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Determinants of stakeholder's participation in the standard setting process of Business Combinations under Common Control

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Abstract. The purpose of this study is to present empirical information on stakeholder participation in the standardization process to develop a IFRS for Business Combinations under Common Control, which refers to the transfer of a business from one firm within a group to another. For a long time, IFRS Standards required the acquisition method for company combinations but was silent on those under common control. Thus, corporations gave little information, comparable transactions were reported differently, and comparability proved difficult, prompting the IASB to launch a research project to investigate possible reporting requirements for these transactions. Recently, the IASB published a Discussion Paper in which it presented four criteria to help guide the accounting for certain combinations. These criteria, along with the other preliminary viewpoints, were subsequently discussed by stakeholders through the submission of comment letters, which formed our database. The investigation is carried out by analyzing the content of 102 comment letters and then estimating an empirical multinomial logistic regression model. The main findings show that most of those stakeholders support some or all of the criteria provided by the IASB. Furthermore, Europeans, as well as national accounting standard setters, have been the most active stakeholders. The findings also shows that stakeholders from African countries and accounting bodies are more likely to agree with several of the IASB's criteria than other stakeholders. In contrast, stakeholders from non-common law nations are less likely to agree with some or all the criteria stated by the IASB than stakeholders from common law countries.

Keywords: BCUCC, Comment letters, Multinomial logistic regression.

1 Introduction

Business Combinations under Common Control (BCUCC) include the transfer of firms or enterprises between subsidiaries of the same group that are controlled by the same party before and after the combination. IFRS 3 "Business Combinations" provides requirements for reporting business combinations, but not for transactions between

firms in the same group. Lack of uniformity has led to major variances in how these combinations are presented. This involves discrepancies in financial statement data and asset and liability measurement techniques by the receiving organisation. Thus, financial statements lack transparency and comparability (IASB, 2020).

The International Accounting Standards Board (IASB) is studying potential accounting treatment standards for these transactions to solve this issue. A 2020 IASB research project produced a Discussion Paper (DP) titled "Business Combinations under Common Control". The IASB proposes a decision tree with four criteria in this paper to help stakeholders choose between the acquisition method and the book-value approach for accounting for Business Combinations under Common Control. After the DP was launched, stakeholders were invited to submit comment letters on these criteria. This phase of discourse is common in IASB research initiatives to create or revise IFRS. The IASB's legitimacy as a global accounting standards setter depends on stakeholder participation (Larson, 2007; Visoto et al., 2020). Because stakeholders' views strongly impact proposed standards' approval or rejection.

Multiple studies examine stakeholder conduct in these discussions. Hansen (2011), Kosi & Reither (2014), Chircop & Kiosse (2015), Mellado & Parte (2020), and Rey et al. (2020) have shown that many factors affect the frequency and content of these talks. There is little study on what influences stakeholders' agreement or disagreement with the International Accounting Standards Board. Given the lack of literature and the importance of stakeholder opinions for the IASB's credibility, the research question is: "To what extent do country characteristics and expertise affect stakeholders' inclination to support the IASB's initial perspectives?"

This study seeks to quantify stakeholder involvement in IFRS for Business Combinations under Common Control standardisation. It examines what motivates stakeholders to endorse the IASB's first DP views. Content analysis was used to obtain stakeholder perspectives on IASB criteria. This required detailed analysis of all 102 comment letters. After categorising stakeholders' perspectives into three groups, a multinomial logistic regression is used: (1) Partially concurring stakeholders agree with parts of the IASB's criteria, while (2) concurring stakeholders agree with all four. Stakeholder traits, legal, and socioeconomic indicators are independent variables.

The major findings show that 74.5% of stakeholders agree with some IASB criteria and 25.5% disagree. The descriptive findings show that Europeans and national accounting standard setters are the most engaged stakeholders in the discussion process.

The multinomial logistic regression determines how particular features affect stakeholder views of the four IASB criteria. Two of the six independent variables analysed do not affect stakeholder opinion. Economic growth and IFRS adoption by all domestic listed companies are these variables. However, the stakeholder's professional activity and country's legal system affect their judgement of the IASB's criteria. Stakeholders from African nations and accounting firms are more likely to support some IASB standards than those from other locations or with different professional activities. Non-common law stakeholders are less likely to agree with the DP's criteria than common law stakeholders.

