

Assessing the IASB:

Results of a Business Survey about International Financial Reporting Standards and IASB's Operations, Accountability, and Responsiveness to Stakeholders

International Standards Project
<http://www.standards-project.com>

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About DUCIS and GEGP

The **Duke University Center for International Studies** (DUCIS) is a federally funded National Resources Center in International Studies, one of twelve across the United States. Its core mission is to promote innovation in scholarship that explores global themes and most broadly to deepen our understanding of critical global issues. DUCIS supports teaching and research, including the teaching and study of less-commonly-taught languages, through a variety of programs. It seeks to foster an intellectual community for international and global studies on campus and beyond through initiatives including the University Seminar on Global Governance and Democracy and the University Seminar on Global Health, for which DUCIS provides critical funding. It also sponsors the program "Globalization and the Artist."

The **Global Economic Governance Programme** (GEGP) was established at University College, Oxford in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are to conduct and foster research into international organizations and markets as well as new public-private governance regimes; to create and maintain a network of scholars and policy-makers working on these issues; to influence debate and policy in both the public and the private sector in developed and developing countries. It serves as an interdisciplinary umbrella within Oxford drawing together members from across the social sciences and linking them to an international research network.

The research presented here and any conclusions drawn are those of the authors and may not reflect the opinion of DUCIS, GEGP, or either university.

Executive Summary

Assessing the IASB reports key findings from the first major scientific business survey about corporate financial reporting and the financial reporting standards developed by the International Accounting Standards Board (IASB). The survey was conducted among financial executives—mostly CFOs and chief accounting officers—of companies listed on the major stock exchanges of the United States, Germany, France and the United Kingdom. 749 of these corporate finance experts, representing firms from all industries, participated in the business survey, which is part of a larger study, the International Standards Project, which we jointly direct at Duke and Oxford Universities. Our findings include:

- Financial executives overwhelmingly expect financial reporting standards to be increasingly set at the international level, and a clear majority of participants approves of this trend.
- More than 1 in 3 nonetheless questions whether truly global accounting rules and practices are achievable given the differences in legal environments and business cultures across countries.
- Large majorities of both U.S. and European corporate finance executives see the IASB as moving toward full fair value accounting; only few approve of this trend.
- Americans assess key aspects of IASB standard-setting much more favourably than Europeans, including IASB due process, transparency, accessibility, inclusiveness, and accountability.
- Clear majorities of both U.S. and European financial executives believe that the quality and effectiveness of the IASB's International Financial Reporting Standards (IFRS) is high. At the same time, many also consider the complexity and cost of implementation of IFRS to be high or very high, and almost 60 percent respondents believe that the costs of switching to IFRS so far outweigh the benefits.
- Listed companies that expect to be affected by a forthcoming IASB standard but nonetheless fail to communicate their views to the IASB often explain their inaction by saying they do not believe their comments would lead to any changes in the provisions of the draft standard.
- U.S. firms that do get involved in IASB standard-setting assess important methods or channels of involvement quite differently from their European counterparts. For example, 93 percent of American financial executives consider submitting comment letters effective; only 51 percent of Europeans consider them effective. Similarly diverging assessments apply to field tests and oral testimony at public hearings.
- Overwhelming majorities say early involvement in the standard-setting process is key.

Prof. Tim Bütte, Duke University
Prof. Walter Mattli, Oxford University
18 November 2008

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The International Accounting Standards Survey

Most countries require that companies whose shares are listed and traded on a stock exchange regularly disclose information about the company's financial performance and health. Accounting or financial reporting standards specify how assets, liabilities, and other particular types of transactions and events (including research and development expenses, performance incentives for managers such as stock options) must be valued and disclosed in the financial statements of these "public" companies. The consistent application of high-quality standards is supposed to result in aggregate measures of each firm's value and financial position, which are accurate and easily comparable across firms.

For many years and through the 1990s, these financial reporting standards were set at the national level. Today, more than 85 countries, including all member states of the European Union (EU) require the use of the International Accounting or Financial Reporting Standards (IASs/IFRSs) developed by the London-based International Accounting Standards Board (IASB). Others, including the United States, currently allow the use of IASs/IFRSs for some companies (foreign issuers of U.S.-traded financial securities in the U.S. case), and many are considering a mandatory switch to the standards developed by the IASB. For the U.S., the Securities and Exchange Commission (SEC) has just published on Nov.14, 2008 its proposal of a "Roadmap" for the adoption of IFRS in the U.S., including the mandatory use by all U.S. public companies starting in 2014.

This report presents the results of a survey conducted by the International Standards Project, a joint research project of Duke University in the U.S. and Oxford University in the UK, under the direction of Prof. Tim Büthe (Duke) and Prof. Walter Mattli (Oxford). It is the first large-scale scientific survey about the shift from domestic to international financial reporting standards, covering all industries. Our 749 survey respondents (one per company) are current CFOs or hold other senior management positions in companies that are listed on the primary stock exchanges of the U.S. (NYSE) and three European countries: Germany (Frankfurt), France (Paris-Euronext), and the UK (London Stock Exchange). The survey was conducted online (with multiple safeguards against potential technological bias) over the course of several months; it was closed in all four countries on 8 February 2008.

Profile of Respondents

For each country, we drew a stratified random sample of 600-800 firms from among all the companies listed on the country's main exchange, with probability of selection proportional to firm size.¹ For each firm in our sample, we identified and contacted the CFO or appropriate other senior managers by email, fax, or phone. Our initial inquiries, followed by two rounds of reminder email messages or phone calls, led to an average response rate of more than 20%—far higher than typical CFO surveys. Specifically, we received the following number of responses:

Table 1
Respondents by Country

<i>Country of Respondent Company</i>	<i>Number of Responses</i>	<i>Percentage of Total Sample</i>
U.S.	208	28%
Germany	194	26%
France	135	18%
UK	212	28%

Note: Some questions were omitted when previous responses indicated that they were not significant for the individual respondent. Not all survey participants answered all questions.

The average responses from European financial executives were very similar across the three EU countries. For most of this report, we therefore report European responses as a single category.² Where the differences among the Europeans are significant, we report them separately.

Respondent Titles/Positions

Our survey respondents generally have extensive experience with financial reporting issues: 43% of our U.S. respondents and almost half of European respondents are Chief Financial Officers (CFOs); most of the remainder of respondents are either Chief Accounting Officers (CAOs) or Corporate Controllers. Figure 1 reports the detailed breakdown of respondents by their title or position.

¹ A supplemental additional sample was used in the U.S.

² Throughout this report, we show the raw, unweighted results.

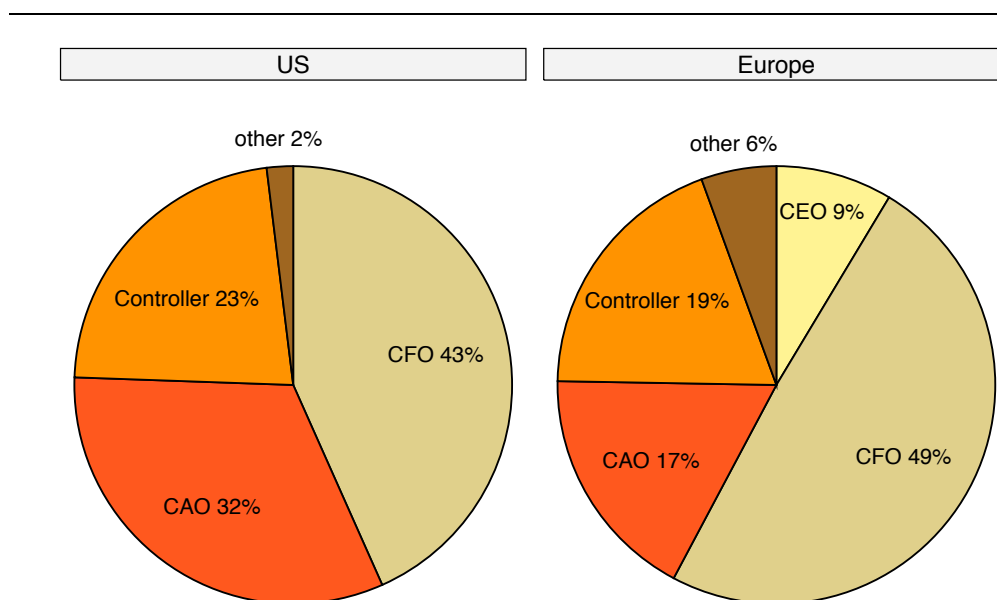


Figure 1
Respondents by Title/Position

Familiarity With and Current Use of Different Financial Reporting Standards

Respondents reported generally high levels of personal familiarity with IFRS. Virtually all European respondents reported being "familiar" or "very familiar" with IFRS. More than 60% of U.S. respondents reported comparable levels of familiarity, even though only 18% of the U.S. respondent firms presently use these standards for any part of their financial reporting.³ Table 2 summarizes the responses to the question: "Which accounting or financial reporting standards does your company currently use? Please check all that apply."

Table 2
Standards Currently Used by Public Companies

	U.S.	Germany	France	UK
Domestic FRS	98%	92%	70%	65%
IFRS	18%	97%	100%	84%
U.S. GAAP	-	14%	16%	20%
other	13%	7%	4%	4%

Note: The response option reported as "Domestic FRS" above was specific to each survey. In the U.S. survey, "U.S. GAAP" was the domestic FRS "use" option; in the German survey the corresponding option was "Rechnungslegungsvorschriften des Handelsgesetzbuchs (HGB)"; in the French survey, it was "Normes comptables françaises" and in the UK survey "UK FRSs (and still valid SSAPs)."

³ Current U.S. users are mostly U.S. multinationals.

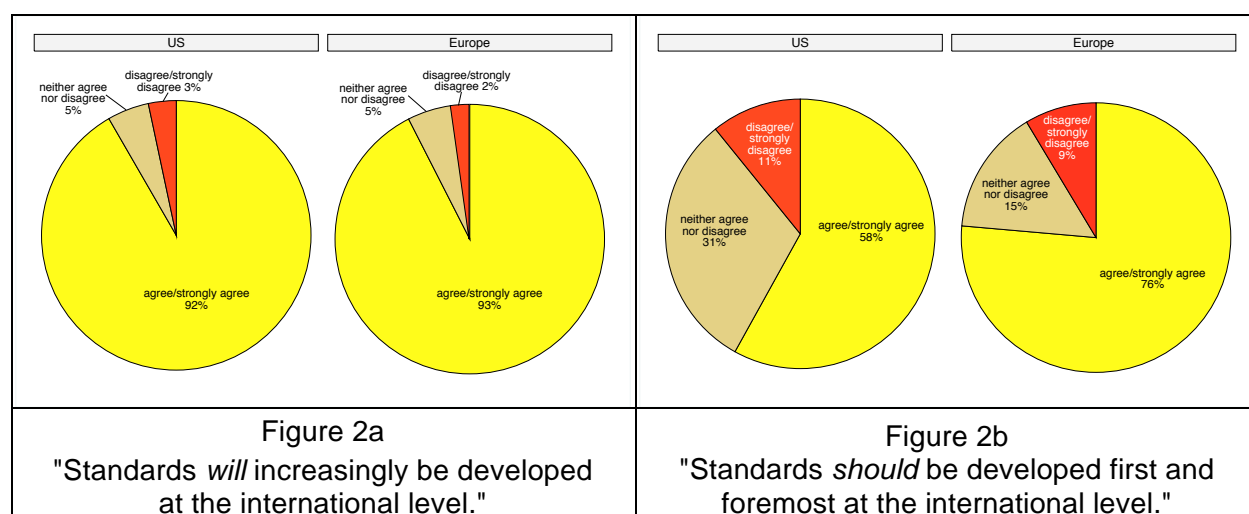
Trends & Emerging Issues

Financial reporting and accounting standard-setting has been changing rapidly in recent years. These changes raise a number of important questions for companies and investors, as well as financial market regulators and policy-makers. To systematically establish the views of publicly listed companies on these issues and learn about their expectations, we asked our survey participants to "indicate whether you agree or disagree" with each of several statements about six major current issues in international corporate accounting and financial reporting. We report each of these statements below, using bullet points and/or quotation marks in the titles of Figures 2a/2b through 7.

Shift of Standard-Setting to the International Level

The first set of statements seeks to determine respondents' expectations regarding the shift of standard-setting from the domestic to the international level and to establish their normative assessment of that shift. The two statements are:

- Standards *will* increasingly be developed at the international level.
- Standards *should* be developed first and foremost at the international level.

