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# Evaluation of the incentives to participate in the public consultant process of lease project\*

## Evaluación de los incentivos para participar en el proceso de consulta pública del proyecto de arrendamientos

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## Abstract

The paper evaluates the incentives to participate in the public consultant process of lease accounting. The objective is to examine the effect of cross-countries factors in the participation intensity over the international accounting standard-setting process. To test our predictions, we conduct an empirical study using a specific accounting standard: the lease project. In particular, we scrutinize 1,630 comment letters received from 46 different countries in response to the discussion paper (DP 2009) and two exposure drafts (ED 2010 and ED 2013). The findings suggest that institutional framework, economic context, cultural values and other social factors for each country are incentives to engage in lobbying efforts in the IASB-FASB's lease accounting standard.

*Key Words:* lease accounting project; lobbying; international participation; comment letters; public consultant process; cross-country factors

## Resumen

El artículo evalúa los factores que incentivan la participación en el proceso de consulta pública del proyecto de contabilidad de arrendamientos. El objetivo es examinar el efecto de las características de cada país en la intensidad de la participación en el proceso de elaboración de normas internacionales de contabilidad. Para ello, llevamos a cabo un estudio empírico utilizando la nueva norma de contabilidad de arrendamientos. En particular, examinamos 1.630 cartas de comentarios recibidas de 46 países diferentes en respuesta al primer documento de discusión (DP 2009) y a los dos borradores de la norma (ED 2010 y 2013). Los resultados sugieren que el marco institucional, el contexto económico, los valores culturales y otras variables sociales de cada país actúan como incentivos para participar a través de cartas comentario en el caso de la norma de contabilidad de arrendamientos elaborada conjuntamente por el IASB y el FASB.

*Palabras clave:* proyecto de contabilidad de arrendamientos; lobbying; participación internacional; cartas de comentario; proceso de consulta pública; características asociadas a los países

## 1. Introduction

Accounting authorities are responsible for the development of standards or procedures that companies must follow when they report their financial statements, which have consequences in economic and social welfare. The accounting standard setting due process is an interesting area of research to provide conclusions about the way that policy boards gain legitimacy and transparency, the international participation and the political forces that may influence the final output.

Lobbying around accounting regulatory process has captured researchers and practitioners' attention (Financial Times, 2016), especially during the accounting-harmonization project conducted by the International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB). This regulatory framework was developed to create major convergence between international accounting rules and those of United States. The standards published by the international regulator are required in 116 jurisdictions for all or most publicly accountable entities according to IASB website. The global scope of the IASB has increased political pressure to establish an independent and transparent due process that encourages international participation<sup>1</sup>

Although the standard-setting process has an international scope, country participation is not homogeneous worldwide, and there are several factors that explain participation intensity across various regimes and jurisdictions. The role that certain groups or participants play in the standard-setting process, their influence on the final regulatory output as well as geographical participation are matters of considerable interest and importance both to market authorities (G20, 2009) and to researchers (e.g., Jorissen *et al.*, 2006; Jorissen *et al.*, 2013; Larson and Herz, 2013).

Several proxies have been used to analyse the lobbying behaviour. Orens *et al.* (2011) distinguish between formal versus informal methods to participate in the standard-setting process. Formal methods are the submission of comment letters, presentations at public events and consulting work on particular projects. Informal methods include pressure through others, such as comments in the media or meetings, calls with regulators or technical staff, among others. Comment letters are an interesting instrument to examine the lobbying behaviour (Watts and Zimmerman, 1978; Hansen, 2011; Holder *et al.*, 2013) because they are public and available for all the researchers. The analysis of comment letters permit researchers to better understand the critical aspects of a new policy or regulation, enabling the study of the characteristics, behaviour and drivers of parties who submit a comment letter in response to a new standard.

This paper examines lobbying around the accounting regulatory process using an interesting case study: the lease project. The new standard, published in January 2016, has been prepared jointly by the main accounting standard setters, the IASB and the FASB. Then, we deal with a project with an international scope expected to be mandatory

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<sup>1</sup> Standard setters have cultivated the belief among managers and others constituents that their comments, opinions and contributions may have some influence in the final standard (Fogarty, 1994). This is to gain legitimacy. Conversely, some constituents seize those opportunities to persuade standard setters in an attempt to affect the accounting rules for self-interested reasons (Watts, 2006), depending on their expected effectiveness (Sutton, 1984).

for many companies worldwide. Examining the incentives to participate in the standard setting process allow us to understand the lobbying phenomenon around changes in accounting rules or policies.

The new lease accounting project has been catalogued as a controversial and polemic project due to the introduction of substantial changes in fundamental financial figures of companies worldwide such as indebtedness ratios. The project sets the inclusion of assets and liabilities associated with lease contracts (except short term) in the balance sheet. The project attempts to overcome current problems but it simultaneously emerges new inconsistencies and structuring opportunities, creating a strong polemic showed by the media (New York Times, 2016). The opposite point of view around lease project has been reflected in a long and complex standard-setting process (one discussion paper and two exposure drafts have been published for the purposes of public evaluation and discussion) that has received more than 1,700 comment letters from more than 40 countries.

It is expected that the lease standard will have different effects depending on the country and industry. PricewaterhouseCoopers (2010) examines more than 3,000 listed companies in 54 countries and conclude that there are significant differences in the impact of the new accounting standard among industries and countries. Mellado and Parte (2017) find that firms from industries that traditionally use more lease contracts (such as airline, some manufacturing, restaurant, hotel, energy and communications industries) are more likely to participate intensively. Consequently, the decision to participate in the public consultant process of the accounting standards depends on a set of factors that create incentives around certain groups.

This research aims to investigate how institutional, economic and cultural characteristics, along with other country factors, are incentives for interested groups to engage in participation in the accounting standard-setting process that involves relevant changes in a specific accounting rule. The empirical part of the study is developed by collecting comment letters submitted to the three documents published by the IASB and FASB to be discussed before the publication of the final standard: i) the discussion paper of 2009 (DP 2009); ii) the first exposure draft of 2010 (ED 2010); and iii) the second exposure draft of 2013 (ED 2013). Using 1,630 comment letters received from 46 different countries, the findings suggest that the above factors affect the extent to which the interested parties located in a country are more likely to engage in lobbying efforts considering the lease project.

The research contributes to previous cross-country lobbying studies. This paper combines a set of country factors that allow us to extend prior research evidence in the lobbying field: i) institutional factors that primarily have been tested in other areas of accounting and confirmed as determinants of accounting decisions; ii) economic factors, which are relevant to understand the distribution of hegemonies and power worldwide, iii) cultural factors, which are responsible for differences in political and business behaviour among countries; and iv) other specific factors, such as the status of international financial reporting standards (IFRS) adoption among jurisdictions and the perception of corruption. Considering all of these factors in the study, we provide a global picture on lobbying attitudes in the lease standard-setting process. The study also contributes to a deeper understanding to the lease standard-setting process by examining all the public document (DP 2009, ED 2010 and ED 2013) while prior researches in

the field have focused on a specific lease document. Additionally, the study could help future researchers and standard setters to better understand the lobbying phenomenon in accounting standard due process in an international setting.