This study makes two important contributions. This study adds to stakeholder behaviour literature by revealing the factors that influence stakeholders' opinions on the

IASB's early views. This study's findings contribute to BCUCC research. This topic is important to stakeholders' financial statements and the IASB's agenda. The study helps the IASB comprehend stakeholder comments through comment letters to make better standards decisions.

This study's structure: Section 1 reviews BCUCC and stakeholder behaviour research. Section 2 presents research hypotheses. Section 3 describes the sample and technique. Results are analysed and discussed in Section 4. Results are analysed in Section 5. The final section contains conclusions.

2 Literature Review

2.1 Stakeholder participation and accounting standard setting

The global International Accounting Standards Board sets private sector accounting standards. Development of IFRS is structured and regulated. IASB research plans include accounting difficulties and solutions (Ray et al., 2020). After that, the IASB prepares the Discussion Paper (DP) and Exposure Draft (ED), a draft IFRS. In the final two stages, stakeholders may remark often. Voice comments in private meetings with IASB members and staff or comment letters to public requests (Orens et al., 2011). Comment letters are formal IASB stakeholder replies. These letters improve PD/ED accounting.

Written comment letters are interested parties' most conspicuous and accessible form of submission. These entries are often clever and rich, say Stenka and Taylor (2010). Hansen (2011) states that they allow for crucial comments on the economic effects of accounting standard changes or technical obstacles in applying new standards. The IASB needs stakeholder input. Understanding the various viewpoints helps match reported accounting data. It improves financial statement comparison. It increases work acceptance and clarity, enhancing the IASB's worldwide accounting standards setting credibility (Larson, 2007; Visoto et al., 2020).

The literature has long addressed legitimacy theory. The literature frequently cites Suchman (1995), who compared strategic and institutional methods. This is the opinion that an entity's acts are desirable, proper, or appropriate within socially formed standards, values, beliefs, and meanings. The International Accounting Standards Board's due process stakeholder involvement was studied using legitimacy theory by Eisenschmidt and Krasodomska (2017). The authors' geographical investigation found that due process only involves engaged stakeholders. These stakeholders' high-quality opinions legitimise the process. International Financial Reporting-compliant parties are affected by future financial statement standards. If they're not involved in creating the standards, these stakeholders may not approve them, damaging their credibility.

According to Eisenschmidt and Krasodomska (2017), Europe and North America contribute most accounting standards information. They concluded that only five countries significantly influence accounting standard-setting worldwide. Larson (2007)

showed European IASB comment letters predominated. European firms must use IFRS in consolidated reporting, which may explain the high number of submissions. Both studies suggest that include stakeholders from multiple places in standard development boosts regulator credibility and acceptance. In its appropriate procedure, the IASB should seek additional responses.

Stakeholder lobbyists want to influence IFRS development by advising the IASB. Lobbying success and intensity have been studied extensively. Hansen (2011) found that comment letter quality and credibility are positively connected with lobbying, which entails giving information to the International Accounting Standards Board (IASB) to influence future IFRS. Lobbyists' IASB feasibility influence helps them succeed. Influential lobbyists who affect the IASB's economic viability are more likely to change the regulator's attitude, according to Rey et al. (2020).

There is no evidence that lobbyists' home country's IASB board members affect their success. However, research suggests that board members vote against the IASB when the final standard disappoints home nation supporters. It supports the IASB's geographical board member selection policy. This plan aims to strengthen the IASB's global accounting standards authority (Hansen, 2011; Rey et al., 2020).

