Do you agree that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying asset should be applied which differ depending on whether the underlying asset is property?			
	Fully supports	**Partly supports**	**Does not support**
Regulator		IOSCO	EFRAG
Accounting Firm		Grant Thornton	Deloitte, EY, KPMG, PwC
Standard-setter		AASB, KASB	FRC, ANC, OIC, DRSC, ASBJ
Profession			CFA Institute, FEI

Almost all respondents thought that basing the classification on the nature of the underlying asset would result in economically similar transactions treated differently. IOSCO, KPMG, OIC and DRSC claimed that such a classification could provide for structuring opportunities and the 'bright line' criticized in the existing IAS 17 standard could appear in the new standard in the new manner, though affecting income statement only. EFRAG, KPMG, FRC, OIC and DRSC argued that dual approach could increase complexity for preparers, since there was significant judgement involved in classifying leases as Type A or B. EFRAG, KPMG and FRC emphasized that it could even affect understandability among users. Overall, it can be concluded actors had various concerns with the dual accounting model and there were two distinguishable positions: some supported the dual approach but with significant modifications while others argued that a single accounting model had to be adopted (Table 22).

Table 22. *Dual Accounting Model – Re-ED: Alternatives*

ALTERNATIVES	RESPONDENTS
Supports dual accounting model but only conditional upon changes	IOSCO (P); Deloitte (P); EY (P); PwC; ANC; DRSC (P); ASBJ; AASB; FEI; Grant Thornton; KASB
Supports single accounting model (expected to be incorporated in the Standard)	EFRAG, IOSCO (P), Deloitte, KPMG; FRC; DRSC; CFA Institute
Does not have a particular preference	OIC

As seen from the redeliberations by the IASB, the single accounting model has been preferred to be followed.

6.3. Chapter Summary

This chapter demonstrated positions of key actors regarding the major issues in the standard on all three stages of the due process of the IASB. It showed that some constituents supported whereas others opposed policies regarding the ROU model, lease term, short-term leases and dual accounting model. The chapter also distinguished proposals suggested by the key actors for the focus areas of the standard and wherever applicable, identified major arguments used by respondents to support their positions. These findings are analysed subsequently in Chapter 7 using our theoretical framework.

7. Discussion

Chapter 4 identified the key actors based on the power sources model which was followed by the introduction of key issues in the leasing standard in Chapter 5. Chapter 6 presented key actors' opinions regarding the selected sections of the leases project. The following chapter analyzes findings in Chapters 5 and 6 using the one-dimensional model of power, as a result of which successful and unsuccessful actors are identified and afterwards, links are sought to the power sources the actors hold applying the regulatory space concept. The results are further analysed with the broad lens of regulatory space incorporating the tool of regulatory conversations to discuss the regulatory arena of the leasing standard-setting.

7.1. Influences

The identified actors include 18 out of 25 key actors, due to the fact that only they submitted comment letter to the Boards. Table 9 in Chapter 6 presented all actors that participated in the comment letter stages of the IASB. Among those that did not participate are SEC, CPA Canada, AMF, Japan Financial Services Agency, Financial Accounting Foundation (US), and others. While they do not have an explicit influence demonstrated in comment letters, it is hard to say that for instance SEC does not influence the standard-setting process of the IASB, since it holds significant coercive power over the IASB. Therefore, we will only consider those actors' influences that did participate in the due process of the IASB. Firstly, the influences will be analysed case by case for ROU model, Lease term, Short-term leases and Dual accounting model. Later, the influences will be aggregated and an overall picture will be illustrated.

7.1.1. ROU Model

First of all, it is important to identify the actors who have had most influences on the overall ROU model. As Table 23 demonstrates the following organizations have shown full support to the ROU model, i.e. capitalization of all leases on the balance sheet: IOSCO, Deloitte, PwC, FRC, CFA Institute and FEI. Out of them Deloitte, PwC and FRC have both reward and expert powers, whereas CFA Institute and FEI hold expert powers only. IOSCO holds both coercive and expert powers. Therefore, one characteristic among those actors fully supporting the ROU model is the expert power held. Having employee ties with IASB or its affiliated committees could be seen as a good ground for advocating desired policies without it being visible to the public. EFRAG being a representative of EU which along with IOSCO holds coercive power can be seen quite influential, as without their support the model may not have progressed successfully. It can be seen that most other actors have also supported the model at least during one stage. As a result, it can be claimed that key actors have influenced the direction of the ROU model and have given the 'green light' for the IASB to go forward with the project. Only ANC and Nippon Keidanren were strongly opposed to the model because of which according to the model of influences these actors can be seen as defeated or unsuccessful.

According to the regulatory space metaphor ANC and Nippon Keidanren can be seen as excluded from regulatory space, whereas majority of actors are included in the regulatory space (specifically actors having points 1 and above). No specific actor dominates the space for the ROU model. Moreover, it can be said that regulatory conversations from Nippon Keidanren and KASB that the model was too focused on the financial statement users did not get listened to by the IASB since the model did not change. Regulatory conversation from ANC that the model should have been classified based on the financial and operating leases also did not appear influential.

Table 23. *Influences on proposals of ROU Model*

	INSTITUTION	TYPE	DP: Score	ED: Score	TOTAL
1	EFRAG	Regulator	0.5	1	**1.5**
2	**IOSCO**	Regulator	1	1	**2**
3	**Deloitte**	Accounting Firm	1	1	**2**
4	EY	Accounting Firm	1	0.5	**1.5**
5	KPMG	Accounting Firm	0	1	**1**
6	**PwC**	Accounting Firm	1	1	**2**
7	**UK FRC**	Standard-setter	1	1	**2**
8	French ANC	Standard-setter	0	0	**0**
9	Italian OIC	Standard-setter	1	0.5	**1.5**
10	German DRSC	Standard-setter	1	0.5	**1.5**
11	Japanese ASBJ	Standard-setter	0.5	1	**1.5**
12	Australian AASB	Standard-setter	0.5	0.5	**1**
13	**CFA Institute**	Profession	1	1	**2**
14	Basel	Regulator	0	1	**1**
15	**FEI**	Profession	1	1	**2**
16	Grant Thornton	Accounting Firm	1	0.5	**1.5**
17	Korean KASB	Standard-setter	1	0.5	**1.5**
18	Nippon Keidanren	Industry Organization	0	0	**0**

7.1.2. Lease Term

To analyse the influential actors in the issue of lease term, Table 24 provides a useful starting point. The actors that at a single point were successful to influence the standard's outcome were the ones with score of 2 at a single stage: EFRAG, Deloitte, EY, KPMG, PwC, FRC, ANC and FEI. Hence, EFRAG has significant powers, as well as Big Four, European standard-setters (FRC, ANC) and FEI as a representative of financial profession to give direction to the IASB's work. Among them Deloitte and FRC have twice been successful enough to have their proposals incorporated in the subsequent draft standards. Both Deloitte and FRC hold reward and expert power, which highlights their significance to the IASB. As French and Raven (1959) claim, the larger the basis of power is, the greater the power. Similarly, it could also be argued that having more than one basis power means holding greater power. Also, at the DP stage Deloitte and FRC bring illustrative examples regarding the failures of the IASB's proposal and demonstrate how 'more likely than not' is superior to the 'most likely lease term'. It could be suggested that not only the power sources of these actors are important but the arguments used to justify their positions and whether they are persuasive enough for the standard-setter. However, no such evidence is seen later for other successes. As seen in Chapter 6, comment letters to the DP reveal a great diversity of opinions. The components approach was the proposal that had been supported by the largest number of key actors. However, it may not have been successful since it was clearly against the interests of the IASB, which had indicated its preference for the options to be included in the ROU asset. Apart from components approach, no clear leading proposal could be seen. However, later during the standard-setting process, the actors' views became more aligned with one another, which can explain greater degree of influence exercised by the majority of actors. Since most respondents supported the lease term to be based on 'reasonably certain', the IASB went on compromise and stated that lease term would be based on 'significant economic incentive' which it claimed to be in essence very similar to 'reasonably certain' approach. Also, EY had shown support for 'reasonably certain' concept while explaining it with the term 'significant economic incentive'. However, this decision met with criticism on the Re-ED stage again and even though the views of key actors were split between supporting the IASB's suggested approach and 'reasonably certain' basis, the latter got incorporated in the standard. It can be said that EFRAG, Deloitte, KPMG, PwC, FRC, ANC, ASBJ and FEI were successful at the Re-ED stage and IOSCO, EY, DRSC, AASB, CFA Institute and KASB were not. While the successes at previous stages are important, it is evident that the success on the Re-ED stage is the most crucial, as it determines how the standard is eventually shaped. Interestingly, three out of Big Four audit firms were against the Re-ED proposal and supported the 'reasonably certain' concept. This could have been seen as one of the major influences as Big audit firms are closest to preparers, since they know how different accounting terms can represent a burden to companies. Other influential actors on the Re-ED stage, such as EFRAG, FRC, ANC and ASBJ have regular dialogue with companies and represent interests of preparers as well as users, whereas FEI represents the interests of finance executives globally. While interests from stakeholders worldwide affected the IASB through Deloitte, KPMG, PwC and FEI on the lease term issue, some regional and national interests can also be distinguished, which are the interests of stakeholders of the UK, France and Japan through FRC, ANC and ASBJ, as well as the European Union through EFRAG. Those actors that did not influence the proposals include AASB and Basel Committee. Hence, it could be argued that the interests of Australian companies or the banking sector largely did not affect the lease term changes. The influence of IOSCO, DRSC and Nippon Keidanren can be identified as weak. While DRSC and Nippon did not express their views at all stages, IOSCO's case seems special, since it partly supported the initial proposals of the IASB for the DP and ED and fully supported the proposal for the Re-ED. While it did not appear influential based on the one-dimensional model of power, its interests overall do not seem to be in conflict with the IASB's interests regarding the lease term. Since it mostly supported the lease term policies, it can be seen that IOSCO was not highly interested in the changes in the lease term; therefore, actors that had greater concerns with the policies received the IASB's attention. It could also be suggested that such an alignment of IOSCO's interests with the IASB's interests could have been caused by the fact that IOSCO might have the possibility to influence the IASB's work through means other than comment letters.

Therefore, from this picture we can see that AASB and Basel Committee have been excluded from regulatory space. However, most key actors are definitely included in the regulatory space and voice their concerns. It can be argued that regulatory conversations from most actors that 'significant economic incentives' was a new and vague term for preparers got listened to by the IASB.

