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Determinants of stakeholder's participation: The case of Business Combinations under Common Control

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Master's in Accounting

Supervisor: Professora Doutora Ana Isabel Dias Lopes, Prof. Auxiliar, ISCTE-IUL Business School, Departamento de Contabilidade

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Abstract

The topic of Business Combinations under Common Control is a hot topic in the scientific community. Due to the lack of regulation on these combinations, which is creating too much diversity in the information disclosed, the IASB initiated a research project to explore possible reporting requirements for these transactions. As a result, a Discussion Paper was published in November 2020 where the IASB presents four criteria with the aim to guide the accounting for these combinations. These criteria, as well as the remaining preliminary views, were subsequently discussed by stakeholders through the submission of comment letters. This dissertation investigates what factors influence a stakeholder to agree with the criteria proposed by the IASB.

The analysis is conducted through a qualitative methodology, followed by the estimation of an empirical multinomial logistic regression model, using a sample of 102 comment letters submitted by the various stakeholders.

The main results indicate that 74.5% of the stakeholders agree with some or all of the criteria proposed by the IASB. The results also show that Europeans, as well as national accounting standard setters, are the stakeholders who have participated the most. The regression designed also reveals that stakeholders from African countries and accountancy bodies are more likely to agree with some of IASB's criteria in relation to other stakeholders. On the other hand, stakeholders from non common law countries are less likely to agree with some or all the criteria presented by the IASB, compared to stakeholders from common law countries.

Keywords: BCUCC; International Accounting Standard Board (IASB); comment letters; multinomial logistic regression.

JEL Classification: M41, M48

Resumo

O tema das Combinações de Negócio sob Controlo Comum é um tópico em destaque na comunidade científica. Devido à falta de regulamentação sobre estas combinações, e consequente excesso de diversidade na informação divulgada, o IASB iniciou um projecto de investigação para explorar possíveis requisitos de reporte para estas transacções. Como resultado, foi publicado em Novembro de 2020 um *Discussion Paper* onde o IASB apresenta quatro critérios que visam orientar a contabilização destas combinações. Estes critérios, bem como as restantes visões preliminares, foram posteriormente discutidos pelos *stakeholders* através da submissão de *comment letters*. Esta dissertação investiga os factores que influenciam um *stakeholder* a concordar com os critérios propostos pelo IASB.

A análise é conduzida através de uma metodologia qualitativa, seguida da estimativa de um modelo empírico de regressão logística multinomial, utilizando uma amostra de 102 *comment letters* submetidas pelos vários *stakeholders*.

Os principais resultados indicam que 74,5% dos *stakeholders* concorda com algum ou todos os critérios propostos pelo IASB. Os resultados mostram também que os Europeus, assim como as entidades nacionais de normalização contabilística, são os *stakeholders* que mais participaram. A regressão realizada revela ainda que os *stakeholders* de países Africanos e os organismos contabilísticos têm mais probabilidade de concordar com algum dos critérios do IASB, em relação com outros *stakeholders*. Por outro lado, os *stakeholders* de países com sistema legal diferente do sistema de *common law* têm menos probabilidade de concordar com algum ou com todos os critérios apresentados pelo IASB, em comparação com os *stakeholders* de países de *common law*.

Palavras-chave: BCUCC; International Accounting Standard Board (IASB); *comment letters*; Regressão logística multinomial.

Classificação JEL: M41, M48

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Glossary

BCUCC – Business Combinations under Common Control

CL – Comment Letters

DP – Discussion Paper

ED – Exposure Draft

FASB – Financial Accounting Standards Board

GDP – Gross Domestic Product

IAS – International Accounting Standard

IASB – International Accounting Standards Board

IFRS – International Financial Reporting Standards

NCI – Non-Controlling Interests

Introduction

Business Combinations under Common Control (BCUCC) are transfers of companies or business between subsidiaries within the same group, which consequently are under the control of the same party both before, and after the combination (Biancone, 2013; Janowicz, 2021; Tarca, 2021).

Although there is currently a standard that regulates how business combinations should be reported, the International Financial Reporting Standard (IFRS) 3 "Business Combinations", this standard does not specify how to proceed when these transactions are between companies belonging to the same group. This gap in the standard has been generating too much diversity in the presentation of this type of combinations, both in the method applied to measure the assets and liabilities acquired by the receiving company, and in the information presented in the financial statements, contributing to a lack of transparency and comparison between financial statements (IASB, 2020).

In order to solve this problem, the International Accounting Standards Board (IASB) has started a research project to investigate possible rules to be applied in accounting for these transactions. As part of this research project, a Discussion Paper (DP) entitled "Business Combinations under Common Control" was released in 2020, in which the IASB presents a decision tree with four criteria to guide stakeholders in choosing the best method to account for BCUCC, whether the acquisition method or the book-value method. After the DP was launched, a discussion period was opened, where stakeholders had the opportunity to express their views on these criteria by submitting comment letters.

This period of discussion is somewhat common in research projects developed by the IASB with the aim of developing or modifying IFRS. In fact, the participation of the various stakeholders in these projects is extremely important for the IASB's legitimacy as a global accounting standard setter (Larson, 2007; Visoto et al., 2020), since there is a greater perception on the acceptance or rejection of the proposed standards.

There are currently several studies regarding the behavior adopted by stakeholders in these discussion processes, and previous literature proves the existence of several factors that influence both the frequency of participation and its content (e.g. Hansen, 2011; Kosi & Reither, 2014;

Chircop & Kiosse, 2015; Mellado & Parte, 2020; Rey et al., 2020). However, few studies identify and analyze the factors that lead a stakeholder to agree or disagree with the IASB's views.

Given this gap in the literature and the importance of stakeholder's opinion to the IASB's legitimacy, the following research question is outlined, "How do country characteristics and expertise influence stakeholder's decision to agree with the IASB's preliminary views?"

The objective of this dissertation is to identify the factors that influence a stakeholder to agree with the preliminary views of the IASB presented in the DP. To this end, it is initially applied a content analysis methodology, during which each of the 102 comment letters submitted were analyzed in detail, in order to extract the necessary data regarding the stakeholder's opinion on the criteria presented by the IASB. Subsequently, a quantitative methodology is applied, in order to carry out statistical tests using the SPSS statistics tool.

Regarding the statistical tests, a multinomial logistic regression is performed, since the stakeholder's opinion is classified according to three different categories: (0) stakeholders who do not agree with any of the criteria presented by the IASB; (1) stakeholders who agree with some of the criteria but not all of them; (2) stakeholders who agree with all four criteria established by the IASB. As for independent variables, stakeholder's characteristics are chosen, as well as legal and macroeconomic indicators.

The main results indicate that 74.5% of the stakeholders agree with some or all of the criteria proposed by the IASB, against the 25.5% of stakeholders who do not agree with any of the criteria. The descriptive results also show that Europeans, as well as national accounting standard setters, are the most participative stakeholders in the discussion process.

The multinomial logistic regression is used to acknowledge which attributes and to what extent affect the stakeholder's opinion regarding the four criteria established by the IASB. Findings reveal that of the six independent variables studied, two have no influence on the stakeholder's opinion, the country's economic development and the mandatory use of IFRS in all countries' domestic listed companies, while the professional activity and the legal system of stakeholder's country of origin significantly influence stakeholder's opinion regarding the criteria presented by the IASB. Furthermore, the results point to the fact that stakeholders from African countries, as well as accountancy bodies, are more likely to agree with some, but not all, of the IASB criteria, compared to stakeholders from other regions or with other professional activities.

