

CONSTITUENTS' FORMAL PARTICIPATION IN THE IASB'S DUE PROCESS: NEW INSIGHTS INTO THE IMPACT OF COUNTRY AND DUE PROCESS DOCUMENT CHARACTERISTICS

Michael Dobler,* Oliver Knospe*

* Chair of Accounting, Auditing and Taxation, Faculty of Business and Economics, Technische Universität Dresden, Germany

Abstract

This paper adopts a multi-issue/multi-period approach to provide new insights into key determinants of constituents' formal participation in the due process of the International Accounting Standards Board (IASB). Based on an analysis of 8,825 comment letters submitted during the period 2006–2012, we find imbalances in the representation of constituents. Multiple regressions reveal that among various economic and cultural variables equity market capitalization and the society's level of individualism are the key drivers of the country-level of constituents' participation, and each variable has explanatory power over the other. The level of constituents' participation is positively associated with the number of input opportunities offered by a due process document but unrelated to the complexity of a standard-setting project. The results are robust across various sub-samples and to additional sensitivity tests. Our findings indicate threats to the input legitimacy of the IASB and suggest avenues to stimulate constituents' participation.

Keywords: Accounting, Comment Letters, International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS), Legitimacy, Standard-setting

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1. INTRODUCTION

The foremost objective of the IFRS Foundation is “to develop, in public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards” (IFRS Foundation 2013a, par. 2(a)). The International Accounting Standards Board (IASB) develops standards based on an institutional due process that involves interested parties from all over the world. Interested parties are invited to submit comment letters (CLs) in response to the IASB's due process documents (DPDs), i.e. discussion papers (DPs) and exposure drafts (EDs). CLs are assigned “a pivotal role in the deliberations process” (IFRS Foundation 2013b, par. 3.64). As a major method to participate in the IASB's standard-setting process, CLs can be considered a typical vehicle of constituents' *lobbying* towards the IASB, as a private organization (Georgiou, 2010; Hansen, 2011; Orens et al., 2011; Richardson and Eberlein, 2011). For the IASB, in turn, wide-spread participation of constituents is of utmost importance to gain *legitimacy*, particularly input legitimacy, as a global standard-setter (Suchman, 1995; Durocher et al., 2007; Larson and Kenny, 2011; Jorissen et al., 2013). The purpose of

this paper is to explore the impact of country and DPD characteristics on constituents' formal participation in the IASB's due process in a multi-issue/multi-period research design.

Empirical accounting research largely relies on CLs to investigate constituents' formal participation in the private standard-setting process, and the growing body of research on the IASB is no exception (Larson and Herz, 2011, 2013; Giner and Acre, 2012; Dobler and Knospe, 2016). The focus on CLs is for a number of reasons (Königgruber, 2010; Bamber and McMeeking, 2016). First, information on informal participation is not publicly available. Second, it is almost impossible to collect data on various participation methods in a multi-issue/multi-period research design. Third, there is evidence that the use of CLs is linked to the use of informal participation methods (Georgiou, 2004, 2010). Against this background, this paper chooses CLs to measure constituents' participation in the IASB's due process.

Much of prior research has focused on characteristics of constituents. Results indicate imbalances in the representation of interest groups (Larson and Herz, 2011; Giner and Arce, 2012; Jorissen et al., 2012) and of geographic origins

(Kenny and Larson, 1993; Jorissen et al., 2013; Larson and Herz, 2013), which might induce criticism in relation to the input legitimacy of the IASB. Since wide-spread participation in geographic terms is a particular matter of IASB as a global standard-setter, it is important to understand what determines the level of constituents' participation across countries. Research to date, however, provides limited evidence on the determinants of constituents' participation in regard to characteristics of constituents' countries of origin (MacArthur, 1996; Larson and Herz, 2013). Since the IASB can influence the characteristics of DPDs to some extent, evidence on the association between constituents' participation and DPD characteristics could indicate ways to stimulate participation and gain input legitimacy. However, there is piecemeal evidence to date. Findings suggest an impact of the type of accounting issue addressed and the formal status of a DPD in the IASB's due process (Giner and Arce, 2012; Jorissen et al., 2012). Overall, existing results are partly inconclusive, only cover small sets of explanatory variables in multivariate analyses, and potentially neglect key determinants.

The *objective* of this paper is to determine the impact of country characteristics (which are beyond the control of the IASB) and of DPD characteristics (which the IASB can influence to some extent) on the level of constituents' participation. The research population covers 8,825 CLs sent to the IASB in response to 56 DPDs in the period 2006-2012, and is larger in terms of CLs than related multi-issue/multi-period studies (Jorissen et al., 2012, 2013; Larson and Herz, 2013). In regard to country characteristics, we hypothesize that there is an association between the level of constituents' participation and (1) the level of economic development, and (2) cultural characteristics of the countries of origin. Our paper extends recent research by Larson and Herz (2013) and Jorissen et al. (2013) by jointly investigating sets of economic and cultural characteristics. This allows us to assess whether each has incremental explanatory power over the other in respect to the level of constituents' participation. In regard to DPD characteristics, we hypothesize that there is an association between the level of constituents' participation and two novel characteristics of DPDs: (1) the number of input opportunities offered, and (2) the complexity of the standard-setting project a DPD is affiliated with. Unlike prior research, all the analyses distinguish between projects solely conducted by the IASB and Memorandum of Understanding (MoU) projects related to the convergence of IFRS and US GAAP. This distinction is made since the two types of projects are likely to differ in regard to patterns of constituents' participation (Georgiou, 2010).

The *key findings* of this paper are as follows: First, there are imbalances in the representation of interest groups and geographic origins in the IASB's due process. The findings suggest that threats to the IASB's input legitimacy prevail in recent periods and across different types of DPDs and projects. Second, multivariate regressions reveal positive associations between the level of constituents' participation and both, a country's equity market capitalization and its level of individualism where each variable has explanatory power over the other. The findings are consistent with the IASB's focus on the information needs of capital markets and with strong

involvement of individuals in the political system in societies characterized by high levels of individualism. Further evidence suggests that language barriers may inhibit constituents' participation in non-English speaking countries, while the level of participation is unaffected by a country's level of institutional reliance on IFRS. The findings are important to understand the biases in the representation of geographic origins in the IASB's due process and contribute to the discussion of the IASB's input legitimacy. Third, DPD regressions reveal a positive association between the level of constituents' participation and the number of input opportunities offered. For other characteristics we find mixed evidence (status in the IASB's due process, affiliation with a MoU project) or no association with the level of constituents' participation (project complexity, type of accounting issue, length of the comment period). Since the IASB can influence DPD characteristics at least to some extent our findings suggest avenues to stimulate constituents' participation and to gain input legitimacy. Overall, our paper contributes to the recent discussion of lobbying the international standard-setter and its input legitimacy.

The remainder of the paper is organized as follows: Sections 2 and 3 present the literature review and our hypotheses development, respectively. Section 4 describes our research population and the classification procedures employed. Section 5 presents the empirical models. Section 6 discusses the research results, followed by conclusions in Section 7.

2. LITERATURE REVIEW

Grounded on a model of procedural legitimacy, Richardson and Eberlein (2011) define legitimacy of a private standard-setter as a three-stage process. First, inputs are collected from affected parties (input legitimacy), then considered, aggregated, and transformed in a formal decision process (throughput legitimacy), and finally result in standards (output legitimacy). Input legitimacy requires constituents that are affected by standards to be represented in the standard-setting process (Johnson and Solomons, 1984; Durocher et al., 2007; Larson and Kenny, 2011). In case of the IASB, wide-spread participation across interest groups and geographic origins is crucial to gain input legitimacy (Kothari et al., 2010; Burlaud and Colasse, 2011; Larson and Herz, 2013). Participation in the standard-setting process is also considered important since it generates information that helps the IASB to assess potential reactions to its standards (Suchman, 1995; Zeff, 2002; Jorissen et al., 2013).

In turn, constituents must have incentives to participate in the standard-setting process. Building on work of Downs (1957), Sutton (1984) develops a cost-benefit framework to explain why parties participate in the lobbying process. Lobbying occurs if the difference in the utility assigned to two alternative outcomes of the standard-setting process, adjusted by the probability that lobbying will be successful, exceed the costs of lobbying. Sutton (1984) derives numerous predictions on the participation and content of lobbying that have been tested in empirical accounting research.

Empirical accounting research largely relies on publicly available CLs to investigate constituents' formal participation in the private standard-setting process. Georgiou (2004, 2010) provides evidence that the use of CLs by constituents is closely linked to the use of informal participation methods. Based on Sutton's (1984) framework, Dobler and Knospe (2016) distinguish three major strands of CL-based lobbying research. The strands focus on the participation in, the content of, and success of lobbying towards a standard-setter. The first strand is most closely related to our study. It documents that interest groups are not equally represented in the IASB's due process. Particularly and as predicted by Sutton (1984), preparers of financial statements participate more than users of financial statements, while there are intermediate levels of participation for accountants and regulators (Kwok and Sharp, 2005; Giner and Arce, 2012; Jorissen et al., 2012, 2013).