Table 24. *Influences on proposals of lease term*

	INSTITUTION	TYPE	DP: Score	ED: Score	Re-ED: Score	TOTAL
1	**EFRAG**	Regulator	0.5	1	2	**3.5**
2	IOSCO	Regulator	0.5	0.5	0	**1**
3	**Deloitte**	Accounting Firm	2	1	2	**5**
4	**EY**	Accounting Firm	0	2	0	**2**
5	**KPMG**	Accounting Firm	1	1	2	**4**
6	**PwC**	Accounting Firm	1	1	2	**4**
7	**UK FRC**	Standard-setter	2	1	2	**5**
8	**French ANC**	Standard-setter	1	1	2	**4**
9	Italian OIC	Standard-setter	1	1	1	**3**
10	German DRSC	Standard-setter	1	0	0	**1**
11	Japanese ASBJ	Standard-setter	1	1	0.5	**2.5**
12	Australian AASB	Standard-setter	0	0	0	**0**
13	CFA Institute	Profession	0.5	1	0.5	**2**
14	Basel	Regulator	0	0	0	**0**
15	**FEI**	Profession	1	0.5	2	**3.5**
16	Grant Thornton	Accounting Firm	1	1	0	**2**
17	Korean KASB	Standard-setter	0.5	1	0	**1.5**
18	Nippon Keidanren	Industry Organization	0	1	0	**1**

7.1.3. Short-term leases

Since there was no question on short-term leases in the Re-ED, this section analyses the influences of actors on two stages of the standard-setting process. The actors with score 2 are seen to be most influential on the issue of short-term leases.

EFRAG, Big Four firms and European standard-setters (FRC, ANC, OIC) have been most influential on the development of the short-term lease proposals. Regulatory conversations from actors that the standard did not provide enough relief for lessees and that recognition and measurement of short-term leases would represent a burden for preparers can be seen as having impact on the IASB. CFA Institute had no influence on the issue of short-term leases and its regulatory conversation towards the IASB that providing relief for short-term leases would provide for structuring possibilities did not get listened to. The standard changes in the area of short-term leases also follow the preferences of the majority of actors during each stage. In particular, after the DP 12 out of 18 actors supported capitalisation of short-term leases, which got reflected in the ED of the IASB, while after the ED 13 out of 18 actors opposed capitalisation of short-term leases which resulted in the introduction of relief for short-term leases in the Re-ED. Therefore, it can be seen that the standard changes do not only depend on individual powerful actors, but on the collective action of these actors which is revealed through comment letters in their shared policy preferences.

Table 25. *Influences on proposals of short-term leases*

	INSTITUTION	TYPE	DP - Score	ED - Score	TOTAL
1	**EFRAG**	Regulator	1	1	**2**
2	IOSCO	Regulator	1	0	**1**
3	**Deloitte**	Accounting Firm	1	1	**2**
4	**EY**	Accounting Firm	1	1	**2**
5	**KPMG**	Accounting Firm	1	1	**2**
6	**PwC**	Accounting Firm	1	1	**2**
7	**UK FRC**	Standard-setter	1	1	**2**
8	**French ANC**	Standard-setter	1	1	**2**
9	**Italian OIC**	Standard-setter	1	1	**2**
10	German DRSC	Standard-setter	1	0	**1**
11	Japanese ASBJ	Standard-setter	0	1	**1**
12	Australian AASB	Standard-setter	1	0	**1**
13	CFA Institute	Profession	0	0	**0**
14	Basel Committee	Regulator	0	1	**1**
15	FEI	Profession	0	1	**1**
16	Grant Thornton	Accounting Firm	1	0	**1**
17	Korean KASB	Standard-setter	0	1	**1**
18	Nippon Keidanren	Industry Organization	0	1	**1**

7.1.4. Dual Accounting Model

The Dual Accounting Model introduced in the Re-ED was followed by critical comments from the key actors. All key actors except those that did not express their opinions (i.e. Basel Committee and Nippon Keidanren) affected the standard change in the area of the dual accounting. While some constituents favoured dual accounting though with further modifications, others were firm that they would only support a single accounting model. The latter were the most influential, as the dual accounting model was replaced by the single accounting model by the IASB. This topic is also particularly interesting, since the FASB retained the dual accounting model, and while this paper does not study the influences on the FASB, it can be seen how the IASB is more influenced by these actors due to their coercive, reward and expert powers over the IASB. EFRAG, Deloitte, KPMG, FRC, DRSC and CFA Institute were influential on this issue as they supported the single accounting model. IOSCO only partly supported the dual as well as single accounting models and therefore, cannot be regarded as highly influential. Analysis of the most influential actors on dual accounting model identifies that interests of the European countries were important due to the success of EFRAG, FRC and DRSC. Interests of companies globally were reflected through the support of Deloitte, KPMG and CFA Institute.

Table 26. *Influences on proposals of dual accounting*

	INSTITUTION	TYPE	Re-ED: Score
1	**EFRAG**	Regulator	**2**
2	IOSCO	Regulator	1
3	**Deloitte**	Accounting Firm	**2**
4	EY	Accounting Firm	1
5	**KPMG**	Accounting Firm	**2**
6	PwC	Accounting Firm	1
7	**UK FRC**	Standard-setter	**2**
8	French ANC	Standard-setter	1
9	Italian OIC	Standard-setter	1
10	**German DRSC**	Standard-setter	**2**
11	Japanese ASBJ	Standard-setter	1
12	Australian AASB	Standard-setter	0.5
13	**CFA Institute**	Profession	**2**
14	Basel Committee	Regulator	0
15	FEI	Profession	1
16	Grant Thornton	Accounting Firm	0.5
17	Korean (KASB)	Standard-setter	0.5
18	Nippon Keidanren	Industry Organization	0

7.2. Influences and Regulatory Space

This section summarises the influences of key actors on the leasing standard-setting process. The scores are aggregated and most influential actors among 18 respondents can be identified.

Table 27. *Summary of influences on the leasing standard*

	INSTITUTION	TYPE	ROU	LT	ST	Dual	TOTAL
1	EFRAG	Regulator	1.5	3.5	2	2	**9**
2	IOSCO	Regulator	2	1	1	1	**5**
3	Deloitte	Accounting Firm	2	5	2	2	**11**
4	EY	Accounting Firm	1.5	2	2	1	**6.5**
5	KPMG	Accounting Firm	1	4	2	2	**9**
6	PwC	Accounting Firm	2	4	2	1	**9**
7	UK FRC	Standard-setter	2	5	2	2	**11**
8	French ANC	Standard-setter	0	4	2	1	**7**
9	Italian OIC	Standard-setter	1.5	3	2	1	**7.5**
10	German DRSC	Standard-setter	1.5	1	1	2	**5.5**
11	Japanese ASBJ	Standard-setter	1.5	2.5	1	1	**6**
12	Australian AASB	Standard-setter	1	0	1	0.5	**2.5**
13	CFA Institute	Profession	2	2	0	2	**6**
14	Basel Committee	Regulator	1	0	1	0	**2**
15	FEI	Profession	2	3.5	1	1	**7.5**
16	Grant Thornton	Accounting Firm	1.5	2	1	0.5	**5**
17	Korean KASB	Standard-setter	1.5	1.5	1	0.5	**4.5**
18	Nippon Keidanren	Industry Organization	0	1	1	0	**2**
	Maximum scores per section >>>		*2*	*6*	*2*	*2*	***12***

As Table 27 identifies, there were maximum 12 points that could have been gained by the actor who would have an influence on all topics. No such actor has been distinguished, however, there can be seen a variety in degrees of influence among different actors. To better identify some patterns, it was decided to group actors according to their degree of influence (Table 28). First, the actors were grouped in two categories: actors having more than 50% of scores (e.g. more than 6 out of 12 points) and less than 50% of scores on the focus areas. Actors who got more than 50% of scores were classed as actors with more than medium level of influence. Next, another categorisation was undertaken in those two groups: actors with 75% or more points were distinguished as the ones with high influence, actors, with points from 50-75% as those with more than medium influence. Similarly, actors with 25% or more points up to 50% of points were ones with medium influence, and actors with less than 25% of scores were identified as exercising only weak influence.

Table 28. *Classification of actors based on their influences*

(a) High >75%	(b) More than medium 50-75%	(c) Average 25-50%	(d) Weak <25%
Deloitte	Italian OIC	Japanese ASBJ	Australian AASB
UK FRC	French ANC	CFA Institute	Basel Committee
EFRAG	FEI	German DRSC	Nippon Keidanren
KPMG	EY	IOSCO	
PwC		Grant Thornton	
		Korean KASB	

Actors with high influences represent three types of respondents: accounting firms, a standard-setter and a regulator. It is particularly interesting why these specific actors have been most influential in the standard-setting process. As for Deloitte, KPMG and PwC, they represent three of Big Four firms with global presence in accounting and auditing arena. They have significant reward and expert power over IASB as examined in Chapter 4 and is also illustrated in Table 5. However, except employment ties with the IASB, they have acquired major technical expertise in dealing with accounting dilemmas. Based on regulatory space perspective corporations are major centres of expertise and therefore, their involvement in the regulatory process is a precondition of its success, which is evident on the case of Deloitte's, KPMG's and PwC's activity in the standard-setting process. Therefore, reward and expert power of these firms could have contributed to their actual influences on the IASB. While FRC represents a national standard-setter, it is no less influential than the above firms. Its power sources also stem from significant reward and expert power. Moreover, it submitted 5 comment letters to the IASB in total, compared to most other actors who only submitted maximum of 3 comment letters (e.g. 1 for each stage). This might point to its significant interest in standard-setting as well as could increase its perceived expertise for the IASB since the time between different stages of the due process such as ED and Re-ED was long enough to allow for changes of positions for the IASB which would be in need of further expert advice during these processes. EFRAG is a special actor among those that hold high influence, as it has access to all coercive, reward and expert powers through its organizational affiliation to the European Commission. Since coercive power represents one of the most crucial power sources over the IASB, it is not surprising that EFRAG's views are mostly incorporated into the standard or determine the directions in standard changes. It has been emphasized by many authors that the IASB's emergence as a global accounting standard-setter has largely been due to the EU's support and adoption of their accounting standards, due to which the European Union has significant influence on the IASB. This finding from previous studies is confirmed in this paper.