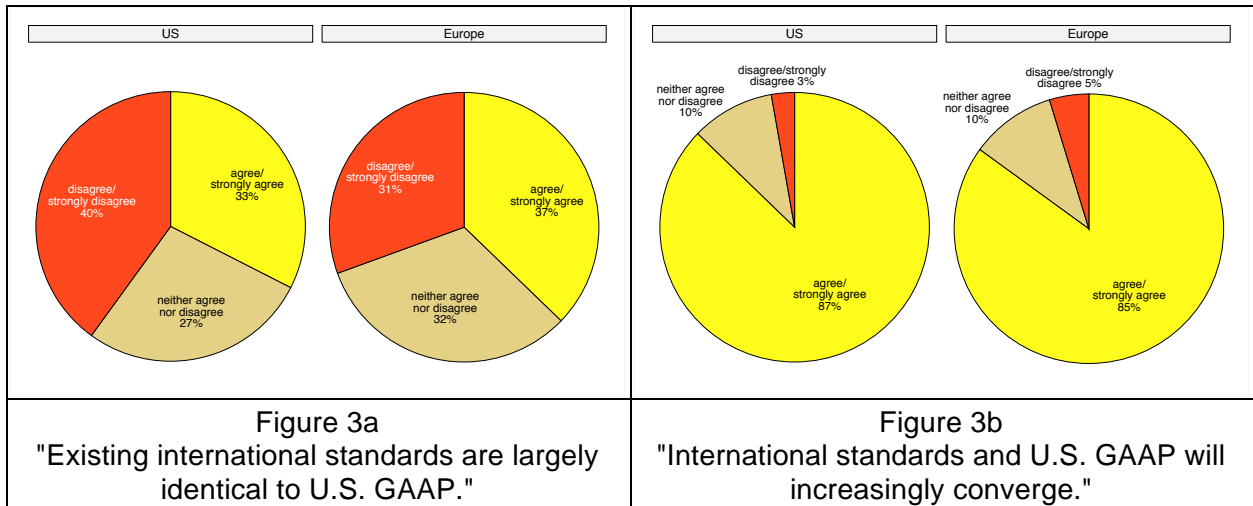


On both sides of the Atlantic, the overwhelming majority of firms expect financial reporting standards to be increasingly set at the international level. Moreover, clear majorities on both sides endorse this shift of regulatory authority from the national to the global level, though a sizeable minority (which is larger in the U.S. than in Europe) is indifferent about the shift.

IAS/IFRS, U.S. GAAP, and the Global Harmonization of Standards and Practices

Three statements addressed the relationship between IAS/IFRS and U.S. Generally Accepted Accounting Principles (GAAP) as developed by the U.S. Financial Accounting Standards Board (FASB), as well as the broader issue of global harmonization of accounting standards and practices.

- Existing international standards are largely identical to U.S. GAAP.
- International standards and U.S. GAAP will increasingly converge.



U.S. firms as well as European firms are almost evenly split on whether or not current international accounting/financial reporting standards are "largely identical" to U.S. GAAP, with about a third agreeing or strongly agreeing, a third (40% in the U.S.) disagreeing or strongly disagreeing, and just under a third undecided. By contrast, vast majorities on both sides of the Atlantic expect increasing convergence between IFRS and U.S. GAAP.

Many survey respondents nonetheless remain skeptical about the possibility of truly global accounting rules and practices, as more than one third agree with the following statement:

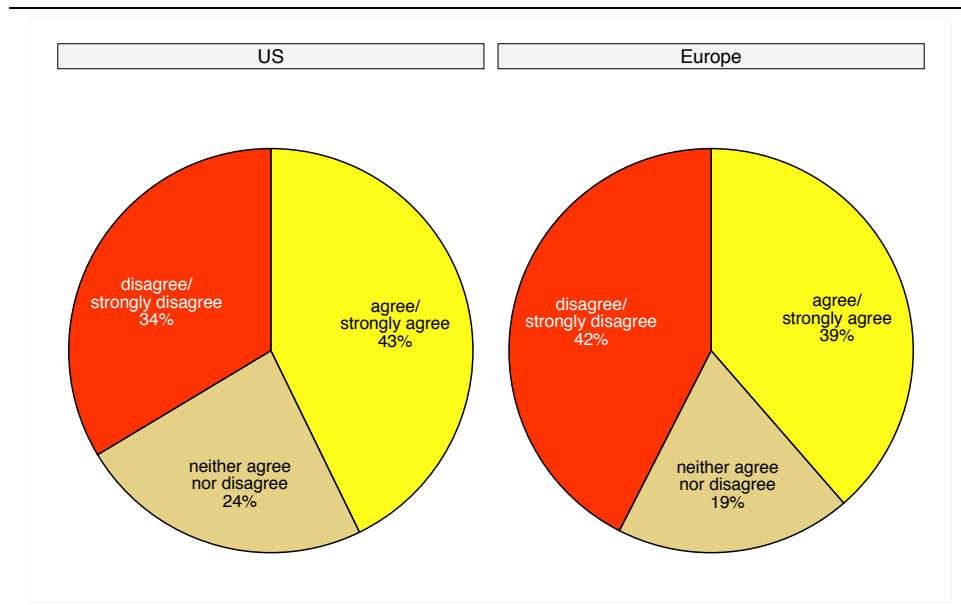
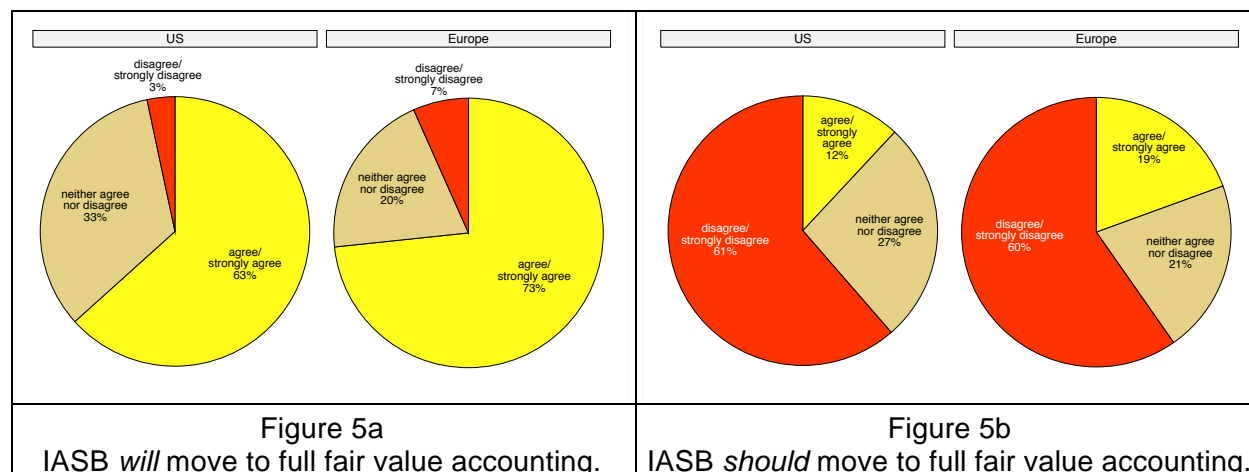


Figure 4
"Truly global accounting rules and practices are unlikely to be achieved, because legal environments and business cultures differ too much across countries and regions."

The Move to Fair Value Accounting

- IASB will increasingly move to full fair value accounting.
- IASB *should* move to full fair value accounting.

Responses to these two statements about fair value accounting elicited strikingly similar views from U.S. and European survey participants: Large majorities on both sides of the Atlantic see IASB as moving increasingly toward full fair value accounting, but only few approve of this trend, with about 60% on both sides of the Atlantic disagreeing or strongly disagreeing with the statement that IASB "should" move to this accounting method.⁴

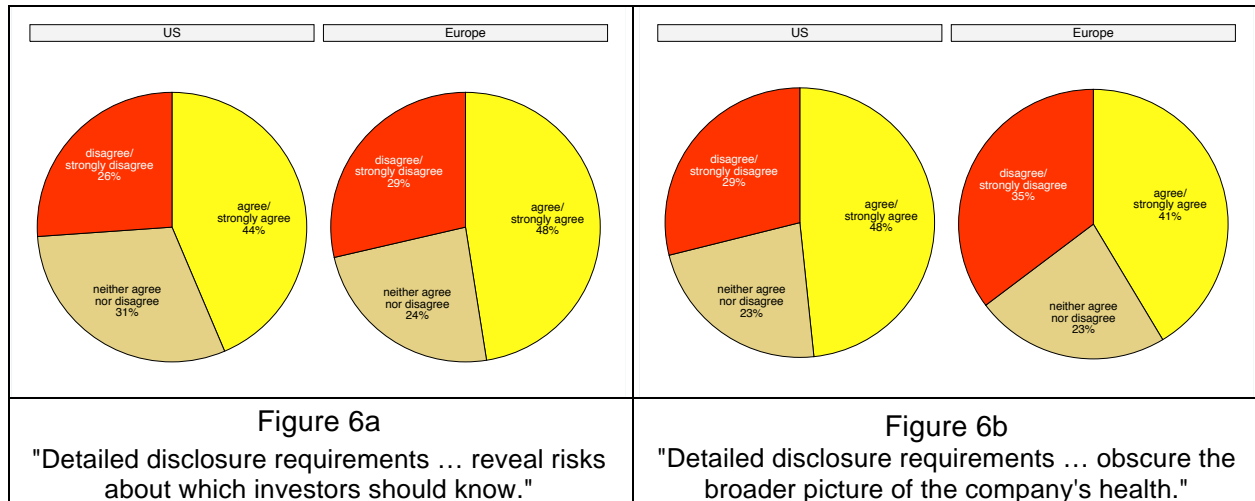


Detailed Disclosure Requirements

Two related statements addressed the pros and cons of detailed disclosure requirements, which are associated with fair value reporting standards:

- Detailed disclosure requirements, associated with fair value reporting, reveal risks about which investors should know.
- Detailed disclosure requirements, associated with fair value reporting, obscure the broader picture of the company's health.

⁴ Note that these survey responses were given well prior to the severe downturn in share prices of September/October 2008, which according to some corporate reporting experts has been exacerbated by fair value accounting.



Both American and European respondents tend to agree in larger numbers than they disagree that detailed disclosures, as prompted by fair value accounting, is beneficial to investors. However, equally many respondents are concerned that such details may obscure the broader picture of the reporting company's health.

Capital Market Integration & Multiple Listings

Turning to the issue of whether the international integration of capital markets decreases the need for corporations to be listed on multiple stock exchanges, a majority agrees or strongly agrees with the following statement:

- As capital markets globalize, multiple listings will be less necessary; it will be sufficient for a firm to be listed on a single major stock market to tap into the global capital market.

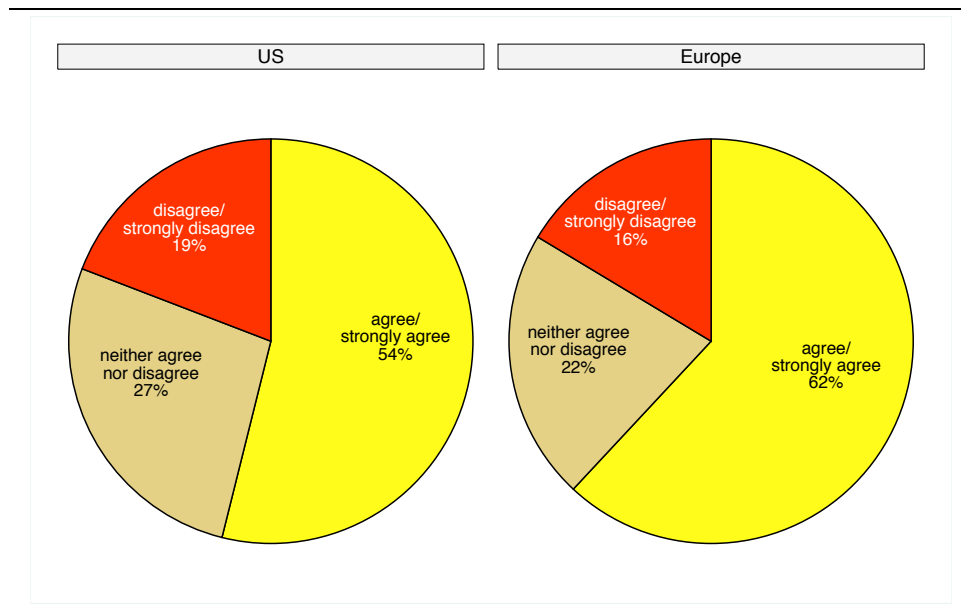


Figure 7
Decreasing Need for Multiple Stock Market Listings

European Standardization

In light of the prominence of EU financial market integration as a driver of the international harmonization of accounting standards, we also asked European respondents (only) to indicate the extent to which they agreed or disagreed with the statement: "EFRAG will develop into a European regional standards-setting body." Our survey participants did not have very strong opinions on this issue. Of the 478 respondents who answered this question, 19% agree or strongly agree (24% among French respondents) and 17% disagree or strongly disagree, while all others indicate that they neither agree nor disagree.