Since the IASB seeks legitimacy as a global standard-setter, constituents' participation in terms of geographic representation is of particular importance. Evidence, however, indicates that European constituents participate most frequently in the due process of the IASB followed by constituents from North America and Asia/Oceania (Larson and Herz, 2011, 2013; Jorissen et al., 2013; Wingard et al., 2016). Sutton's (1984) framework implies more participation from countries that are more heavily affected by proposed standards and that are wealthier compared to others. Empirical work relates relative over- or underrepresentation of geographic origins to differences in the economic (Larson and Herz, 2013), cultural (MacArthur, 1996; Jorissen et al., 2006), institutional, and lingual characteristics (Larson and Herz, 2011, 2013; Jorissen et al., 2013) of the constituents' countries of origin.

Focusing on economic characteristics, Larson and Herz (2013) document that the level of equity market development, EU and G4+1 membership are all positively associated with constituents' participation in the IASB's due process. Based on Hofstede's (2001) cultural dimensions and Gray's (1988) accounting values, Jorissen et al. (2006) observe a negative impact of power distance, while Jorissen et al. (2013) indicate a positive impact of individualism on the level of participation in the IASB's due process. Jorissen et al. (2013) report a positive impact of a country's IFRS adoption status on preparers' participation. Jorissen et al. (2013) and Larson and Herz (2013) also provide limited evidence on language barriers that seem to inhibit participation.

There is very limited evidence on the association between the level of constituents' participation and characteristics of DPDs published and the projects they are affiliated with. Sutton (1984) predicts that participation in the lobbying process is affected by the type of accounting issue under consideration. Empirical findings suggest that constituents' participation depends on the type of accounting issue addressed. While classification schemes employed are diverse, particularly substantial issues related to recognition and measurement seem to be related to high levels of participation (Saemann, 1999; Buckmaster et al., 1994; Jorissen et al., 2012). The formal status of a DPD in the IASB's due process suggests to differentiate between EDs which are compulsory and

DPs which are not (IFRS Foundation 2013b, par. 6.1). Sutton (1984) predicts that participation at an early stage of the due process is more likely than in later stages. Questionnaire-based evidence by Georgiou (2004, 2010) does not support this prediction. CL-based studies that compare constituents' participation in response to DPDs (i.e. at an early stage of a project) and in response to EDs (i.e. at a later stage of a project) yield inconsistent results (Giner and Arce, 2012; Larson and Herz, 2013; Dobler and Knospe, 2016).

Further characteristics of DPDs have been largely neglected in empirical research on constituents' participation. Larson and Herz (2013, p. 131) argue that a "brief comment time period may limit some constituent participation", but do not provide evidence. By dividing their research population, Jorissen et al. (2013) conclude that, compared to projects solely conducted by the IASB, convergence projects in which the IASB and the FASB cooperate according to the MoU (IFRS Foundation, 2002, 2012) do not necessarily stimulate higher levels of participation. Yet, they do not provide statistical evidence.

In sum, the literature review indicates limited evidence on the impact of country characteristics and piecemeal evidence on the impact of characteristics of DPDs on constituents' participation in the IASB's due process through CLs.

3. HYPOTHESES DEVELOPMENT

In order to enhance the understanding of determinants of constituents' formal participation in the IASB's due process, this paper investigates the impact of country characteristics which are beyond the standard-setters control, and of DPD characteristics which the standard-setter can influence to some extent.

Empirical research documents imbalances in the representation of geographic origins but provides limited and partly mixed evidence on the country characteristics that drive constituents' participation in the IASB's due process. Recent multi-issue/multi-period analyses by Larson and Herz (2013) and Jorissen et al. (2013) provide valuable contributions. However, Larson and Herz (2013) do not address cultural characteristics and Jorissen et al. (2013) solely use economic characteristics of the countries of origin to scale the dependent variable. We jointly analyze the impact of sets of economic and cultural country characteristics in order to address whether and to what extent each has incremental explanatory power over the other with respect to the level of constituents' participation.

Adopting Sutton's (1984) framework to the international level suggests that relative wealth in economically developed countries is associated with higher levels of constituents' participation in the IASB's due process. To the extent a country's size of equity market and IFRS adoption are related (Hope et al., 2006; Zéghal and Mhedhbi, 2006), constituents from countries with developed equity markets are likely to be more heavily affected by the IASB's standard-setting and to participate more (Larson and Herz, 2013). Empirical findings on imbalances in representation of geographic origins in the IASB's due process are roughly in line with these assessments. Larson and Kenny (1998) and Larson

(2007) document relatively low levels of participation by constituents from economically less developed countries. More particularly, Larson and Herz (2013) find a positive impact of various variables representing a country's level of economic development on constituents' participation. Thus, our first hypothesis states:

H1a: *The level of economic development of a country is positively associated with the level of constituents' participation in the due process.*

Various strands of literature suggest that a country's transparency or secrecy in regard to financial accounting is associated with cultural characteristics (MacArthur, 1996; Ding et al., 2005). Gray (1988, p. 11) states that "the higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy". Taking account of the public perception of constituents' preferences (Sutton, 1984), higher levels of secrecy imply less indirect participation costs of lobbying through CLs. As a consequence, the level of constituents' participation should increase in a country's level of secrecy. Grounded in Gray's (1988) accounting values and Hofstede's (2001) cultural dimensions, cultural characteristics should be related to the country-level of participation in the IASB's due process.

First, power distance (*PDI*) measures the acceptance of unequal distribution of power. Hofstede (2001, p. 112) argues that "citizens of high *PDI* societies tend to wait for action by the government. Citizens of low-*PDI* societies are more likely to cooperate with their governments". This suggests a negative association between *PDI* and constituents' participation (Jorissen et al., 2006). Second, uncertainty avoidance (*UAI*) is a measure for society feeling uncomfortable with uncertainty. Hofstede (2001) predicts that citizens from countries with a low *UAI* are more interested in politics and protest government decisions. This suggests a negative association between *UAI* and constituents' participation. Third, individualism (*IDV*) is a measure for "the relationship between the individual and the collectivity that prevails in a given society" (Hofstede, 2001, p. 209). Since *IDV* is positively related to the involvement of voters in the political system, we expect a positive association between *IDV* and constituents' participation (Jorissen et al., 2013). Finally, masculinity (*MAS*) is a measure for masculinity as opposed to femininity. Hofstede (2001) suggests that the level of high levels of masculinity relate to a more adversarial political discourse. This suggests a positive association between *MAS* and constituents' participation.

Particularly, we expect the level of constituents' participation to be negatively associated with the levels of *PDI* and *UAI* - as documented by Jorissen et al. (2006, 2013) -, but positively associated with the levels of *IDV* and *MAS* (Gray, 1988; Hofstede, 2001). Given these expectations, our second hypothesis states:

H1b: *The cultural characteristics of a country are associated with the level of constituents' participation in the due process.*

While controlling for a number of DPD characteristics addressed in prior research, we particularly introduce two novel characteristics: the

input opportunities offered by a DPD, and the complexity of a project the DPD is affiliated with.

A DPD of the IASB poses a number of questions (IFRS Foundation, 2013b, par. 6.3). The questions offer distinct opportunities for constituents to provide input to the standard-setting process (Hansen, 2011; Richardson and Eberlein, 2011; Giner and Arce, 2012). According to Sutton (1984, p. 89), constituents' participation depends on the cost-effectiveness of lobbying defined as "the influence ... per unit of lobbying expenditure". Constituents do not need to take all opportunities offered by a DPD to provide input. Based on cost-benefit considerations per opportunity, they can and do participate by providing input on single questions posed in order to influence the IASB (Lindahl, 1987; Georgiou, 2004; Dobler and Knospe, 2016). The greater the number of distinct input opportunities, the more likely it is that benefits exceed the costs of providing input on at least one question. *Ceteris paribus*, a greater number of input opportunities offered by a DPD to influence the IASB should then increase constituents' incentives to participate in the due process (Georgiou, 2010). Thus, our next hypothesis states:

H2a: *The number of input opportunities offered by a DPD is positively associated with the level of constituents' participation in the due process.*

DPDs are affiliated with projects of the standard-setter. Some projects, such as *Financial Instruments* and *Post-employment benefits (including pensions)*, are considered more complex than others by both constituents (Amen, 2007; Chatham et al., 2010) and the standard-setter (IFRS Foundation, 2008, par. 2.7; IFRS Foundation, 2014). For constituents, a higher level of complexity is related with higher costs of participation in the due process. Sutton's (1984) framework then, *ceteris paribus*, suggests lower levels of constituents' participation in response to DPDs affiliated with a complex project. The IASB tends to issue more DPDs related to complex projects, like the projects mentioned above (Chatham et al., 2010). Facing a greater number of DPDs related to one project, constituents have to coordinate their lobbying efforts (Georgiou, 2010). It is argued here that the coordination efforts due to the complexity of a project further increase the costs of participation.³⁰ So constituents' incentives to respond to a DPD likely decrease in the complexity of the project the DPD is affiliated with. Recent empirical studies seem to support these arguments and suggest that constituents do not have sufficient funds to address the large number of DPDs (Georgiou, 2010; Dobler and Knospe, 2016). Thus, our final hypothesis states:

H2b: *The complexity of a project is negatively associated with the level of constituents' participation in the due process.*

4. COLLECTION OF DATA AND CLASSIFICATION OF DPDS AND CONSTITUENTS

³⁰ Constituents may consider responding to a single DPD without considering related DPDs affiliated with the same project. In this case, there are no coordination costs but higher costs of participation due to a complex issue addressed by the project may still hamper the level of constituents' participation.