The second largest group of influential actors consists of OIC, ANC, FEI and EY. The influence of EY on the standard-setting can be explained by similar reasons as that of other Big Four firms, although it is surprising why EY did not turn out as influential as other three audit firms. It could be attributable to its unclear position regarding certain issues, and could be suggested that clear articulation of preferences might be affecting the outcomes of regulation. OIC and ANC are European standard-setters and represent interests of French and Italian stakeholders. Since OIC and ANC represent countries where continental accounting traditions prevail, it would be logical to think that DRSC, as a standard-setter of Germany and representative of continental accounting system would have similar level of influence. However, DRSC does not fund the IASB and only has employment relationship with them and therefore, the presence of less resources most likely contributes to less influence. Another influential actor with more than medium influence is FEI which submitted 8 comment letters in total for three stages of public consultation of the IASB. It can be concluded that financial executives worldwide have substantial interest in standard-setting and their opinions are taken into account by the IASB to a great extent.

The actors with medium influence do not necessarily demonstrate shared characteristics for which they could be thought to exercise less influence than actors in first two groups. A case requiring particular emphasis is that of IOSCO, as previous literature identifies it as a highly powerful actor with regards to international standard-setting. It also has access to coercive and expert powers and it seems that these powers do not contribute to high degrees of influence from IOSCO. However, as outlined above, the organization's views were in many cases in line with the IASB's existing views and though their expressed opinions did not affect standard change directions as much, IOSCO still seemed quite content with any such change at the next stage of the due process. IOSCO has 8 employment relationships with the IASB, which is much higher than average ties held by other key actors. Therefore, it could be suggested IOSCO has significantly more opportunities to incorporate its views in the standard than others without having to articulate all its interests in public comment letters. Therefore, some invisible influences can also be in place.

The weakest group in terms of influence includes Australian AASB, Nippon Keidanren and Basel Committee. Since the latter two did not submit comment letters at all stages, their low influence on the standard is not unexpected. As for AASB, it is not evident why they are not successful in the standard-setting process. It can be identified though that AASB only holds reward power and not expert power, which might be the encumbrance for its success in the standard-setting process.

It cannot be argued that any of the above organizations has been driven by their 'private' interests; rather Big Audit firms are portrayed as those acting interests of their clients, e.g. preparers and users, whereas FRC as a standard-setter represents the British firms' interests and EFRAG represents European Union's firms' interests. Therefore, public-private distinction is hard to draw which is characteristic of economic regulation under advanced capitalism. Based on this study's results and in line with the regulatory space metaphor, the most dominant actors are powerful and sophisticated organizations. This is especially evident in an international context of accounting standard-setting, which increases the presence of large international organizations in the regulatory activities and gives rise to greater conflicts of opinion.

To better understand the regulatory space of the leasing standard-setting relations between occupants of this space are important to discuss. Chapter 4 has discussed organizational and employment relationships among key actors. Organizational relationships distinguished significant relationships among monitoring board member organizations. However, it is difficult to draw conclusions regarding their significance in the regulatory space of standard-setting based on this study, since SEC and FSA Japan though identified among key actors did not submit comment letters and did not participated in the due process. While Basel Committee, IOSCO and EC (through EFRAG) participated in the due process, their degrees of influence vary. Hence, it cannot be clearly identified to what level organizational relationships among monitoring board members represents an influencing factor on the standard-setting process. Employment relationships, on the other hand, demonstrate interesting patterns, since majority of these relationships include one of the Big Four audit firms and some other key actor, pointing to the fact that it is mostly Big Four's employees that are regarded to have expert knowledge on accounting matters and are invited to serve on committees or boards of various standard-setting organizations, such as FRC UK, FRC Australia and others. From employment relationships connections between EFRAG and national standard-setters FRC, ANC and OIC are identified and as EFRAG is one of the most influential bodies, extent of employment relationships can be suggested to influence the outcomes of the standard-setting process. However, more research is required to make any conclusions regarding the correlation between such relationships and successful exercise of power. Outcomes of regulatory struggles in the leasing process identified most influential actors, and the examination of the resources used in these struggles pointed out that most influential actors usually hold more than one source of power, as well as hold significant relationships with other key actors. The leasing standard-setting as a regulatory space is unevenly divided among actors: there are major participants

(Table 28, columns a and b) and minor participants (Table 28, columns c and d). No key actor seems to be excluded completely, although for certain issues it can be seen that some of the actors are not included in the regulatory space, as for instance, AASB was excluded for the topic of the lease term, or CFA Institute for the topic of short-term leases. The same is visible for certain stages of the standard-setting process, however, as identified most important is the inclusion in the regulatory space during the Re-ED stage or the stage when the issue is finalized.

It has been seen that the regulatory space of the leasing standard has also been characterized by inclusion and exclusion of the issues. While the standard has its formal structure and should consist of issues such as recognition, measurement, presentation and others, it can be identified that some issues become particularly significant at some stages whereas later they leave the space. This can be said for the ROU model, which was a highly debated topic in the DP and ED stages, whereas there was no more question in Re-ED regarding this model, which means that the topic had left the space. Similarly, short-term leases had occupied the regulatory space for the DP and ED stages, whereas dual accounting model only entered the space at the Re-ED stage. The issue of the lease term in contrast remained in the regulatory space throughout the standard-setting process, which implies that it was a highly significant topic for the respondents. As for the absence of the topics of the ROU model and short-term leases from the last stage, it might indicate that the key actors were largely satisfied with the achieved results. Therefore, it can be concluded that the involvement of the key actors at significant points in time can substantially alter the direction of the standard development.

Overall, much of the development of the standard has been in favour of preparers. The ROU model requires all lease liabilities to be shown on the balance sheet, which represented a negative change for lessees and lessors but the IASB's decision on it was not altered. However, other key issues demonstrate significant dynamics. For the lease term, the high threshold was introduced, which allowed preparers to recognize less options on the balance sheet. The exclusion for short-term leases also brought relief to preparers. The rejection of dual accounting model also reduced the costs of applying the lease standard in the financial accounts for preparers. From this and the above analysis we can conclude that whatever direction the standard change took, the key actors were always involved in this modification and at least some of them highly influenced the due process of the leasing standard development.

7.3. Chapter Summary

In this chapter the empirical data was analyzed applying the one-dimensional model of power, as a result of which 'successes' and 'defeats' of key actors for each of the focus areas were distinguished. Chapter 7 also summarized key actors' influences and analyzed them using the concept of regulatory space. The major findings will be further presented in the following chapter, where conclusions will be drawn regarding the study.

8. Conclusions

This thesis distinguishes the major actors in the IASB's standard-setting process, specifically, for the leasing standard and identifies their degree of influence on the due process. By applying the power sources model the study finds that the key actors, i.e. those with coercive, expert or reward power over the IASB are various regulators, standard-setters, accounting firms and several representatives from profession and industry. Actors that have the potential to influence the IASB are both national and international actors. Among international actors EU, IOSCO and Big Four Audit firms can be distinguished, whereas national actors mainly include national standard-setters, such as UK FRC, French ANC and others.

The second part of the research question examines if it is possible to identify whether some of the key actors are more successful than others. By applying the one-dimensional model of power the study finds that there are distinguishable actors that consistently influence the leasing standard-setting process. Among the most influential actors the following are identified: Deloitte, UK FRC, EFRAG, KPMG and PwC. Following the regulatory space theory, the levels of influence of specific actors are linked with the resources they hold in the standard-setting process. All these organizations hold reward and expert power over the IASB, whereas EFRAG additionally holds coercive power over the IASB. It is further suggested that the more bases of power the actor holds, the more influential can it be in the standard-setting process. Further, it is discussed that the successful influence of actors on the IASB implies that the interests of these actors are taken into account during the standard-setting process. It is concluded that the firms' interests globally through Big Four are considered by the IASB, as well as stakeholders' interests in the UK and the EU are prioritised by the IASB. The findings regarding the significance of EFRAG and Big Four firms are in line with the previous literature. However, one of the unexpected results was that of IOSCO which only appeared influential at a medium level, which was in contradiction with prior literature which distinguished IOSCO as the highly influential actor. It could be suggested that IOSCO might be having covert influences rather than visible influences in the standards, since it did not object to many of the IASB's proposals. Besides, significant organizational relationships are found among monitoring board members, some of which also represent key actors. No specific conclusions can be drawn regarding their influence, although, covert influences could be in place. Nevertheless, this study only focuses on overt influences seen through the comment letters. On the other hand, it is found that employment relationships do contribute to the greater degrees of success of actors that are sources of these relationships, i.e. whose employees occupy the boards and committees of other organizations.

The study concludes that the leasing standard-setting process is unevenly divided among the key actors, as there are major and minor participants. Although some key actors are excluded from this space for certain issues or stages, no actor seems to be outside this regulatory space when considering the overall due process. It is also distinguished that some issues enter and leave the space and that the involvement and positions of the key actors at such strategic times can dramatically affect the standard development.

Most of the change in the key issues of the leasing standard has happened in favour of preparers, while the ROU model puts more burden on preparers. This thesis concludes that regardless of the direction of the changes in the standard, many of the key actors have majorly determined the development of the leasing standard.

9. Reflections

This thesis provides evidence regarding the key actors in the IASB standard-setting process and distinguishes their influences on the due process based on the case of the lease standard. This study distinguishes successful actors among the chosen respondents. However, discussion of one case represents a limitation to possibilities of generalization of findings, since the interests of key actors may vary for different standards and their influences might seem low when in fact they may not have interest in specific standard development. Also, the case of lease accounting affects the choice of key actors as one of the IASB's affiliated bodies considered when identifying actors with expert power was Leases Working Group. Working groups are set up differently for each standard and can include representatives from companies other than those chosen for Leases Working Group and although the cut-off of 2 employees represents a control against such variations, for cases of other standards some different actors might have be identified.

Nonetheless, the limitation of a single case study can give rise to future research possibilities where the model identified in this paper can be applied to other standards as well and consequently, general trends can be distinguished. Besides, we only analyze formal means of participation in the standard-setting process based on the comment letters and to have a more complete view, other influences could also be considered through actors' participation in roundtable meetings with the IASB. Nevertheless, we are aware that covert influences may also be present, which is impossible to dismiss in any studies of power and influence.

A further limitation to this paper is the one-dimensional view of power taken. While this view was chosen due to the resource constraints, we acknowledge that the consideration of the three-dimensional view of power could have presented a more complete picture of the standard-setting process. It would especially be interesting for further researchers to study whether and to what extent the identified actors can influence others' wants and whether they can promote certain accounting ideologies and determine whether conflicts of opinions actually arise or not. Similarly, it could be researched whether these actors' interests are themselves shaped by ideologies affecting social preferences. In particular, when actors take certain positions, is it their conscious choice or the consequence of influencing ideologies?