The structure of the study is as follows. Section 2 describes the theoretical framework while constructing the hypothesis. Section 3 shows the description and measurement of the variables and methodology. Section 4 introduces the sample and descriptive analysis. Section 5 shows the statistical test and the results. Finally, Section 6 presents the conclusions.

## **2. Theoretical framework and hypothesis development**

There is an extensive theoretical framework for the study of lobbying behaviour. The rational theory links the propensity for lobbying with the expectation of increasing entities' wealth and the probability of influencing final standards. Sutton (1984), a seminal author in this field, compares the lobbying phenomenon with the activity of voting because both share the characteristic of an investment good, subject to a cost-benefit equation with a degree of uncertainty. Assuming the postulate, a rational entity allocates resources to lobbying only if the benefits compensate for the costs.

Agency theory is also a consistent and robust framework to understand lobbying behaviour, characteristics and drivers. The participation of constituents in the regulatory process may be motivated by several circumstances. First, changes in accounting policies have a direct impact on the financial statements of companies therefore more affected companies may have more incentives to lobby than non-affected companies. Second, contractual arrangements related to debt and management compensation factor may cause that managers will make accounting choices to show better performance and liquidity positions or tend to maximize their wealth promoting, avoiding, or changing a new accounting normative or policy (Watts and Zimmerman, 1978).

Ongoing globalization has sparked researchers' increasing interest in cross-country studies when a new accounting policy are in progress (in the consultant period but not definitely published for its application). Prior accounting literature has already suggested that accounting practices are influenced by variables such as capital market development, national legal systems, enforcement systems, investor protections, etc. (Leuz *et al.*, 2003). Gordon *et al.* (2013) provide an excellent discussion of special challenges to cross-country accounting studies driven by differences in, inter alia, political institutions, the legal environment, culture and religion, among others. Based on this literature, we define four hypotheses to find evidence about the influence of country factors on the decision to submit a comment letter on the IASB/FASB's lease proposal.

### **2.1. Institutional factors**

There has been a considerable amount of research conducted on how institutional factors affect firms' financial reporting. The institutional dimension comprehends not only the political and legal system but also the enforcement controls.

Shleifer and Vishny (1997) and La Porta *et al.* (1997, 1998) consider that a country's financial development is closely linked to institutional factors. La Porta *et al.* (1997), using a sample of 49 countries, show that countries with better legal protections also have more external finance—i.e., they have broader, higher valued capital markets-. La Porta *et al.* (1998) also reveal that differences in legal protections for investors explain differences in countries' financial development.

The framework developed by La Porta *et al.* (1997, 1998) is a baseline both to understand and to develop how the legal and institutional environment influences corporate finance and governance worldwide. Subsequent studies reveal differences in financing and ownership patterns across countries driven by differences in legal rules regarding both investor protections and the quality of their enforcement (Djankov *et al.* 2008; Cho *et al.*, 2013). The literature also suggests that higher levels of enforcement and compliance with standards in a country affect positively not only on reporting financial statement quality (Leuz *et al.*, 2003; Bradshaw and Miller, 2008) but also on levels of firms' participation in the standard-setting process (Jorissen *et al.*, 2013).

Empirical researches have used different proxies to measure both ex ante protections and ex post enforcement controls with non-compliant behaviour (La Porta *et al.*, 1997; Leuz *et al.*, 2003; Djankov *et al.* 2008; Cho *et al.*, 2013). Based on the prior lobbying literature, we chose rule of law as ex post enforcement and shareholders' rights as ex ante investor protection (Jorissen *et al.*, 2013). Shareholder protection has been included in most prior cross-country accounting studies as proxy to country's inversion volume and capital market size (La Porta *et al.*, 1997). Moreover, the assessment of rule of law in the home country has been considered either an important condition for accounting quality or a disincentive for earnings management (Leuz *et al.*, 2003).

Psillaki and Daskalakis (2009) argue that in absence of strong property-rights protections and the efficient enforcement of laws, leasing contracts may be useful for facilitating the access to financial sources. Considering that the lease standard is moving towards the total capitalization of leases, higher enforcement levels in a country, the new policy could influence participation intensity if the interested parties believe—and they do—that the accounting proposal would have negative economic consequences.

We establish the next hypothesis and sub-hypothesis considering participation intensity in the lease accounting project:

H<sub>1</sub>: Constituents from countries with a high level of institutional controls are more likely to lobby in the lease accounting standard-setting process compared to countries with a low level of institutional controls.

H<sub>1a</sub>: Constituents from countries with a high level of rule of law are more likely to lobby in the lease accounting standard-setting process compared to constituents from countries with a low level rule of law.

H<sub>1b</sub>: Constituents from countries with a high level of shareholder rights are more likely to lobby in the lease accounting standard-setting process compared to countries with a low level of shareholder rights.

## 2.2. Economic factors

Economic development has been considered in several previous works as a determinant of lobbying in the standard-setting process (e.g. Larson and Herz, 2013; Jorissen *et al.*, 2014; Dobler and Knospe, 2016). Wealthier companies and individuals have a larger capacity to spend resources on lobbying to obtain more favourable regulations (Sutton, 1984). As an extension of this assumption, it should be established that constituents from wealthier countries with larger traditions of capital markets and greater economic structures are supposed to be larger and richer, and they are supposed to be better able to afford the cost-benefit function of the decision to lobby. Therefore, more developed countries are expected to produce more lobbyists than less developed countries.

Bischoff (2003) finds that the OECD country's level of economic development is a significant factor in its decision to join a lobbying group. In the field of accounting lobbying, Jorissen *et al.* (2014, p.103) use capital market development and gross domestic product (GDP) per capita to identify economically motivated lobbying differences among countries, concluding that "constituents from countries with developed markets and high GDP per capita are still the overwhelming majority of the participants". Therefore, we collect two economic factors associated to a country's market development (per capita Gross National Income, GNI, and developed capital markets) and establish the following hypothesis and sub-hypotheses considering participation intensity in the lease accounting project:

H<sub>2</sub>: Constituents from countries with a high level of economic development are more likely to lobby in the lease accounting standard-setting process compared to countries with a low level of economic development.

H<sub>2a</sub>: Constituents from countries with high GNI are more likely to lobby in the lease accounting standard-setting process compared to countries with low GNI.

H<sub>2b</sub>: Constituents from countries with more developed capital markets are more likely to lobby in the lease accounting standard-setting process compared to countries with less developed capital markets.

## 2.3. Cultural factors

Prior studies suggest that culture plays an important role in accounting decisions (Braun and Rodriguez, 2008). In 1980, Hofstede defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another" (Hofstede, 2001, p. 9). This author identifies five dimensions to capture their effect on cultural variables (power distance, individuality, uncertainty discomfort, masculinity and long-term orientation). Several papers also document the influence of these cultural values over accounting systems. For example, Ding *et al.* (2005) reveal that cultural values are associated with the divergence between international accounting standards and national accounting system.

Hofstede (2001) hypothesizes that cultural values do not change easily, thus implying external changes as the harmonization of accounting standards (e.g. IFRS) does not entail the harmonization of cultural factors that ultimately influence accounting perceptions

and decisions. Therefore, it could be inferred that the perception of proposed changes in the lease standard will vary depending on a country's cultural values. This statement has important implications for the standard-setters who are managing the international adoption of IFRS.