By contrast, stakeholders from non common law countries are less likely to agree with some or all of the criteria presented in the DP, compared to stakeholders from common law countries.

This study presents two major contributions. On the one hand, it aims to complement previous literature on stakeholder behaviour, presenting interesting results on the factors influencing stakeholder's opinion regarding the IASB's preliminary views. On the other hand, the results presented in this dissertation contribute to the scientific discussion around the subject of BCUCC, a topic on the agenda and with great impact on the financial statements of the various stakeholders.

This dissertation is organized as follows: Section 1 discusses prior literature regarding the case of BCUCC and other studies related to stakeholder's behavior, and section 2 presents the research hypotheses; The methodology applied, as well as the sample used, are presented in section 3; Section 4 analyses and discusses the results obtained. Finally, section 5 discusses the results. In the last section is presented the concluding remarks.

1. Literature Review

1.1. Stakeholder participation and accounting standard setting

The International Accounting Standards Board (IASB) is an international private sector accounting standard setter which it is responsible for the development of the International Financial Reporting Standards (IFRS) along a due process. As it is described by Rey et al. (2020), this process begins with the presentation by the IASB of some accounting issues identified, and its feasible solutions, in the research program. Thereafter, two documents are developed, the Discussion Paper (DP), where the IASB reveals its preliminary views about the topic identified at the previous stage, and the Exposure Draft (ED), which is a draft of the final IFRS.

In these two last stages of the process, there are several opportunities for the different stakeholders to participate through their feedback. That share of opinions can be done with resource of informal methods, like private meetings with IASB members and its staff, or formal methods, like it is the submission of comment letters in response to a public request (Orens et al., 2011).

Comment letters are formal documents prepared by stakeholders, where the entity answers the questions placed by the IASB, contributing to the scientific discussion around the accounting topic covered in a PD or ED.

These written submissions from interested parties, besides being the most visible and reachable form of participation, and that frequently reveal complexity and richness in their content (Stenka & Taylor, 2010), also allow the transmission of essential opinions about the economic effect of changes in accounting standards, or about technical problems that could arise in the application of the proposed standards (Hansen, 2011).

As a matter of fact, this input from stakeholders it is of massive importance to the IASB. On one hand, it helps to understand what the different points of view about the subject are, and in that way, to achieve the objective of harmonizing the accounting information reported and consequently to allow comparability between financial statements. On the other hand, it enables an increase in the acceptability and transparency of the work developed, which allows enhancing IASB's legitimacy as a global accounting standard setter (Larson, 2007; Visoto et al., 2020).

Legitimacy is commonly cited in the literature according to the definition formulated by Suchman (1995), who described it as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Two of the authors who mention this definition are Eisenschmidt and Krasodomska (2017), in a study conducted with the aim of investigating the characteristics of stakeholder participation in the IASB's due process. According to the geographical analysis elaborated by these authors, only interested stakeholders are involved in the due process, providing quality opinions, which consequently lead to the achievement of greater legitimacy. However, all stakeholders who have to apply IFRS in their financial statements are affected by future standards, and if stakeholders are not part of the standard setting process they are unlikely to accept the formulated standards, thereby jeopardizing legitimacy.

Similarly to Eisenschmidt and Krasodomska (2017) who concluded that the main information input comes from Europe and North America, and only five countries dominate the standard setting process of all the countries that are impacted by accounting standards, Larson (2007) also found that most of the responses obtained by the IASB through comment letters were from European countries, making an association between this result and the requirements that are made to European companies to use IFRS in consolidated statements.

Thus, both studies conclude that the more participation by stakeholders from different geographical areas in the process of developing a standard, the more legitimacy and acceptance the regulator will have, so the IASB should seek to obtain a greater variety of responses in its due process.

It is also crucial to mention, that inside the stakeholder group there are some pressure groups, the so-called lobbyists, who seek to influence the future development of IFRS by sharing their opinion with the IASB. Over the years many studies have been developed with the aim to better understand lobbying activities and lobbyist behavior, in particular with regard to lobbying success and to the intensity of lobbying activities.

According to Hansen (2011), lobbying success, which can be defined as the ability to transmit information to IASB and therefore influence the future IFRS, is positively associated with the quality and credibility of the information provided in comment letters, as well as it is with the ability of lobbyists to influence the viability of the IASB. In agreement with this view,

Rey et al. (2020) conclude that when changes are proposed by lobbyists with great power in the economic survival of the IASB, the regulator seems more willing to change its position.

On the other hand, there are no proofs that associate lobbying success with the number of IASB board members from the lobbyist's home country. However, evidence support that board members tends to vote against IASB when the final standard doesn't correspond to the preferences of lobbyists from their home country. This conclusion is in line with the IASB's strategy of opting for geographical-based criteria to select its board members, as a way to increase its legitimacy as the global accounting standard setter (Hansen, 2011; Rey et al., 2020).

With regard to the intensity of lobbying activities, Chircop and Kiosse (2015) concluded that the decision to submit a comment letter was initially stimulated mainly by the company's need to manage stakeholder perceptions, and not related to the possible impact that the proposed standard would have on the company. It is further suggested by the authors that self-interest has influence on how firms lobby.

In fact, also Kosi and Reither (2014), and, Mellado and Parte (2020) concluded that lobbying intensity is associated with some firm characteristics, in particular firm size, profitability and previous lobbying experiences. According to the results obtained by the authors mentioned, firms considered stronger in terms of size and profitability lobbied with more intensity, and firms that are directly affected by the proposal spend more resources on lobbying. These results show that when self-interested firms are significantly affected by the possible negative consequences of a proposed standard, they are more motivated to participate in the due process.

It is important to point out, that these studies on lobbying activities go along with different theoretical perspectives, such as the Positive Accounting Theory developed by Watts and Zimmerman (1978) and the Rational Choice Theory designed by Sutton (1984).

According to the Positive Accounting Theory, interested parties will expend significant resources to influence the process of developing financial accounting standards, due to the possible expected economic benefits they may get. In fact, before submitting a comment letter, the lobbyist takes into consideration the impact of the proposed changes on reported accounting numbers, the effect that the information given may have on various stakeholders, as well as the costs associated with the collection or production of information necessary for participation (Watts & Zimmerman, 1978; Stenka & Taylor, 2010; Kosi & Reither, 2014; Chircop & Kiosse, 2015; Rey et al., 2020; Mellado & Parte, 2020).

In agreement, the Rational-Choice Theory argues that a rational agent would only participate in the process of standard setting if there is a positive relationship between the expected benefits and the costs incurred, taking into account the probability that lobbying influences the resulting standard. In other words, Sutton (1984) viewed lobbying as “all the actions which the interested parties take to influence the rule-making body” and as “the efforts of individuals and organizations to promote or obstruct new regulations”. (Giorgiu, 2004; Kosi & Reither, 2014; Eisenschmidt & Krasodomska, 2017; Rey et al., 2020)

Apart from these two theories of lobbyist behavior, Bischof (2020), in a specific study about the motivations for politicians' involvement in two accounting debates, found evidence that such involvement was explained by the Theory of Political Ideology. According to this author, accounting regulation gives rise to real economic consequences. These consequences are the subject of public discussion and consequently of ideological views by politicians, who come to see accounting regulation as a means to realize their ideological agenda.