Further research opportunities can be seen regarding the technical arguments used by actors for justifying their position. Such a study would provide possibilities to distinguish to what extent it is the sources of power used that influences the standard outcomes and whether presented arguments also affect the directions in the standard changes.

As for the use of the regulatory space concept, it allows us to see that many actors are involved and attempting to influence the regulatory space, however, it is not clear who the most influential actors are in the due process only using this theory which needs to be complemented with additional theory of power in order to successfully identify actors' influences. Moreover, the regulatory space involves studying the context in which regulation takes place; however, there are no clear boundaries or guidance regarding the extent to which the dimensions of the regulatory space should be outlined.

This thesis contributes to the literature by developing the method for applying the power sources model specifically for key actor identification in the accounting standard-setting based on the social power model of French and Raven (1959). Furthermore, this paper contributes by outlining a new approach to analyse standard-setting; specifically, the coding system developed in this study involves a rather detailed method which can identify different degrees of influences that actors can have on the standard which represents a superior method to the ones generally applied in standard-setting where influences are grouped in only two categories. Therefore, our thesis suggests a deep analysis of comment letters to identify positions and their degrees of opposition/agreement with the standard-setter's proposals.

Another contribution of this thesis is that it examines all stages of the leasing standard-setting process. The advantage of this is that influences at all stages can be identified and the overall success of actors can be identified. Based on the discussion, it can be seen that missing of one of the stages such as ED or Re-ED could have given a different picture, since some actors might have appeared more influential than they are and vice versa. The inclusion of the Re-ED stage in the study is especially important, since as the results show major changes can take place at this stage and not discussing this stage could obscure the findings.

For further research the robustness of the suggested model could be tested by undertaking quantitative studies in the literature of political influences in accounting standard-setting. Also a quantitative approach for analyzing comment letters could be followed in order to systematically code and sort opinions and arguments and compare to the final standards. It could specifically be examined to which degree the key actors can drive the changes in standards compared to groups of preparers, users, etc. As the thesis identifies key actors as influential participants of regulatory space and as many studies are devoted to the analysis of corporate comment letters, it would be interesting to research whether preparers can actually influence any standards without the support of the key actors on specific topics.

Finally, we would like to conclude that undertaking studies in this field will identify many unexplored questions and any future researchers will be met with delightful opportunities to further develop this field of accounting and contribute to the literature, as well as wider society.

Reference List

AASB (2015a) For Students. Student Queries. Available online: http://www.aasb.gov.au/About-the-AASB/For-students.aspx#qa1439. [Accessed: 25 May, 2015].

AASB (2015b) Oversight of Australian standards setting. Available online: http://www.frc.gov.au/about_the_frc/annual-reports/annual-report-2013-14/ar_13-14_part_1/. [Accessed: 9 May, 2015].

Alali, F. & Cao, L. (2010) International financial reporting standards – credible and reliable? An overview. *Advances in Accounting, incorporating Advances in International Accountin, Vol.* 26, No. 1, pp. 79-86.

Albu, C. N., Albu, N., Pali-Pista, S. F. & Valdu, D. C. (2011) The Power and the Glory of Big 4: A Research Note on Independence and Competence in the Context of IFRS Implementation. *Accounting and Management Information Systems*, Vol. 10, No. 1, pp. 43-54.

Ali, A. Md. & Yusof, H. (2011) Quality in Qualitative Studies: The Case of Validity, Reliability and Generalizability. *Social and Environmental Accounting*, Vol. 5, No. 1/2, pp. 25-64.

AMF (2013) Duties & powers. Who we are. Available online: http://www.amf-france.org/en_US/L-AMF/Missions-et-competences/Presentation.html?. [Accessed: 9 May, 2015].

ANC (n.d.) Presentation. Available online: http://www.anc.gouv.fr/cms/accueil/for-the-english-readers.html. [Accessed: 9 May, 2015].

AngloGold Ashant (2014) A truly global producer of gold. Available online: http://www.anglogoldashanti.com/en/About-Us/Pages/default.aspx. [Accessed: 9 May, 2015].

Armstrong, C. S., Barth, M. E., Jagolinzer, A. D. & Riedl, E. J. (2008) Market Reaction to the Adoption of IFRS in Europe. Available online: http://www.hbs.edu/faculty/Publication%20Files/09-032.pdf. [Accessed: 18 May, 2015].

ASCG (2014) Constitution of the "ASCG – Accounting Standards Committee of Germany". Available online: http://www.drsc.de/docs/drsc/satzung/Satzung_eng.pdf. [Accessed: 9 May, 2015].

BCBS (2013) Basel Committee on Banking Supervision (BCBS) Charter. Available online: http://www.bis.org/bcbs/charter.htm. [Accessed: 9 May, 2015].

Beattie, V., Goodacre, A. & Thomson, S.J. (2006) International lease-accounting reform and economic consequences: The views of U.K. users and preparers. *International Journal of Accounting*, Vol. 41, No.1, pp. 75–103.

Beattie, V., McInnes, B. & Fearnley, S. (2004) A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes. *Accounting Forum,* Vol. 28, No. 3, pp. 205–236.

Bermejo M. L. & Esteban, L. P. (n.d.) An exploratory study of countries participation intensity in comment-letters: lease. Available online: http://www.aeca1.org/xviencuentroaeca/cd/59a.pdf. [Accessed: 9 May, 2015].

Betz, C. & Pozzobon, V. (2011) *Preparers' Lobbying Rationale and Impact on IASB Standard Setting: The Case of Lease Accounting.* Master Thesis in Accounting and Financial Management. Stockholm School of Economics. Available online: http://arc.hhs.se/download.aspx?MediumId=1403. [Accessed: 9 May, 2015].

Black, J. (2002) Regulatory Conversations, Journal of Law and Society, Vol. 29, pp. 163-196.

Boyle, D.M., Carpenter, B.W. & Mahoney, D.P. (2014) Lease Accounting: Lessee Provisions of the Proposed Accounting Standards Update. Management Accounting Quarterly. Vol.15, Iss. 2, pp.14–20.

Brackney, K. S. & Witmer, P. R. (2005) The European Union's Role in International Standards Setting. Will Bumps in the Road to Convergence Affect the SEC's Plans? CPA Journal, Vol. 75, Iss. 11, pp. 18-27.

Bromwich, M. (1980) The possibility of partial accounting standards. *Accounting Review*, Vol. 55 No. 2, pp. 288-300.

Bryman, A. & Bell, E. (2011) *Business research methods*. 3rd ed. Oxford: Oxford University Press.

Cairns, D. (2010) IASB, Leases*. Accountancy,* Vol. 146, Iss.1406, pp. 69.

Cassell, C. (2008) Template analysis. Available online: http://srmo.sagepub.com/view/the-sage-dictionary-of-qualitative-management-research/n105.xml. [Accessed: 23 May, 2015].

CFA (2015) Annual Report 2014. Available online: http://annualreport.cfainstitute.org/downloads/CFA_Annual_Report_2014.pdf. [Accessed: 9 May, 2015].

Chatham, M., Larson, R. & Vietze, A. (2010) Issues affecting the development of an international accounting standard on financial instruments. *Advances In Accounting*, Incorporating Advances In International Accounting, Vol. 26, Iss 1, pp. 97-107.

Chiapello, E. & Medjad, K. (2009) An unprecedented privatisation of mandatory standard-setting: The case of European accounting policy. Critical *Perspectives on Accounting,* Vol. 20, Iss. 4, pp. 448–468.

Clendon, T. (2015) IASB's Conceptual Framework for financial reporting. Available online: http://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f7/technical-articles/iasb-conceptual-framework-financial-reporting.html. [Accessed: 27 May, 2015].

Cooper, D. J., & Robson, K. (2006) Accounting, professions and regulation: Locating the sites of professionalization. *Accounting, organizations and society*, Vol. 31, No. 4, pp. 415-444.

Cortese, C. & Irvine, H. (2010) Investigating international accounting standard setting: The black box of IFRS 6. *Research in Accounting Regulation*. Vol. 22, No. 2, pp. 87-95.

Cortese, C. (2006) The power of the extractive industries: capturing the international accounting standard setting process. *PhD thesis*. Available online: https://www.researchgate.net/profile/Corinne_Cortese/publication/30389639_The_power_of_the_extractive_industries_capturing_the_international_accounting_standard_setting_process/links/0912f5120690755f06000000.pdf. [Accessed 15 April, 2015].

CPA (2015) The CPA Profession. Available online: https://www.cpacanada.ca/en/the-cpa-profession. [Accessed: 9 May, 2015].

Creswell, J.W. (2009) *Research design: qualitative, quantitative, and mixed methods approaches*. 3rd ed. Thousand Oaks, Calif.: Sage.

CTRL (2011) Qualitative Research Introduction. Available online: https://www.american.edu/ctrl/upload/Qualitative-Research-Introduction.pdf. [Accessed: 25 May, 2015].

Cushing, B.E. (1977) On the possibility of optimal accounting principles. *Accounting Review*, Vol. 52 No. 2, pp. 308-21.

Deloitte (2015) IAS 17 - Leases. Available online: http://www.iasplus.com/en/standards/ias/ias17. [Accessed: 5 April 2015].

Deloitte (2015a) IASB Board membership. Available online: http://www.iasplus.com/en/resources/ifrsf/iasb-ifrs-ic/iasb-board. [Accessed: 28 April, 2015].

Deloitte (2015b) IFRS Foundation. Available online: http://www.iasplus.com/en/resources/ifrsf/governance/ifrsf. [Accessed: 28 April, 2015].

Deloitte (2015c) Monitoring Board. Available online: http://www.iasplus.com/en/resources/ifrsf/governance/monitoring-board. [Accessed: 28 April, 2015].

Deloitte (2015d) IASB working groups. Available online: http://www.iasplus.com/en/resources/ifrsf/advisory/iasb-working-groups. [Accessed: 28 April, 2015].

Deloitte (2015e) Overview of the structure of the IFRS Foundation and IASB. Available online: http://www.iasplus.com/en/resources/ifrsf. [Accessed: 28 April, 2015].

Deloitte (2015f) IASB due process. Available online: http://www.iasplus.com/en-gb/resources/ifrsf-en-gb/due-process/iasb-due-process. [Accessed: 21 May, 2015].