SEC Financial Reporting Regulation

A final set of three statements (see Table 3) concerned the financial reporting requirements imposed upon companies whose financial securities are publicly traded in the U.S. The responses (from U.S. firms, only) show clear majorities in favor of the SEC allowing foreign registrants to use IFRS instead of U.S. GAAP for their required filings *without a reconciliation requirement*. (The SEC has in the meantime adopted this policy.) A similarly clear majority favors the SEC giving the same option to domestic registrants, a policy that was very recently also adopted, albeit subject to review by 2011. Finally and maybe unsurprisingly, the overwhelming majority of U.S. firms wants the timing and frequency of SEC filing requirements for foreign registrants to be the same as for domestic registrants.

Table 3
SEC Policy Issues

	disagree or strongly disagree	neither agree nor disagree	agree or strongly agree
"The SEC should regard IFRSs as issued by the IASB as equivalent to U.S. GAAP and no longer require reconciliation for foreign registrants."	30%	18%	53%
"The SEC should accept IFRSs-based financial statements from domestic registrants."	30%	17%	53%
"The SEC should require foreign registrants to file all required filings using the same frequency and timing as domestic registrants."	6%	14%	80%

Note: Questions asked among U.S. survey participants, only. $N = 177$. Percentages in any given row may not add to 100 due to rounding.

Assessments of Standards and Standard-Setting Bodies

IASB and Its Standards

To examine U.S. and European companies' views of the most important aspects of the international standard-setting process, we asked all survey participants to "assess the process by which the IASB develops international standards (IFRSs or revised IASs)." Participants rated the IASB on each aspect by choosing from one of four response options: very bad, bad, good, and very good. Table 4a reports, for the U.S. and Europe separately, the percentage of respondents who answered this question and selected "good" or "very good."⁵

Table 4a
Assessment of IASB Standard-Setting

<i>Aspect of IASB Standardization</i>	<i>U.S. Respondents rating IFRS "good" or "very good"</i>	<i>European Respondents rating IFRS "good" or "very good"</i>
Due Process, in general	88%	65%
Transparency	80%	51%
Accessibility	69%	52%
Inclusiveness	72%	44%
Accountability	75%	38%

We then asked respondents to rate the IASB's standards (IFRS or revised IAS) on the dimensions considered most important by corporate finance experts and other stakeholders, with response options high/very high (versus low/very low) or good/very good (versus bad/very bad). Table 4b summarizes the responses:

Table 4b
Assessment of the Specified Aspects of IFRSs/Revised IASs

<i>Aspect of IFRS/rev. IAS</i>	<i>U.S. Respondents rating IFRS "high" or "very high"</i>	<i>European Respondents rating IFRS "high" or "very high"</i>
Quality	84%	68%
Complexity	64%	95%
Cost of Implementation/ Compliance	82%	85%

⁵ We do not report the percentage of respondents who selected "bad" or "very bad" because it can be inferred from the numbers reported in Table 4. The total of respondents is 100%. Since there were only four response options for these questions, the percentage of respondents who selected "bad" or "very bad" is equal to the difference between the reported number for good/very good and 100.

Table 4b (continued)

	... "good" or "very good"	... "good" or "very good"
Timeliness of Updating; Cancellation of Superseded Standards	73%	55%
Up-to-date Availability*	80%	60%

* Note: In the German survey, the availability question read "aktuelle Verfügbarkeit in deutscher Sprache;" in the French survey: "Disponibilité des normes les plus récentes en français." 75% of UK respondents reported good or very good availability, whereas 57% of German respondents and only 41% of French respondents reported good or very good availability in German and French, respectively.

Comparative Assessment of IASB versus FASB and IFRS versus U.S. GAAP
(U.S. respondents only)

Among U.S. respondents, we also asked the above questions about the U.S. domestic Financial Accounting Standards Board (FASB), which has developed U.S. GAAP since 1973. Table 5 summarizes the results. For comparison, we report again U.S. firms' assessments of IASB/IFRS in the right column (from Tables 4a and 4b).

Table 5
Comparative Assessment of FASB/U.S. GAAP and IASB/IFRS

	U.S. Responses about FASB	<i>For comparison: U.S. Responses about IASB</i>
<i>FASB Standardization Process</i>	<i>Percentage rating "good" or "very good"</i>	<i>Percentage rating "good" or "good"</i>
Due Process, in general	87%	88%
Transparency	85%	80%
Accessibility	79%	69%
Inclusiveness	69%	72%
Accountability	66%	75%
<i>Aspect of IFRS/rev. IAS</i>	<i>"high" or "very high"</i>	<i>"high" or "very high"</i>
Quality	88%	84%
Complexity	97%	64%
Cost of Implementation/ Compliance	95%	82%
	<i>"good" or "very good"</i>	<i>"good" or "very good"</i>
Timeliness of Updating; Cancellation of Superseded Standards	67%	73%
Up-to-date Availability	87%	80%

Note: Not all respondents who shared their assessment of FASB and U.S. GAAP also answered the questions about IASB/IFRS.

Effectiveness of IFRS in Achieving Specified Objectives

We also asked respondents to rate the effectiveness of IFRS or revised IAS in achieving various objectives of financial reporting standards, which are frequently mentioned by corporations, financial analysts, investors, and government policymakers or regulators. Respondents chose from among four response options: not effective, somewhat effective, effective, and highly effective. In Figures 8a - 8g below, which report the percentage of respondents who chose each of the response categories, we combine "highly effective" and "effective" since very few respondents anywhere chose the former. German, French and UK companies differ notably in their assessments of how effective IFRS are in meeting some of these objectives. We therefore report the results separately for each country.⁶ The specified objectives are:

- **Increasing the stability of capital markets**

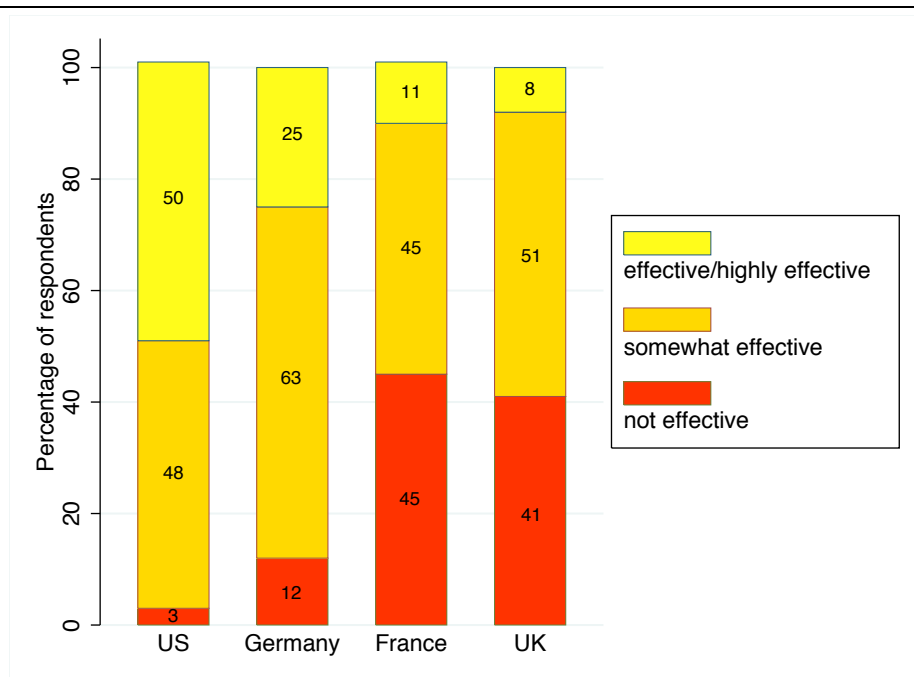


Figure 8a
IFRS & Capital Market Stability

⁶ As for all questions, for which we report percentages of respondents for three or more response options, percentages may not add to one hundred due to rounding.