Altogether, the literature suggest that, although obtaining opinions is essential to the process of developing an accounting standard, this sharing of opinions by stakeholders is associated with their motivations for participating in the process, and it is extremely important to have strict control over the information that is transmitted to the IASB.

1.2. The Case of the Business Combinations under Common Control

Business Combinations under Common Control (BCUCC) are economic operations, which can be carried out in the form of mergers or acquisitions, involving companies that belong to the same group, and consequently are under the control of the same party (Biancone, 2013; Janowicz, 2021; Tarca, 2021).

If we consider the example shown in both Tarca (2021) and in the Discussion Paper (DP) prepared by the International Accounting Standard Board (IASB), we can quickly understand that in a corporate group where company P controls companies A and B, and company A in turn controls company C, a possible BCUCC could take place between C and B, with the latter gaining control over A's former subsidiary and the ultimate parent is the same as before.

There is currently an accounting standard, IFRS 3 "*Business Combinations*", which specifies how companies P, A and C should report these transactions in their financial statements (using the acquisition method). However, there is no information in this standard that specifies how company B (the receiving) should proceed, promoting very diversity in the presentation of this type of combinations, not only in the method used to measure the assets and liabilities acquired by the receiving company, but also in the information that is disclosed in the financial statements (IASB, 2020).

Since there is no information in IFRS 3 about how this type of transactions should be reported, there is the possibility from the acquirer being guided by another accounting standard, the International Accounting Standard (IAS) 8 "*Policies, Changes in Accounting Estimates and Error*". Using this standard, the responsibility of developing and applying an approach which provide relevant and reliable information lies with the management of the receiving company, allowing, one more time, that different companies apply different approaches, and in that way promoting diversity in the information disclosed (Janowicz, 2017).

In fact, accordingly to a research carried by the IASB on February 2020, from a sample of 267 BCUCC, it was possible to concluded that, 4.5% of the transactions used the acquisition method, in 1.5% of the transactions not enough information was ascertained to determine which approach was used, and in the remaining 94% of the combinations the book-value method was used, and in several different ways.

It is important to understand that, while in the acquisition method the assets and liabilities received are recognized at fair value, in the book-value methods those assets and liabilities remain at book (Biancone, 2013; Bradbury, 2021; Tarca, 2021).

Also, it should be noted that the term "book-value method" is used by the IASB to describe all possible methods of use other than the acquisition method, in particular the predecessor and the pooling of interests methods (IASB, 2020). Despite some authors consider that these methods are the same, there is a big difference between both: while in the pooling of interests method the carrying amounts of all assets, liabilities and equities are taken from the individual financial statements, in the predecessor method these amounts are taken from the consolidated financial statements (Janowicz, 2021).

In a general way, the various authors refer the predecessor method as the method most frequently used and best applied in accounting for these transactions, in the various countries studied, as is the case of China and Italy (Biancone, 2013; Chena et al., 2021). Although this method allows, for example, to reduce transaction costs and increase the reliability of the information presented, since resources will be saved in the evaluation of the fair value and there will be no uncertainty about its evaluation, it presents some disadvantages, such as not revealing the real value in the exchange of assets, reducing in that way the comparability of the accounting information (Chena et al., 2021).

Another approach to the treatment of BCUCC mentioned by Janowicz (2021) would be the application of national regulation. According to this author, Polish companies that use national standards in the treatment of BCUCC, provide higher quality financial information for their stakeholders.

The possible solution suggested by the IASB in its preliminary views, presented in the Discussion Paper, is that there are two alternative methods, the acquisition method and the book-value method, which must be applied in accordance with the various conditions indicated by the IASB. This is a solution in line with what is advocated by many stakeholders in the comment letters.

It is further stated that when the book-value method is applied, the assets and liabilities received should be measured using the transferred company's book values (IASB, 2020), something that has been discussed by the scientific community. According to Seah-Tan (2021), this option does not make sense, since, "using the transferred entity's book values would mean

that the receiving company would not recognize goodwill and fair value adjustments to identifiable assets and liabilities of the transferred entity performed by the controlling party during the purchase price allocation at the initial acquisition.” In this sense, the controlling party's book values should be used in the measurement of the assets and liabilities received, in order to obtain more relevant and consistent information (Seah-Tan, 2021).

1.3. The Importance of the Accounting Information' Standardization

The lack of information on how BCUCCs should be treated in accounting, and the consequent diversity in their presentation and treatment in the financial statements of the receiving company, reflects the importance of standardization in accounting.

According to Bozkurta et al. (2013), “the mission of IASB is to ensure a common language in a financial platform by working on the worldwide application of IFRS”. The proper adoption and interpretation of the IFRS has not only increased the transparency, reliability and comparability of financial statements around the world, but has also made it possible to reduce errors and illegalities in the preparation of those financial statements (Bozkurta et al., 2013).

However, the convergence process still has some shortcomings. According to comparative studies between the IASB and the Financial Accounting Standards Board (FASB), although there is already substantial convergence, there are still some significant differences between the two organizations, such as, for example, differences in the consolidation methodology and differences in the accounting policies to be applied that already exist for a long time, such as those mentioned by Cîrsteaa and Baltariua (2013).

According to Hughesa et al. (2017), this can be explained by the inequalities found in the groups of stakeholders that submit comment letters (CLs) to each of the boards. For example, CLs referred to the FASB come mainly from the US and listed companies, whereas CLs received by the IASB originate from a more diverse group of stakeholders, with CLs from European countries standing out. As the stakeholders groups are different, the opinions transmitted will also be different, contributing to the lack of convergence between the two bodies.

On the other hand, this lack of convergence is mirrored in the information that is presented by each company in its financial statements. According to preparers, the problem is that too much irrelevant information is produced, which in turn promotes the non-reporting of relevant information. Thus, a change in disclosure standards is needed to help preparers distinguish between significant accounting policies and to improve the information disclosed by companies (Abad et al, 2020; Saha et al., 2021).

For this process of harmonization and convergence take place, there must be an effort to increase collaboration, for example between accounting and auditing professionals, and the flow of information between institutions must be increasingly greater (Bozkurta et al., 2013).

One of the factors justifying the importance of standardization in accounting is the need for comparability between financial statements. The more comparable the financial statements are the more effectively potential targets can be assessed, consequently facilitating acquisition-investment decisions (Chen et al., 2018). Thus, it is crucial that organizations continue to seek to improve this process in order to make accounting processes increasingly transparent, reliable and comparable.

1.4. The solution proposed by the IASB

Given the current diversity in accounting for BCUCC, resulting from the existing gap in IFRS 3 "*Business Combinations*", and the importance of accounting standardization as a way to improve comparability between financial statements, the IASB has taken the initiative to develop a research project which, as stated on its IFRS Foundation website, aims to "explore possible reporting requirements that would reduce the diversity in practice and improve the transparency and comparability of the reporting on such combinations".

As a result of this research, in November 2020 the Discussion Paper "Business Combinations under Common Control" was released. In this document a decision tree is presented, with four criteria that allow the stakeholder to understand which is the best method to apply in accounting for these combinations, as can be seen in the figure 1.1.

