

# The Impact of Cultural Factors on the Lobbying of the International Accounting Standards Committee on E32, *Comparability of Financial Statements*: An Extension of MacArthur to Accounting Member Bodies

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*This article investigates the impact of cultural factors on the comment letters sent by accounting member bodies on the International Accounting Standards Committee's exposure draft 32 (E32). It extends my earlier study into corporate lobbying on E32 and reports a further test of Gray's hypothesized linkages between accounting values and the cultural values identified by Hofstede. Economic consequence concerns are also investigated. The content analysis results generally support the research hypotheses and are consistent with, but stronger than, my earlier findings. For cultural values, the results strongly support the Power Distance, Individualism, and Strong Uncertainty Avoidance hypotheses, partly support the Collectivism and Femininity-Masculinity hypotheses, and do not support the Weak Uncertainty Avoidance hypothesis. For accounting subcultural values, strong support was found for the Anglo and Nordic member bodies' hypotheses and moderate support for Germanic and More Developed Latin Accounting member bodies' hypotheses. The results partly supported the accounting subcultural hypotheses for the African and More Developed Asian and the Asian Colonial member bodies. Economic consequence concerns also followed the pattern found in the corporate letters. The combined results suggest that cultural, accounting subcultural, and economic factors influence the accounting preferences of accounting member bodies and corporate management. © 1999 Elsevier Science Inc. All rights reserved.*

**Key Words:** Culture; Accounting Subculture; IASC

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## INTRODUCTION

This article investigates the impact of cultural factors on the comment letters submitted by accounting member bodies on exposure draft 32 (E32), *Comparability of Financial Statements*, issued by the International Accounting Standards Committee (IASC, 1990). It is a direct extension of MacArthur (1996), which investigated the influence of cultural factors on the lobbying preferences of companies that submitted comment letters on E32. This article reports a further empirical test of Gray (1988), which hypothesizes linkages between accounting values and the societal values identified by Hofstede (1980, 1983).

The comments of accounting member bodies are examined because they represent member professional accountants in various organizational settings throughout the world who would be directly affected by the implementation of the exposure draft proposals. Therefore, member bodies are an important subset of the lobbyists on IASC exposure drafts, and their influence could increase in the near future. If the recent Group of Four (G4) proposal to reduce the size of the IASC Board to a maximum of nine members is implemented (Street & Shaughnessy, 1998), the comment letters of accounting member bodies might carry more weight in the development of future International Accounting Standards (IASs).

Furthermore, accounting member bodies from 23 countries lobbied the IASC on E32. This is significantly more than the nine countries represented in the corporate content analysis study by MacArthur (1996). The accounting member bodies subset of E32 lobbyists represents the largest number of nations and is thus a fertile resource for investigating the impact of cultural factors on international lobbying behavior.

The proposals in E32 covered 12 major IASs and should therefore have been perceived by accounting member bodies to have had a far-reaching impact on the organizations in which their members worked. The topics covered by E32 were: inventory valuation and presentation; unusual and prior period items and changes in accounting policies; research and development activities; construction contracts; property, plant and equipment; leases; revenue recognition; retirement benefits in employers' financial statements; changes in foreign exchange rates; business combinations; capitalization of borrowing costs; and investments.

A further contribution of this study is the inclusion of organizations in countries both with Western cultures (e.g., Norway and the U.S.A.) and nonWestern cultures (e.g., Japan and Singapore). This complements international accounting culture studies that have focused only on Western nations (e.g., MacArthur, 1996) or on nonWestern nations only (e.g., Chang, Yeh, & Wu, 1995). The inclusion of countries with both Western and nonWestern cultures is consistent with the seminal culture studies of Hofstede and Gray.

This study also avoids the confounding effects of transplanted national and organizational culture from parent organizations in other countries, as accounting member bodies are domestic-based organizations. Prior studies of accounting

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