- Increasing the comparability of corporate information

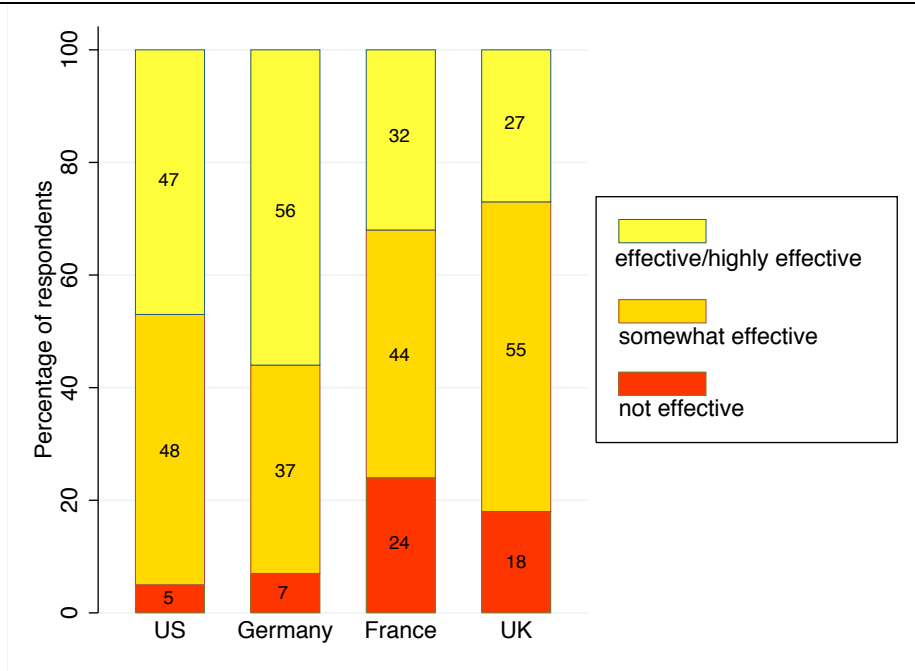


Figure 8b
IFRS & Comparability of Corporate Information

- Enhancing market efficiency

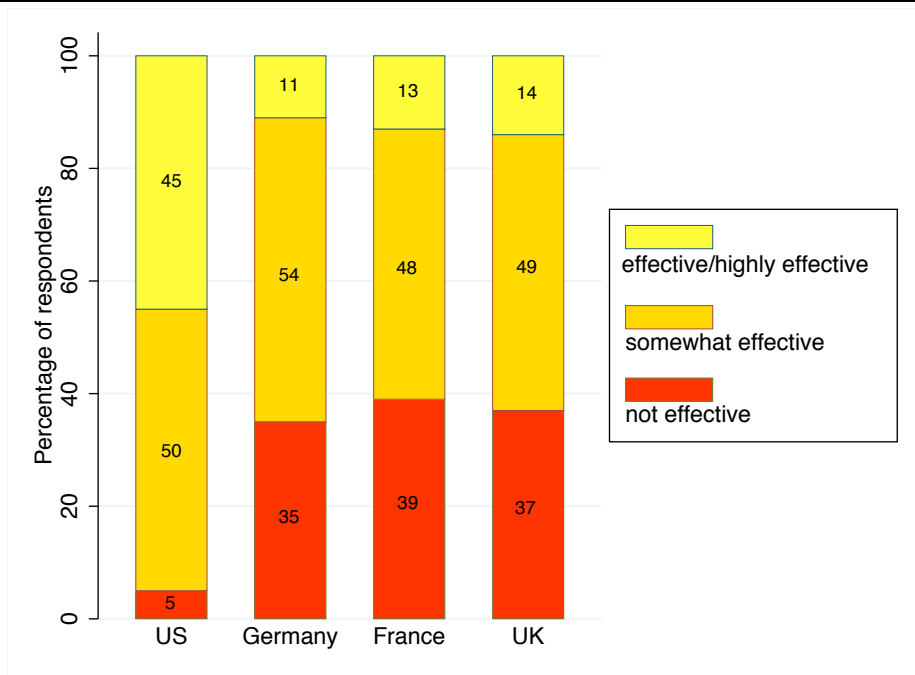


Figure 8c
IFRS & Market Efficiency

- **Providing a level playing field internationally for companies**

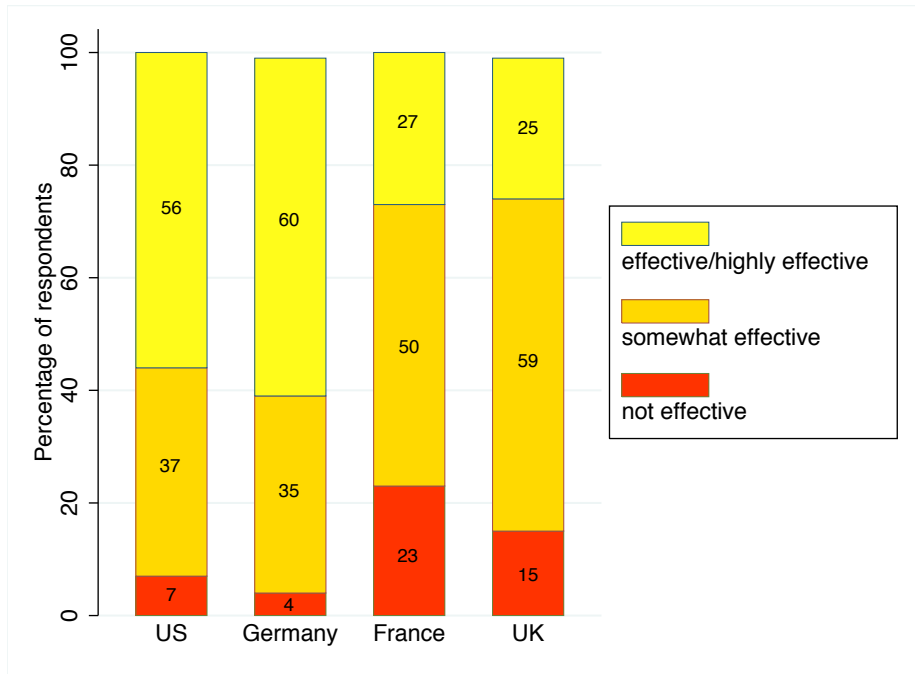


Figure 8d
IFRS & Level Playing Field

- **Improving the transparency and usefulness of accounts to shareholders, investors and creditors**

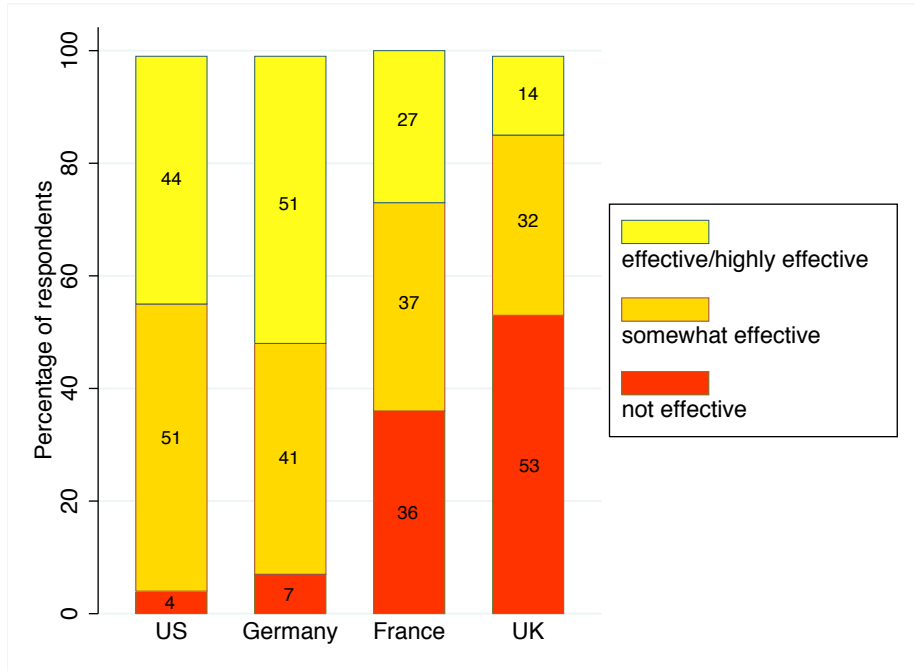


Figure 8e
IFRS & Transparency of Accounts for Shareholders, Investors, and Creditors

- Improving public confidence in the market

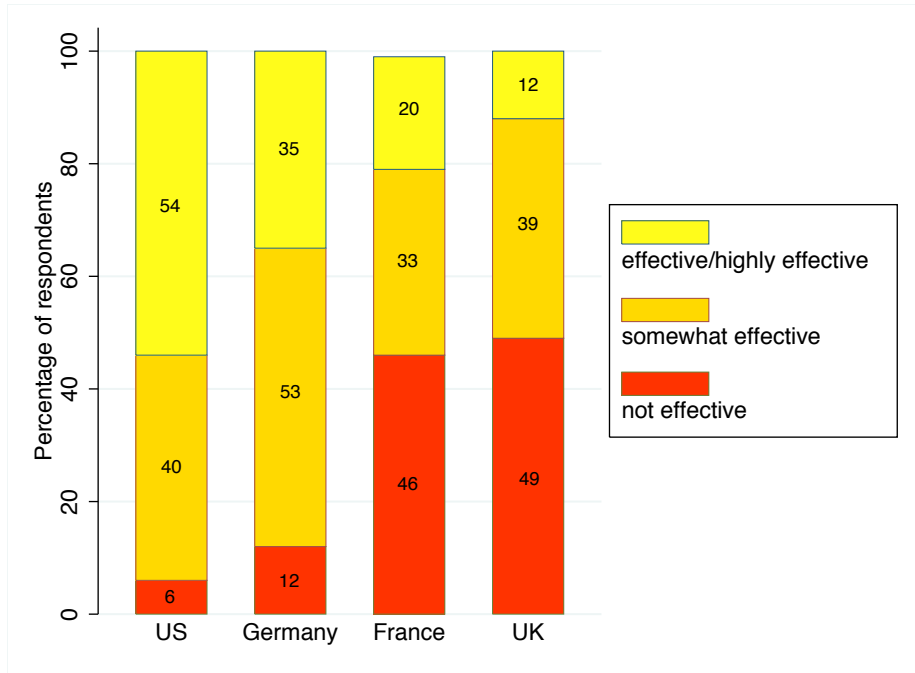


Figure 8f
IFRS & Public Confidence in the Market

- Preventing legislation or government regulation

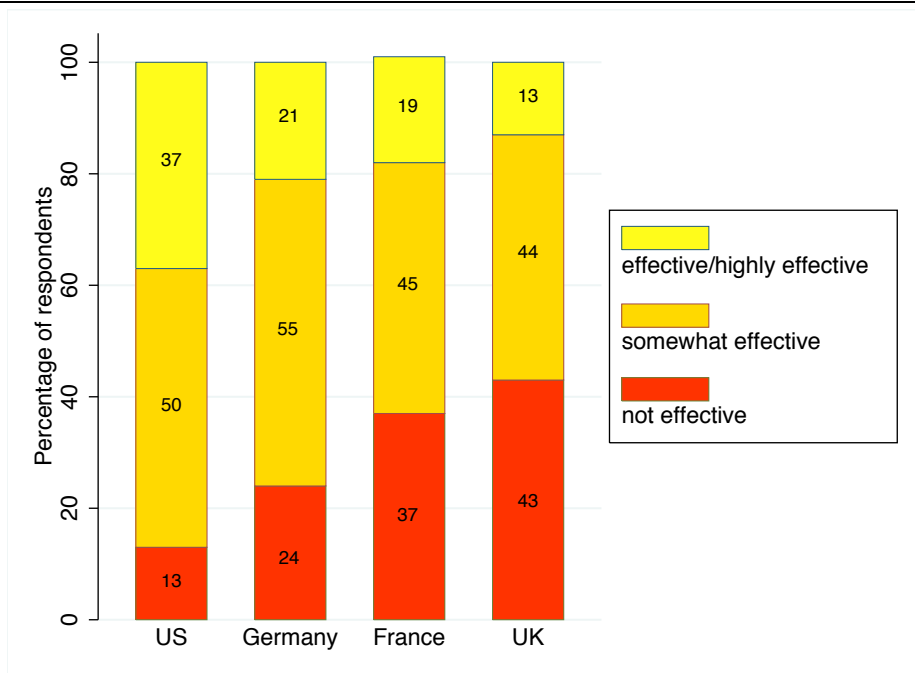


Figure 8g
IFRS & Keeping the Government Out

Comparative Assessment of the Effectiveness of U.S. GAAP (U.S. respondents only)

As before, we asked U.S. firms to rate U.S. GAAP on the same criteria.⁷ U.S. firms' responses to these questions about U.S. GAAP are summarized in Figure 9.

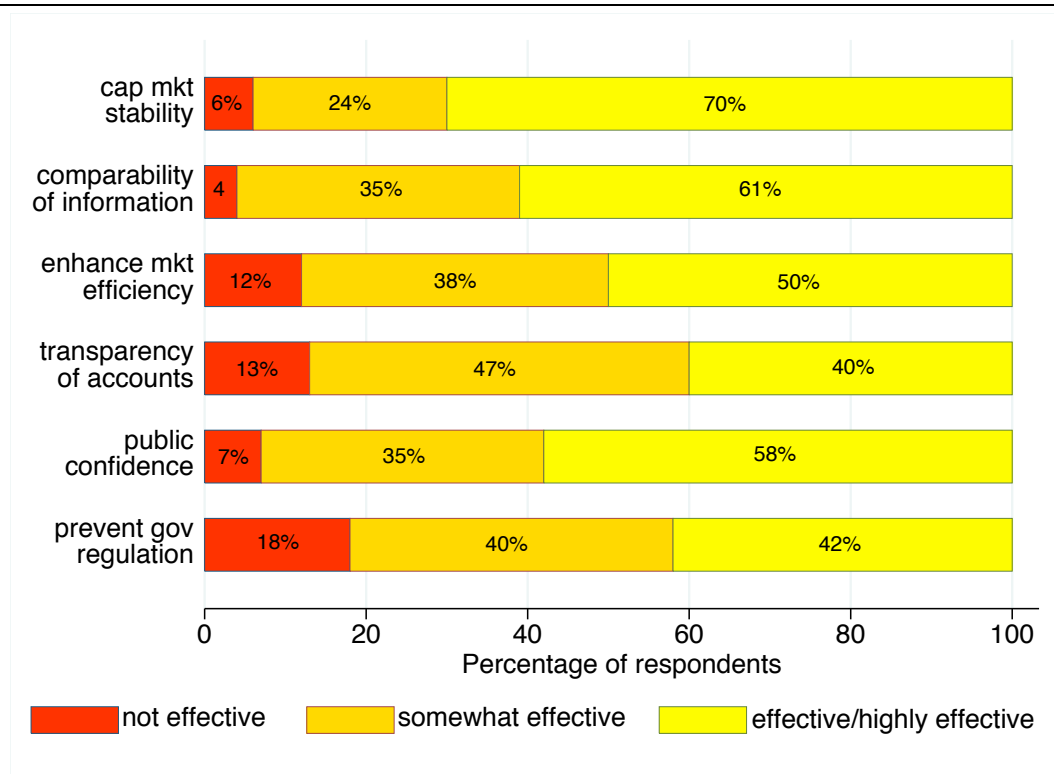


Figure 9
U.S. Firms' Assessments of the Effectiveness of U.S. GAAP

As before, more U.S. firms answered the questions about U.S. GAAP than about IFRS, but the distribution of assessments of GAAP effectiveness by U.S. firms familiar with IFRS was virtually identical to the one by U.S. firms only familiar with U.S. GAAP.

⁷ We did not ask the question about leveling the playing field internationally, since that objective of IASB standardization never was supposed to be an objective of FASB standard-setting.

Satisfaction with Information about International Standardization

In preliminary interviews, CFOs and other financial executives had often emphasized the importance of having timely information about current or forthcoming standardization work at the IASB. We therefore asked survey participants: "How satisfied are you with the timeliness of the information you receive about proposed new or changed international standards?" Figure 10 summarizes the responses.