This multi-issue/multi-period analysis of constituents' participation in the IASB's due process begins in 2006 and ends in 2012. For this period, DPDs and related CLs were, at large, publicly available from the IASB's website as of 30 June 2013. The IASB's website lists 63 DPDs that were published in 2006 or later and that have a comment period which was closed no later than 31 December 2012. Seven DPDs are excluded since the documents or CLs were unavailable from the IASB's website as of 30 June 2013.³¹ Thus, our study covers 56 DPDs related to 28 projects.

All DPDs are classified along three dimensions. First, we distinguish between DPs and EDs by reference to their status in the IASB's formal due process (IFRS Foundation, 2013b). The DPDs in our study consist of ten DPs and 46 EDs. The larger number of EDs is not surprising since the publication of an ED is mandatory, while the publication of a DP is optional in the IASB's due process (IFRS Foundation, 2013b, par. 6.1).

Second, by reference to the convergence agenda of the IASB (IFRS Foundation, 2006, 2012, 2013c) we distinguish between DPDs related to projects solely conducted by the IASB (IASB projects) and projects that are part of the MoU (MoU projects). 26 DPDs are affiliated with IASB projects and 30 with MoU projects. The large number of DPDs related to MoU projects indicates the importance of convergence with US GAAP on the IASB's agenda in our research period.

Third, DPDs are classified according to their content in terms of the accounting issue predominantly addressed. Buckmaster et al. (1994) distinguish three categories. Standardization issues (*STAN*) address key accounting methods, recognition, and measurement. Disclosure issues (*DISC*) address note and other disclosures. Technical issues (*TECH*) address definitions, transition, annual improvements, and the conceptual framework. Our study covers 40 DPDs on standardization issues, seven on disclosures issues, and nine on technical issues. This pattern suggests a focus on standardization issues in the IASB's agenda.

We collect 8,825 CLs related to the 56 DPDs from the IASB's website.³² All CLs are classified according to the constituents' interest group affiliation and geographic origin. Consistent with prior research (Kwok and Sharp, 2005; Larson, 2007;

Bamber and McMeeking, 2016), we distinguish five interest groups: preparers of financial statements (including financial service businesses); users of financial statements (including analyst organizations); accountants (including public accounting firms and accounting professional bodies); regulators (such as accounting standard-setters, stock exchange regulators, and governmental agencies); and individuals (such as academics).³³ Constituents' countries and continents of origin are collected by reference to geographic criteria. Consistent with Jorissen et al. (2013), constituents that cannot be assigned to a specific country or continent are classified as international constituents (such as Big-4 accounting firms and International Organization of Securities Commissions).

In order to mitigate subjectivity and to ensure reproducibility, all data were independently reviewed by one of the authors and an experienced student coder. Any disagreements were discussed and reconciled.

5. EMPIRICAL MODELS AND DESCRIPTION OF VARIABLES

Two sets of linear regression models are employed in order to test the hypotheses. To test H1a and H1b, model (1) regresses the number of CLs per country of origin (*CL_COUNTRY*) on sets of research variables representing a country's level of economic development (H1a) and cultural characteristics (H1b) and control variables:

$$CL_COUNTRY = \alpha_0 + \alpha_1 MAC + \alpha_2 GDP + \alpha_3 PDI + \alpha_4 UAI + \alpha_5 IDV + \alpha_6 MAS + \alpha_7 LANG + \alpha_8 IFRS + \varepsilon_1 \quad (1)$$

Similar to Larson and Herz (2013), we use two research variables to measure a country's level of economic development: equity market capitalization (*MAC*) and gross domestic product per capita (*GDP*), each measured as mean over the years 2006–2012 in USD. H1a predicts positive coefficients on *MAC* and *GDP* (α_1 and α_2).

To address H1b, four research variables are included representing country-scores of Hofstede's (2001) cultural dimensions. The variables are power distance (*PDI*), uncertainty avoidance (*UAI*), individualism (*IDV*), and masculinity (*MAS*). H1b implies negative coefficients on *PDI* and *UAI* (α_3 and α_4) but positive coefficients on *IDV* and *MAS* (α_5 and α_6).

Model (1) includes two control variables. First, prior research argues that constituents may refrain from participating in the IASB's due process due to language barriers (Standish, 2003; Burlaud and Colasse, 2011). In order to control for language

³¹ The restrictions relate to DP *Financial Instruments with Characteristics of Equity*, DP *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity (Phase D)*, DP *Reducing Complexity in Reporting Financial Instruments*, ED *Exposures Qualifying for Hedge Accounting*, ED *Income Tax*, ED *Management Commentary*, ED *Rate-regulated Activities*. Detailed statistics on the characteristics of the projects and the DPDs considered are available from the authors.

³² Our data on the number of constituents per individual DPD for the period 2006–2007 only slightly differs in some from the data provided by Jorissen et al. (2013). Some CLs were no longer available from the IASB's website: 3 CLs related to ED *Operating Segments*, and 1 CL each related to ED *Joint Arrangements*, ED *Financial Instruments: Amortised Cost and Impairment*, ED *Hedge Accounting*, ED *Phase B - Presentation of Items of Other Comprehensive Income - Proposed amendments to IAS 1*, and ED *Revenue from Contracts with Customers* (2010).

³³ Some studies use a more detailed classification of interest groups (Larson and Brown, 2001; Jorissen et al., 2013). It is justified to employ a simple classification in this paper since we do not focus on interest group affiliation. CLs of multiple authors are only included if the authors have the same interest group affiliation and geographic origin. The geographic origin of subsidiaries is coded irrespective of the location of the parent. In some cases, the affiliation with an interest group or a country of origin is determined by a web-based search.

barriers, we include a dummy variable on the language proficiency (*LANG*). Consistent with Larson and Herz (2013), the variable is coded 1 if English is a major or an official language in constituents' country of origin, and zero otherwise.³⁴ Constituents from English speaking countries are less likely to face language barriers in assessing DPDs, suggesting positive coefficient on *LANG* (α_7). Second, prior research suggests that the level of constituents' participation in the IASB's due process differs in a country's institutional reliance on IFRS (Hansen, 2011; Jorissen et al., 2013). To control for the level of reliance on IFRS, we include the variable *IFRS*. Based on data collected from the IASplus website (www.iasplus.com), the variable takes the value 1 for countries where IFRS are not permitted, 2 for countries where IFRS are permitted, and 3 for countries where IFRS are mandatory for the preparation of some or all financial statements (Dobler and Knospe, 2016). Constituents from countries with greater reliance on IFRS are likely to be more affected by the IASB's standards and more likely to participate, suggesting a positive coefficient on *IFRS* (α_8).

To test our hypotheses H2a and H2b, model (2) regresses the number of CLs per DPD (*CL_DOCUMENT*) on the input opportunities offered by a DPD (H2a), the complexity of a project it is affiliated with (H2b), and control variables:

$$CL_DOCUMENT = \beta_0 + \beta_1 INPUTOP + \beta_2 COMPLEX + \beta_3 DISC + \beta_4 TECH + \beta_5 ED + \beta_6 DURA + \beta_7 CONV + \varepsilon_2 \quad (2)$$

The number of questions posed by a DPD is used as a measure for the input opportunities offered (*INPUTOP*). Based on considerations of cost-effectiveness (Sutton, 1984; Lindahl, 1987), H2a predicts a positive coefficient on this research variable (β_1). The argument is that a larger number of distinct questions posed in the DPD suggest more opportunities to impact the IASB's standard-setting process. The number of DPDs related to one project is used to measure the complexity of a project a DPD is affiliated with (*complex*). Since constituents' participation costs are likely to increase in the complexity of a standard-setting project, H2b predicts a negative coefficient on *COMPLEX* (β_2).

Model (2) includes a number of control variables. Based on Buckmaster et al. (1994) and Dobler and Knospe (2016), we control for content-related characteristics of a DPD in terms of the accounting issue predominantly addressed. Using standardization issues as the base case, we include two dummy variables that take the value 1 if the document is classified to address disclosure issues (*DISC*) or technical issues (*TECH*), respectively, and zero otherwise. Given inconsistent findings in theoretical and empirical literature reviewed in Section 2, we do not predict an expected sign on β_3 and β_4 .