Based on the work of Hofstede, Gray (1988) has developed a framework for analysing the impact of culture on the development of accounting systems, proposing a linkage between cultural dimensions and accounting values or attitudes at the level of the accounting subculture (professionalism versus statutory control; uniformity versus flexibility; conservatism versus optimism and secrecy versus transparency) operationalized by authors such as Gray and Vint (1995) and Braun and Rodriguez (2008). For example, conservatism is associated with both uncertainty avoidance and high level of power distance.

Jorissen *et al.* (2013) reveal that the level of professionalism in a country is significantly and positively associated with the participation rates of that country's preparers and non-preparers alike. Moreover, preparers from less conservative countries, in which transparency is more accepted, participate more by submitting comment letters. With respect to non-preparers, the accounting values of conservatism and secrecy play a less important role in explaining differences in country participation levels. We establish the following hypotheses and subhypothesis considering participation intensity in the lease accounting project:

H<sub>3</sub>: Cultural values determine the level of participation of constituents in the lease accounting standard-setting process.

H<sub>3a</sub>: Constituents from countries with a preference level for professionalism are more likely to lobby in the lease accounting standard-setting process compared to constituents from countries with a preference for compliance with prescriptive legal requirements.

H<sub>3b</sub>: Constituents from countries with a preference for conservatism are more likely to lobby in the lease accounting standard-setting process compared to constituents from countries with a more optimistic risk-taking approach.

H<sub>3c</sub>: Constituents from countries with a preference for secrecy are more likely to lobby in the lease accounting standard-setting process compared to constituents from countries with a preference for a more transparent, open and publicly accountable approach.

#### 2.4. Other social factors

Other social factors might have a bias related to participation in the discussion of accounting standards because those factors are responsible for variations in the cost of lobbying (Sutton, 1984). The factors considered here are reliance on the IFRS and the perception of corruption.

The different degrees of reliance on the IFRS—referring to the levels of familiarity with the international standards depending on each country's adoption status—could either eliminate or pose an entrance barrier to the lobbying decision by the constituents of



countries worldwide. However, because of the acceleration of the harmonization process and the joint process conducted by the IASB with several national standard-setters to converge with some national standards, familiarity with the IFRS has been extended to countries in which they are not permitted, for example, the United States.

The reliance on the IFRS has been considered in several lobbying studies that focus on the standard-setting process (Hansen, 2011; Jorissen *et al.*, 2013; Holder *et al.*, 2013; Larson and Herz, 2013; Dobler and Knospe, 2016). Holder *et al.* (2013) reveal that writers from countries where the use of IFRS is required or permitted (Deloitte, 2014) are more likely to submit comment letters expressing an unfavourable opinion. Such writers are more familiar with new standards and their potential economic effects; therefore, they are prompted to engage in more lobbying. Conversely, Larson and Herz (2013) reveal that countries with larger historical differences from IFRS accounting submit more comment letters compared to other countries.

Dobler and Knospe (2016) show that participation is unaffected by a country's level of institutional reliance on IFRS, which could be explained not only by the globally expected character of IFRS and the intention of regulators to harmonize accounting standards but also by FASB's involvement in the convergence project. In this case, we formulate the following hypothesis, expecting a neutral association between intensity of lobbying and familiarity with IFRS.

H<sub>4a</sub>: Constituents' familiarity with the dimensions and mandatory requirements of IFRS are more likely to lobby in the lease standard-setting process.

The other social factor considered in this study is the perception of a country's corruption. Firms from countries with higher levels of corruption are not motivated to invest in accounting standard setting process because other peer firms could invest lower quantities to avoid the rules' existing restrictions. In more corrupt markets, the existences of an alternative way to obtain the objective with less cost affects the collective decision to lobby. However, in the long term this collective behaviour— non-compliance with standards caused by corruption—does not guarantee the quality of reporting and the credibility of the markets, national economics and business.

Campos and Giovannoni (2007) focus on lobbying, corruption and influence by examining the characteristics of a country's firms and institutional environment. Their findings involve the relation between lobbying and corruption: i) lobbying and corruption are substitutes; ii) lobbying seems to be a much more effective instrument for political influence than corruption, even in less developed countries. Similarly, Harstad and Svensson (2011) consider that lobbying and corruption are substitutes and consequently, they are negatively associated with one another. Those authors report that when confronted by a regulatory constraint, firms may choose between bribing bureaucrats to avoid rules and lobbying the government to influence rules. The first option discourages firms from investing in lobbying and is associated positively with the lowest levels of development (i.e., the poverty trap). The second option implies a greater investment but is a more long-term-oriented action.

Based on the above researches, we expect that the perceived level of corruption affect lobby intensity, with the aim of persuading standard-setters to elaborate rules in the long term that respect their own interests:

H<sub>4b</sub>: Constituents from countries with lower perceived levels of corruption are more likely to lobby in the lease standard-setting process compared to constituents from countries with higher perceived levels of corruption.

### 3. Definition, measurement of variables and methodology

The participation intensity variable is our dependent variable to quantify the level of a country's participation activity (see e.g. Jorissen *et al.*, 2013; Larson and Herz, 2013; Jorissen *et al.*, 2014; Dobler and Knospe, 2016). Specifically, Jorissen *et al.* (2013) propose to scale the number of comment letters by GDP to define a country's contribution to standard-setting. We define the variable as the number of comment letters written from a country during a period scaled by that country's population for that year, measured in thousands. It is noted that we do not use GDP as a deflator because GDP is an important independent variable that explains differences in volume of comment letters received from countries (Larson and Herz, 2013; Jorissen *et al.*, 2014; Dobler and Knospe, 2016). The ratio is defined as follows:

$$\text{Participation intensity} = \frac{\text{Number of letters submitted by country}}{\text{Population by country}} \times 1,000,000$$

In the paragraphs below, we explain the definition and measure of the independent variables.

First, we introduce two proxies related to the institutional variations between countries. The rule of law is defined as the reflection of “the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence” (Ramanna and Sletten, 2014, p. 1538). The rule of law variable is obtained from Worldwide Governance Indicators provided by the World Bank and it has mostly been used by previous works (see e.g. Kaufmann *et al.*, 2007 and 2009; Jorissen *et al.*, 2006 and 2013). The index provides an annual measure of the variable based on survey responses. For the statistics test, the variable is included as a dummy coded as 1 for countries with overall legal quality and on law and 0 otherwise.

The shareholder rights variable, more commonly named as anti-director rights index, was originally developed for 49 countries in La Porta *et al.*'s seminal article (1998). This variable represents the degree of protection for minority shareholders'. Later Djankov *et al.* (2008) revised the index for 72 countries. The anti-director rights has six components: the possibility of voting by mail, blocking shares before a shareholder meeting, cumulative voting, oppressed minorities, pre-emptive rights, and the percentage of share capital required to call an extraordinary shareholder meeting (Cho *et al.*, 2013). For the purpose of our study, the shareholder rights variable has been coded as 1 for countries with higher shareholder protection and 0 otherwise.