Deloitte (2015g) US Securities and Exchange Commission (SEC). Available online: http://www.iasplus.com/en/resources/regional/sec. [Accessed: 16 May, 2015].

Deloitte (2015h) Deloitte grows for fourth consecutive year, reporting US $32.4 billion in revenue. Press release. Available online: http://www2.deloitte.com/global/en/pages/about-deloitte/articles/deloitte-grows-for-fourth-consecutive-year.html. [Accessed: 9 May, 2015].

Demski, J.S. (1973) The general impossibility of normative accounting standards. *Accounting Review*, Vol. 48, No. 4, pp. 713-23.

Easterby-Smith, M., Thorpe, R. & Jackson, P. (2012) *Management research*. 4th ed. Thousand Oaks, Calif.: SAGE Publications.

EC (2014) European Commission Statement. European Parliament backs Commission proposal for the EU co-financing of the International Financial Reporting Standards (IFRS) Foundation, the European Financial Reporting Advisory Group (EFRAG), and the Public Interest Oversight Board (PIOB). Available online: http://europa.eu/rapid/press-release_STATEMENT-14-69_en.htm. [Accessed: 18 May, 2015].

EFRAG (2013) Press Release. EFRAG and the national standard setters of France, Germany, Italy and the UK publish their strategy on the revision of the IFRS conceptual framework. Available online: http://www.efrag.org/files/Conceptual%20Framework%202013/130204_press_release_CF_finalEFRAGstyle.pdf. [Accessed: 18 May, 2015].

EFRAG (2015) EFRAG Facts. Available online: http://www.efrag.org/Front/c1-262/EFRAG-Facts.aspx. [Accessed: 18 May, 2015].

EU (2013) The European Union explained — How the European Union works. Your guide to the EU institutions. Available online: http://www.gr2014parliament.eu/Portals/6/PDFFILES/NA0113090ENC_002.pdf. [Accessed: 18 May, 2015].

EU (2015) European Commission. Available online: http://europa.eu/about-eu/institutions-bodies/european-commission/index_en.htm. [Accessed: 9 May, 2015].

EY (2015) Global review 2014. Available online: http://www.ey.com/US/en/About-us/Our-global-approach/Global-review. [Accessed: 9 May, 2015].

FAF (n.d.) Facts about FAF. Available online: http://www.accountingfoundation.org/cs/ContentServer?c=Page&pagename=Foundation%2FPage%2FFAFSectionPage&cid=1176157790151. [Accessed: 9 May, 2015].

FASF (2001) Establishment of the Financial Accounting Standards Foundation. Available online: https://www.asb.or.jp/asb/asb_e/fasf/20010727.jsp. [Accessed: 9 May, 2015].

FEI (n.d.) Who We Are. Available online: http://www.financialexecutives.org/KenticoCMS/about/about.aspx#axzz3ZgXfo2SF. [Accessed: 9 May, 2015].

Flores, F. (2007) The European Endorsement Process of International Financial Reporting Standards and Interpretations. Available online: http://www.odcec.mi.it/docs/default-source/materiale-convegni/The_European_Endorsement_Process_2007.pdf?sfvrsn=0. [Accessed: 1 May, 2015].

FRC (2015) Financial Reporting Council. Who we are. What we do. Available online: https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Who-we-are-What-we-do.pdf. [Accessed: 9 May, 2015].

French, J.R.P. & Raven, B. (1959) The Bases of Social Power. Available online: https://www.researchgate.net/publication/215915730_The_bases_of_social_power [Accessed 29 April, 2015].

FSA (2015) Financial Services Agency. Available online: http://www.fsa.go.jp/en/about/pamphlet.pdf. [Accessed: 9 May, 2015].

FSB (2015) Standard-Setting Bodies in the Compendium. Available online: http://www.financialstabilityboard.org/what-we-do/about-the-compendium-of-standards/wssb/. [Accessed: 14 May, 2015].

GAO (1996) A Methodology for Structuring and Analyzing Written Material. United States General Accounting Office Program Evaluation and Methodology Division. Available online: http://archive.gao.gov/f0102/157490.pdf. [Accessed: 23 May, 2015].

Georgiou, G. (2004) Corporate Lobbying on Accounting Standards: Methods, Timing and Perceived Effectiveness. *Abacus*, Vol. 40, No. 2, pp. 219–237.

Gerboth, D.L. (1973) Research, intuition, and politics in accounting inquiry. *Accounting Review*, Vol. 48 No. 3, pp. 475-82.

GTIL (2014) A dynamic alternative. Get to know Grant Thornton. Available online: http://www.grantthornton.global/globalassets/1.-member-firms/global/global-assets/pdf/a-dynamic-alternative---pdf-low.pdf. [Accessed: 9 May, 2015].

Hancher, L. & Moran, M. (1989) Organizing Regulatory Space. in L. Hancher & M. Moran (eds) Capitalism, Culture and Regulation, Oxford: Clarendon, pp. 271-297.

Hartman, B. P. & Sami, H. (1989) The impact of accounting treatment of leasing contracts on user decision making: a field experiment. Advances in Accounting. Vol. 7, pp. 23-25.

Holder, A. D., Karim, K. E., Lin, K. J. & Woods, M. (2013) A content analysis of the comment letters to the FASB and IASB: Accounting for contingencies. Advances in Accounting, Vol. 29, Iss. 1, pp. 134-153.

Holsti, P. R. (1969) Content analysis for the social sciences and humanities. Reading, MA: Addison-Wesley.

Hoogendoorn, M. (2006) International Accounting Regulation and IFRS implementation in Europe and beyond – experiences with first-time adoption in Europe. *Accounting in Europe*, Vol.3, No. 1, pp. 23-26.

Hoogervorst, H. (2014) Keeping capitalism honest: comments by Hans Hoogervorst, 2014 IOSCO conference. Available online: http://www.ifrs.org/Alerts/Conference/Documents/2014/Hans-Hoogervorst-comments-IOSCO-October-2014.pdf. [Accessed: 9 May, 2015].

Hope, T. and Gray, R. (1982) Power and policy making: the development of an R and D standard. *Journal of Business Finance and Accounting*, Vol. 9 No. 4, pp. 531-58.

Horngren, C.T. (1973) The marketing of accounting standards. *Journal of Accountancy*, Vol. 137, No. 4, pp. 61-6.

Hussein, M.E. & Ketz, J.E. (1991) Accounting Standards-Setting in the U.S.: An Analysis of Power and Social Exchange. *Journal of Accounting & Public Policy*, Vol.10, No.1, pp. 59–81.

IAS 17 (2010) International Accounting Standard 17 Leases. Available online: http://ec.europa.eu/internal_market/accounting/docs/consolidated/ias17_en.pdf. [Accessed: 27 May, 2015].

IASB & FASB (2009) Discussion Paper: Leases - Preliminary Views. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/DPMar09/Documents/DPLeasesPreliminaryViews.pdf. [Accessed 20 February 2015].

IASB & FASB (2009a) Comment letters. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/DPMar09/Comment-Letters/Pages/Comment-letters.aspx. [Accessed: 20 April, 2015].

IASB & FASB (2010) Exposure Draft ED/2010/9. Leases. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/ed10/Documents/EDLeasesStandard0810.pdf. [Accessed: 20 April, 2015].

IASB & FASB (2010a) Online Comment Letters. Available online: http://www.fasb.org/jsp/FASB/CommentLetter_C/CommentLetterPage%26cid=1218220137090%26project_id=1850-100. [Accessed: 20 April, 2015].

IASB & FASB (2013) Exposure Draft ED/ 2013/6. Leases. Available online: http://www.ifrs.org/current-projects/iasb-projects/leases/exposure-draft-may-2013/documents/ed-leases-standard-may-2013.pdf. [Accessed: 20 April, 2015].

IASB & FASB (2013a) Online Comment Letters. Available online: http://www.fasb.org/jsp/FASB/CommentLetter_C/CommentLetterPage%26cid=1218220137090%26project_id=2013-270. [Accessed: 20 April, 2015].

IASB & FASB (2015) Project Update. Leases—Joint Project of the FASB and the IASB. Available online: http://www.fasb.org/jsp/FASB/FASBContent_C/ProjectUpdatePage&cid=900000011123. [Accessed 10 March, 2015].

IFRS (2010) Due Process Handbook. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Annual-Improvements/ED-May-2012/Documents/DueProcessIASB2011.pdf. [Accessed: 21 May, 2015].

IFRS (2013) IOSCO and IFRS Foundation agree joint protocols to enhance consistency in the implementation of IFRS globally. Available online: http://www.ifrs.org/Alerts/PressRelease/Pages/IOSCO-and-IFRS-Foundation-agree-joint-protocols-September-2013.aspx. [Accessed: 12 May, 2015].

IFRS (2013a) IASB and IFRS Interpretations Committee. Due Process Handbook. Available online: http://www.ifrs.org/DPOC/Documents/2013/Due_Process_Handbook_Resupply_28_Feb_2013_WEBSITE.pdf. [Accessed: 21 May, 2015].

IFRS (2015a) International Accounting Standards Board (IASB). Available online: http://www.ifrs.org/About-us/IASB/Pages/Home.aspx. [Accessed: 28 April, 2015].

IFRS (2015b) Standard-setting. How we develop IFRSs. Available online: http://www.ifrs.org/how-we-develop-standards/Pages/how-we-develop-standards.aspx. [Accessed: 21 May, 2015].

IFRS (2015c) Setting the agenda. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Setting-the-agenda.aspx. [Accessed: 21 May, 2015].

IFRS (2015d) Planning the project. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Project-planning.aspx. [Accessed: 21 May, 2015].

IFRS (2015e) Development and publication of a Discussion Paper. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Development-and-publication.aspx. [Accessed: 21 May, 2015].

IFRS (2015f) Development and publication of an Exposure Draft. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Development-and-publication-of-an-exposure-draft.aspx. [Accessed: 21 May, 2015].

IFRS (2015g) Development and publication of an IFRS. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Development-and-publication-of-an-IFRS.aspx. [Accessed: 21 May, 2015].

IFRS (2015h) Procedures after an IFRS is issued. Available online: http://www.ifrs.org/How-we-develop-standards/Pages/Procedures-after-an-IFRS-is-issued.aspx. [Accessed: 21 May, 2015].

IFRS (2015i) IFRS application around the world jurisdictional profile: Japan. Available online: http://www.ifrs.org/Use-around-the-world/Documents/Jurisdiction-profiles/Japan-IFRS-Profile.pdf. [Accessed: 25 May, 2015].