To control for the status of a DPD in the IASB's formal due process, the dummy variable *ED* is

included. The variable takes the value 1 if the DPD is an ED, and zero if it is a DP. Sutton's (1984) framework suggests higher levels of participation in response to a DP compared to an ED. Conversely, Dobler and Knospe (2016) argue that some constituents focus on more immediate standard-setting proposals as reflected in an ED. Evidence to date is inconclusive (Giner and Arce, 2012; Jorissen et al., 2012). Since the variable *ED* controls for a number of potentially countervailing effects, we do not predict an expected sign on β_5 .

To control for the duration of the comment period, the variable *DURA* is included representing the length of the comment period of a DPD as measured in months. A longer comment period suggests more time for constituents to prepare and submit CLs implying to expect a positive coefficient β_6 (Larson and Herz, 2013). Finally, we include the dummy variable *CONV* that takes the value 1 if the DPD is affiliated with a MoU project, and zero otherwise. Theoretical considerations and empirical evidence (Georgiou, 2010; Jorissen et al., 2013; Larson and Herz, 2013) suggest to expect a positive coefficient β_7 .

In recent years, international accounting standard-setting has been shaped by the convergence of IFRS and US GAAP (IFRS Foundation, 2002, 2012). It is important to note that MoU projects differ from projects solely conducted by the IASB in at least three major ways. First, MoU projects typically deal with substantive changes in accounting, e.g. in the projects *Financial Instruments, Leases, and Revenue Recognition*, that affect many interest groups (IFRS Foundation 2013c). Second, by proposing changes in US GAAP, MoU projects directly affect constituents from the US and are likely to increase their incentives to participate in the due process (Georgiou, 2010; Larson and Herz, 2013). Third, Jorissen et al. (2013) suggest that MoU projects are associated with high levels of constituents' participation. In order to explore whether the drivers of constituents' participation differ between IASB projects and MoU projects, models (1) and (2) are estimated separately for both groups of projects.

6. RESULTS AND DISCUSSION

6.1 Descriptive results on constituents' participation

The research population of this study consists of 8,825 CLs sent to the IASB in response to 56 DPDs in 28 projects. The number of constituents per DPD ranges from 22 (ED *Limited Exemption from Comparative IFRS 7 Disclosures for first-time adopters - Proposed amendments to IFRS 1*) to 971 (ED *Revenue from Contracts with Customers*). Table 1 presents summary descriptive results on the number of constituents in response to DPDs in total (Panel A), per interest group (Panel B), and per continent of origin (Panel C). Each Panel compares the average number of constituents between DPs and EDs, and between IASB projects and MoU projects.

³⁴ Our results remain qualitatively unchanged when using language distance as an alternative measure of language barriers. Language distance is a country-score on the distance between the local language and English language (Jeanjean et al., 2010).

Table 1. Summary descriptive results on constituents' participation**Panel A:** Constituents' total participation

	Total	DPs	EDs	<i>p</i> -value of Mann-Whitney test: DPs vs. EDs	IASB	MoU	<i>p</i> -value of Mann-Whitney test: IASB vs. MoU
Average number of CL per DPD	157.59	173.70	154.09	0.042	94.15	212.57	<0.001
Absolute number of CL	8,825	1,737	7,088		2,448	6,377	
N	56	10	46		26	30	

Panel B: Constituents' participation per interest group

	Total	DPs	EDs	<i>p</i> -value of Mann-Whitney test: DPs vs. EDs	IASB	MoU	<i>p</i> -value of Mann-Whitney test: IASB vs. MoU
Preparers							
Average number of CL per DPD	74.36	85.90	71.85	0.033	35.85	107.73	<0.001
Absolute number of CL	4,164	859	3,305		932	3,232	
Users							
Average number of CL per DPD	12.23	17.70	11.04	0.030	6.00	17.63	<0.001
Absolute number of CL	685	177	508		156	529	
Accountants							
Average number of CL per DPD	28.16	28.90	28.00	0.493	23.42	32.27	0.002
Absolute number of CL	1,577	289	1,288		609	968	
Regulators							
Average number of CL per DPD	25.46	25.40	25.48	0.932	21.15	29.20	<0.001
Absolute number of CL	1,426	254	1,172		550	876	
Individuals							
Average number of CL per DPD	17.38	15.80	17.72	0.011	7.73	25.73	0.056
Absolute number of CL	973	158	815		201	772	
Kruskal-Wallis test	<0.001	<0.001	<0.001		<0.001	<0.001	
Mann-Whitney test: Preparers vs. users	<0.001	<0.001	<0.001		<0.001	<0.001	

Panel C: Constituents' participation per continent

	Total	DPs	EDs	<i>p</i> -value of Mann-Whitney test : DPs vs. EDs	IASB	MoU	<i>p</i> -value of Mann-Whitney test: IASB vs. MoU
Europe							
Average number of CL per DPD	62.77	80.20	58.98	0.030	41.69	81.03	<0.001
Absolute number of CL	3,515	802	2,713		1,084	2,431	
EU							
Average number of CL per DPD	50.16	64.70	47.00	0.032	32.96	65.07	<0.001
Absolute number of CL	2,809	647	2,162		857	1,952	
North America							
Average number of CL per DPD	46.84	45.20	47.20	0.020	16.73	72.93	0.002
Absolute number of CL	2,623	452	2,171		435	2,188	
US							
Average number of CL per DPD	37.13	35.30	37.52	0.006	8.50	61.93	0.002
Absolute number of CL	2,079	353	1,726		221	1,858	
South America							
Average number of CL per DPD	1.77	0.80	1.98	0.054	1.62	1.90	0.368
Absolute number of CL	99	8	91		42	57	
Africa							
Average number of CL per DPD	4.52	4.00	4.63	0.870	4.12	4.87	0.570
Absolute number of CL	253	40	213		107	146	
Asia/Oceania							
Average number of CL per DPD	28.52	27.50	28.74	0.592	19.46	36.37	<0.001
Absolute number of CL	1,597	275	1,322		506	1,091	
Inter-national							
Average number of CL per DPD	13.18	16.00	12.57	0.020	10.54	15.47	0.001
Absolute number of CL	738	160	578		274	464	
Kruskal-Wallis test	<0.001	<0.001	<0.001		<0.001	<0.001	
Mann-Whitney test: EU vs. US	<0.001	0.049	<0.001		<0.001	<0.001	

Notes: DPs = discussion papers; EDs = exposure drafts; IASB = projects solely conducted by the IASB; MoU = projects that are part of the Memorandum of Understanding.

Panel A of Table 1 reports that the average number of CLs (CL) per DPD is 157.59. Mann-Whitney tests indicate a higher average number of CLs in response to DPs compared to EDs ($p = 0.042$), and in response to a DPD related to MoU projects compared to IASB projects ($p < 0.001$). The first univariate finding seems consistent with Sutton's (1984) prediction that constituents' lobbying is more likely in early phases of a standard-setting process. The second univariate finding indicates that MoU projects attend larger interest among constituents as suggested by Jorissen et al. (2013).

Panel B of Table 1 presents per interest group statistics on the average number of CLs per DPD. Preparers participate most (74.36), followed by accountants (28.16), and regulators (25.46). Across the board, Kruskal-Wallis tests indicate significant differences between the interest groups ($p < 0.001$). As implied by Mann-Whitney tests, preparers participate more than users ($p < 0.001$). The findings are consistent with Sutton's (1984) framework and most prior research (Kwok and Sharp, 2005; Giner and Arce, 2012; Dobler and Knospe, 2016).

Individual interest group results consistently reveal a significantly higher average number of CLs for MoU projects compared to IASB projects. Results, however, differ in regard to participation in response to DPs and EDs. Results indicate that, on average, only preparers and users participate significantly more in response to DPs ($p = 0.033$ and $p = 0.030$). Conversely, individuals participate more in response to EDs ($p = 0.011$). Accountants and regulators show a rather balanced pattern. These findings suggest that participation in different stages of a standard-setting process differs between interest groups.

Panel C of Table 1 reports per continent statistics on the average number of CLs per DPD. Constituents from Europe participate most (62.77), followed by constituents from North America (46.84), and Asia/Oceania (28.52). Across the board, Kruskal-Wallis tests indicate significant differences between the continents ($p < 0.001$). More particularly, constituents from the EU participate more than constituents from the US. Mann-Whitney tests consistently show that the differences between the EU and the US are significant. This finding complements descriptive results by Jorissen et al. (2013) and Larson and Herz (2013) on earlier periods of standard-setting of the IASB and IASC.

Individual continent results reveal that the average number of CLs in response to DPs, compared to EDs, is only significantly higher for European and international constituents ($p = 0.030$ and $p = 0.020$). Conversely, it is significantly higher in response to EDs for North America and South America ($p = 0.020$ and $p = 0.054$). Apart from South America and Africa, i.e. the continents with least constituents, the average number of constituents is significantly higher for MoU projects than for IASB projects. This finding suggests that great participation in response to DPDs related to MoU projects is not entirely driven by North American constituents, 79.2% of which are domiciled in the US³⁵.