Second, we explain the economics variables included in the study. Most previous studies use gross national income (GNI) per capita and market development to measure the level of country development (see e.g. Busse and Hefeker, 2007), specifically applied to lobbying studies (Jorissen *et al.*, 2014). GNI is defined as GDP plus net receipts from abroad of wages and salaries (earned by residents working outside the country) and property income (interest, dividends and correspondent retained earnings of foreign enterprises that are either fully or partially owned by residents). This variable is obtained

from the World Bank (2013), which categorizes several groups according to income level: high-income economies include those countries with a GNI per capita of \$12,746 or more. Low- and middle-income economies incorporate the countries that the World Bank define as those with a GNI per capita, calculated using the World Bank Atlas method, of less than \$12,746 in 2013. We use the dummy variable, which takes two values: 1 for high income and 0 for middle and low income.

Additionally, we classify countries based on their capital market development index, which is based on Morgan Stanley Capital International's (MSCI) website (2015). This organization classifies countries into groups depending on their capital market development considering economic development, liquidity requirements and market-accessibility criteria. The variable takes the value of 2 for countries with developed capital markets, 1 for countries with emerging capital markets and 0 for countries with frontier capital markets (see e.g. Jorissen *et al.*, 2014).

Third, cultural variables are measured considering the indications of Hofstede (2001), Gray (1988), Braun and Rodriguez (2008) and Jorissen *et al.* (2013). Gray (1988) identifies four accounting values derived from the prior accounting literature: i) professionalism versus statutory control; ii) uniformity versus flexibility; iii) conservatism versus opportunism; and iv) secrecy versus transparency. Braun and Rodriguez (2008) operationalize Gray's accounting values by creating a score for each of these values and for every country to which Hofstede (2001) has assigned one of the fourth cultural dimension indices (power distance, individuality, masculinity and uncertainty avoidance). The score is created as a direct function of the numerical values presented in Hofstede and the relationships predicted by Gray (1988).

For the purpose of this study, the cultural variables are measured using dichotomous variables. That is, professionalism takes the value of 1 when the country presents preference for individual professional judgement and 0 when the country presents opposition to more guidance imposed by legal requirements. The second value, conservatism takes the value of 1 when the country has a preference for more cautious accounting practices and 0 when the country has a more risk-taking approach. The third value, secrecy takes the value of 1 when involves an information-restriction approach and 0 when a more open and publicly accountable approach.

Finally, we introduce the reliance on the IFRS and the perception of corruption. The first one measures the permissiveness in applying IFRS accounting rules (see e.g. Larson and Herz, 2013; Dobler and Knospe, 2016). The source to obtain the variable is the Deloitte (2014) website, which reports each jurisdiction's status. The variable is included in the study as a dummy variable that takes three values depending on a country's position with respect to the adoption of IFRS: not permitting adoption of the IFRS for listed companies (coded 2); permitting adoption of the IFRS for listed companies (coded as 1); and requiring adoption of the IFRS for listed companies (coded as 0).

The variable perception of corruption measures the levels of corruption as determined by expert assessments and opinion surveys. Corruption is defined as the misuse of public power for private benefit. The index is calculated every year by the Transparency International organization (Transparency International, 2015). The variable is included as a dummy variable coded as 1 for countries where the corruption perception is lower and 0 for countries where the corruption perception is higher.

We use several univariate tests to detect statistically significant differences among countries. Specifically, we use the non-parametric Mann-Whitney-U test and the non-parametric Kruskal–Wallis test. The Mann-Whitney-U test is used when the reference variable takes two values and the Kruskal–Wallis test is used when the reference variable takes more than two values. For the quantitative data analysis, we use SPSS 22 software. The analysis is presented separately for the sample of comment letters corresponding to each document (the DP 2009, the ED 2010 and the ED 2013) and collectively (named the pool sample).

## 4. Sample and descriptive statistic

Comment letters submitted by participants in response to the consultations periods of lease project are our sample. We collected a total of 1,745 comment letters from the IASB website. The comment letters are classified first by country of origin and then by geographical area. Some comment letters are excluded from the analysis: i) comment letters categorized as not belonging to a single country, which are considered apart from the analysis sample because they cannot be allocated to a specific country variable (for instance, the Big Four auditing firms are considered international and thus classified in the group of supra-national respondents); ii) comment letters that are classified as indeterminate because the respondents do not specify their country. As a result, the final sample includes 1,630 comment letters: 279 for DP 2009, 733 for ED 2010 and 618 for ED 2013.

Table 1 presents the descriptive statistics for the study’s main variable: lobbying intensity by geographical area measured by the number of comment letters submitted for each country scaled by population. There are six geographical areas in the sample: Europe, North America, Asia, Australia and New Zealand, Latin America and Africa. Our descriptive statistic indicates differences in constituents’ participation among interested countries. On average, constituents from North America, Australia and New Zealand and Europe participate the most, in terms of population considering the three projects (see Table 1, last column). Latin America and Africa are located on the other side of the balance, submitting a marginal number of comment letters.

**Table 1.** Comment letters distribution by geographical origin.

Geographical origin	DP 2009		ED 2010		ED 2013		Pool	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Europe	.306	.310	.497	.485	.404	.386	.402	.400
North America	.196	.236	4.513	7.238	.466	.549	1.725	4.317
Asia	.083	.155	.272	.634	.239	.397	0.198	.438
Australia / New Zealand	.694	.004	1.853	.630	.679	.324	1.075	.680
Latin America	.016	.025	.011	.012	.017	.019	.015	.018
Africa	.020	.035	.033	.057	.056	.029	.036	.039

Note: The Table shows the descriptive statistic by geographical origin considering the average number of comment letters submitted scaled by population. The countries are classified in six geographical areas: Europe, North America, Asia, Australia and New Zealand, Latin America and Africa. Mexico is included as part of Latin America and Russian Federation is included as part of Asia

Jorissen *et al.* (2014) identify eight countries as frequent lobbyists, which are so designated when interested parties from a country have responded to at least half of the proposals issued by the standard-setter: Australia, France, Germany, South Africa, Switzerland, the Netherlands, the United Kingdom and the United States. It is interesting that country participation varies depending on the responses to a specific project. Jorissen *et al.* (2013), Larson and Herz (2013) and Dobler and Knospe (2016) find that the average participation from Europe (leader by UK) is higher than the average participation from North America considering standard-setting of the IASB and some convergence projects.

Appendix II shows comment letters submitted in lease project considering all the sample. The countries that submit more comment letters in the lease accounting project are as follows: United States in North America (814 letters), United Kingdom in Europe (207 letters), and Japan and Hong Kong in Asia (32 and 28 letters, respectively). On contrast, low representative countries are Austria, Greece, Romania and Jamaica (only one comment letter). Consequently, it is important to disaggregate the sample by project to help standard-setters and accounting professions understand the participation of interested parties. The large number of comment letters from the United States is likely attributable to convergence projects that are ongoing between the IASB and FASB (Hansen, 2011). Large American firms, which may need to use the IFRS in the future, are very interested in monitoring the process. There are also arguments that countries with a rules-based accounting regulatory approach tend to use more operating leases to remove debt or finances from the balance sheet (Jorissen *et al.*, 2006; Mora and Molina, 2014).