IFRS (2015j) Monitoring Board. Available online: http://www.ifrs.org/About-us/Pages/Monitoring-Board.aspx. [Accessed: 18 May, 2015].

IFRS Foundation (2013) Leases Exposure Draft ED/2013/6. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Exposure-Draft-May-2013/Documents/ED-Leases-Standard-May-2013.pdf [Accessed: 25 May, 2015].

IFRS Foundation (2015) Annual Reports for period 2009-2014. Available online: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Annual-reports/Pages/2014-Annual-Report.aspx. [Accessed: 18 May, 2015].

IFRS Foundation (n.d.) Leases. Available online: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Pages/Leases.aspx. [Accessed: 5 April 2015].

IOSCO (2007) Consultation report. An overview of the work of the IOSCO technical committee. Available online: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD239.pdf. [Accessed: 12 May, 2015].

IOSCO (2015) About IOSCO. International Organization of Securities Commissions. Available online: https://www.iosco.org/about/?subsection=about_iosco. [Accessed: 9 May, 2015].

Jonnergård, K. (2012) Quality Control through Venetian Blinds: Regulating the Swedish Auditing Industry, European Accounting Review, Vol. 21, No. 1, pp. 51-85.

Jonnergård, K., & Larsson, U. (2007) Developing Codes of Conduct: Regulatory Conversations as Means for Detecting Institutional Change. *Law & Polic*y, Vol. 29, No. 4, pp. 460-492.

KASB (2008a) Mission. Available online: http://eng.kasb.or.kr/. [Accessed: 9 May, 2015].

KASB (2008b) A message from chairman. Available online: http://eng.kasb.or.kr/. [Accessed: 9 May, 2015].

Keidanren (2014) About Keidanren. Available online: https://www.keidanren.or.jp/en/profile/pro001.html. [Accessed: 9 May, 2015].

Konigsgruber, R. (2009). A political economy of accounting standard setting. Available online:
http://www.academia.edu/6628717/A_political_economy_of_accounting_standard_setting. [Accessed: 1 May, 2015].

Kort, N.C.J. (2011) *Self-interest in lobbying on accounting standards: The case of a new lease standard.* Master thesis. Accountancy. Tilburg University. Available online: http://arno.uvt.nl/show.cgi?fid=120551.

KPMG (2015) Stakeholder engagement. Available online:
http://www.kpmg.com/Global/en/about/governance/Pages/stakeholder-engagement.aspx. [Accessed: 9 May, 2015].

Krippendorff, K. (2004) Content Analysis: An Introduction to Its Methodology, 2nd ed. Sage Publications, London.

Kwok W.C.C. & Sharp, D. (2005) Power and international accounting standard setting: Evidence from segment reporting and intangible assets projects. *Accounting, Auditing & Accountability Journal*. Vil. 18, No. 1, pp. 74–99.

Larson, R. K., & Kenny, S. Y. (2011) The Financing of the IASB: An Analysis of Donor Diversity. Journal of International Accounting, Auditing, and Taxation, Vol. 20,No. 1, pp. 1-19.

Luca, F. & Kinsey, J. P. (2013) Why Convergence between the FASB and IASB May Be Impossible. Available online:
http://www.aidea2013.it/docs/226_aidea2013_accounting.pdf. [Accessed: 16 May, 2015].

Lukes, S. (1974) Power: A Radical View. Macmillan, London.

Lukes, S. (2005) Power: A Radical View, 2nd edn. Palgrave Macmillan: Basingstoke.

MacArthur, J.B. (1988) An Analysis of the Content of Corporate Submissions on Proposed Accounting Standards in the UK. *Accounting & Business Research*, Vol. 18, No. 71, pp. 213-226.

MacDonald, L. D. & Richardson, A. J. (2004) Identity, appropriateness and the construction of regulatory space: the formation of the Public Accountant's Council of Ontario, Accounting, Organizations & Society, Vol. 29, No. 5/6, p. 489-524.

Manh, A. L. (2011) Investigating the IASB's due process: the case of comprehensive income project. Available online: https://www.uni-bamberg.de/fileadmin/uni/fakultaeten/sowi_lehrstuehle/steuerlehre/Download_Eierle/EUFIN_2011/Le_Manh.pdf. [Accessed: 13 May, 2015].

McKinnon, J.K. & Harrison, G.L. (1985) Cultural Influence on Corporate and Governmental Involvement in Accounting Policy Determination in Japan. *Journal of Accounting & Public Policy*. Vol. 4, Iss. 3, pp. 201–223.

Miller, P.B.W., Redding, R.J. & Bahnson, P.R. (1998) The FASB: The People, the Process, and the Politics, 4th ed., Irwin McGraw-Hill, Boston, MA.

Minfin (2014) Report on the results and main activities of the Ministry of Finance of the Russian Federation for 2014 and the planning period of 2015-2017. Available online: http://old.minfin.ru/common/upload/library/2014/04/main/Rash_kolleg_2014.pdf. [Accessed: 9 May, 2015].

Nobes, C. & Parker, R.H. (2012) Comparative international accounting. Harlow : Pearson.

OIC (2015) Presentation. Available online: http://www.fondazioneoic.eu/?page_id=92&lang=en. [Accessed: 9 May, 2015].

Perry, J. & Nöelke, A. (2005) International Accounting Standard Setting: A Network Approach. Business And Politics, Vol.7, Iss. 3, pp. 1-32.

PwC (2014) IFRS in the US: The importance of being financially bilingual. Available online: http://www.pwc.com/en_US/us/issues/ifrs-reporting/publications/assets/pwc-ifrs-in-the-us-the-importance-of-being-financially-bilingual.pdf. [Accessed: 16 May, 2015].

PwC (2015) Anticipating problems, finding solutions. Global Annual Review 2014. Available online: http://www.pwc.com/gx/en/global-annual-review/assets/pwc-global-annual-review-2014.pdf. [Accessed: 9 May, 2015].

Ritchie, J. & Lewis, J. (2003) A Guide for Social Science Students and Researchers. Available online: https://mthoyibi.files.wordpress.com/2011/10/qualitative-research-practice_a-guide-for-social-science-students-and-researchers_jane-ritchie-and-jane-lewis-eds_20031.pdf. [Accessed: 7 May, 2015].

Saunders, M., Lewis, P. & Thornhill, A. (2009) Research methods for business students. 5th ed. Harlow: Financial Times Prentice Hall.

Schultz, S. M. & Hollister, J. (2011) Lobbying FASB on accounting for investments. *Journal of Applied Business Research*, Vol. 19, No 2, pp. 85-103.

Scott, S. (2006) How to approach performance appraisal questions. Available online: http://www.accaglobal.com/gb/en/student/exam-support-resources/fundamentals-exams-study-resources/f7/technical-articles/appraisal-questions.html. [Accessed: 27 May, 2015].

SEC (2013) The Investor's Advocate: How the SEC Protects Investors, Maintains Market Integrity, and Facilitates Capital Formation. Available online: http://www.sec.gov/about/whatwedo.shtml. [Accessed: 9 May, 2015].

SEC (2014) U.S. Securities and Exchange Commission Strategic Plan Fiscal Years 2014–2018. Available online: https://www.sec.gov/about/sec-strategic-plan-2014-2018.pdf. [Accessed: 16 May, 2015].

Shropshire, C. (2010) The role of the interlocking director and board receptivity in the diffusion of practices. Academy of Management Review, Vol. 35, No. 2, pp. 246-264.

Smith, M. & Taffler, R. J. (2000) The chairman's statement - A content analysis of discretionary narrative disclosures. Accounting, Auditing & Accountability Journal, Vol. 13, Iss 5, pp. 624 – 647.

Susela, S.D. (1999) 'Interests' and accounting standard setting in Malaysia. *Accounting, Auditing & Accountability Journal*. Vol. 12, No. 3, 358-387.

Tutticci, I., Dunstan, K. & Holmes, S. (1994) Respondent Lobbying in the Australian Accounting Standard-setting Process: ED49 – A Case Study. Accounting, Auditing & Accountability Journal, Vol. 7, Iss 2, pp. 86 – 104.

US SEC (2005) Report and Recommendations Pursuant to Section 401(c) of the Sarbanes-Oxley Act of 2002 On Arrangements with Off-Balance Sheet Implications, Special Purpose Entities, and Transparency of Filings by Issuers. Available online: http://www.sec.gov/news/studies/soxoffbalancerpt.pdf. [Accessed: 27 May, 2015].

Walton, P. (2009) An Executive's Guide for Moving from US GAAP to IFRS, [ebook] New York: Business Expert Press. Available at: Google Books: books.google.com [Accessed: 16 May, 2015].

Weber, R. P. (1990) Basic Content Analysis, 2nd ed. Newbury Park, CA.

Wrong, D.H. (1979) Power: Its Forms, Bases and Uses, Basil Blackwell, Oxford.

Yen, A.C., Hirst, E. & Hopkins, P.E. (2007) A Content Analysis of the Comprehensive Income Exposure Draft Comment Letters. Research in Accounting Regulation, Vol. 19, pp. 53-79