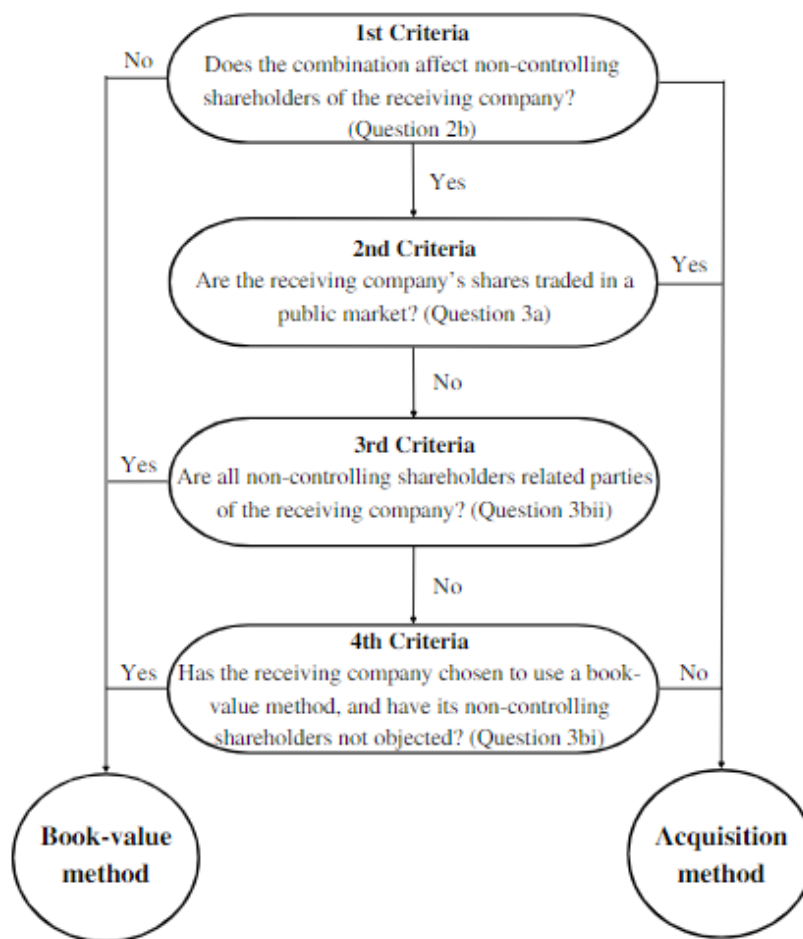


Figure 1.1 – Summary of IASB's preliminary views

The first criteria defined by the IASB says that if a BCUCC does not affect non-controlling interests (NCI) then automatically the book-value method should be used. On the contrary, if it does affect NCI, then in the IASB's views this BCUCC is similar to a business combination between unrelated parties covered by IFRS 3, and the next criteria should be taken into consideration. The next criteria defends that if the receiving company has shares traded in a public market, then NCI is likely to be significant, and the benefit of using the acquisition method justifies the cost for the company of obtaining information about the current fair value of its assets and liabilities, so it should be used. On the other hand, if the receiving company is private, then probably the NCI will not be so significant and the benefit of applying the acquisition method does not justify its cost, so the next criteria should be applied. The third criteria established by the IASB seeks to respond to the arbitrariness of companies structuring a transaction just to obtain the desired accounting treatment. Thus, if all NCI are related parties of the receiving company, the book-value method should be used. Otherwise, the next criteria should be applied. Finally, the last criteria defines that the private receiving company in a BCUCC that has affected NCI but not all of which are related parties, can choose to use the book-value method if it informs all of its NCI and they have no objections. If any NCI does not agree with this decision, the company must use the acquisition method (IASB, 2020; Tarca, 2021).

These criteria are then discussed in comment letters submitted by the different stakeholders, where they express their agreement or disagreement with the IASB's preliminary views.

2. Research Hypotheses

Summaries feedback on the Exposure Drafts authored by the IASB are frequently available through its website, where the geographic origin and the type of respondent of the overall comment letters received is a summarized descriptive information (e.g, IASB, 2014; IASB, 2013). It is also common to find in related previous research the use of variables linked to the stakeholder's country or region to study stakeholder's behavior (e.g. Larson, 2007; Jorissen et al., 2013; Eisenschmidt & Krasodomska, 2017; Hughes et al., 2017). These studies focus mainly on the influence that the stakeholder's country/region has on the stakeholder's decision to submit comment letters and conclude that most of stakeholders that submit comment letters are from Europe and from North America. However, little is said about their level of agreement with the proposals. For instance, the results of Hughes et al (2017) suggest systematic differences in agreement rates for proposed changes depending on stakeholder interest group, and region. Based on the evidence of Hughes et al (2017), the first hypothesis of this work is to test whether the region of origin of the comment letter can be a predictor for the likelihood to agree with some or all of the new procedures proposed by IASB related with BCUCC. Without suggesting any positive or negative relationship, hypothesis 1 is stated as follows:

H1: The geographical origin of the respondent of the comment letter is a predictor of the level of agreement with the BCUCC proposals.

The earlier studies also found that when a certain stakeholder group is most affected by the project or standard, that stakeholder group is more likely to agree with the IASB's preliminary views (Visoto et al., 2020) and there are significant changes between the degree of agreement comparing those groups (Hughes et al., 2017). On the other hand, the literature suggests that accountancy bodies and accounting firms are among the stakeholders that most globally submit comment letters (Larson, 2007; Hughes et al., 2017). Yet, there is no evidence of that in the BCUCC project. Taken together, those two arguments lead to test whether different stakeholders' groups facilitated by increased regulation of BCUCC and the consequent reduction in diversity can be a predictor for the likelihood of agreeing with the new procedures proposed. Without suggesting any positive or negative relationship, hypothesis 2 is stated as follows:

H2: The professional type of stakeholder' respondent of the comment letter is a predictor of the level of agreement with the BCUCC proposals.

As for the influence of the country's economic development on stakeholder participation, the results show that there is relationship between the country's economic development (measured through Gross Domestic Product (GDP)) and a higher stakeholder participation through comment letters (e.g. Dobler & Knospe, 2016; Eisenschmidt & Krasodomska, 2017). However, no studies were found that brought the same conclusions about how the country's economic development influences the stakeholder to agree or disagree with the IASB's preliminary views. On the other hand, the economic development of a country can be associated with other macroeconomic indicators, such as the value of exports. This indicator has been considered over the years as an enabler of the country's economic growth (e.g. Hesse, 2008; Iqbal et al., 2012; Carvalho, 2015), since it enhances international competition and consequently provides productivity gains. In this sense, the country's economic development expressed in this work contemplates both the country's GDP and the value of exports, and H3 is described as follows:

H3: The economic development of the country from the respondent of the comment letter is a predictor of the level of agreement with the BCUCC proposals.

Also, both the mandatory use of IFRS and the legal system of a country have been tested in order to study its influence on the stakeholder's participation (e.g. Dobler & Knospe, 2016; Eisenschmidt & Krasodomska, 2017). This double evidence from the earlier literature leads to the next two hypotheses. On the one hand, stakeholders from countries that require the use of IFRS in financial statements are expected to have a more active participation in projects undertaken by the IASB, since the people of that country is directly affected by the accounting policy that is applied (Dobler & Knospe, 2016). The following hypothesis is then tested:

H4: The legal system of the country from the respondent of the comment letter is a predictor of the level of agreement with the BCUCC proposals.