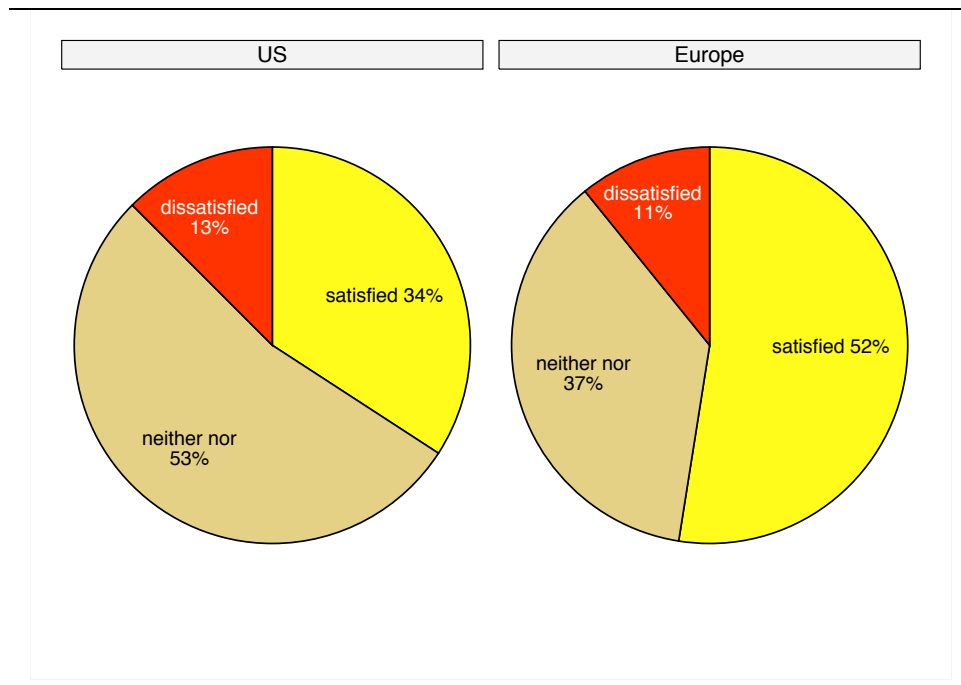


Figure 10
Satisfaction With the Timeliness of Information
about the International Standardization Agenda

In both the U.S. and Europe, many more firms are satisfied or very satisfied with the timeliness of the information that they receive than are dissatisfied or very dissatisfied, though the share of satisfied respondents is markedly higher in Europe than in the U.S. 37% of Europeans and 53% of Americans report that they are "neither satisfied nor dissatisfied."

Having a Voice in International Standardization

Cost-Benefit of Switching from Domestic Standards to IFRS

For an overall assessment of firms' stakes in the specific provisions of IFRS or revised IAS, we asked: "For your company, how do you assess the overall cost-benefit balance of switching from [the respondent's domestic accounting standards] to international accounting/financial reporting standards (IASs/IFRSs)?"⁸ In the survey, we offered five response options: (i) Benefits strongly outweigh costs, (ii) benefits moderately outweigh costs, (iii) benefits equal costs, (iv) costs moderately outweigh benefits, and (v) costs strongly outweigh benefits. Figure 11 combines the first two response options as well as response options iv and v, and it reports the aggregate results for those who are familiar with or whose company currently uses IFRS.

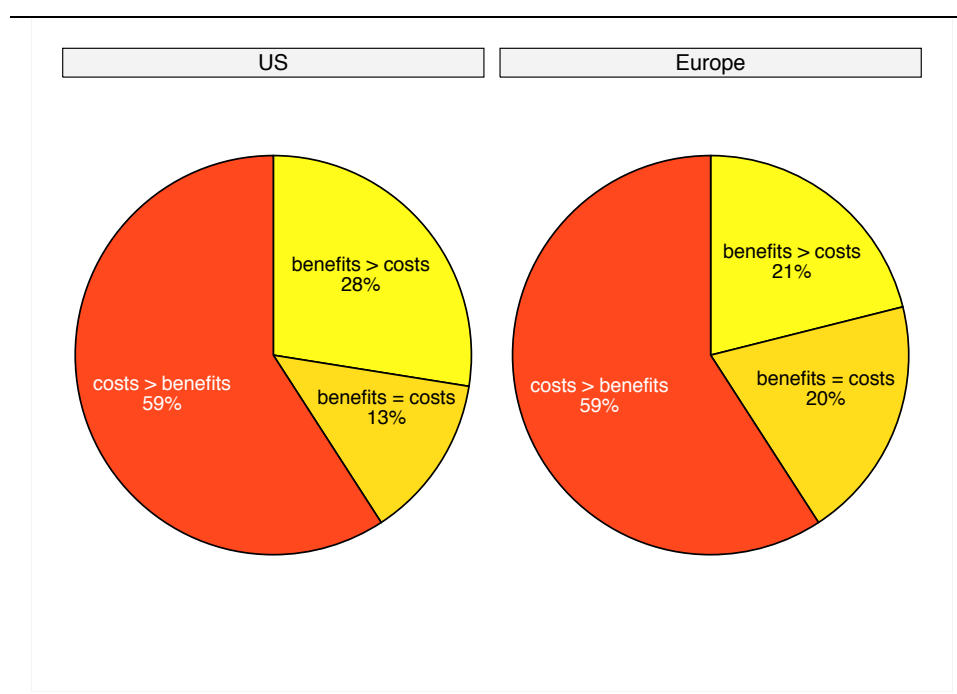


Figure 11
Balance of Costs and Benefits of Switching to International Standards

Clear majorities on both sides of the Atlantic see the costs of switching to IFRS currently as outweighing the benefits. Many are thus paying substantial switching costs.

⁸ The specified domestic standards were "UK accounting standards (SSAPs/FRSs)" in the UK; "normes comptables françaises" in France; "deutsche Rechnungslegungsstandards (HGB etc.)" in Germany. In the U.S., the exact question wording was: "For your company, how would you assess the overall cost-benefit balance of (potentially) switching from U.S. GAAP to international accounting/financial reporting standards (IASs/IFRSs)?"

Timing of Information

In light of the previous finding, companies on both sides of the Atlantic should have strong incentives to seek a voice in the standard-setting process. But doing so requires having information about a new standards before it is finalized. To find out whether firms have this information, we asked them: "At what stage do you usually hear about a forthcoming new or revised international (IAS/IFRS) standard that may affect your firm's accounting or financial reporting practice?" We specified four response options, which differentiate broadly the different phases of the standardization process:

1. during the first deliberations and drafting of the initial standards proposal in the IASB working/advisory groups or steering committees;
2. when an exposure draft has been issued and is open for comments;
3. during the final development and adoption of the new IFRS or revised IAS; or
4. after the standard has been adopted.

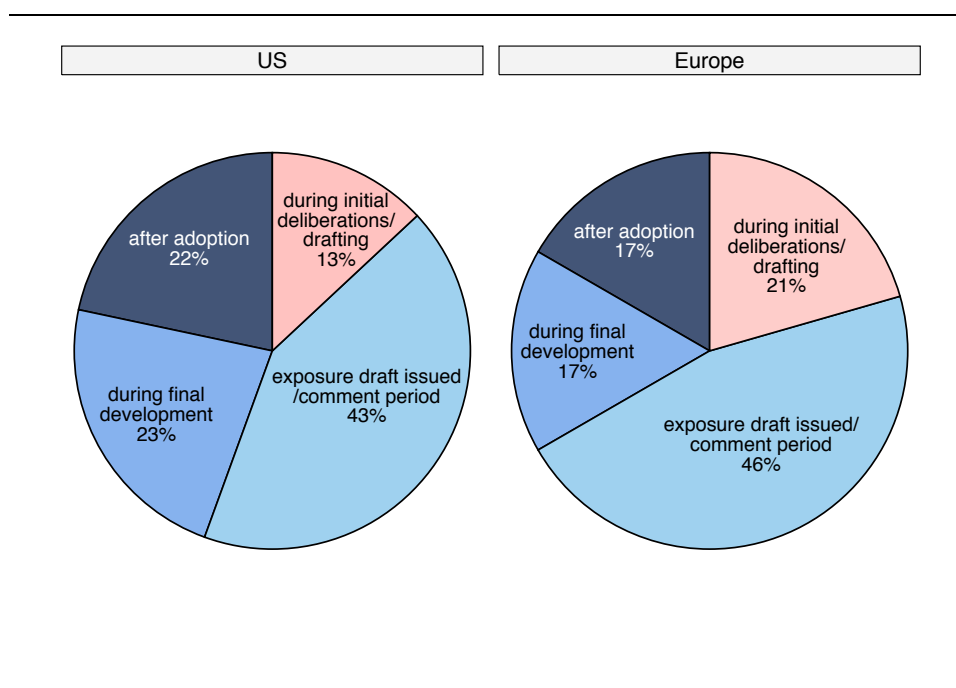


Figure 12
Timing of Information

As shown in Figure 12, by the time of the exposure draft is open for comment, 56% of American firms and 67% of European firms know about the draft international standard, and 78% of U.S. and 84% of European firms typically learn of a new standard before it is adopted in its final form.

Frequency of Seeking Input

How frequently, then, do U.S. and European firms, respectively, attempt to make their voices heard during the IASB standardization process? We asked: "When new international standards projects are considered or launched by the IASB, which may impact your firm, how frequently do you try to affect the specific provisions of such standards?" We offered companies seven response options: never, rarely, sometimes, about half of the time, often, very often, and always. Table 6 summarizes the answers:

Table 6
Frequency of Seeking Input into the Specification of a New/Revised Int'l Standard

	never	rarely	sometimes	about half of the time	often	very often	always
U.S.	28%	33%	18%	3%	9%	7%	4%
Europe	40%	22%	20%	2%	7%	5%	4%

Note: Responses from survey participants who indicated that they were familiar with IFRS and/or that their company currently uses IFRS. Percentages may not add up 100 due to rounding. $N(US) = 120$; $N(EU) = 512$.

Reasons for Not Seeking Input

Table 7 summarize the responses to the questions: "When you do *not* try to affect the specific provisions of a forthcoming IASB standard that may impact your firm, how well do the following statements capture your reasons?"

Table 7
Reasons for Not Trying To Affect Forthcoming International Standard
that May Impact Respondent's Firm

<i>(Possible) Reason</i>	<i>U.S. Respondents</i> ("agree" or "strongly agree")	<i>European Respondents</i> ("agree" or "strongly agree")
It is too costly to comment on exposure drafts.	43%	50%
We generally do not become aware of exposure drafts while they are open for comment.	51%	42%
By the time we hear that a new standard is being developed, it is too late to influence the process effectively.	55%	57%
We do not believe that our comments would affect IASB standards.	77%	89%
The ... [domestic accounting standards body] adequately represents our position at the IASB.*	49%	47%
Our external auditors adequately represent our position.	47%	44%
Our industry/trade association adequately represents our position.	57%	44%
International standards have no material impact on our firm's ability to raise capital.	77%	52%

* *Note:* The country-specific domestic bodies specified in the fifth sub-section of the question were FASB for the U.S., the Accounting Standards Committee of Germany (formerly GASB/DRSC), le Conseil National de la Comptabilité for France, and the UK ASB for the UK. There was no "neither agree nor disagree" option for this question. Therefore, the percentage of respondents who disagreed or strongly disagreed can for each statement be calculated simply by subtracting from 100% the percentage of those who agreed or strongly disagreed.

U.S. respondent were offered two additional (possible) reasons. First: "New international standards are usually so similar to U.S. GAAP that it is not worth getting involved." 39% of respondents agree or strongly agree with this statement (61% disagree or strongly disagree). Second: "We do not expect that international standards will have any material impact on our firm's financial statements in the foreseeable future." 58% of U.S. respondents agree or strongly agree with this statement (42% disagree or strongly disagree). Note, however, that these survey responses were given before the August 2008 SEC proposal to require a transition to IFRS for domestic issuers within a few years.

Effectiveness of Alternative Methods of Seeking Input

In a final set of questions, we asked those who had sought input into the specification of a forthcoming standard that may affect their firms (see Table 6 above), what means they have used to do so. We then asked: "In your experience, how effective is each of the following methods for affecting the specific provisions of a proposed standard before it is finalized?" Figures 13a - 13k summarize the results for each of the specified means of seeking input.⁹

⁹ The aggregate results in figures 13a - 13k are based on the responses from those who had at least "rarely" used the method in question and exclude "don't know" responses.