## 5. Results

### 5.1. Institutional factors

Table 2, Panel A, presents the results of the participation intensity by rule of law. The Table shows that countries with higher rule of law submit more comment letters (mean = 0.333) than countries with lower rule of law (mean = 0.016) in the first consultant document (DP 2009). Similar evidence is found in the subsequent consultant periods—i.e., the ED 2010 and the ED 2013—and considering the complete consultant periods (named pool). The evidence suggests that on average, countries with a higher rule-of-law score submit more comment letters than do countries with a lower rule-of-law score. The Mann-Whitney-U tests reveal statistically significant differences among countries caused by the rule-of-law variable ( $p < 0.01$ ). The evidence is consistent with the prediction of  $H_{1a}$  because ex post enforcement (measured by the rule-of-law variable) determine the participation intensity.

Mora and Molina (2014) analyse the responses to the DP 2009 on the lease project, showing that “common-law” countries are more involved in lobbying activities than “civil-law” countries, following the definitions and country classifications of La Porta *et al.* (1998). Moreover, a country’s legal system is also correlated to the classification of Anglo-Saxon countries versus non-Anglo-Saxon countries. The first one has a longer tradition of participation in the private accounting standard-setting context versus the public standard-setting process (Jorissen *et al.*, 2006; Mora and Molina, 2014).

**Table 2.** Results of the participation intensity by institutional factors.

<b>Panel A: Rule of law</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Z</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>								
Countries with a lower rule of law score	20	.016	.032	13.300	56.000	-4.572	.000	H1a
Countries with a higher rule of law score	26	.333	.290	31.346				
<u>Second consultant document (ED 2010)</u>								
Countries with a lower rule of law score	20	.038	.084	13.325	56.500	-4.532	.000	H1a
Countries with a higher rule of law score	26	1.304	2.941	31.327				
<u>Third consultant document (ED 2013)</u>								
Countries with a lower rule of law score	20	.025	.027	13.175	53.500	-4.588	.000	H1a
Countries with a higher rule of law score	26	.523	.400	31.442				
<u>Pool (All consultant documents)</u>								
Countries with a lower rule of law score	60	.026	.054	39.083	515.000	-7.883	.000	H1a
Countries with a higher rule of law score	78	.720	1.751	92.897				
<b>Panel B: Shareholder rights</b>								
<u>First consultant document (DP 2009)</u>								
Countries with lower shareholder rights	7	.085	.156	19.727	45.000	-2.189	.029	H1b
Countries with higher shareholder rights	28	.292	.299	17.208				
<u>Second consultant document (ED 2010)</u>								
Countries with lower shareholder rights	7	.101	.176	19.182	38.000	-2.478	.013	H1b
Countries with higher shareholder rights	28	.648	.685	17.458				
<u>Third consultant document (ED 2013)</u>								
Countries with lower shareholder rights	7	.110	.216	21.455	40.000	-2.392	.017	H1b
Countries with higher shareholder rights	28	.455	.420	16.417				
<u>Pool (All consultant documents)</u>								
Countries with lower shareholder rights	21	.099	.175	28.952	377.000	-4.048	.000	H1b
Countries with higher shareholder rights	84	.465	.510	59.012				

Table 2, Panel B, shows the results of our second proxy for institutional factors, the level of shareholder rights. Countries with a higher level of shareholders, on average, submit more comment letters in response to a due process document related to DP 2009 (mean = 0.292) compared to countries with a lower level of shareholders (mean = 0.085). Mann-Whitney tests consistently indicate significant differences between country groups ( $p < 0.05$ ). The evidence remains similar considering the due process document related to ED 2010 and ED 2013 projects and all of the consultation periods ( $p < 0.05$ ). The evidence is consistent with the prediction of  $H_{1b}$ , which means that a country's level of shareholder rights conditioned the submission on comment letters in lease consultant period.

Taken together, the two variables representing enforcement level are determinants of countries' lobbying intensity on the lease project. These findings confirm and extend the literature on financial reporting quality and the impact of enforcement (see e.g. Jorissen *et al.*, 2006; Leuz *et al.*, 2003; Bradshaw and Miller, 2008; Mora and Molina, 2014). Because the IASB's published standards are not directly applicable in the jurisdictions and need to be instituted by countries for proper implementation, the system's enforcement degree is a key factor in the perception of new standards. In an institutional system with high levels of enforcement, constituents feel more pressure to make decisions according to the rules and have confidence in the formal process. Therefore, the incentives to lobby in a standard-setting process increase when the accounting standard presents potential threat with negative economic consequences. Conversely, constituents from countries with a weak institutional system may be less motivated to participate in the formal standard-setting process.

## 5.2. Economic factors

This section examines the potential influence of economic factors, such as a country's wealth as or the presence of a developed capital market, on lease-accounting lobbying behaviour. Table 3, Panel A, shows the influence of a country's income based on GNI per capita on country-participation intensity. The evidence suggests that on average, high-income countries submit more comment letters—considering not only each individual consultant document for the lease project DP 2009, ED 2010 and ED 2013 but also all of them. The Mann-Whitney-U test reveals statistically significant differences among countries in each consultation document and all of them together ( $p < 0.01$ ). The evidence is consistent with the prediction of  $H_{2a}$ .

Jorissen *et al.* (2014) also report that the most comment letters originate from countries with high macroeconomic indicators. They recommend that the standard-setter focus on the needs of those countries and establish a new mechanism to involve them in the process. They wonder whether the lower participation of emerging economies is associated with the IASB's objectives.

**Table 3.** Results of the participation intensity by economic factors.

<b>Panel A: Income- Gross National Income</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>							
Countries with middle and low Income	14	.009	.018	12.64	72.000	.000	H2a
Countries with high Income	32	.277	.288	28.25			
<u>Second consultant document (ED 2010)</u>							
Countries with middle and low Income	14	.045	.098	14.00	91.000	.001	H2a
Countries with high Income	32	1.064	2.690	27.66			
<u>Third consultant document (ED 2013)</u>							
Countries with middle and low Income	14	.021	.026	12.21	66.000	.000	H2a
Countries with high Income	32	.431	.408	28.44			
<u>Pool (All consultant documents)</u>							
Countries with middle and low Income	42	.025	.060	38.17	700.000	.000	H2a
Countries with high Income	96	.591	1.600	83.21			
<b>Panel B: Capital market development*</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>Chi-cuadrado</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>							
Countries with frontier markets	7	.001	.002	7.71	32.352	.000	H2b
Countries with emerging markets	16	.022	.036	14.50			
Countries with developed markets	22	.392	.278	34.05			
<u>Second consultant document (ED 2010)</u>							
Countries with frontier markets	7	.061	.138	12.14	30.782	.000	H2b
Countries with emerging markets	16	.022	.036	12.56			
Countries with developed markets	22	.843	.656	34.05			
<u>Third consultant document (ED 2013)</u>							
Countries with frontier markets	7	.021	.025	11.00	24.541	.000	H2b
Countries with emerging markets	16	.059	.112	14.75			
Countries with developed markets	22	.590	.391	32.82			
<u>Pool (All consultant documents)</u>							
Countries with frontier markets	21	.028	.081	30.33	87.968	.000	H2b
Countries with emerging markets	48	.034	.072	40.56			
Countries with developed markets	66	.608	.498	99.94			

\*Note: we exclude Bermuda because it is not included in the source.