³⁵ The Appendix gives a detailed breakdown of constituents' participation per country of origin, interest group, and project status. Per-country statistics indicate participation from 89

6.2 Regression results on the impact of country characteristics

When estimating regression model (1) international and supranational constituents and countries with missing variables are excluded. The analyses in this Section, thus, cover 7,584 constituents from 52 individual countries. Panel A of Table 2 presents descriptive statistics on and Pearson and Spearman correlations between the variables used in model (1). As in Larson and Herz (2013), some independent variables are highly correlated. To check for concerns of multicollinearity we calculate the condition index and variance inflation factor (VIF) scores.

Panel B of Table 2 reports the regression results on the association between the country-level of constituents' participation and (1) the level of economic development and (2) cultural characteristics of the constituents' countries of origin. Results on the individual research variables are consistent for the full sample and for the sub-samples on IASB projects and MoU projects.

In regard to the level of economic development, results reveal that the level of constituents' participation is positively and significantly ($p < 0.01$) associated with a country's equity market capitalization, but unrelated to a country's per capita GDP. These findings only support H1a for MAC and seems consistent with the IASB's focus on information needs of capital markets.

individual countries. 1,086 constituents (12.3% of total constituents) are classified as international (738) or supranational constituents affiliated with a particular continent (348). Most constituents are domiciled in the US (2,079 or 23.6%), followed by the UK (1,163 or 13.2%), Canada (482 or 5.5%), Australia (481 or 5.5%), and Germany (424 or 4.8%). Constituents from these five countries represent more than half of total constituents covered by this study. For 50 countries, mainly in South America and Africa, we observe less than ten constituents that participate in the IASB's due process. A Herfindahl index equal to 0.113 and a Gini coefficient equal to 0.834, however, indicate that constituents' participation is just moderately concentrated.

Table 2. Country characteristics: Correlations and regression results**Panel A:** Summary statistics and correlations

	Mean	Standard deviation	No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<i>CL_COUNTRY</i>	145.846	333.853	[1]		0.699***	0.273**	-0.237*	-0.242*	0.507***	0.145	0.247*	-0.203
<i>MAC</i>	927,301	2,424,412	[2]	0.658***		0.160	-0.091	-0.161	0.314**	0.158	0.141	-0.346***
<i>GDP</i>	26,824	22,833	[3]	0.499***	0.341**		-0.594***	-0.222	0.645***	-0.166	-0.175	0.215*
<i>PDI</i>	55.885	22.440	[4]	-0.361***	-0.057	-0.639***		0.171	-0.566***	0.229	-0.147	-0.347***
<i>UAI</i>	65.423	24.976	[5]	-0.414***	-0.256*	-0.159	0.225		-0.210	-0.044	-0.424***	0.164
<i>IDV</i>	47.500	23.850	[6]	0.598***	0.398***	0.707***	-0.577***	-0.223		-0.005	-0.002	0.308***
<i>MAS</i>	51.827	20.050	[7]	0.122	0.069	-0.070	0.093	-0.197	0.049		0.072	-0.115
<i>LANG</i>	0.404	0.495	[8]	0.184	0.001	-0.179	-0.172	-0.419***	-0.021	0.060		-0.129
<i>IFRS</i>	2.596	0.774	[9]	-0.240*	-0.319**	0.269*	-0.324**	0.151	0.290**	-0.143	-0.117	

Panel B: Regression results on the level of constituents' participation per country of origin

	Expected sign	Full sample			IASB			MoU		
		Beta	p-value	VIF	Beta	p-value	VIF	Beta	p-value	VIF
<i>MAC</i>	+	0.806***	<0.001	1.503	0.385***	0.003	1.503	0.869***	<0.001	1.503
<i>GDP</i>	+	0.011	0.897	2.420	0.003	0.983	2.420	0.012	0.862	2.420
<i>PDI</i>	-	0.006	0.950	2.117	0.034	0.820	2.117	-0.002	0.972	2.117
<i>UAI</i>	-	-0.005	0.939	1.456	-0.084	0.494	1.456	0.014	0.791	1.456
<i>IDV</i>	+	0.243***	0.004	2.362	0.455***	0.005	2.362	0.182***	0.009	2.362
<i>MAS</i>	+	0.012	0.835	1.129	0.051	0.636	1.129	0.002	0.968	1.129
<i>LANG</i>	+	0.136**	0.043	1.553	0.186	0.148	1.553	0.118**	0.034	1.553
<i>IFRS</i>	+	0.020	0.765	1.615	-0.017	0.895	1.615	0.028	0.617	1.615
Adjusted R ²			0.860			0.479			0.903	
F			40.212***			6.852***			60.627***	
Condition index			24.504			24.504			24.504	
N			52			52			52	

Notes: ***, **, * Significant at the 1%, 5%, and 10% levels, respectively. Panel A present Pearson correlations/Spearman correlations above/under the diagonal. Panel B presents regression results using *CL_COUNTRY* (number of CLs per country submitted to the IASB) as dependent variable. All variables are defined in Section 5.

In regard to the cultural characteristics (*PDI*, *UAI*, *IDV*, and *MAS*), results reveal that only the country-score on individualism is significantly associated with the level of constituents' participation ($p < 0.01$). As expected, the coefficient on *IDV* is positive. This finding suggests that high levels of constituents' involvement in a domestic political system as implied high levels of *IDV* are also reflected in high levels of constituents' participation in the IASB's due process. As we find no significant coefficients on the remaining cultural characteristics, our evidence supports H1b only in terms of individualism.³⁶

³⁶ Since our findings contrast with those of Jorissen et al. (2006) who find a negative impact of *PDI* and of Jorissen et al. (2013) who suggest a negative impact of *UAI*, we run additional regressions. To test for the explanatory power of *IDV*, we first estimate model (1) excluding the other cultural variables (*PDI*, *UAI*, and *MAS*). Across the board, we obtain higher adjusted R² values. Second, when we exclude *IDV* from model (1), neither coefficient on the remaining cultural variables is significant in any sample and adjusted R² values decrease. In either specification, the results on the level of economic development remain virtually unchanged. We conclude that, among Hofstede's (2001) cultural characteristics, only *IDV* has substantial explanatory power in our setting.

Taken together, the results indicate that *MAC* as an economic characteristic and *IDV* as a cultural characteristic each have incremental explanatory power with respect to the country-level of constituents' participation.³⁷ This finding goes beyond Larson and Herz (2013) and Jorissen et al. (2013), who either study the impact of economic or cultural characteristics, respectively. Particularly, we provide evidence that cultural (economic) differences matter in explaining constituents' participation even after controlling for a country's economic (cultural) characteristics.

Results on our control variables reveal a positive and significant association between language proficiency (*LANG*) and the level of constituents' participation for the full sample of and the sub-sample of MoU projects ($p < 0.05$). The finding suggests that language barriers at least

³⁷ When we estimate model (1) excluding the four cultural variables, coefficients on *MAC* remain positive and significant at 1%, and coefficients on *GDP* become significant at 5%. When we estimate the model without the two variables on the level of economic development, the coefficients on *IDV* remain positive and significant at 1%, and no other cultural characteristic is substantially associated with the level of constituents' participation. In either specification, we obtain lower adjusted R² values.

partly hamper constituents' participation. Across the board, results do not indicate incremental explanatory power of a country's reliance on IFRS on the country-level of constituents' participation. This finding suggests that a country's reliance on IFRS does not imply that its constituents formally engage in the IASB's due process. One explanation for this result – further addressed in the robustness tests below – could relate to the high level of participation by US constituents.

Model (1) explains a large proportion of the variation in the country level of constituents' participation. Adjusted R² values that range from 47.9% to 90.3%. F statistics are significant at 1% in all regressions indicating a sound model fit. The condition indices and the VIFs are all below the critical values, i.e. condition index < 30 and VIF < 3 (Belsley et al., 1980; Kennedy, 2008). This indicates that multicollinearity is not a substantial problem.

6.3 Regression results on the impact of DPD characteristics

The regression analysis on the impact of DPD characteristics on the level of constituents' participation includes 56 DPDs and all 8,825 CLs submitted to the IASB. Panel A of Table 3 presents descriptive data on and Pearson and Spearman correlations between the independent variables used in regression model (2). The mean DPD offers 8.821 input opportunities (*INPUTOP*) and is one of 3.250 DPDs related in a particular project (*COMPLEX*). While the two research variables are not significantly correlated, we observe some high correlations between some of the independent variables. Condition indices and VIFs reported in Panel B, however, suggest the absence of severe multicollinearity.