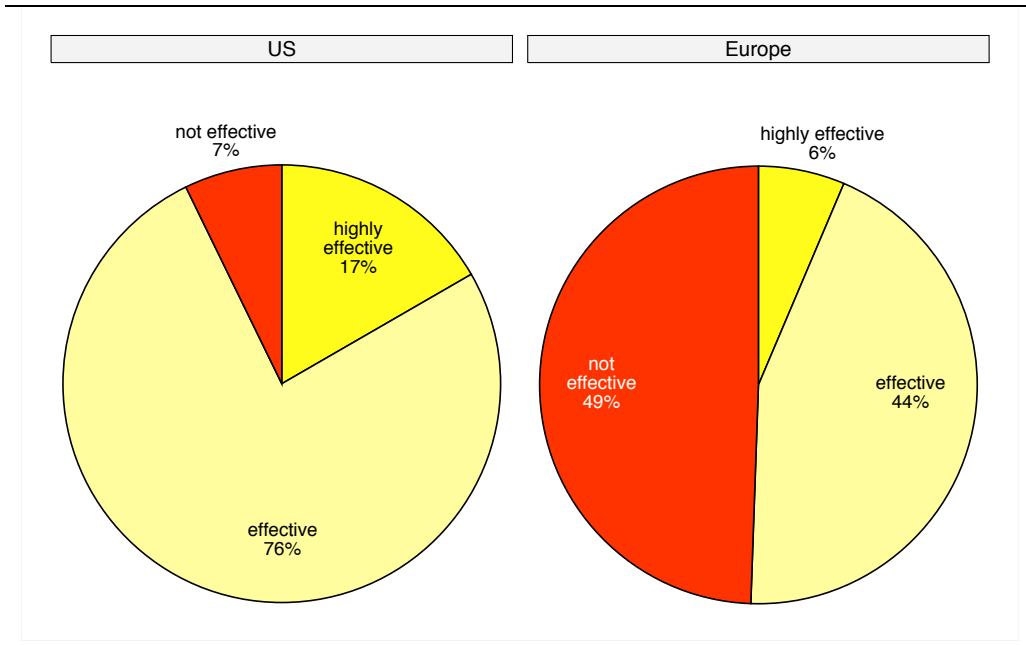


Figure 13a
Effectiveness of Writing Comment Letters

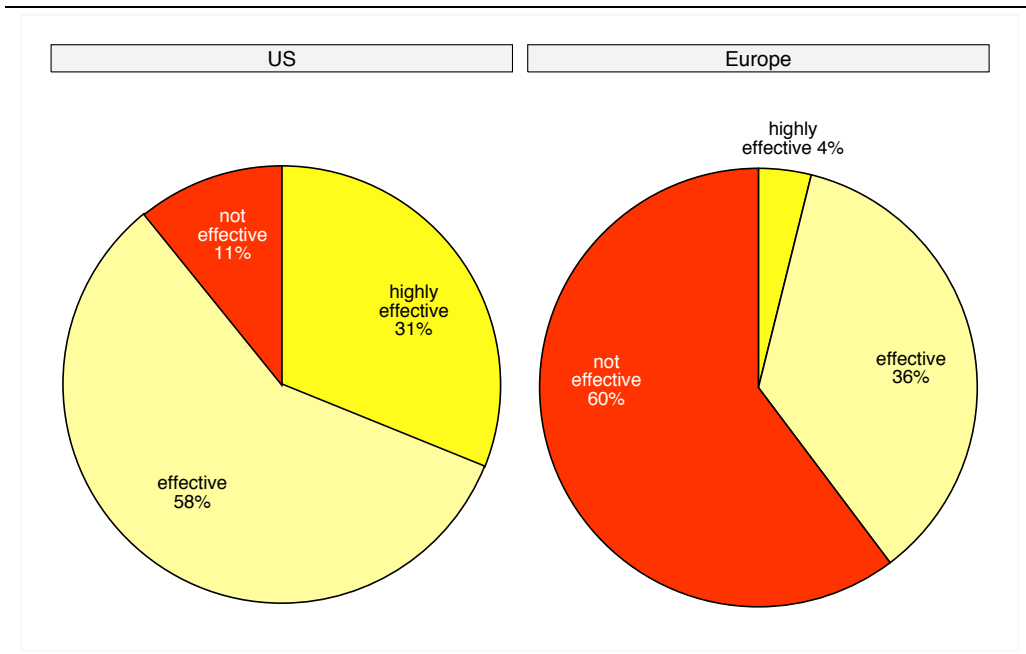


Figure 13b
Effectiveness of Giving Oral Testimony at Public Hearings

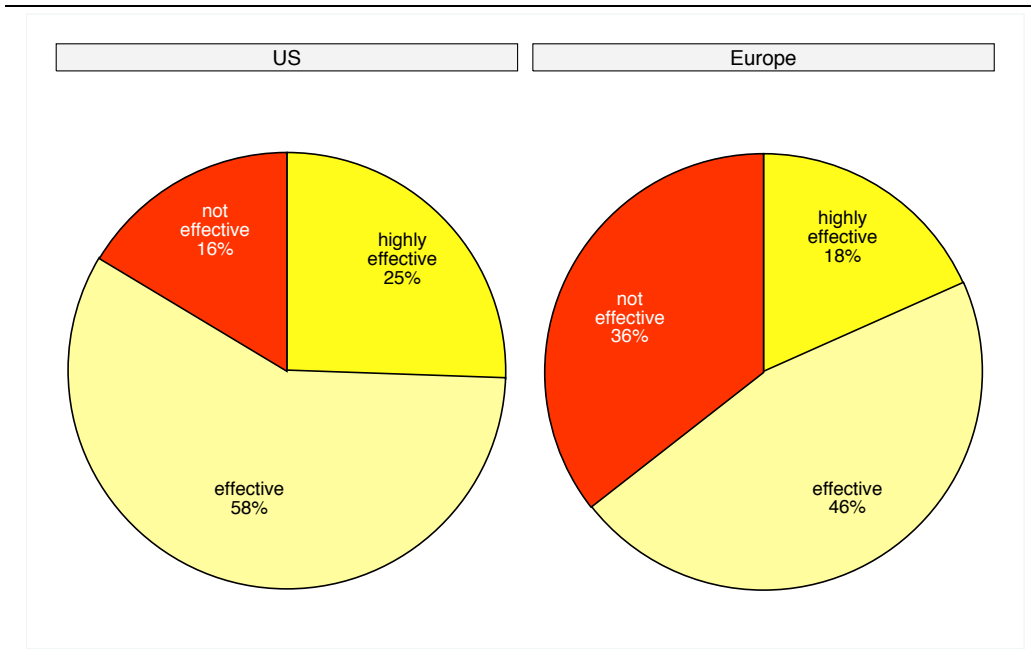


Figure 13c
Effectiveness of Contacting Members of the IASB

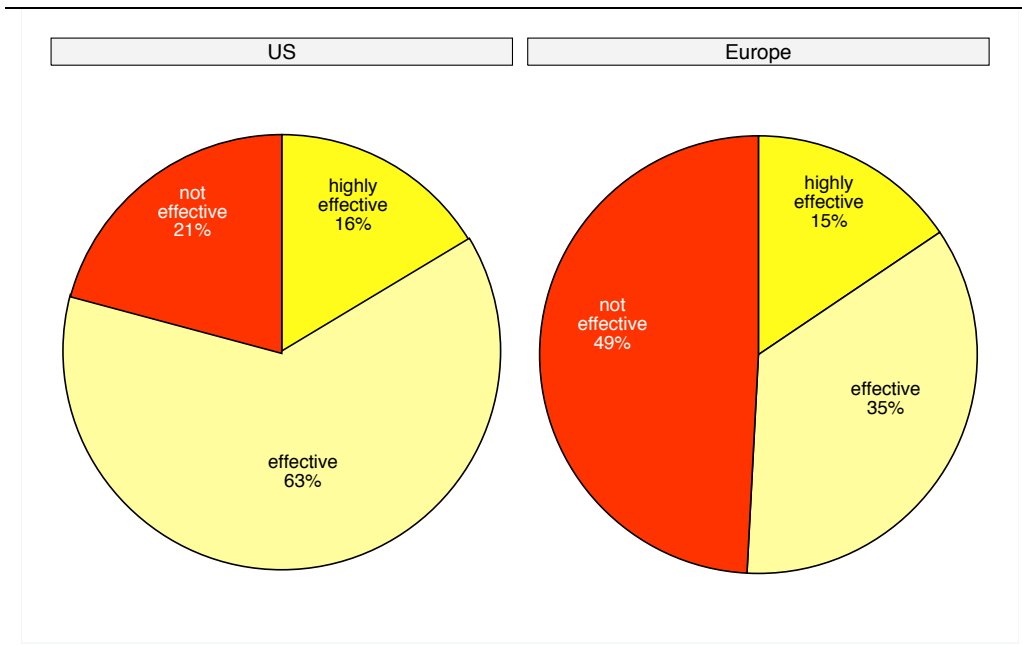


Figure 13d
Effectiveness of Directly Communicating with Members of the IASB's
Standards Advisory Council (SAC)

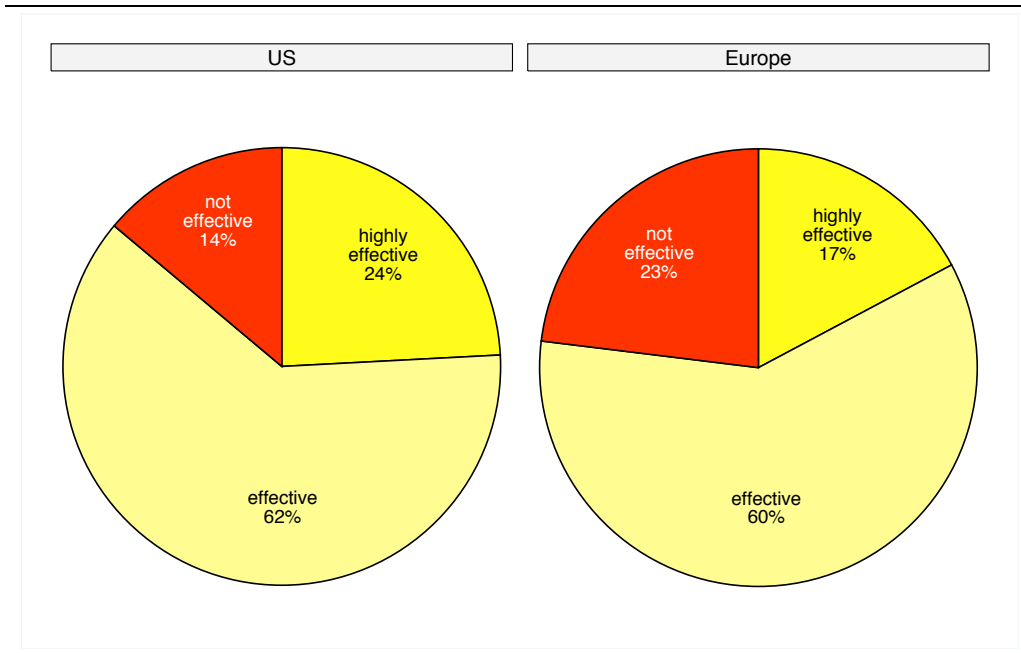


Figure 13e
Effectiveness of Directly Communicating with Experts on IASB Steering Committees or Working/Advisory Groups Involved in Writing Discussion Papers or Preliminary Drafts