Table 3, panel B, shows the results of our second proxy for economic conditions: the level of the capital market. Considering all the documents, the Table shows that countries with developed capital markets participate most—in terms of comment letters submitted (mean = 0.608)—followed by countries with emerging capital markets (mean = 0.034) and countries with frontier capital markets (mean = 0.028). The Kruskal-Wallis tests reveal statistically significant differences among all of the groups ( $p < 0.01$ ) considering each consultation document and all of them together. The results support the hypothesis that a country's participation intensity is conditioned by its level of capital market development ( $H_{2b}$ ).

### 5.3. Cultural factors

Table 4 shows the results of cultural variables on countries' lobbying intensity. Table 4, Panel A, reveals that on average, countries with a high preference for professional judgement submit more comment letters to the lease project in every period than do countries with more preference for statutory control. The Mann-Whitney-U tests consistently show statistically significant differences among countries caused by the professionalism variable ( $p < 0.01$ ) confirming the third hypothesis ( $H_{3a}$ ). Professional judgement is preferred in countries with high levels of individuality (e.g. United Kingdom) and is positively associated with higher levels of participation in the accounting standard-setting process (see Jorissen *et al.*, 2013 and Dobler and Knospe, 2016).

Table 4, Panel B, reveals differences in the mid-ranges of countries with a high preference for conservatism and countries with a preference for optimism. The Mann-Whitney-U tests consistently indicate statistically significant differences among countries caused by the conservatism variable ( $p < 0.05$ ). Consequently, the evidence supports the hypothesis that country-participation intensity is determined by the country's degree of preference for conservatism versus optimism ( $H_{3b}$ ). This result is consistent with previous evidence (Jorissen *et al.*, 2013). Conservatism is closely associated with uncertainty avoidance (as a proxy for risk-aversion) and ranking lower in individualism and masculinity. Conservatism has strong ties with traditional accounting practices and therefore, constituents from conservative countries are not interested in participating in an external standard-setting process such as that proposed by IASB for harmonization.

**Table 4.** Results of the participation intensity by cultural factors.

<b>Panel A: Professionalism</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Z</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>								
Preference for statutory control	21	.084	.146	14.476	73.000	-3.440	.001	H3a
Preference for profesionalism	19	.379	.308	27.158				
<u>Second consultant document (ED 2010)</u>								
Preference for statutory control	21	.228	.527	14.190	67.000	-3.598	.000	H3a
Preference for profesionalism	19	.761	.631	27.474				
<u>Third consultant document (ED 2013)</u>								
Preference for statutory control	21	.156	.326	15.333	91.000	-2.943	.003	H3a
Preference for profesionalism	19	.539	.391	26.211				
<u>Pool (All consultant documents)</u>								
Preference for statutory control	63	.156	.366	42.683	673.000	-5.915	.000	H3a
Preference for profesionalism	57	.560	.482	80.193				
<b>Panel B: Optimism</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Z</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>								
Preference for optimism	19	.352	.325	25.816	98.50	-2.746	.006	H3b
Preference for conservatism	21	.109	.160	15.690				
<u>Second consultant document (ED 2010)</u>								
Preference for optimism	19	.806	.741	27.000	76.00	-3.354	.001	H3b
Preference for conservatism	21	.188	.305	14.619				
<u>Third consultant document (ED 2013)</u>								
Preference for optimism	19	.527	.459	24.947	115.00	-2.292	.022	H3b
Preference for conservatism	21	.166	.251	16.476				
<u>Pool (All consultant documents)</u>								
Preference for optimism	57	.562	.560	76.614	877.00	-4.840	.000	H3b
Preference for conservatism	63	.154	.244	45.921				
<b>Panel C: Transparency</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Z</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultation period (DP 2009)</u>								
Preference for transparency	20	.362	.310	26.500	80.00	-3.259	.001	H3c
Preference for secrecy	20	.087	.150	14.500				
<u>Second consultant document (ED 2010)</u>								
Preference for transparency	20	.729	.631	27.000	70.00	-3.526	.000	H3c
Preference for secrecy	20	.234	.540	14.000				
<u>Third consultant document (ED 2013)</u>								
Preference for transparency	20	.518	.393	25.950	91.00	-2.953	.003	H3c
Preference for secrecy	20	.158	.334	15.050				
<u>Pool (All consultant documents)</u>								
Preference for transparency	60	.536	.481	78.817	701.00	-5.784	.000	H3c
Preference for secrecy	60	.160	.375	42.183				

Table 4, Panels C, indicates that countries with a high preference for secrecy submit fewer comment letters to the lease project in every period than do countries that prefer transparency. The Mann-Whitney-U tests consistently show statistically significant differences among countries due to the secrecy-versus-transparency variable ( $p < 0.01$ ). Consequently, the data confirm the hypothesis that country-participation intensity is conditioned by the degree of a country's preference for secrecy versus transparency ( $H_{3c}$ ).

These results are consistent with previous literature about geographical lobbying participation (see e.g. Jorissen *et al.*, 2013). In addition, with respect to lease accounting, Arimany *et al.* (2015) compare compliance with lease disclosure in the footnotes of two different countries, the United Kingdom and Spain, confirming that the United Kingdom provided more detailed information than Spain. These two countries are situated both extremes of secrecy versus transparency in Braun and Rodrigues's index (2008): United Kingdom is more in favour of transparency. Our study also shows that United Kingdom is more involved than Spain in the standard-setting process (see Appendix II).

In sum, country culture variables play an important role in the decision to submit a comment letter (Jorissen *et al.*, 2013), specifically for the lease accounting consultant period. Cultural values are both strongly rooted and difficult to change. Previous literature shows that cultural values influence both accounting practices and perceptions of the IASB/FASB standards. Individuals and firms that operate in the context of cultural values also behave differently with respect to political activity such as lobbying in the standard-setting process. Individuals and firms are influenced by cultural values when they operate in the market and engage in different behaviour that also affects political activity such as lobbying in the standard-setting process.

#### 5.4. Other social factors

We introduce two social factors: reliance on the IFRS and perception of corruption. Table 5, Panel A, indicates there are no differences in the participation intensity according to reliance on the IFRS during the three consultation documents and all together ( $p > 0.05$ ). This evidence is consistent with prior lobbying research (Dobler and Knospe, 2016). In general, countries in which the IFRS are not permitted are less likely to submit comment letters. However, there is an exception: the United States. In absolute terms, the United States is the country that submitted the most comment letters, even though it has different accounting standards. This resistance could be caused by the convergence project between the IASB and the FASB, the United States' own standard-setter. Thus, the results do not support the hypothesis that country-participation intensity is conditioned by the level of reliance on the IFRS ( $H_{4a}$ ). Future research needs to examine this hypothesis, because countries with mandatory IFRS adoption are highly represented in our sample compared to countries with optional adoption of the IFRS or that forbid adoption of the IFRS.