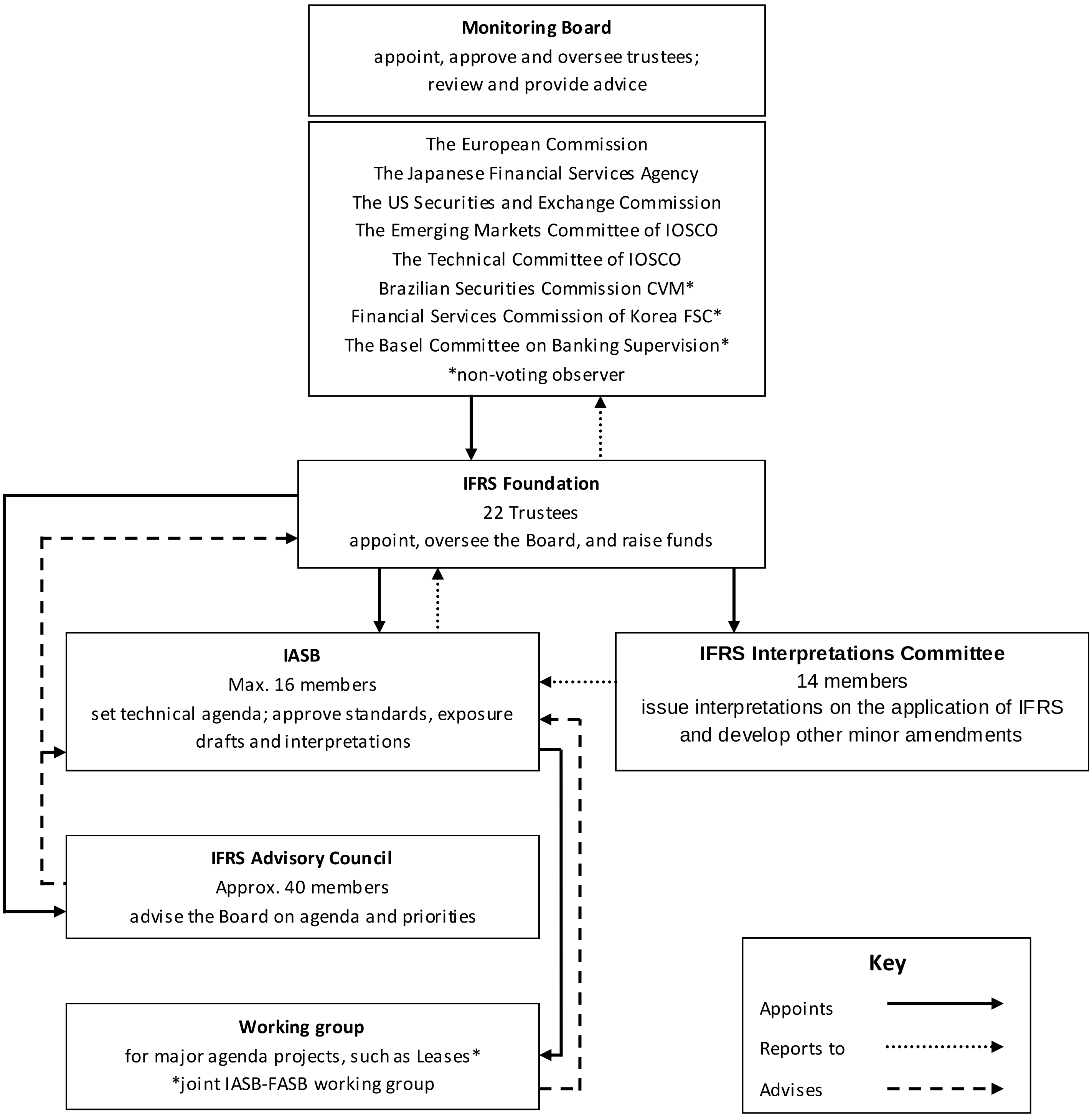
Young, J.J. (1994) Outlining Regulatory Space: Agenda Issues and the FASB, Accounting, Organizations & Society, Vol. 19, No. 1, pp. 83-109.

Zeff, A. (2003) U.S. GAAP Confronts the IASB: Roles of the SEC and the European Commission. Available online: http://www.ruf.rice.edu/~sazeff/PDF/North%20Carolina%20Jl%20article.pdf. [Accessed: 16 May, 2015].

Zeff, S. A. (2012) The Evaluation of the IASC into the IASB, and the Challenges it Faces. *The Accounting Review*, Vol. 87, No. 3, pp. 807-837.

Appendix A

The Organizational Structure of the IASB.



Source: based on Deloitte, 2015e.

Appendix B

Key players in the IASB standard-setting process.

Abbreviation	Title	Members	Objective / mission	Interest
EC	**European Commission**	28 Commissioners, one from each EU member country	Strives to represent and support the interests of the EU as a whole as well as oversee and implement EU policies	New accounting standard are endorsed by EC, if it satisfies all European stakeholders // The major financial supporter // Has 2 members in IASB structure // No comment letters were submitted
IOSCO	**International Organization of Securities Commission**	Association of 124 national securities commissions, 15 international standard-setting bodies and 64 other than governmental organizations with interest in securities regulation	By providing high quality technical assistance, education and training to its members and other regulators, it seeks to build sound global capital markets and a robust global regulatory framework	Due to the primary objective, IOSCO strives to protect investors and ensure that they are able to get a complete view of company's economic reality // Has 8 members in IASB structure // Submitted 3 comment letters
U.S. SEC	**U.S. Securities and Exchange Commission**	Various self-regulatory organizations and other federal agencies, state securities regulators, international securities agencies and law enforcement agencies	Seeks to protect investors, maintain fair and efficient markets as well as facilitate capital formation	Strives that changes would be made to the existing lease standard in order to ensure greater transparency in financial reporting // Has 3 members in IASB structure // No comment letters were submitted
DTTL	**Deloitte Touche Tohmatsu Limited**	Globally connected network of member firms in more than 150 countries	Focuses to engage with regulators and other stakeholders worldwide in order to promote reforms that improve quality for all parties	Represents the common interest of profession and firms on an international level // One of the major financial supporter's // Has 3 members in IASB structure // Submitted 3 comment letters

PwC	**Pricewaterhouse Coopers**	Globally connected network of member firms in 157 countries	Aims to work closely with clients and communities in order to build trust in society and solve important problems	Represents the common interest of profession and firms on an international level // One of the major financial supporter’s // Has 3 members in IASB structure // Submitted 3 comment letters
EY	**Ernst & Young Global Limited**	Globally connected network of member firms in more than 150 countries	Aims to deliver high quality services as well as build trust and confidence in the world’s capital markets and economies	Represents the common interest of profession and firms on an international level // One of the major financial supporter’s // Has 3 members in IASB structure // Submitted 3 comment letters
KPMG	**KPMG International**	Globally connected network of member firms in 155 countries	Aims to work strategically with all stakeholders to fulfill a greater sense of purpose	Represents the common interest of profession and firms on an international level // One of the major financial supporter’s // Has 3 members in IASB structure // Submitted 3 comment letters
GTIL	**Grant Thorton International**	Globally connected network of member firms in more than 130 countries	Strives for best practice in governance arrangements in order to fulfil regulators and investors concerns	Represents the common interest of profession and firms on an international level // Financial supporter // Has 2 members in IASB structure // Submitted 3 comment letters
FRC	**UK Financial Reporting Council**	The Board composes of members from different backgrounds	Seeks to promote high quality corporate governance and reporting in order to foster investment	Tries to influence developments of issues that affect stakeholders in the UK and internationally // Financial supporter // Has 1 members in IASB structure // Submitted 5 comment letters
ANC	**French Ministry of Finance**	All financial authorities in a country	Aims to provide guidance on all legislative or regulatory provisions issued by national authorities which include accounting measures	Represents the interest of France industry in the international arena // Financial supporter // Has 1 members in IASB structure // Submitted 2 comment letters

OIC	**Organismo Italiano di Contabilita**	Italian organizations which largely represent the interested parties in the accounting matters	Seeks to represent the private and public interests to accounting standards and ensure that its activities as national standard setter are respected	Represent and voice national opinions on accounting matters // Financial supporter // Has 1 members in IASB structure // Submitted 3 comment letters
ASCG / DRSC	**Accounting Standards Committee Germany**	Association of publicly and non-publicly traded companies, banks, insurance undertakings, the accounting and auditing profession in Germany	Seeks to promote the continued improvement in accounting and financial reporting as well as ensure that the German Federal Government supports its objectives and listens to its expert advice	Represents the interest of German industry in the international arena // Has 1 members in IASB structure // Submitted 3 comment letters
ASBJ/ FASF	**Financial Accounting Standards Foundation (Japan)**	The Board composes of members from different backgrounds	Aims to encourage the progress of corporate finance disclosure and security of the capital markets in Japan by developing generally accepted accounting standards	Strives for the development of global accounting standards // One of the main financial supporter's // Submitted 3 comment letters
AASB	**Financial Reporting Council Australia**	The Board composes of members from different backgrounds	Seeks to provide broad oversight of the standard setting processes in accounting and ensure its high quality	Represents public interest in the context of the Australian economy // Financial supporter // Has no members in IASB structure // Submitted 3 comment letters
CPA Canada	**Chartered Professional Accountants of Canada**	40 accounting bodies in Canada	Aims to enhance the influence, significance and value of the Canadian CPA profession	Represents members opinion and acts according to their interest // Financial supporter // Has no members in IASB structure // No comment letters were submitted
-	**CFA Institute**	Global network of more than 125,000 investment professionals	Seeks to lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the society benefit	Strives that new leases standard enable different market participants better assess the lease obligation // Has 4 members in IASB structure // Submitted 3 comment letters

-	**AngloGold Ashanti**	Has 20 gold mining operations in 10 countries, 4 regions	Aims to create value for shareholders, employees, business and social partners through safely and responsibly exploring, mining and marketing their products	Advice and provide input into proposals that the IASB is developing // Has 2 members in IASB structure // No comment letters were submitted
AMF	**Autorite des Marches Financiers (France)**	French financial markets participants, including: market infrastructures, listed companies, financial intermediaries and etc.	Strives to safeguard investments in financial products by improving investor protection and maintain orderly financial markets	Represents members opinion and acts according to their interest // Has 2 members in IASB structure // No comment letters were submitted
BCBS	**Basel Committee on Banking Supervision**	Central banks and organizations with direct banking supervisory authority	Strives to improve the quality of banking supervision worldwide and enhance financial stability	Represent interest of banking industry // Has 2 members in IASB structure // Submitted 1 comment letter
FEI	**Financial Executives International**	More than 10,000 best-in-the-business members	Seeks to be recognized globally as the leading organization for senior-level financial executives	Provide authoritative representation of members interests // Has 2 members in IASB structure // Submitted 7 comment letters
FSA	**Japan Financial Services Agency**	Japanese private sector institutions, Financial Instrument Business Operators and market participants	Aims to ensure Japan financial system's stability, protect depositors, policy holders and securities investors as well as establish fair and transparent financial market	Participate in an international standard-setting process in order to develop internationally consistent financial administration // Has 2 members in IASB structure // No comment letters were submitted
KASB	**Korea Accounting Standards Board**	14 Korean organizations, such as Korean Institute of Certified Public Accountants, Korea Exchange, Korea Federation of Banks and etc.	Seeks to improve the quality of the Korean accounting standards which fit to Korean economic circumstances	Participate in the IASB's activities with regard to reflect the demands of Korean constituents on the IFRS // Has 2 members in IASB structure // Submitted 3 comment letters

Keidanren	**Nippon Keidanren (Japan Business Federation)**	1,309 representative companies of Japan, 112 nationwide industrial associations and 47 regional economic organizations	Aims to support corporate activities which contribute to the self-sustaining development of the Japanese economy and quality improvement of people's life	Advice and provide input into proposals that the IASB is developing // Has 2 members in IASB structure // Submitted 1 comment letter
FAF	**US Financial Accounting Foundation**	14-18 Trustees from organizations which have interest in financial reporting, such as American Accounting Association, CFA Institute and etc.	Strives to establish and improve financial accounting and reporting standards, stimulate financial reporting which provides useful information to investors and other users of financial reports in order to make decisions	Strives that users of financial statements would have a complete and understandable picture of an organization's leasing activities // One of the major financial supporter's // No members in IASB structure // No comment letters were submitted
MinFin	**Ministry of Finance of the Russian Federation**	19 departments, such as Department of International Financial Relations, Legal Department and etc.	Seeks to ensure good governance of the Russian Federation public financial system	Represent the Russian Federation interest in IFRS // The financial supporter // Has no members in IASB structure // No comment letters were submitted

Sources: Hoogervorst, 2014; IOSCO, 2015; EU, n.d.; SEC, 2013; Deloitte, 2015; KPMG, 2015; EY, 2015; PwC, 2015; GTIL, 2014; ASCG, 2014; FEI, n.d.; BCBS, 2013; FSA, 2015; KASB, 2008a; KASB, 2008b; AngloGold Ashanti, 2014; Keidanren, 2014; FAF, n.d.; CFA, 2015; FRC, 2015; OIC, 2015; CPA, 2015; AMF, 2013; Minfin, 2014; FASF, 2001; AASB, 2015; ANC, n.d.