Table 3. DPD characteristics: Correlations and regression results

Panel A: Summary statistics and correlations

	Mean	Standard deviation	No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
<i>CL_DOCUMENT</i>	157.589	157.737	[1]		0.501***	-0.020	-0.157	-0.162	-0.048	0.210	0.378***
<i>INPUTOP</i>	8.821	7.189	[2]	0.572***		0.038	-0.203	-0.221	-0.601***	0.470***	0.374***
<i>COMPLEX</i>	3.250	2.306	[3]	-0.085	0.036		-0.183	0.059	0.051	0.000	0.321**
<i>DISC</i>	0.125	0.334	[4]	-0.207	-0.178	-0.188		-0.165	0.176	-0.241*	0.027
<i>TECH</i>	0.161	0.371	[5]	-0.211	-0.316**	0.131	-0.165		0.077	-0.093	-0.373***
<i>ED</i>	0.821	0.386	[6]	-0.274**	-0.490***	0.015	0.176	0.077		-0.402***	-0.060
<i>DURA</i>	4.643	1.470	[7]	0.441***	0.510***	0.046	-0.274**	-0.073	-0.395***		0.214
<i>CONV</i>	0.536	0.503	[8]	0.542***	0.463***	0.273**	0.027	-0.373***	-0.060	0.228*	

Panel B: Regression results on the level of constituents' participation per DPD

	Expected sign	Full sample			IASB			MoU		
		Beta	p-value	VIF	Beta	p-value	VIF	Beta	p-value	VIF
<i>INPUTOP</i>	+	0.626***	<0.001	2.090	0.788***	<0.001	1.983	0.685***	0.007	1.883
<i>COMPLEX</i>	-	-0.140	0.265	1.227	-0.123	0.348	1.195	-0.185	0.338	1.267
<i>DISC</i>	+/-	-0.127	0.306	1.186	-0.074	0.566	1.159	-0.151	0.443	1.335
<i>TECH</i>	+/-	0.018	0.890	1.249	0.050	0.698	1.177	0.107	0.576	1.267
<i>ED</i>	+/-	0.363**	0.017	1.705	0.066	0.667	1.644	0.601**	0.025	2.237
<i>DURA</i>	+	-0.015	0.908	1.380	0.110	0.438	1.406	0.133	0.553	1.732
<i>CONV</i>	+	0.224	0.122	1.603						
Adjusted R ²			0.306			0.656			0.183	
F			4.468***			8.943***			2.085*	
Condition index			15.400			12.475			20.211	
N			56			26			30	

Notes: ***, **, * Significant at the 1%, 5%, and 10% levels, respectively. Panel A present Pearson correlations/Spearman correlations above/under the diagonal. Panel B presents regression results using *CL_DOCUMENT* (number of CLs per DPD submitted to the IASB) as dependent variable. All variables are defined in Section 5.

Panel B of Table 3 reports the regression results on the association between the level of constituents' participation in response to a DPD and *INPUTOP* and *COMPLEX*. For the full sample and for the sub-samples on IASB projects and MoU projects, we find consistent results on the two research variables. First, there is a positive association between the level of constituents' participation and the input opportunities offered by a DPD that is significant at 1%. This finding supports H2a. It suggests that a greater number of input

opportunities offered relates to increased incentives of constituents to participate in the IASB's due process by submitting CLs (Georgiou, 2010). Second, we consistently find a negative, yet insignificant association between the level of constituents' participation and the complexity of a project. This finding does not support H2b and suggests that increased costs of participation due to the complexity of a project do not substantially impair constituents' incentives to respond to a DPD.

The insignificant coefficients on the control variables *DURA*, *DISC*, and *TECH* imply that neither the length of the comment period nor the type of accounting issue addressed are associated with the level of constituents' participation. For the full sample and for the sub-sample of MoU projects, we find a positive and significant association between the level of constituents' participation and *ED* ($p < 0.05$). This finding seems to be inconsistent with Sutton (1984) and supports Dobler and Knospe (2016). Interestingly, the coefficient on *CONV* is positive but insignificant ($p = 0.122$). This finding indicates that MoU projects are not substantially associated with the level of constituents' participation per DPD in our multivariate analyses.

Adjusted R^2 values range from 18.3% to 65.6% and imply that model (2) explains a medium amount of the variation in the level of constituents' participation per DPD. F statistics are significant in all regressions, indicating a sound model fit.

6.4 Additional analysis and robustness tests

Given the purpose of our paper, our main regression analyses do not consider interest group affiliation. To assess whether interest group affiliation affects our results, we estimate our regression models (1) and (2) separately for each interest group. Table 4 presents the results.³⁸

Panel A of Table 4 reports per-interest group results of regression model (1). As in the main analyses, only two research variables (*MAC* and *IDV*) are significantly associated with the level of constituents' participation. Consistent with Sutton's (1984) argument of relative wealth, regulators are the only interest group for which we obtain an insignificant coefficient on *MAC* ($p = 0.833$). This finding suggests that the level of regulators' participation in the IASB's due process is not related to the level of economic development of their countries of origin. With the exception of users and individuals, i.e. the interest groups with least constituents in our study, the positive and significant association between *IDV* and the level of constituents' participation persists across interest groups.

Per-interest group results of regression model (2), presented in Panel B of Table 4, consistently reveal positive and significant coefficients on *INPUTOP* ($p \leq 0.030$) and insignificant, yet negative coefficients on *COMPLEX* across the board. The findings are consistent with those of our main analyses. Noteworthy, there is positive and significant association between *CONV* and the level of participation of users, accountants, and regulators. This finding suggests that MoU projects are incrementally associated with higher levels of participation for each of these interest groups; it holds when we exclude US constituents. In sum, our additional analyses yield similar results across the interest groups.

In order to test the robustness of our main results on the full sample and sub-samples of IASB and MoU projects, we conduct a number of sensitivity analyses. First, prior research suggests additional country-level characteristics that might influence the country-level of constituents' participation in the IASB's due process through CLs (Jorissen et al., 2013; Larson and Herz, 2013). To check the sensitivity of the results of model (1), we include each of the six Worldwide Governance Indicators issued by the Worldbank (2016) to further address institutional characteristics, and the UN Human

Development Index to further address economic characteristics.³⁹ Each of these variables is separately included in model (1) due to concerns with multicollinearity. Results show no significant association between each of the variables and the country-level of constituents' participation (VIFs between 1.204 and 5.058). The results of our main analysis hold.

Second, the level of constituents' participation potentially differs in the status of a DPD in the IASB's due process, i.e. whether it is a DP or an ED (Sutton, 1984; Giner and Arce, 2012). While model (2) controls for ED, model (1) does not. When estimating each model for constituents' participation in response to EDs only, our key results remain virtually unchanged.

Third, given small sample sizes we check whether our results are affected by outliers. To identify outliers, we calculate Cook's distance measure (Chatterjee and Simonoff 2013; Weisberg 2013). For models (1) and (2), Cook's distance measures are all below 0.500, suggesting no influential outliers. Box plots, however, suggest that four countries (model (1)) and four DPDs (model (2)) are outliers.⁴⁰ After removing these outliers, the regression results are very similar to those presented in Panels B of Tables 2 and 3, respectively. There are only two noteworthy changes. In model (1), the coefficients on *LANG* all become insignificant. This change seems to relate to the exclusion of the UK and the US that are characterized by high levels of constituents' participation and language proficiency. In model (2), the positive coefficient on *CONV* becomes significant at 1%, suggesting that MoU projects are associated with high levels of participation as expected. The key results of our main analyses hold.

Fourth, related research suggests that constituents from the US and from the EU, each, have special incentives to participate in the IASB's due process (Jorissen et al., 2013; Larson and Herz, 2013). In order to assess whether US and EU constituents drive our results, we split the research population. When we estimate model (1) separately for non-US, for EU, and for non-US/non-EU countries, results qualitatively only differ from those reported in Panel B of Table 2 in two regards.⁴¹ The coefficients on *IDV* become insignificant for constituents from EU member countries. This finding seems to relate rather similar cultural characteristics in the EU. More importantly, we find positive and significant associations between both, *MAC* ($p < 0.05$) as well as *GDP* ($p < 0.10$) and the level of participation of non-US/non-EU constituents. This finding suggests that - apart from the US and the EU - the country-level of constituents' participation increases in the level of economic development as predicted by H1a. When estimating model (2) separately for constituents from the US, from the EU, and from the rest of the world, results are qualitatively the same as

³⁹ The Worldwide Governance Indicators are (1) voice and accountability, (2) political stability and absence of violence, (3) government effectiveness, (4) regulatory quality, (5) rule of law, and (6) control of corruption.

⁴⁰ The four country outliers identified are China, Japan, the UK, and the US. The four DPD outliers identified are DP *Credit Risk in Liability Measurement*, DP *Fair Value Measurements*, ED *Leases*, and ED *Revenue from Contracts with Customers*.

⁴¹ As in our main analyses, the coefficient on the control variable *IFRS* is insignificant for either specification. Thus, the implication that a country's reliance on IFRS does not necessarily mean that its constituents participate in the IASB's due process is not merely due to the high level of participation by US constituents.

³⁸ Untabulated condition indices and VIFs suggest that multicollinearity is not a substantial problem.

those presented in Panel B of Table 3. The only noteworthy change relates to the results for the level of EU constituents' participation in response to DPDs related to IASB projects. Beyond a positive and significant coefficient on *INPUTOP* ($p < 0.001$), we here

find a negative and significant coefficient on *COMPLEX* ($p = 0.035$) as predicted by H2b.