On the other hand, it's known that in common law countries the accounting profession has a big influence on the issue of accounting standards, contrary to what happens in code law countries; therefore, it is expected that stakeholders from common law countries have a more active participation in the projects developed by the IASB (Eisenschmidt & Krasodomska, 2017). As such, hypothesis fourth is:

H5: The mandatorily use of IFRS on the country from the respondent of the comment letter is a predictor of the level of agreement with the BCUCC proposals.

3. Methodology

The objective of this study is to identify determinants that can predict the likelihood of the agreement with the preliminary views of the IASB presented in the Discussion Paper (DP) “Business Combination under Common Control”. In this DP, the IASB seeks to investigate some possible solutions to address the current gap in IFRS 3, which does not specify how BCUCC should be accounted for. Hence, four criteria were established by the IASB in a decision tree, in order to determine which accounting method, the acquisition method or the book-value method, should be applied in accounting for these combinations. As part of the project developed by the IASB, was requested to the different stakeholders to submit comment letters, where they could express their opinion (agree or disagree) regarding these criteria.

The hypotheses established in this study seek to identify whether the geographic origin and type of the respondent, as well as the economic development, the legal origin and the mandatory use of IFRS, are predictors of, i.e., they have an influence on, the degree of agreement with the criteria established by the IASB. In this way, two methodologies are used: a) a content analysis methodology, in that all the comment letters were read to retrieve data, namely, to collect all the information to gather variables, and to read and code the responses included to able the definition of the categories for the level of agreement; b) a quantitative methodology, in that data retrieved is statistically tested using the SPSS statistics tool to perform descriptive statistics and to run a regression model that fits in the research type.

3.1. Sample and data

Following other studies that also use comment letters to test stakeholder behavior (Larson, 2007; Hansen, 2011; Chircop & Kiosse, 2015; Eisenschmidt & Krasodomska, 2017; Hughes et al, 2017; Visoto et al., 2020 and Mellado & Parte, 2020), the initial sample is composed by the 102 comment letters submitted by stakeholders as part of the DP published by the IASB in November 2020, which are freely available on the IFRS Foundation website. Four comment letters were removed from the sample, either because it was not possible to identify the stakeholder's country of origin, or because presented information not relevant to the context. So, the final sample includes 98 comment letters.

Since the objective of this study is to identify determinants (predictors) of the agreement with some or all the four criteria presented in IASB’s preliminary views, only the answers to the

questions that expressed the stakeholder's opinion on the four criteria established by the IASB are analyzed. Therefore, only the answers to questions 2, 3a, 3bi and 3bii from the DP are taken into account (see annexes).

3.2. Dependent Variable

The use of binary dependent variables to test the behavior of stakeholders is common in previous studies (e.g. Hansen, 2011; Chircop & Kiosse, 2015; Rey et al., 2020). However, in the present study a dependent variable with three categories is established in order to fit the main objective to find determinants on the level of agreement, based on the opinion respondents expressed through comment letters. That opinion is classified in three categories: (0) Stakeholders who do not agree with any of the criteria set by the IASB; (1) Stakeholders who agree with some criteria set by the IASB, but not with all of them; (2) Stakeholders who agree with all the four criteria set by the IASB. Thus, the dependent variable, Opinion, can assume the values 0, 1 or 2 depending on the position expressed by the stakeholder in the comment letter. This classification is handmade, by analyzing the content of all the comment letters submitted.

It is also important to mention that when the stakeholder does not answer directly whether he agrees or not with one of the criteria, it is considered that the stakeholder doesn't agree with the criteria in question. This is one of the limitations of the analysis performed.

3.3. Independent Variables

In line with prior literature, and in order to answer the research hypothesis H1, the categoric variable Region is defined (e.g. Larson, 2017; Hughes et al., 2017), and then transformed in dummy variables. The data were obtained by identifying the country of origin of the stakeholder who submitted the comment letter, which were later grouped into geographic regions, giving rise to the category Region.

To test H2 and understand the stakeholder's professional activity influence on the stakeholder's opinion, the category Activity is defined (e.g. Larson, 2007; Hughes et al., 2017; Visoto et al., 2020), and then transformed in dummy variables. The stakeholder's professional roles were initially identified through comment letters, and later grouped according to the IASB's classification: accountancy body, accounting firm, national standard-setter, preparers, regulators, and users. For reasons of sample size, it was combined the categories of academics and individuals, also used by the IASB, in the category of users.

On the other hand, two macroeconomic variables are defined as to test which influence the country's wealth has on the stakeholder's decision (H3). Following similar studies (e.g. Dobler & Knospe, 2016; Eisenschmidt & Krasodomska, 2017), country's economic development can be measured by its Gross Domestic Product (GDP), however, the arithmetic mean between this indicator and the number of inhabitants per country, GDP per Capita, is used in order to have more accurate information about the country's wealth. The second macroeconomic variable used is the value of the country's exports. This variable allows understanding the positioning of a country in relation to international competition, proving to be an interesting indicator to measure the country's economic development. Both data were obtained from the World Bank website (World Bank, 2020) and are in US dollars, obtaining the variables GDPperCapita and Exports.

Information on the legal system of the stakeholder's country was also collected, obtaining the binary variable Legal through Choi and Meer's (2014) classification, a classification with 25 years of presence in the accounting thinking (Eisenschmidt & Krasodomska, 2017). In the case of countries that are not present in this list, the CIA World Fact Book is used. It should also be noted that depending on the number of CL received, these are only classified into two categories, 1 if stakeholders from a common law country or 0 otherwise.

Finally, the variable IFRS_Mandatory, seeks to test whether there is a correlation between the mandatory use of IFRS in the stakeholder's country and the stakeholder's opinion towards the IASB's preliminary views (e.g. Dobler & Knospe, 2016; Eisenschmidt & Krasodomska, 2017). These data were collected through the website iasplus.com, and was only taken into account the obligation of use IFRS in all listed domestic companies of the country, giving rise to a binary variable which assumes the value 1 if there isn't an obligation or 0 otherwise.

3.4. Research Model

In the present study the dependent variable can assume three different categories. Therefore it is fundamental to use a multinomial logistic regression, which is the most accurate model to use in cases which the dependent variables assume more than two categories (Quagli & Avallone, 2010; Clark et al., 2019; Miranda et al., 2021).

The objective of this model is to find out if the independent variables have an influence on the choice of the dependent variable. For this purpose, one category of the dependent variable is used as a reference. Since the dependent variable is the stakeholder's opinion about the four

criteria established by the IASB, the reference category is the first category, when the stakeholder don't agree with any criteria established by the IASB. In this way, we will be capable of understand what factors affect the decision of a stakeholder agree with some or all the criteria established by the IASB rather than to disagree with all the criteria. Then, the following logit function was drawn:

$$\text{Log} \frac{P(k|x)}{P(0|x)} = \beta_{k0} + \beta_{k1}X_1 + \dots + \beta_{kp}X_p \quad (=) \quad \text{Log} \frac{P(k|x)}{P(0|x)} = \beta_{k0} + \beta_{k1}Region + \beta_{k2}Activity + \beta_{k3}GDPperCapita + \beta_{k4}Exports + \beta_{k5}Legal + \beta_{k6}IFRS_Mandatory \quad (1)$$

Where:

k represents the number of categories that the dependent variable can assume. In this case k can assume 0, 1 or 2.