Appendix C

No.	Key Issues	IAS 17	DP	ED	Re-ED	Expected Standard	Consequence
ROU	**Lessee Accounting Model: Right-of-Use Model**	Finance leases capitalised and operating leases disclosed	All leases capitalized	All leases capitalized	All leases capitalized	All leases capitalized	No change
1	**Initial Measurement of lease assets and liabilities**	FL: fair value of the leased property or, cost, discounted using the interest rate implicit in the lease or if not practical, incremental borrowing rate OL: n/a	cost, discounted using the lessee's incremental borrowing rate	cost, incremental borrowing rate or the rate lessor charges the lessee	cost, incremental borrowing rate or the rate lessor charges the lessee	cost, incremental borrowing rate (further clarified) or the rate lessor charges the lessee (rate implicit in the lease); include initial direct costs of the lessor in determining the rate implicit in the lease	Added lessor's charging rate as an alternative, no significant changes
2	**Standard Scope: Non-core Leases**	not specified	undecided	inclusion	inclusion	inclusion	No change
3	**Standard Scope: Short-term Leases**	not specified	undecided	inclusion (simplified: not discounting)	voluntary capitalization (e.g. choice between capitalization and recording as expenditure is possible)	voluntary capitalization (e.g. choice between capitalization and recording as expenditure is possible)	Proposed capitalization for short-term leases first but later allowed voluntary capitalization
4	**Lease Payment Components: Purchase Options**	Minimum lease payments (only concerning FL) include: purchase options if bargain purchase	Minimum lease payments include: purchase options (similar to renewal options) only if likely to be exercised	Minimum lease payments exclude purchase options (the lease contract is supposed ceased when purchase option is undertaken)	Minimum lease payments include: purchase options if significant economic incentive to exercise option is present (depending on the factors)	Include: if it is reasonably certain that the lessee will exercise the option having considered the relevant economic factors (purchase options should be treated similarly as other options)	Sudden change in ED proposing to exclude purchase options, other papers all propose inclusion, gives rise to increased assets and liabilities to be recognised compared to IAS 17

5	**Lease Payment Components: Contingent Rentals (later called Variable Lease Payments)**	Minimum lease payments exclude contingent rent	Minimum lease payments include amounts payable under contingent rental arrangements	Include in minimum lease payments: determine the amount by forward rates / indices or prevailing rates /indices	Include in minimum lease payments: if based on index or rate (measure using the index or rate at lease commencement)	Include in minimum lease payments: if based on index or rate (measure using the index or rate at lease commencement)	Limited the inclusion of contingent rentals to those that are based on an index or a rate
6	**Lease Term**	Recognition over non-cancellable term; examining bargain purchases	Recognition over most likely term: Inclusion of renewal options	Recognition over most likely term: Inclusion of renewal options	Recognition over non-cancellable period of the lease; Inclusion of renewal options (if significant econ. incentive)	Recognition over a high threshold if significant econ. Incentive is expected to be realized, (if reasonably certain that it will exercise option)	Started from inclusion of all renewal options of the most likely term but later added the words 'significant economic incentives' further amending it to the phrase 'reasonably certain to exercise'
7	**Reassessment of Components and Lease Term**	Not required unless specified conditions are met (e.g. terms of the lease are changed)	Required at each reporting date for lease payment components and lease term on the basis of any new facts or circumstances	Required at each reporting date for lease payment components and lease term, if events indicate significant change in carrying value	Required at each reporting date for lease payment components and lease term, if events indicate significant change in carrying value; for contingent rentals at each reporting date	Reassess the lease term only upon the occurrence of a significant event or a significant change in circumstances that are within the control of the lessee; for contingent rentals - when the lessee remeasures the lease liability for other reasons or when there is a change in the cash flows resulting from a change in the reference index or rate	Softened the requirements for the reassessment of the lease term, since the lessees are not required to reassess the lease term at each reporting date but only when significant events occur

8	**Subsequent Measurement**	Applying amortized cost-based approach on both lease asset and lease liability (for FLs)	Applying amortized cost-based approach for both lease asset and lease liability	Applying amortized cost-based approach for both; - Lease asset: Assets may be impaired; exception if IAS 40 is applied (fair value model for investment property)	Applying amortized cost-based approach for both; - Lease asset: Assets may be impaired (exception for investment property) Type A leases: amortise according to the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits. Type B: amortise ROU on a straight-line basis	Applying amortized cost-based approach for both; - Lease asset: Assets may be impaired (exception for investment property) Type A leases: amortise according to the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits.	No change (only temporary change due to dual accounting model)
9	**Dual Accounting Model *(treatment of leases in income statement)***	N/A	none	none	Type A leases: interest and amortisation separately (e.g. finance) Type B: single lease cost incl. both interest cost and amortisation (e.g. operating)	All Type A: recognize amortisation of the ROU asset separately from interest on the lease liability	Introduced dual model on Re-ED level but then switched to single model while FASB maintained dual accounting model
10	**Presentation: Balance Sheet**	No separation of lease asset & lease liability	Separation of lease assets from other assets in BS; No separation requirements for lease liabilities	Separation of lease assets & liabilities in BS	Separation of lease asset & liability in BS or disclosures	Separation of lease asset & liability in BS or disclosures	Required separation of lease assets and liabilities in BS and later softened this requirement and also allowed disclosures
11	**Presentation: Income Statement**	No separation of related income statement items	No preliminary views	Separation of lease amortization & interest expenses, either in IS or disclosures	Type A: Separation of lease amortization & interest expenses in disclosures Type B: Single lease expense in disclosures	Separation of lease amortization & interest expenses in disclosures	Only disclosure of the expense is required and it is no more an option to separately show lease expense in IS

12	**Presentation: Cash Flow Statement**	No separation of cash flow items	No preliminary views	Lease payments classified under financing activities	Lease payments classified under financing activities for Type A; under operating activities for Type B	Lease payments classified within operating or financing activities consistent with the entity's policy election under IAS 7	Allowed presentation also under operating activities
13	**Disclosures**	- Nature of lease arrangements - Existence of options (purchase and renewal) - Reconciliation of opening/closing balances - Restrictions imposed by lease arrangements - Contingent rentals expensed in last period - Amount and timing of future cash flows	No preliminary views	- Nature of lease arrangements; - Existence of options (purchase and renewal); - Initial direct costs; - Reconciliation of opening/closing balances of lease assets and lease liabilities; - Basis for contingent rentals; - Amount and timing of future cash flows - Assumptions and judgements (renewal options, contingent rentals, etc.) - Restrictions imposed by lease arrangements	A disclosure objective that it should be possible for users to assess the amount, timing, and uncertainty of cash flows arising from leases; A lessee shall consider the level of detail necessary to satisfy the disclosure objective; Requirements: - Nature of lease arrangements; - Basis for variable lease payments; - Reconciliation of opening/closing balances of lease assets/liabilities; - Maturity analysis of the lease liability	A disclosure objective maintained; The IASB decided not to retain the qualitative disclosure requirements proposed in the 2013 ED and, instead, require a lessee to disclose sufficient additional information to satisfy the overall disclosure objective. The IASB decided not to retain the requirement for reconciliation of opening/closing balances of lease assets & liabilities; Quantitative disclosures: amortisation, interest, short-term leases expense, etc. Disclosures should be presented in a tabular format	Introduced more detailed requirements on the Re-ED stage but later moved towards a more principle-based requirement for qualitative disclosures, while it also made clarifications on quantitative disclosures by requiring specific disclosures.

14	**Transition**	n/a	No preliminary views	OL: Simplified retrospective application - FL: Adjust the carrying values (to ROU Model); no adjustments for simple finance leases	- OL: Modified retrospective application or full retrospective approach - FL : No required adjustment of carrying values	- OL: a retrospective approach, choice between fully or modified retrospective - FL : No required adjustment of carrying values	Allowed more flexibility for preparers by permitting two approaches for transition
15	**Definition of a lease**	search	No preliminary views	a contract in which the right to use a specified asset or assets is conveyed, for a period of time, in exchange for consideration	a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration	a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration	No change after the definition was introduced at the ED stage (except for minor wording modifications)
16	**Definition of a lease : Determining whether a contract contains a lease**	Except FL / OL guidelines no specific guidance	No preliminary views	No preliminary views	By assessing whether: (a) fulfilment of the contract depends on the use of an identified asset; and (b) the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an asset if the customer has the ability to direct the use and receive the benefits from use of the identified asset.	The use of an identified asset is either explicitly or implicitly specified. The customer controls the use of the identified asset. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to: (a) Direct the use of the identified asset; and (b) Obtain substantially all of the economic benefits from directing the use of the identified asset.	Made clarifications regarding the definition of a lease after the demand of respondents; tentative decisions are more detailed compared to the Re-ED; Affects preparers' ability to determine whether a contract contains a lease

Sources: based on Betz & Pozzobon (2011); IAS 17; IASB & FASB (2009); IASB & FASB (2010); IASB & FASB (2013); IASB & FASB (2015)