Table 4. Regression results per interest group

Panel A: Regression results on the level of interest groups' participation per country of origin

Dependent variable	Preparers		Users		Accountants		Regulators		Individuals	
	<i>CL_COUNTRY</i>		<i>CL_COUNTRY</i>		<i>CL_COUNTRY</i>		<i>CL_COUNTRY</i>		<i>CL_COUNTRY</i>	
	Beta	p-value	Beta	p-value	Beta	p-value	Beta	p-value	Beta	p-value
<i>MAC</i>	0.785***	<0.001	0.802***	<0.001	0.499***	<0.001	-0.032	0.833	0.967***	<0.001
<i>GDP</i>	0.019	0.832	0.024	0.834	-0.057	0.714	0.178	0.363	-0.024	0.742
<i>PDI</i>	-0.002	0.982	0.006	0.956	-0.024	0.867	0.160	0.381	-0.022	0.748
<i>UAI</i>	-0.005	0.948	0.015	0.866	-0.107	0.375	-0.037	0.805	0.034	0.538
<i>IDV</i>	0.254***	0.007	0.183	0.113	0.300*	0.055	0.539***	0.007	0.004	0.958
<i>MAS</i>	0.038	0.547	0.018	0.818	0.056	0.598	-0.038	0.773	-0.059	0.233
<i>LANG</i>	0.110	0.137	0.117	0.206	0.245*	0.052	0.174	0.266	0.072	0.215
<i>IFRS</i>	0.024	0.750	0.063	0.501	0.048	0.704	-0.171	0.284	0.040	0.497
Adjusted R ²		0.827		0.726		0.503		0.214		0.893
F		31.439***		17.865***		7.461***		2.735**		54.120***
Condition index		24.504		24.504		24.504		24.504		24.504
N		52		52		52		52		52

Panel B: Regression results on the level of interest groups' participation per DPD

Dependent variable	Preparers		Users		Accountants		Regulators		Individuals	
	<i>CL_DOCUMENT</i>		<i>CL_DOCUMENT</i>		<i>CL_DOCUMENT</i>		<i>CL_DOCUMENT</i>		<i>CL_DOCUMENT</i>	
	Beta	p-value	Beta	p-value	Beta	p-value	Beta	p-value	Beta	p-value
<i>INPUTOP</i>	0.609***	<0.001	0.646***	<0.001	0.484***	0.005	0.560***	<0.001	0.432**	0.030
<i>COMPLEX</i>	-0.133	0.292	-0.112	0.280	-0.196	0.122	-0.090	0.392	-0.095	0.525
<i>DISC</i>	-0.137	0.268	-0.089	0.379	-0.082	0.507	-0.140	0.178	-0.073	0.617
<i>TECH</i>	-0.035	0.782	0.021	0.838	0.075	0.553	0.255**	0.019	0.049	0.744
<i>ED</i>	0.332**	0.028	0.230*	0.062	0.388**	0.011	0.411***	0.002	0.279	0.118
<i>DURA</i>	-0.056	0.674	0.082	0.453	0.230*	0.089	0.080	0.472	-0.028	0.859
<i>CONV</i>	0.232	0.110	0.325***	0.008	0.246*	0.092	0.469***	<0.001	0.066	0.699
Adjusted R ²		0.306		0.531		0.301		0.512		0.012
F		4.459***		9.907***		4.390***		9.227***		1.098
Condition index		15.400		15.400		15.400		15.400		15.400
N		56		56		56		56		56

Notes: ***, **, * Significant at the 1%, 5%, and 10% levels, respectively. All variables are defined in Section 5.

Fifth, since our paper examines the level of constituents' participation over the period 2006–2012, the results could be affected by the financial crisis (FCAG, 2009; Bengtsson, 2011). To control for the potential impact of the financial crises, we estimate model (2) including year dummy variables and find that our results remain unchanged. Moreover, we estimate model (1) separately for each year. For the full sample and for the sub-sample of MoU projects, we obtain per-year results similar to those presented in Table 2, Panel B. For IASB projects, however, the coefficients on *MAC* and *GDP* are insignificant for 2007, 2008, and 2009, i.e. periods affected by the financial crisis. This finding seems to suggest that the country-level of constituents' participation is not associated with the level of economic development in crisis periods but constantly related to the level of individualism.

7. CONCLUSIONS

Adopting a multi-issue/multi-period approach, this paper provides new insights into the impact of country and DPD characteristics on constituents' formal participation in the IASB's standard-setting process through CLs. Our results contribute to existing research in international accounting standard-setting, have implications for the legitimacy of the IASB and suggest avenues to stimulate constituents' participation in the due process.

Descriptive and univariate results indicate differences in constituents' participation between interest groups and geographic origins where preparers of financial statements and European constituents participate most. While largely consistent with predictions derived from Sutton's

(1984) framework and prior evidence, these findings suggest threats to the IASB's input legitimacy that prevail in recent periods. Across interest groups and continents of origin, we find more participation in response to DPDs related to MoU projects as opposed to projects solely conducted by the IASB. This finding indicates that MoU projects affiliated with the convergence on IFRS and US GAAP attract more attention among constituents world-wide and not only among US constituents. Overall, the data indicate that differences in constituents' participation are related to characteristics of constituents' origin and of DPDs.

Among an array of economic and cultural variables, we find a country's market capitalization and its society's level of individualism as key drivers of the *country-level of constituents' participation*, and each of the two variables has explanatory power to the other. The positive impact of market capitalization is consistent with the IASB's focus on the information needs of capital markets. When excluding the US and the EU, however, there is also a positive impact of per capita GDP. For this sub-sample, Sutton's (1984) argument that participation increases in relative wealth seems to hold. Since a country's level of individualism is affiliated with the involvement of individuals in the political system, the positive impact of individualism on the country-level of constituents' participation comes as expected. What is surprising is that none of the other cultural characteristics nor a country's institutional reliance on IFRS is related to the level of constituents' participation. Our evidence is in line with the existence of language barriers inhibiting constituents' participation in non-English speaking countries. This finding support views suggesting to publish translations of DPDs in order to stimulate participation (Jorissen et al., 2013).

Our analyses reveal that the *level of constituents' participation per DPD* is positively associated with the input opportunities offered by a DPD while unassociated with the complexity of the project it is affiliated with. In regard to the first finding, it is argued here that a constituent can choose to provide input on single questions posed based on per input opportunity cost-benefit considerations. Then, the greater the number of distinct input opportunities offered, the more likely it is that benefits exceed costs of providing input on at least one question. This finding suggests that by increasing the number of distinct input opportunities in its DPDs, the IASB may stimulate constituents' participation in an attempt to enhance its input legitimacy. The second finding suggests that increased costs of participation related to complex standard-setting projects do not substantially decrease the constituents' incentives to participate in the IASB's due process. The IASB's practice to split complex projects in different phases does not seem to substantially influence the level of constituents' participation. In turn, our findings do not support views suggesting that a longer comment period stimulate more constituents to participate (Larson and Herz, 2013).

Notwithstanding the contributions to international standard-setting research and implications for the IASB, our study has several *limitations*. First, although our study is based on more CLs than prior research, sample size in our

regressions is limited to the number of DPDs and constituents' countries of origin. Extending the research period would be warranted to increase sample size and to investigate changes in the determinants of constituents' participation, e.g. related to the declining US interest in international accounting standard setting (SEC, 2014). Second, by focusing on CLs, our study is limited to one major method of formal participation in the IASB's due process. While the use of CLs is considered to be closely linked to the use of other participation methods (Georgiou, 2004, 2010), we are unable to control for other participation methods in our multi-issue/multi-period analysis. Finally, the study considers neither the content of CLs nor their lobbying impact upon the IASB. Such analyses are warranted to investigate constituents' lobbying towards the IASB in more depth (Dobler and Knospe, 2016). Lack thereof, however, does not impair this paper's results on constituents' formal participation in the international standard-setting process.