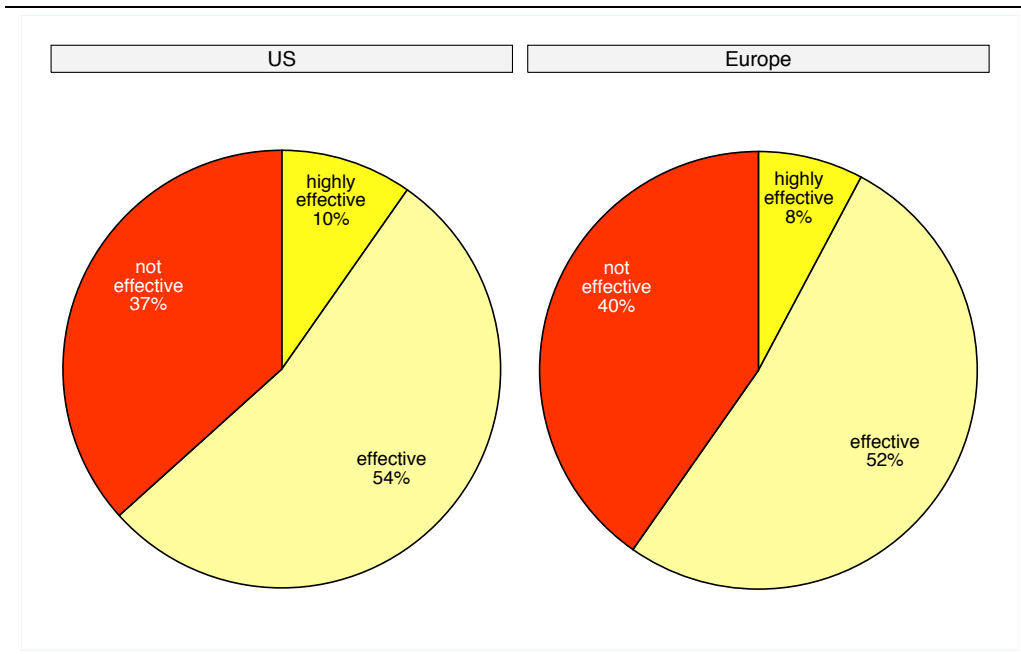


Figure 13f
Contacting the Firm's Domestic Accounting Standards Board

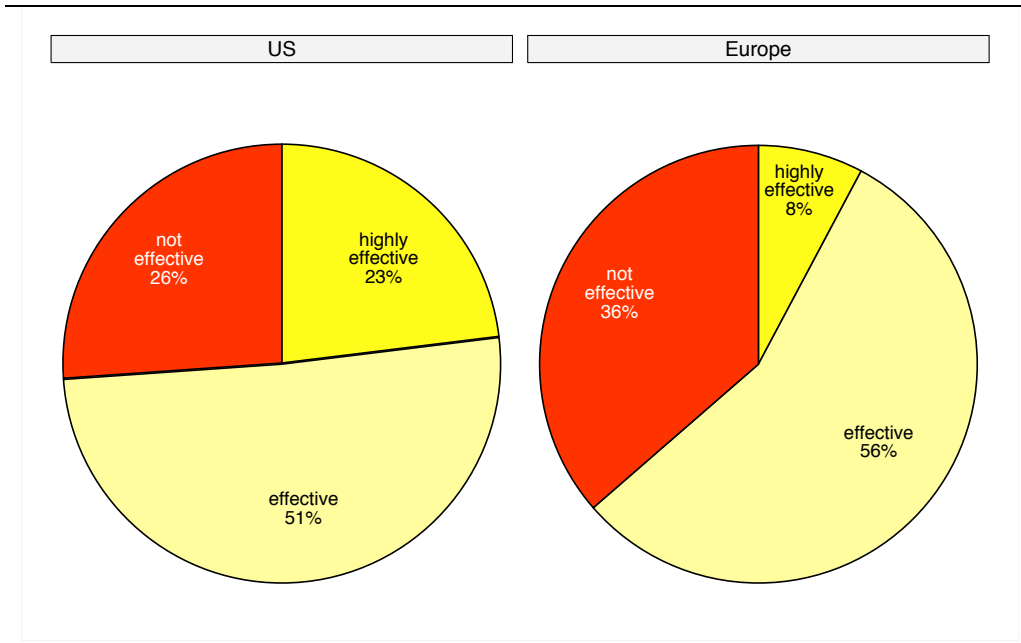


Figure 13g
Contacting the Firm's Trade- or Industry Association, Asking Them to Take Action on the Firm's Behalf.

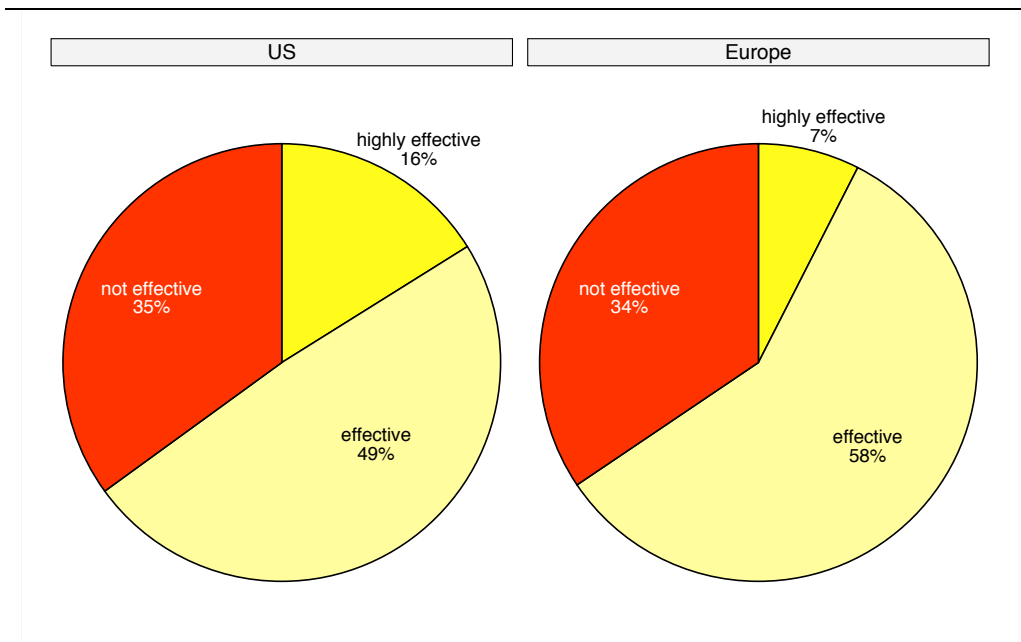


Figure 13h
Contacting the Firm's Auditors, Asking Them to Represent the Firm's View

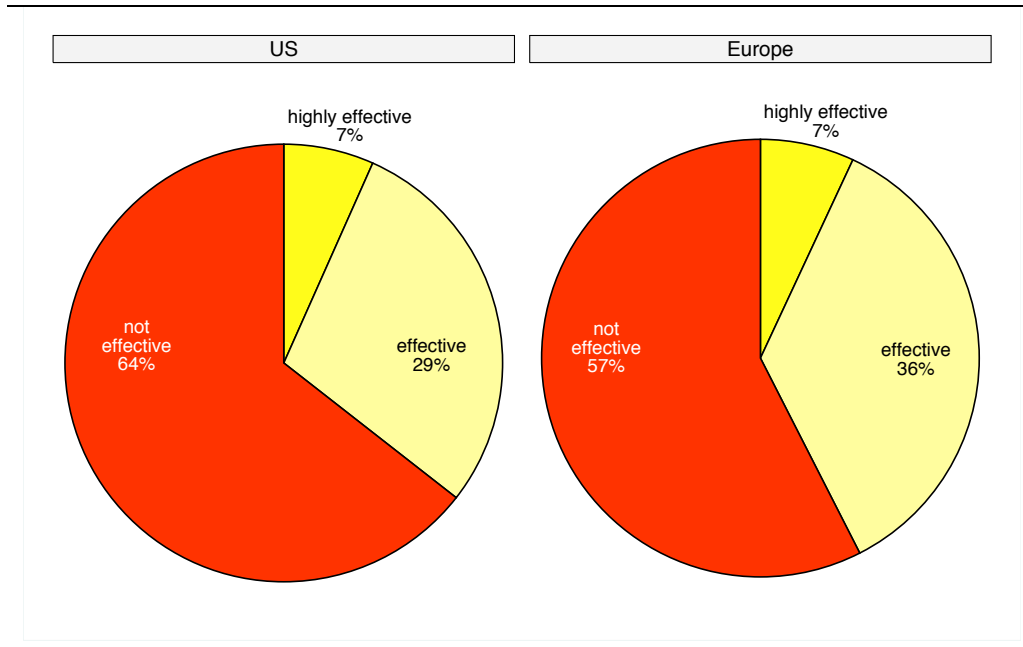


Figure 13i
Contacting a Government Ministry or Agency,
Asking It to Take Action on the Firm's Behalf

We also asked U.S. respondents whether and how frequently they have asked a member of Congress to take action on the firm's behalf in order to affect the specific provisions of a forthcoming IASB standard—and how effective they considered it to be. Of those who have any experience with this approach, 70% consider it not effective; 20% consider it effective and 9% very effective.

European firms were also asked to assess the effectiveness of asking the EU to take action on the firm's behalf. Of the few European firms who have experience with this approach, 51% consider it not effective; 32% consider it effective; 17% highly effective.

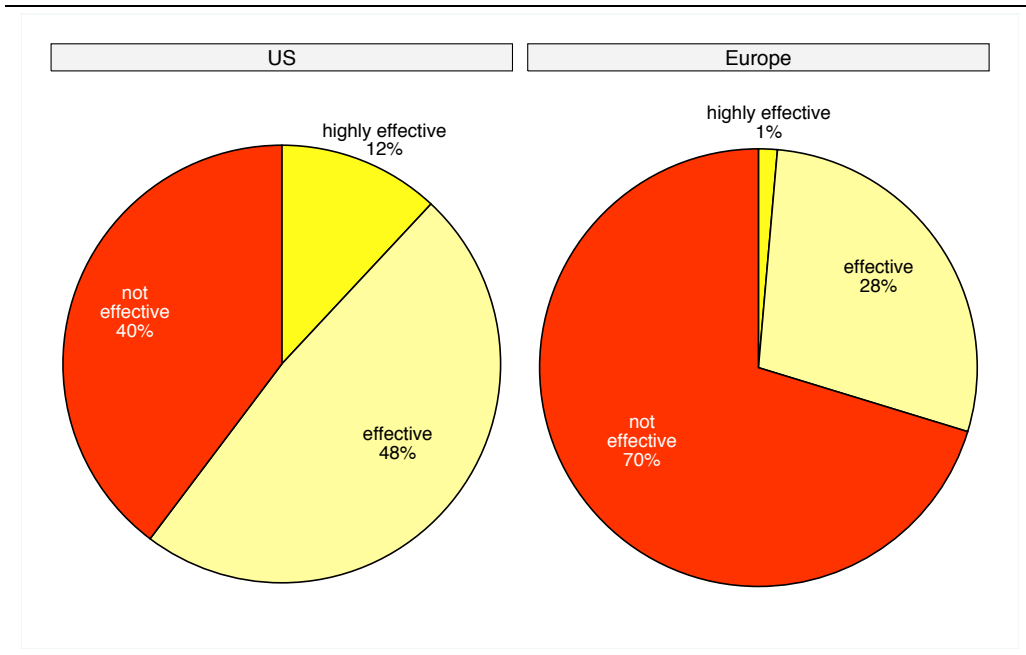


Figure 13j
Sponsoring Research

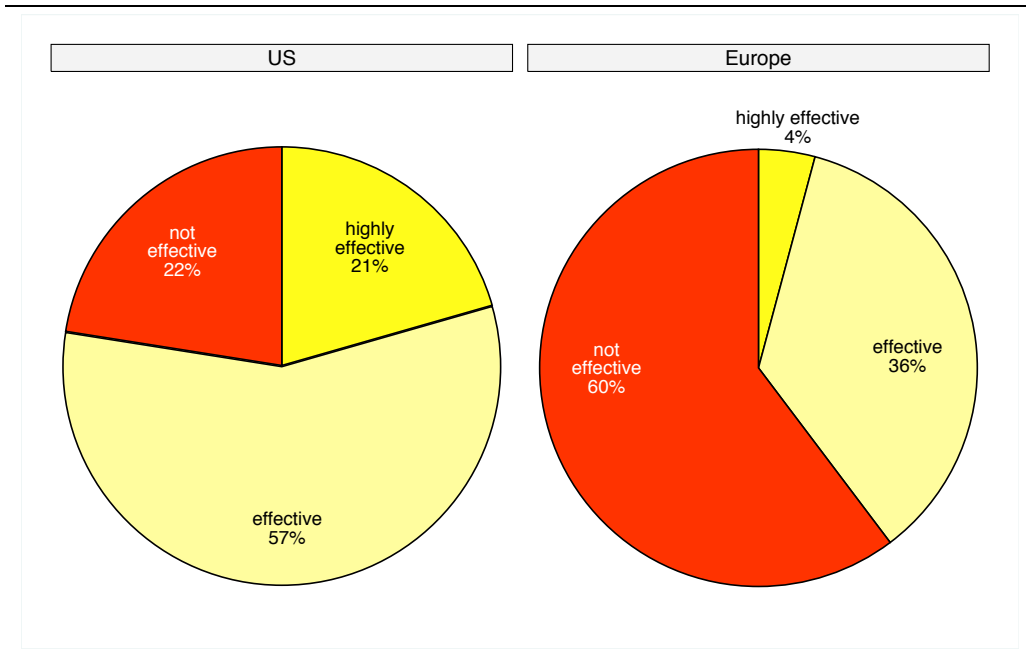


Figure 13k
Taking Part in Field Tests

Importance of Other Factors

In addition, we asked the corporate finance experts who participated in our study about the importance of two other factors for their or their firms' ability to affect a proposed standard: timing and firm size. Overwhelming majorities of those who expressed an opinion regarding the importance of these factors indicated that they are "important" or "very important." Table 8 shows the aggregate responses.