**Table 5.** Results of the participation intensity by other factors.

<b>Panel A: Reliance on IFRS</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>Chi-cuadrado</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>							
Non permitted adoption of IFRS	6	.091	.131	19.000	.776	.678	H4a
Permitted adoption of IFRS	4	.266	.511	21.500			
Mandatory adoption of IFRS	35	.207	.260	23.857			
<u>Second consultant document (ED 2010)</u>							
Non permitted adoption of IFRS	6	.381	.572	20.667	1.284	.526	H4a
Permitted adoption of IFRS	4	4.282	7.421	29.750			
Mandatory adoption of IFRS	35	.436	.616	22.629			
<u>Third consultant document (ED 2013)</u>							
Non permitted adoption of IFRS	6	.370	.557	21.000	.588	.745	H4a
Permitted adoption of IFRS	4	.276	.478	19.250			
Mandatory adoption of IFRS	35	.308	.362	23.771			
<u>Pool (All consultant documents)</u>							
Non permitted adoption of IFRS	18	.281	.460	59.889	.902	.637	H4a
Permitted adoption of IFRS	12	1.608	4.365	69.250			
Mandatory adoption of IFRS	105	.317	.445	69.248			
<b>Panel B: Corruption perception</b>	<b>N</b>	<b>Mean</b>	<b>Std Dev.</b>	<b>Mid-range</b>	<b>U de Mann-Whitney</b>	<b>Sig. asintot.</b>	<b>Test</b>
<u>First consultant document (DP 2009)</u>							
Higher corruption perception	21	.011	.019	11.976	20.500	.000	H4b
Lower corruption perception	24	.365	.281	32.646			
<u>Second consultant document (ED 2010)</u>							
Higher corruption perception	21	.042	.084	13.881	60.500	.000	H4b
Lower corruption perception	24	.768	.675	30.979			
<u>Third consultant document (ED 2013)</u>							
Higher corruption perception	19	.030	.032	13.105	59.000	.000	H4b
Lower corruption perception	25	.538	.401	29.640			
<u>Pool (All consultant documents)</u>							
Higher corruption perception	61	.028	.054	37.951	424.000	.000	H4b
Lower corruption perception	73	.557	.502	92.192			

Table 5, Panel B, reveals that countries with lower perceived corruption submit more comment letters to the lease project in every period than do countries with higher perceived corruption. The Mann-Whitney-U tests consistently show statistically significant differences among countries due to the perception of corruption ( $p < 0.01$ ). Consequently, the data confirm the hypothesis that country-participation intensity is conditioned by the country's degree of perceived corruption ( $H_{4b}$ ).

### 5.5. Sensitivity analysis

In this section, we conduct several sensitivity analysis to test the robustness of our analysis (not reported in tables here for brevity). First, we use an alternative dependent variable because of previous empirical studies have used a variety of proxies to measure participation intensity. For example, Jorissen *et al.* (2013) use as a proxy for participation intensity the number of letters submitted by country deflated by GDP. Dobler and Knospe (2016) consider the number of comment letters per group in absolute terms to obtain their conclusions. Consequently, we run the above tests using an alternative dependent variable: the number of letters submitted by country measured by absolute terms. The results remain similar.

Second, we avoid potential bias by sample composition. That is, we remove the countries that do not submit comment letters in each of the consultant periods (the minimum of the sample). In the first consultant period (DP 2009), we exclude Argentina, Bermuda, Colombia, Czech Republic, Greece, Indonesia, Jamaica, Kenya, Poland, Qatar, Romania, Saudi Arabia and Zambia. In the second consultant period (ED 2010), we eliminate Argentina, Chile, Czech Republic, Greece, Indonesia, Kenya, Qatar, Saudi Arabia, United Arab Emirates and Zambia. In the more recent consultant document (ED 2013), we exclude Austria, Bermuda, Chile, Colombia, Jamaica, Pakistan, Romania and United Arab Emirates. These statistical tests confirm the evidence of the previous subsection. Additionally, we eliminate the country that submitted the most comment letters (the maximum of the sample), the United States. Again, the results remain similar.

Finally, we repeat the univariate analysis using alternative definitions for independent variables. The empirical literature identifies several proxies to measure ex ante and ex post enforcement controls of the country. For example, Leuz *et al.* (2003) argues that enforcement controls are negatively associated with earning management being this variable a proxy for lobbying determinants. Countries with high rate of earning management are expected to have less incentive to send comment letters because they can find new ways of structuring contracts in the new accounting policy. Therefore we include earnings management variable to observe the effects on lease project. We also repeat the statistical test using different proxy for cultural variables: their initial index form and some Hofstede (2001) variables as individualism or uncertainty avoidance. The results remain similar.

## 6. Conclusions

The paper evaluates the incentives to participate in the public consultant period when regulators are involved in changes in accounting policies. In particular, the paper uses the lease accounting standard-setting process with the objective to detect differences in the lobbying intensity or participation across different regimes and jurisdictions. The identification of factors that cause variances across countries permit researches and standard setters to better understand the impact of changes in accounting regulatory policy.

The lease project is a matter of considerable interest to both academics and professionals because it introduces important accounting changes in accounting policies from both a conceptual and a practical perspective that will significantly affect the financial information of private and public firms worldwide. The strong debate caused by the financial changes and their expected economic consequences are responsible for the high participation of different constituents. Consequently, the paper defines four hypotheses to evaluate the participation intensity according with cross-country variables: institutional factors, economics factors, cultural factors, and other social factors. To test them, we rely on the 1,630 comment letters submitted from 46 countries in response to the three documents published for discussion regarding lease accounting, DP 2009, ED 2010 and ED 2013. The findings show the participation intensity in the lease accounting project depends on country's institutional context, economic factors, cultural values and level of corruption.

Institutional factors such as ex ante protection of creditors and shareholders and ex post protection (or punishment) of creditors and shareholders may explain the level of compliance with the accounting standards. Countries in which regulation avoidance is less common are those countries in which the lobbying phenomenon is more common. Individuals and companies are aware of the effects of the accounting rules on their decisions. With respect to lease activity, enforcement also affects the flexibility of financing by increasing debt or looking for different solution as operating lease.

Economic factors represent a country's wealth and the dimensions of its financial systems. The wealthier an economic system, the larger the amount of business activity and the greater the need to finance equipment and property, with the lease being an important instrument. Moreover, the richest countries—e.g. the United States or United Kingdom—have been in that position for years, and so their companies and their individuals are operating in a more experienced system that has internalized some mechanisms, such as those for giving feedback on accounting rules that can affect those companies and individuals.

Cultural values associated with a region's historical tradition configure citizens' way of thinking and consequently, their behaviour. Most prior studies suggest that each country's business models are affected by cultural characteristics. Therefore, it is not the same to apply the new lease proposal in one country (for example, the United States) as in another (for example, Brazil) because the two countries might have different financing behaviour and different off-balance-sheet accounting practices. In this line, Japan is influenced by collectivism, conservatism and Confucian culture, and previous literature has shown that the effect of lobbying incentives is mitigated compared to Western countries in which professionals tend to maximize opportunities through competition (Sugahara *et al.*, 2014).