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Appendix Constituents' participation as measured by CLs per country of origin, interest group, and project status

	Preparers		Users		Accountants		Regulators		Individuals		Total		IASB		MoU	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
<i>Europe</i>																
<i>EU member</i>																
Austria	19	0.46	1	0.15	1	0.06	31	2.17	3	0.31	55	0.62	16	0.65	39	0.61
Belgium	43	1.03	18	2.63	1	0.06	32	2.24	2	0.21	96	1.09	19	0.78	77	1.21
Bulgaria									1	0.10	1	0.01			1	0.02
Cyprus					1	0.06			1	0.10	2	0.02	1	0.04	1	0.02
Czech Republic	4	0.10							3	0.31	7	0.08	3	0.12	4	0.06
Denmark	23	0.55	2	0.29	8	0.51	15	1.05			48	0.54	20	0.82	28	0.44
Finland	11	0.26	1	0.15					11	1.13	23	0.26	5	0.20	18	0.28
France	232	5.57	20	2.92	53	3.36	57	4.00	6	0.62	368	4.17	109	4.45	259	4.06
Germany	250	6.00	29	4.23	44	2.79	75	5.26	26	2.67	424	4.80	115	4.70	309	4.85
Greece	2	0.05									2	0.02			2	0.03
Ireland	25	0.60	2	0.29	67	4.25	1	0.07	2	0.21	97	1.10	40	1.63	57	0.89
Italy	26	0.62	4	0.58	8	0.51	38	2.66	8	0.82	84	0.95	33	1.35	51	0.80
Luxembourg	6	0.14	2	0.29			1	0.07			9	0.10	1	0.04	8	0.13
Malta	1	0.02							1	0.10	2	0.02			2	0.03
Netherlands	38	0.91	1	0.15	3	0.19	59	4.14	19	1.95	120	1.36	39	1.59	81	1.27
Poland	1	0.02					13	0.91	2	0.21	16	0.18	5	0.20	11	0.17
Portugal	4	0.10							1	0.10	5	0.06	4	0.16	1	0.02
Romania			1	0.15	4	0.25	2	0.14			7	0.08	2	0.08	5	0.08
Slovakia							1	0.07			1	0.01			1	0.02
Spain	77	1.85	4	0.58	2	0.13	23	1.61	1	0.10	107	1.21	22	0.90	85	1.33
Sweden	68	1.63	3	0.44	53	3.36	45	3.16	3	0.31	172	1.95	59	2.41	113	1.77
UK	645	15.49	129	18.83	242	15.35	78	5.47	69	7.09	1,163	13.18	364	14.87	799	12.53
Total EU member	1,475	35.42	217	31.68	487	30.88	471	33.03	159	16.30	2,809	31.83	857	35.01	1,952	30.61
Jersey			1	0.15							1	0.01			1	0.02
Liechtenstein	1	0.02									1	0.01			1	0.02
Norway	19	0.46			1	0.06	48	3.37			68	0.77	33	1.35	35	0.55
Russian Federation	20	0.48			7	0.44	16	1.12	3	0.31	46	0.52	23	0.94	23	0.36
Switzerland	245	5.88	4	0.58	1	0.06	6	0.42			256	2.90	72	2.94	184	2.89
Ukraine							1	0.07			1	0.01	1	0.04		
Supranational	96	2.31	72	10.51	54	3.42	111	7.78			333	3.77	98	4.00	235	3.69
Total Europe	1,856	44.57	294	42.92	550	34.81	653	45.79	162	16.55	3,515	39.81	1,084	44.24	2,431	38.11

<i>North America</i>																
Bermuda	10	0.24									10	0.11	7	0.29	3	0.05
Canada	308	7.40	16	2.34	43	2.73	98	6.87	17	1.75	482	5.46	187	7.64	295	4.63
Mexico	7	0.17	1	0.15	2	0.13	42	2.95			52	0.59	20	0.82	32	0.50
US	1,098	26.37	174	25.40	176	11.16	33	2.31	598	61.46	2,079	23.56	221	9.03	1,858	29.14
Total North Am.	1,423	34.17	191	27.88	221	14.01	173	12.13	615	63.21	2,623	29.72	435	17.77	2,188	34.31
<i>South America</i>																
Argentina	2	0.05					6	0.42	1	0.10	9	0.10	5	0.20	4	0.06
Barbados					1	0.06					1	0.01	1	0.04		
Brazil	15	0.36	2	0.29			23	1.61	8	0.82	48	0.54	15	0.61	33	0.52
Chile	4	0.10					2	0.14	11	1.13	17	0.19	6	0.25	11	0.17
Colombia									4	0.41	4	0.05	2	0.08	2	0.03
Costa Rica			1	0.15					1	0.10	2	0.02	2	0.08		
Ecuador			1	0.15							1	0.01	1	0.04		
El Salvador									1	0.10	1	0.01	1	0.04		
Jamaica					5	0.32					5	0.06	2	0.08	3	0.05
Puerto Rico			1	0.15							1	0.01			1	0.02
Trinidad & Tobago	2	0.05									2	0.02	1	0.04	1	0.02
Uruguay									1	0.10	1	0.01	1	0.04		
Venezuela	1	0.02	1	0.15							2	0.02	2	0.08		
Supranational							5	0.35			5	0.06	3	0.12	2	0.03
Total South Am.	24	0.58	6	0.88	6	0.38	36	2.52	27	2.77	99	1.12	42	1.72	57	0.89
<i>Africa</i>																
Angola	1	0.02									1	0.01			1	0.02
Botswana					1	0.06					1	0.01			1	0.02
Cameroon	4	0.10									4	0.05	1	0.04	3	0.05
Congo	1	0.02									1	0.01			1	0.02
Cote d'Ivoire	2	0.05									2	0.02			2	0.03
Kenya					14	0.89	1	0.07			15	0.17	6	0.25	9	0.14
Liberia	3	0.07									3	0.03			3	0.05
Malawi							2	0.14			2	0.02	2	0.08		
Mauritius									1	0.10	1	0.01	1	0.04		
Nigeria	12	0.29	3	0.44	1	0.06			1	0.10	17	0.19	2	0.08	15	0.24
Rwanda					6	0.38					6	0.07	2	0.08	4	0.06
Sierra Leone							1	0.07			1	0.01	1	0.04		
South Africa	79	1.90	2	0.29	66	4.19	2	0.14	9	0.92	158	1.79	71	2.90	87	1.36
Tanzania							2	0.14			2	0.02	2	0.08		
Tunisia	1	0.02	1	0.15							2	0.02	1	0.04	1	0.02
Uganda	1	0.02									1	0.01	1	0.04		
Zambia					28	1.78	1	0.07			29	0.33	13	0.53	16	0.25
Zimbabwe					3	0.19	1	0.07			4	0.05	4	0.16		
Supranational	3	0.07									3	0.03			3	0.05
Total Africa	107	2.57	6	0.88	119	7.55	10	0.70	11	1.13	253	2.87	107	4.37	146	2.29
<i>Asia/Oceania</i>																
Australia	260	6.24	17	2.48	73	4.63	116	8.13	15	1.54	481	5.45	152	6.21	329	5.16
Bangladesh	1	0.02									1	0.01	1	0.04		
China	88	2.11	7	1.02	11	0.70	27	1.89	4	0.41	137	1.55	54	2.21	83	1.30
Fiji							1	0.07			1	0.01	1	0.04		
Hong Kong	13	0.31			50	3.17					63	0.71	21	0.86	42	0.66
India	63	1.51	2	0.29	25	1.59	17	1.19	21	2.16	128	1.45	32	1.31	96	1.51
Indonesia					1	0.06	2	0.14			3	0.03	2	0.08	1	0.02
Iraq									1	0.10	1	0.01	1	0.04		
Iran					1	0.06	1	0.07			2	0.02	1	0.04	1	0.02
Israel	2	0.05			12	0.76	10	0.70	1	0.10	25	0.28	4	0.16	21	0.33
Japan	125	3.00	15	2.19	40	2.54	47	3.30	29	2.98	256	2.90	55	2.25	201	3.15
Jordan									1	0.10	1	0.01			1	0.02
Korea	12	0.29	2	0.29	11	0.70	64	4.49	1	0.10	90	1.02	37	1.51	53	0.83
Kyrgyzstan	3	0.07			1	0.06					4	0.05			4	0.06
Lebanon									1	0.10	1	0.01			1	0.02
Malaysia	4	0.10			1	0.06	57	4.00			62	0.70	27	1.10	35	0.55
New Zealand	41	0.98	3	0.44	12	0.76	56	3.93	14	1.44	126	1.43	37	1.51	89	1.40
Pakistan					46	2.92			5	0.51	51	0.58	21	0.86	30	0.47
Philippines	1	0.02					2	0.14			3	0.03	2	0.08	1	0.02
Qatar									1	0.10	1	0.01			1	0.02
Saudi Arabia	2	0.05			1	0.06			2	0.21	5	0.06	5	0.20		
Singapore	17	0.41	2	0.29	15	0.95	51	3.58	18	1.85	103	1.17	34	1.39	69	1.08
Taiwan	1	0.02					11	0.77			12	0.14	4	0.16	8	0.13
Thailand			7	1.02	9	0.57	1	0.07			17	0.19	8	0.33	9	0.14
Turkey	1	0.02					1	0.07	1	0.10	3	0.03	1	0.04	2	0.03
UAE	1	0.02					6	0.42	3	0.31	10	0.11	5	0.20	5	0.08
Supranational							10	0.70			10	0.11	1	0.04	9	0.14
Total Asia/Oceania	635	15.25	55	8.03	309	19.59	480	33.66	118	12.13	1,597	18.10	506	20.67	1,091	17.11
International	119	2.86	133	19.42	372	23.59	74	5.19	40	4.11	738	8.36	274	11.19	464	7.28
Total	4,164	100.00	685	100.00	1,577	100.00	1,426	100.00	973	100.00	8,825	100.00	2,448	100.00	6,377	100.00

Notes: IASB = projects solely conducted by the IASB; MoU = projects that are part of the Memorandum of Understanding.