P (k|x) represents the probability of the dependent variable occurring given the behavior of the independent variables.

P (0|x) represents the probability of the dependent variable assuming the reference category given the behavior of the independent variables.

β_{kp} represents the marginal effect of a one-unit increase in the independent variable on the log-odds of being in category k, rather than the reference category (k=0).

Since most of the independent variables used in this study are nominal qualitative (e.g. Region, Activity, Legal and IFRS_Mandatory), i.e. are defined by non-quantitative categories, they are transformed into binary independent variables. In this sense, for each category of each qualitative variable a numerical code is associated. The Region variable has five categories, specifically, Africa, Asia/Oceania, Europe, North America, and South America (e.g., Hughes et al., 2017). To recode the original region into set of dummy variables. The number of dummies indicator variables is equal to the number of groups minus 1, thus, it is going to be generated 4 dummies to represent group membership. Each dummy assumes the value of 1 for a specific region and 0 otherwise, and the baseline is assumed to be South America (results for other baselines are consistent).

The type of stakeholder respondent based on their professional activity is also a category that comprises 6 different profiles (e.g., Hughes et al., 2017), namely, accountancy body, accounting

firm, national standard setters, preparer, regulator, and user. Again, to recode the original into binary independent variables, five dummy variables are created and included in the model. Each dummy assumes the value of 1 for a specific type and 0 otherwise, and the baseline is assumed to be South America (results for other baselines are consistent). The results were run also without transforming categories in dummy variables, since they can be included in multinomial regression model as factors instead of covariates. Results (not tabulated) are consistent.

On the other hand, as the Legal and IFRS_Mandatory variables have divided only into two categories, they are automatically coded as dummy variables. Legal origin is named “Common law” and is coded as 1 when stakeholder is from a common law country or 0 otherwise. For IFRS_Mandatory, code 1 is used if it is not mandatorily to use IFRS in any situation and 0 otherwise. Once the model is defined and the data for the definition of the independent variables was collected, the multinomial logistic regression was performed in SPSS.

4. Results and Discussion

4.1. Descriptive Statistics

As can be seen in table 4.1, of the 98 comment letters analyzed, in 25 the stakeholders totally disagree with the criteria established by the IASB, in 39 the stakeholders agree with some of the criteria established by the IASB, and in 34 CL's the stakeholders totally agree with the criteria proposed by the IASB.

Although more than half of the stakeholders agree with some or all of the established criteria, there is still a reasonable percentage of stakeholders who do not agree with the IASB's preliminary views.

Table 4.1 – Classification of Stakeholder's Opinion

Dependent Variable' Category	Number of Comment Letters	Percentage of the Total Comment Letters
0 = Stakeholders who don't agree with any criteria	25	25,5%
1 = Stakeholders who agree with some criteria	39	39,8%
2 = Stakeholders who agree with all criteria	34	34,7%

According to the results obtained in table 4.2, most CL's received were sent from European stakeholders (39,8%) and from the Asia/Oceania region (34,7%). As observed in other studies (e.g. Jorissen, et al., 2013; Eisenschmidt & Krasodomska, 2017; Hughes et al., 2017; Rey et al., 2020) the Africa and South America regions show low participation rates, 5,1% and 10,2% respectively. These results can be explained by the fact that these two regions are essentially made up of less developed countries, which consequently have fewer resources available.

On the other hand, contrary to what would be expected (e.g. Jorissen, et al., 2013; Eisenschmidt & Krasodomska, 2017; Hughes et al., 2017; Rey et al., 2020), the participation of North American stakeholders was relatively low (10,2%).

Table 4.2 – Classification of Stakeholder’s Region

Region	Number of Comment Letters	Percentage of the Total Comment Letters
Africa	5	5,1%
Asia/Oceania	34	34,7%
Europe	39	39,8%
North America	10	10,2%
South America	10	10,2%

Lastly, the CL’s diversity according to the stakeholder's professional activity is analyzed. According to table 4.3, it can be observed that national standard-setters are the stakeholder’s group that participated the most (27,6%), followed by preparers (21,4%) and accountancy bodies (20,4%). Contrary to what has been observed in previous studies (e.g. Larson, 2007; Eisenschmidt & Krasodomska, 2017), the regulators was the group that participated the least in the project carried out by the IASB.

Table 4.3 – Classification of Stakeholder’s Group

Activity	Number of Comment Letters	Percentage of the Total Comment Letters
Accountancy Body	20	20,4%
Accounting Firm	9	9,2%
National Standard-Setter	27	27,6%
Preparer	21	21,4%
Regulator	7	7,1%
User	14	14,3%

4.2. Multinomial Logistic Regression Analysis

Before performing the multinomial logistic regression, a multicollinearity analysis is performed, in SPSS, in order to check whether the different independent variables are not correlated. To this end, the values of the correlation matrix and of the Variance Inflation Factor (VIF) are analyzed. Results presented in table 4.4 show there is no correlation between the variables, since the

collinearity tolerance values are greater than 0.1 and the VIF values are below 10. This suggests that the different independent variables provide distinctive information to the model, making it more complete.

Table 4.4 – Multicollinearity Analysis

Independent Variable	Collinearity Statistics	
	Tolerance	VIF
Dummy variables for Region:		
Africa	0,598	1,672
Asia/Ocean	0,248	4,032
Europe	0,232	4,306
North America	0,266	3,765
Dummy variables for Activity:		
Accountancy Body	0,445	2,247
Accounting Firm	0,537	1,861
National Standard-Setter	0,438	2,281
Preparer	0,443	2,258
Regulator	0,648	1,544
Dummy variable for Legal origin:		
Common law	0,579	1,726
Dummy variable for standards:		
IFRS_Mandatory	0,537	1,861
Continuous variables:		
GDPperCapita	0,512	1,954
Exports	0,917	1,090

a. Dependent Variable: Opinion

Since the results of the Multicollinearity analysis show that there is no relationship between the independent variables, the multinomial logistic regression analysis is performed.

In order to verify the model's adjustment, the -2 log likelihood ratio test is used, which, by comparing the intercept model (model where there are no independent variables) with the

proposed model, allows the analysis of whether the quality of the model improves when independent variables exist. In this case, observing the results presented in table 4.5, we can observe that the quality of the model improves when the independent variables are added (value of -2 log goes from 189,061 to 130,759).

Table 4.5 – Model Fitting

Model	Model Fitting Criteria		Likelihood Ratio Tests	
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	189,061			
Final	130,759	58,303	26	<,001

In order to evaluate if there is a general influence of the independent variables on the dependent variable (Stakeholder's opinion), the analysis of table 4.6 is carried out. Through the results presented it is possible to observe that the independent dummy variables accountancy body, national standards setter, preparer, and common law, are statistically significant at a 0.05 level ($p < 0.05$). This means that these variables are the ones that have a greater contribution to the model, influencing the stakeholder's opinion regarding the four criteria on the regulation of BCUCC. While tables 4.5 and 4.6 give us an overall idea of the quality of the model, table 4.7 represents the specific multinomial logistic regression results for each of the dependent variable' categories.