With respect to reliance on the IFRS, the univariate test does not show significant differences between countries with different IFRS adoption statuses. However, further research requires this variable because countries with mandatory IFRS adoption are highly represented in our sample compared to countries that either make adoption optional or forbid it entirely.

Finally, lower levels of corruption perception determine the lobbying intensity, as we predicted, assuming that corruption and lobbying are substitutes. Constituents from countries perceived to be more corrupted (such as Latin American countries) have less individual and collective motivation to invest in lobbying than do constituents from countries with lower levels of perceived corruption (such as Australia), because avoiding regulation restrictions such as those presented by the new lease proposal are easier in countries with high levels of perceived corruption. However, non-compliance with standards can influence accounting quality and market development and can generate a poverty trap.

Future researches could combine firm factors and cross country factors to increase explanations and prediction in lobbying behaviour. It is also interesting to complement the study with a detail analysis of the content of comment letters. This permit to provide a more complete picture of lobbying behaviour around accounting standard setting process.

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## Appendix I. Variables description

Variable	Definition
A. Dependent variable	
Participation intensity	Number of comment letters for each country scaled by the population.
B. Independent variables	
B.1. Institutional variables	
Rule of law	Dummy variable coded as 1 for countries with overall legal quality and on law and 0 otherwise.
Shareholders rights	Dummy variable coded as 1 for countries with higher anti-director protection and 0 otherwise.
B.2. Economic variables	
Per capita Gross National Income (Per capita GNI)	Dummy variable coded as 1 for countries with high GNI and 0 otherwise. GNI is defined as GDP plus net receipts from abroad of wages and salaries and of property income.
Country's capital market development	Dummy variable coded as 2 for countries with developed capital markets; 1 for countries with emerging capital markets and 0 for countries with frontier capital markets.
B.3. Cultural variables	
Professionalism	Dummy variable coded as 1 for countries with a preference for the exercise of individual professional judgment and the maintenance of professional self-regulation and 0 for countries with a preference for the compliance with prescriptive legal requirements.
Conservatism	Dummy variable coded as 1 for countries with a preference for a cautious approach to measurement the uncertainty of future events and 0 for countries with a more optimistic risk taking approach.
Secrecy	Dummy variable coded as 1 for countries with a preference for confidentiality and the restriction of disclosure of information and 0 for countries with a preference for a more transparent, open and publicly accountable approach.
B.4 Other factors	
Reliance on IFRS	Dummy variable coded as 2 when the country does not permit adoption of IFRS for listed companies, 1 when the country permits adoption of IFRS for listed companies and 0 when the country considers the mandatory adoption of IFRS for listed companies.
Perception of corruption	Dummy variable coded as 1 for countries where the corruption perception is lower and 0 otherwise.

## Appendix II. Comment letters distribution by country

Geographical origin	DP 2009		ED 2010		ED 2013		Total	
	N	%	N	%	N	%	N	%
Austria	1	.003	1	.001	0	.000	2	.001
Belgium	4	.013	5	.006	2	.003	11	.006
Czech Republic	0	.000	0	.000	1	.002	1	.001
Denmark	2	.007	3	.004	2	.003	7	.004
Finland	3	.010	3	.004	5	.008	11	.006
France	12	.040	24	.030	18	.027	54	.031
Germany	14	.046	22	.028	22	.034	58	.033
Greece	0	.000	0	.000	1	.002	1	.001
Ireland	2	.007	3	.004	5	.008	10	.006
Italy	3	.010	6	.008	2	.003	11	.006
Netherlands	7	.023	8	.010	10	.015	25	.014
Norway	1	.003	6	.008	3	.005	10	.006
Poland	0	.000	1	.001	1	.002	2	.001
Romania	0	.000	1	.001	0	.000	1	.001
Spain	5	.017	16	.020	6	.009	27	.015
Sweden	5	.017	7	.009	6	.009	18	.010
Switzerland	8	.026	13	.016	8	.012	29	.017
United Kingdom	58	.192	84	.107	65	.099	207	.119
<i>Europe</i>	<b>125</b>	<b>.414</b>	<b>203</b>	<b>.258</b>	<b>157</b>	<b>.240</b>	<b>485</b>	<b>.278</b>
Canada	16	.053	37	.047	28	.043	81	.046
United States	94	.311	383	.486	337	.515	814	.466
Bermuda	0	.000	1	.001	0	.000	1	.001
Jamaica	0	.000	1	.001	0	.000	1	.001
<i>North America</i>	<b>110</b>	<b>.364</b>	<b>422</b>	<b>.536</b>	<b>365</b>	<b>.557</b>	<b>897</b>	<b>.514</b>
China	2	.007	6	.008	9	.014	17	.010
Hong Kong	4	.013	16	.020	8	.012	28	.016
India	1	.003	3	.004	5	.008	9	.005
Indonesia	0	.000	0	.000	1	.002	1	.001
Israel	1	.003	2	.003	3	.005	6	.003
Japan	4	.013	14	.018	14	.021	32	.018
Korea, Rep.	2	.007	6	.008	4	.006	12	.007
Malaysia	1	.003	1	.001	1	.002	3	.002
Pakistan	1	.003	1	.001	0	.000	2	.001
Qatar	0	.000	0	.000	1	.002	1	.001
Russian Fed.	1	.003	1	.001	2	.003	4	.002
Saudi Arabia	0	.000	0	.000	1	.002	1	.001
Singapore	1	.003	5	.006	6	.009	12	.007
United Arab Emirates	1	.003	0	.000	0	.000	1	.001
<i>Asia</i>	<b>19</b>	<b>.063</b>	<b>55</b>	<b>.070</b>	<b>55</b>	<b>.084</b>	<b>129</b>	<b>.074</b>
Australia	15	.050	31	.039	21	.032	67	.038
New Zealand	3	.010	10	.013	2	.003	15	.009
<i>Australia and NZ</i>	<b>18</b>	<b>.060</b>	<b>41</b>	<b>.052</b>	<b>23</b>	<b>.035</b>	<b>82</b>	<b>.047</b>
Argentina	0	.000	0	.000	1	.002	1	.001
Brazil	2	.007	5	.006	9	.014	16	.009
Chile	1	.003	0	.000	0	.000	1	.001
Colombia	0	.000	1	.001	0	.000	1	.001
Mexico	1	.003	1	.001	2	.003	4	.002
<i>Latin America</i>	<b>4</b>	<b>.013</b>	<b>7</b>	<b>.009</b>	<b>12</b>	<b>.018</b>	<b>23</b>	<b>.013</b>
Kenya	0	.000	0	.000	1	.002	1	.001
South Africa	3	.010	5	.006	4	.006	12	.007
Zambia	0	.000	0	.000	1	.002	1	.001
<i>Africa</i>	<b>3</b>	<b>.010</b>	<b>5</b>	<b>.006</b>	<b>6</b>	<b>.009</b>	<b>14</b>	<b>.008</b>
Supra-national	22	.073	37	.047	34	.052	93	.053
Indeterminate	1	.003	18	.023	3	.005	22	.013
<b>Total</b>	<b>302</b>	<b>100%</b>	<b>788</b>	<b>100%</b>	<b>655</b>	<b>100%</b>	<b>1,745</b>	<b>100%</b>