Table 8
Importance of Timing and Firm Size for Ability to Affect a Proposed Standard

<i>Factor</i>	<i>U.S. Respondents rating this factor as "important" or "very important"</i>	<i>European Respondents rating this factor as "important" or "very important"</i>
Timing (getting involved early)	98%	98%
Size of Firm (large)	92%	94%

Note: 2% of U.S. respondents and 18% of European respondents indicated that they did not know how important timing was; 4% and 16%, respectively, indicated that they did know the importance of firm size.

Conclusion

The IASB has emerged as the key global regulator in financial reporting. The International Accounting Standards Survey—the first comprehensive social-scientific study of public companies' assessments of the IASB and its standards—finds much support for the IASB's mission among the preparer community. A clear majority of senior financial managers of firms listed on the New York Stock Exchange and the major exchanges of France, Germany and the UK (London) rate the technical quality of IFRS as high. They also consider IFRS as effective for increasing the comparability of corporate information and creating a (more) level playing field for companies internationally.

At the same time, the survey reveals weaknesses in the IASB's operation and due process, at least as perceived by firms. Strikingly, U.S. corporate financial managers' assessments of process and outcome often differ significantly from the assessments of their European counterparts. For example, whilst large majorities of U.S. participants express high levels of satisfaction with IASB transparency, inclusiveness, and accountability, no more than half of European survey participants express similar levels of satisfaction. This is not to say that Europeans always agree in their assessments; we observe interesting differences on some issues. Also notable is that almost identical majorities of U.S. and European firms currently consider the costs of switching to IFRS as exceeding the benefits. They also overwhelmingly say that that the IASB should not move to full fair value accounting, even though they mostly see it as moving in that direction.

This report has summarized several other key findings. A more detailed discussion and analysis of the survey findings and variations across countries and regions will be contained in our forthcoming book on Global Private Regulation.

Appendix

Additional Information about Respondents and/or their Companies

87% of U.S. respondent firms have more than 1,000 employees; 7% have less than 250 employees. Among European respondent firms, 58% have more than 1,000 employees; 23% have fewer than 250. Moreover, 70% of U.S. and 80% of European respondent firms have subsidiaries abroad (see Figure 14).

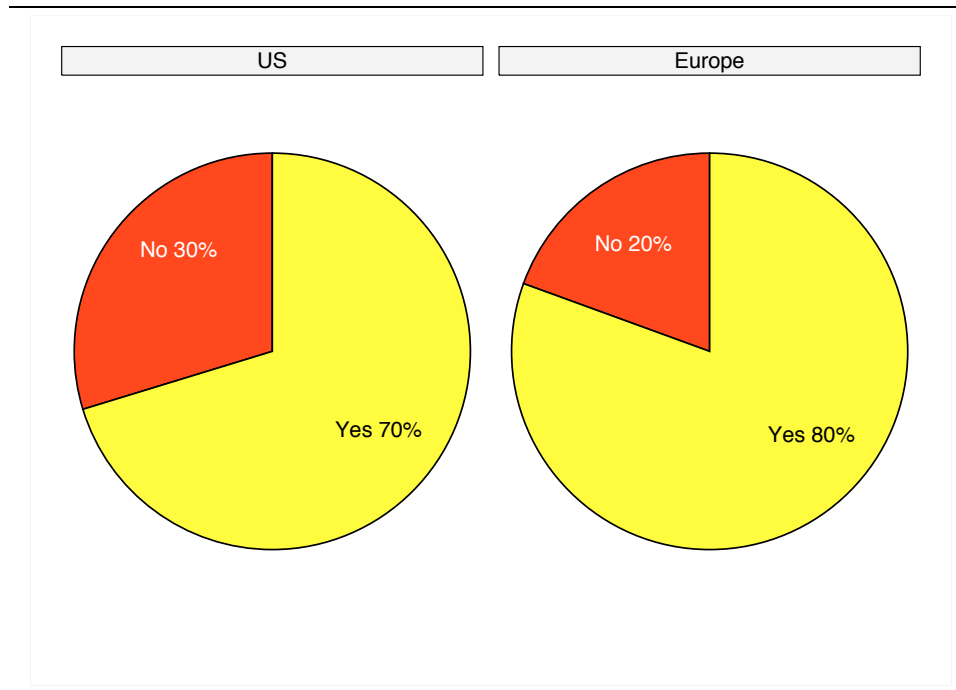


Figure 14
Responses to the Survey Question:
"Does your company itself have subsidiaries abroad?"

Moreover, 16% of U.S. respondent firms are listed not only on one or more U.S. stock exchanges but also on at least one foreign exchange; the equivalent percentages for British, German, and French firms are 19%, 12%, and 8% respectively.

In response to the question "Please rank the following sources of capital in order of importance for your firm," clear majorities ranked capital markets ahead of bank loans, which in turn was ahead of venture capital, as shown in more detail in Figure 15.

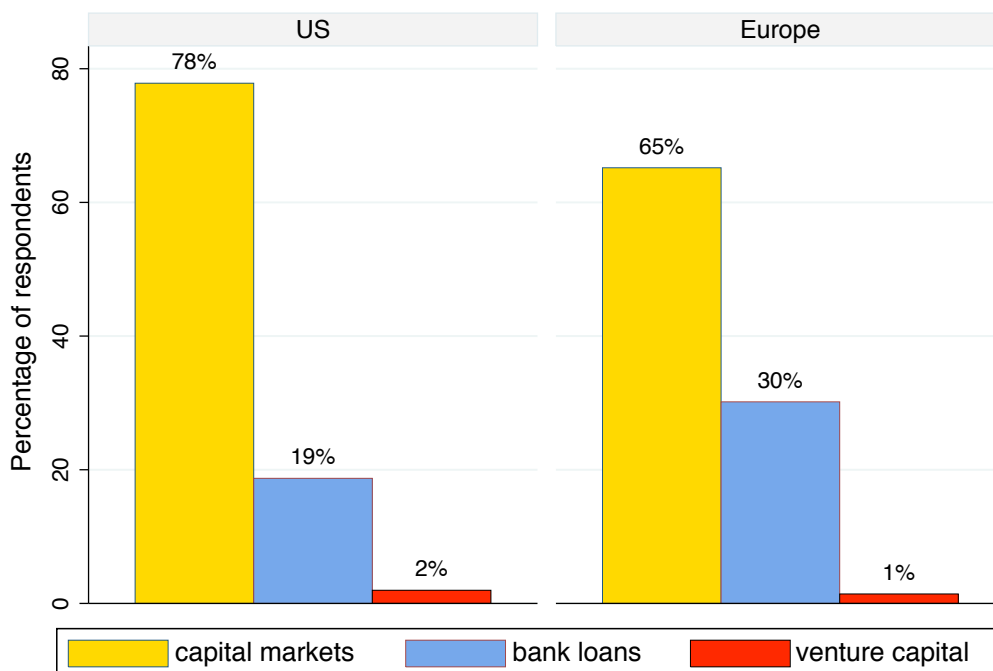


Figure 15
Respondents Ranking the Specified Source of Capital as Most Important for Their Firms

Finally, we asked respondents how important access to foreign capital markets is for their firms' ability to raise capital, compared to access to their domestic capital markets. 20% of U.S. respondents indicated that access to foreign markets is equally, more, or much more important than access to their home market, whereas 33% of European respondents choose these responses.¹⁰ Correspondingly, 80% of U.S. and 67% of European respondents indicated that they are still primarily relying on their respective domestic capital markets.

Yet, will the relative importance of foreign capital markets change in the foreseeable future? To address that issue, we asked "Does your firm intend to increase, decrease, or keep the same the share of capital raised on foreign capital markets?" The responses are summarized in Figure 16.¹¹

¹⁰ Responses were heavily concentrated in the "equally as important" response category; very few respondents from any country indicated that foreign markets are more or much more important for their ability to raise capital.

¹¹ Response options: increase, keep the same, and decrease. In the European countries' surveys, it was clear from the context that "foreign" referred to any capital market outside of the country where the survey was conducted, *not* only to non-European capital markets.

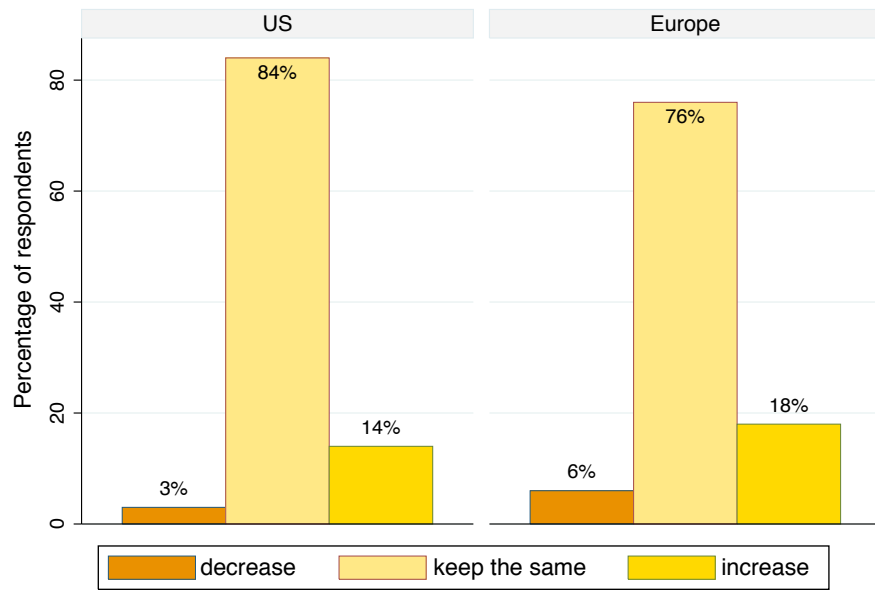


Figure 16
Intended Change in Use of Foreign Capital Markets

The overwhelming majority of respondents are content with their balance of domestic versus foreign capital sources, though significant minorities on both sides of the Atlantic anticipate increasing the share of capital raised on foreign capital markets. And the percentage of those saying they intend to increase their share of foreign capital is much larger than the percentage of those saying they intend to decrease it: three times as large in Europe and more than four times as large in the U.S.

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Several business associations and organizations in the four countries kindly endorsed our independent research as most timely and valuable for current policy discussions. For having encouraged financial executives in their respective countries to participate in this study, we thank the leaders of the Mouvement des Entreprises de France (MEDEF) and the Association Française des Entreprises Privées (AFEP); Heinz-Joachim Neubürger as Chairman of the Accounting Standards Board of Germany (DRSC); Philip Broadley, Chairman of the 100 Group of Finance Directors for the United Kingdom, as well as Michael Cangemi and Cheryl Graziano of Financial Executives International (FEI) and the Financial Executives Research Foundation (FERF) in the U.S. These organizations and individuals have had no influence over any aspect of the research, and none of the findings reported here should be attributed to any of them.

We are also grateful to the numerous current and former chief financial officers and other experts in corporate finance who have provided feedback on our draft survey and of course to the survey participants for sharing their views and experience. Finally, we thank our colleagues, especially at Duke and Oxford Universities, for methodological advice during the survey design stage and the members of our research teams at Duke and Oxford for their tremendous help in the administration of this multi-industry, multi-country, multi-language research project.

¹² The research was completed while Tim Bütthe was a Robert Wood Johnson Foundation Scholar in Health Policy Research at the University of California, Berkeley and while Walter Mattli was a British Academy Research Fellow.

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