Table 4.6 - Independent Variables Influence on the Dependent Variable

	Likelihood Ratio Tests		
	Chi-Square	df	Sig.
Intercept	7,603	2	,022
Dummy variables for Region:			
Africa	2,230	2	,328
Asia/Ocean	2,254	2	,324
Europe	3,804	2	,149
North America	1,134	2	,567
Dummy variables for Activity:			

Accountancy Body	7,338	2	,026
Accounting Firm	2,708	2	,258
National Standard-Setter	9,711	2	,008
Preparer	6,528	2	,038
Regulator	3,603	2	,165
Dummy variable for Legal origin:			
Common law	9,632	2	,008
Dummy variable for standards:			
IFRS_Mandatory	,042	2	,979
Continuous variables:			
GDPperCapita	2,871	2	,238
Exports	3,566	2	,168

In table 4.7, the estimated multinomial logistic regression coefficients for the models are represented in column β (Beta). This coefficient makes it possible to conclude whether a certain independent variable influences the choice of a specific category of the dependent variable. In this sense, the value-p of the Wald test should be taken into account, and it can be assumed that the independent variable has influence on the category of the dependent variable if value- $p < 0.05$.

Looking at dependent variable category 1, ie, Stakeholders who agree with some of the criteria established), compared with not agreeing with any, it can be observed three situations in which the independent variable is statistically significant at a 0.05 level ($p\text{-value} < 0.05$): when the comment letters come from Africa ($p\text{-value} < 0.001$), when respondent letters are accountancy bodies ($p\text{-value} = 0.018$), national setters ($p\text{-value} = 0.006$), and regulators ($p\text{-value} = 0.008$), and when the countries are classified as common law based on their legal origin ($p\text{-value} = 0.045$). This said, results suggest that stakeholders from African countries are statistically strongly (weakly) supporting part of the proposals of IASB, since there is a higher probability from these stakeholders to agree with some of the criteria instead of disagreeing with all. If the stakeholder is an accountancy body ($\beta = 3.550$) or national setter ($\beta = 3.401$), the more likely this stakeholder agrees with some of the criteria established by the IASB as compared with users. The same if it is a Regulator ($\beta = 2.905$), although the statistical significance is weaker. As for the variable relative to common law origin, the positive coefficient ($\beta = 2.550$) suggests that respondents from these

regimes have a higher probability of agreeing with some of the criteria of the IASB as compared to those from legal regimes other than common law.

Concerning the dependent variable' category 2, ie, stakeholders who agree with all the criteria established, the multinomial logistic regression reveals that only the variable related with common law countries is statistically significant ($p\text{-value}=0.009$), and the positive coefficient ($\beta=3.416$) reveals that a stakeholder from this legal origin has a higher probability to agree with all of the criteria established by the IASB in comparison to a stakeholder of other legal regimes. While the variables related with region are not statistically significant, there is a positive influence of both accountancy bodies ($\beta=2.281$) and national setters ($\beta=1.789$) and a negative of users ($\beta=-2.379$) in agreeing with all the criteria proposed by the IASB, as compared with users, but the statistical significance is weak ($0.05 < p\text{-value} < 0.10$).

The mandatory use of IFRS as well as the degree of development of the respondents' country are not predictors of the likelihood of the degree of agreement with the IASB' proposals.

Taken together, the overall results suggest that African stakeholders are more likely to agree with some of the criteria set by the IASB compared to stakeholders from other geographic regions. These results are positive for increasing the legitimacy of the IASB as a global accounting standard setter (Visoto, 2020), and may be a sign that African stakeholders have an interest in converging their national accounting standards with IFRS, however more studies have to be conducted in order to validate this conclusion. On the other hand, results suggest a weak propensity of European, and no differences in other regions to agree with IASB's preliminary views, as compared with South America. These findings do not corroborate with the discoveries of Larson (2007), as European and North American stakeholders are the most affected by accounting standards, as they are more exposed to the obligation to use IFRS in financial statements, and consequently would be expected there was more support from these stakeholders to the IASB. Maybe it would be interesting to investigate the reasons for such result in a future research. In line with these observations, research hypothesis H1 is partially rejected.

Regarding the research hypothesis H2, it is observed that the accountancy bodies are more likely to agree with some or all the criteria established by the IASB when compared with other professional activities. These findings support the idea defended by Hughes et al. (2017), since these professionals deal with accounting standards daily, namely, in the preparation of financial statements, and as such their opinion should be in line with the standard-setter. However, the

same does not apply for accounting firms, being observed any difference on the influence of the professional activity on the stakeholder's opinion. On the other hand, and compared with users, standards setters have a higher likelihood of agreement with the some or all the criteria proposed by the IASB for the accounting for BCUCC. Therefore, research hypothesis H2 is partially accepted.

With respect to research hypothesis H3, it can be statistically observed that during this discussion period the country's economic development, measured by its GDP per capita and the value of exports, did not influence stakeholder's opinion and therefore research hypothesis H3 is rejected. This conclusion is contrary to what was seen in Dobler & Knospe, (2016) and Eisenschmidt & Krasodomska (2017), who show evidences that support influence of the country' economic development (measured by GDP) in stakeholder's participation. This lack of influence can be explained by the fact that stakeholders continue to be affected by accounting standards, both when preparing financial statements and when conducting transactions between companies, for example, regardless of the wealth of the country.

For research hypothesis H4, it is observed that stakeholders from countries classified as common law countries are more likely to agree with some or all the criteria established by the IASB. These results are in agreement with Eisenschmidt & Krasodomska (2017), who also found a link between the legal system of the stakeholder's home country and stakeholder's participation in these discussion periods. In this sense it can be concluded that the legal system of the stakeholder's country has influence on the stakeholder's opinion and consequently this research hypothesis is accepted.

Finally, and in contrast to the results of Eisenschmidt & Krasodomska (2017), it can be observed that the mandatory use of IFRS in all listed domestic companies of stakeholder's country have no influence on the stakeholder's opinion. These results go against expectations, as it would be expected that stakeholders required to use IFRS in their financial statements, and therefore those most affected by the IASB's decisions, would show more agreement with this standard-setter. Not agreeing with the criteria in this standard may be a source of matter to know.

Table 4.7 - Parameter Estimates

		β	Std. Error	Wald	df	Sig.
1 Stakeholders who agree with some criteria	Intercept	-4.229	5.854	.569	1	.026
	Africa	19.990	1.675	142.487	1	<.001
	Asia/Ocean	2.031	1.475	1.896	1	.169
	Europe	2.885	1.733	2.771	1	.096
	North America	1.592	2.320	.471	1	.493
	Accountancy Body	3.550	1.496	5.632	1	.018
	Accounting Firm	2.144	1.851	1.341	1	.247
	National Standard-Setter	3.401	1.227	7.679	1	.006
	Preparer	.559	1.250	.200	1	.655
	Regulator	2.905	1.657	3.074	1	.080
	Common Law	2.560	1.276	4.024	1	.045
	IFRS_Mandatory	.190	.933	.041	1	.839
	GDPperCapita	.000	.000	.072	1	.788
	Exports	.000	.000	.243	1	.622
	2 Stakeholders who agree with all criteria	Intercept	-1.380	1.394	0.980	1
Africa		20.028	.000	.	1	.
Asia/Ocean		.704	1.231	.327	1	.567
Europe		2.608	1.590	2.692	1	.101
North America		-.182	2.296	.006	1	.937
Accountancy Body		2.281	1.386	2.709	1	.100
Accounting Firm		.276	1.795	.024	1	.878
National Standard-Setter		1.789	1.076	2.769	1	.096
Preparer		-2.379	1.320	3.246	1	.072
Regulator		1.332	1.531	.757	1	.384
Common Law		3.416	1.312	6.779	1	.009
IFRS_Mandatory		.126	.955	.018	1	.895
GDPperCapita		.000	.000	.628	1	.428
Exports		.00	.000	.337	1	.562

a. The reference category is Opinion=0, which means, Stakeholders who don't agree with any criteria.

5. Conclusion

Business combinations are currently regulated through IFRS 3, but this standard does not specify how Business Combinations under Common Control (BCUCC), combinations between companies of the same group, should be reported in the financial statements of the receiving company. In order to fill this gap, the IASB has been developing a research project with the aim of finding a solution that reduces diversity in the accounting and presentation of these transactions. As a result, a Discussion Paper was released in November 2020, where the IASB presents four possible criteria for choosing the method to be used in accounting for BCUCC. These criteria were subsequently discussed by stakeholders through the submission of comment letters.

This dissertation seeks to identify what factors influence a stakeholder to agree with some or all of the criteria proposed by the IASB in the Discussion Paper “Business Combination under Common Control”. Hence, in the light of the research question: "How does country characteristics and expertise influence the stakeholder decision to agree with the IASB's preliminary views?", a sample of 102 comment letters is used, and two methodologies are employed: a content analysis methodology, which allows the extraction of all the necessary data from the comment letters, and a quantitative methodology, which allows the statistical testing of the collected data through a multinomial logistic regression.

In a more descriptive view, the results show that although most stakeholders agree with some or all of the criteria established by the IASB, 25.5% of the stakeholders do not agree with any criteria. Given the importance of legitimacy for the IASB mentioned in the literature review, this standard setter should seek to analyze the reasons that led stakeholders to disagree with the criteria established, and reach a consensual solution for the scientific community through the development of further documents that provide scientific discussion around this issue.

From another point of view, the descriptive results corroborate the previous literature (e.g. Larson, 2007) showing that the Europeans are the stakeholders who submitted comment letters the most in response to the DP presented by the IASB. The results also show that the national standard setters are the most participative group, and contrary to what was observed in previous studies (e.g. Larson, 2007; Eisenschmidt & Krasodomska, 2017), the regulators were the group that least submitted comment letters.

On the other hand, the results from the multinomial logistic regression reveal that some groups of stakeholders based on their professional activity and the legal system of the stakeholder's country of origin have an influence on the degree of agreement with the criteria presented by the IASB. Contrarily, neither the country's economic development, measured by its GDP and the value of exports, nor the mandatory use of IFRS in a country's listed domestic companies, is a predictor of the level of agreement based on the stakeholder's opinion. There is a strong (weak) statistical significance for stakeholders from Africa (Europe), or no difference (ie, Asia/Oceania and North American) to be a predictor of the level of agreement with some of the criteria, as compared with South America. However, neither country is a predictor of being in accordance with all the IASB criteria. Concerning the stakeholders' group, comment letters received from national standards setters are more likely to agree to some (strong) or all (weak) of the criteria presented in the DP, as when compared with other professional activities. The same is true for accountancy bodies when compared with other professional activities, but only as a predictor of the agreement with some of the criteria, while preparers assume a higher (but weaker) likelihood of being in accordance with them all. Furthermore, the regression indicates that stakeholders from common law countries are more likely to agree with some or with all of the criteria presented in the DP, compared to stakeholders from common law countries.

Understanding which factors influence a stakeholder to agree with some or all of the criteria established by the IASB, compared with stakeholders who do not agree with any criteria, is an important contribution to the study of stakeholder's behaviour. Although there are a lot of studies regarding stakeholder's behaviour and stakeholder's characteristics, there are few or none authors who study the factors that lead a stakeholder to agree or disagree with the preliminary views of the IASB. Identifying the factors that influence the stakeholder's opinion is a way of validating the content transmitted to the IASB, understanding that a particular input is only given due to external conditions, and enabling the emergence of accounting solutions that overcome these external factors. Wherefore this dissertation is an important starting point for future studies on other factors that have an influence on stakeholder behavior, as well as on ways to overcome these factors.

On the other hand, the results presented in this dissertation contribute to the scientific discussion around the subject of BCUCC and more specifically on the accounting method to be applied in the accounting of these transactions. This is a topic considered to be on the agenda and

on which there is still not much consensus, being extremely important to generate more scientific discussion.

One of the major limitations of this work is related to the stakeholder's opinion classification as agree or disagree. Whenever a stakeholder did not express its opinion on any of the criteria, it was considered that this stakeholder would not agree with the criteria in question, so the sample that gave life to the dependent variable may be biased, notwithstanding the low number of observations in this situation. Another limitation relates to the lack of further studies on the factors that influence stakeholder opinion relative to the IASB's opinion during a process of creating or modifying an accounting standard. More studies similar to this one would facilitate the conclusions. Also, the number of comment letters may be considered a limitation, since the sample under study is relatively small. However, the study was conducted using the full population and not a sample, since all the comment letters received by the IASB were analyzed.

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Annex A – Questions presented by the IASB in the DP

Although the Discussion Paper released by the IASB contains more questions with the aim of inviting the stakeholders to comment on the preliminary views presented therein, only the questions used for this study will be presented in the annexes.

“Question 2

Paragraphs 2.15–2.34 discuss the Board’s preliminary views that:

- (a) neither the acquisition method nor a book-value method should be applied to all business combinations under common control. Do you agree? Why or why not? If you disagree, which method do you think should be applied to all such combinations and why?
- (b) in principle, the acquisition method should be applied if the business combination under common control affects non-controlling shareholders of the receiving company, subject to the cost–benefit trade-off and other practical considerations discussed in paragraphs 2.35–2.47 (see Question 3). Do you agree? Why or why not? If you disagree, in your view, when should the acquisition method be applied and why?
- (c) a book-value method should be applied to all other business combinations under common control, including all combinations between wholly-owned companies. Do you agree? Why or why not? If you disagree, in your view, when should a book-value method be applied and why?”

“Question 3

Paragraphs 2.35–2.47 discuss the cost–benefit trade-off and other practical considerations for business combinations under common control that affect non-controlling shareholders of the receiving company.

- (a) In the Board’s preliminary view, the acquisition method should be required if the receiving company’s shares are traded in a public market. Do you agree? Why or why not?
- (b) In the Board’s preliminary view, if the receiving company’s shares are privately held:
 - (i) the receiving company should be permitted to use a book-value method if it has informed all of its non-controlling shareholders that it proposes to use a book-value method and they have not objected (the optional exemption from the acquisition method). Do you agree with this exemption? Why or why not? Do you believe that the exemption will be workable in practice? If not, in your view, how should such an exemption be designed so that it is workable in practice?
 - (ii) the receiving company should be required to use a book-value method if all of its non-controlling shareholders are related parties of the company (the related-party exception to the acquisition method). Do you agree with this exception? Why or why not?”