Chircop and Kiosse (2015) observed that firms wrote lobbying comment letters to manage stakeholder perceptions rather than decrease the proposed standard's impact. Self-interest drives business lobbying, say authors. Kosi and Reither (2014) and Mellado and Parte (2020) found that corporation size, profitability, and past lobbying impact lobbying. The authors argue larger, more profitable corporations lobby more. Companies affected by the proposal lobby more. Corporations driven by their own interests are more inclined to participate in due process when a new standard could affect them. These lobbying study findings support Watts and Zimmerman's (1978) Positive Accounting Theory and Sutton's (1984) Rational Choice Theory. Positive Accounting Theory says stakeholders heavily influence financial accounting rules for economic gain. Before writing a comment letter, the lobbyist considers how the proposed modifications will affect accounting statistics, stakeholders, and participation information prices. Watts & Zimmerman (1978), Stenka & Taylor (2010), Kosi & Reither (2014), Chircop & Kiosse (2015), Rey et al. (2020), and Mellado & Parte (2020) support these elements According to the Rational-Choice Theory, a rational agent will set standards only if projected benefits and costs are directly associated and lobbying will change the norm. Sutton (1984) defines lobbying as organised interest groups' influence on decision-makers. People and organisations supporting or opposing forthcoming legislation are covered.

Bischof (2020) examined politicians' two accounting motives and lobbying. This study confirmed Political Ideology Theory's involvement. The author claims accounting regulation boosts the economy. Public conversation on issues affects politicians' ideology, who use accounting standards to further their goals.

Accounting standards should contain opinions, according to the literature. However, stakeholders' opinions rely on their engagement motivations. The IASB must get restricted data.

2.2 The Case of Business Combinations under Common Control

Business Combinations under Common Control are group mergers and acquisitions controlled by the same party. In a business group where firm P controls companies A and B and company A controls company C, a BCUCC (Business Combination Under Common Control) could develop between C and B, according to Tarca (2021) and the IASB Discussion Paper (DP). B would acquire C, A's former subsidiary, but the parent company would remain unaltered.

IFRS 3, Business Combinations, instructs firms P, A, and C on dealing with acquisitions in their financial statements. This rule does not specify how firm B (the recipient) should offer these combinations, resulting in significant variations. This variant affects the receiving company's asset and liability assessment and financial statement disclosures (IASB, 2020). Since IFRS 3 does not disclose these transactions, the acquirer may apply IAS 8 "Policies, Changes in Accounting Estimates and Error". This requires the receiving company's management to implement a dependable information method. Disclosure diversity is promoted by diverse company methods (Janowicz, 2017).

In February 2020, the IASB observed that 4.5% of 267 BCUCC employed the acquisition method, 1.5% lacked sufficient information, and 94% used the book-value method in various ways. Importantly, acquisition methods recognise assets and liabilities at fair value, while book-value processes keep them at book value (Biancone, 2013; Bradbury, 2021; Tarca, 2021). The IASB defines "book-value method" as all methods except acquisition. The precursor and pooling of interests procedures are covered (IASB, 2020). Although some authors relate these strategies, they are different. The pooling of interests method evaluates assets, liabilities, and equity using individual financial statements. The former method employs consolidated financial accounts (Janowicz, 2021).

The predecessor technique is the most common and successful way for accounting for these transactions in China and Italy, according to Biancone (2013) and Chena et al. (2021). Saving fair value evaluation resources and reducing ambiguity decreases transaction costs and enhances information dependability, but also has drawbacks. Lack of asset exchange value disclosure decreases accounting information comparability (Chena et al., 2021). National regulations should address BCUCC, says Janowicz (2021). Polish companies that implement BCUCC (Business Combinations Under Common Control) legislation provide stakeholders with high-quality financial information, according to the author.

The Discussion Paper offers two potential IASB options. The purchase and book-value methods must follow IASB guidelines. This method meets many stakeholders' comment letter ideas. The book-value technique measures assets and liabilities received using the transferred company's book values, per IASB (2020). This topic has been extensively studied by scientists. Seah-Tan (2021) asserts that the receiving firm would not recognise the controlling party's goodwill and fair value adjustments during the initial acquisition's purchase price allocation if the transferred entity's book values were applied. For more consistent asset and liability assessments, employ the controlling party's book values (Seah-Tan, 2021).

2.3 The solution proposed by the IASB

Lack of accounting guidance causes the acquiring firm's financial statements to present and treat BCUCCs differently. This emphasises accounting standardisation. The International Accounting Standards Board (IASB) encourages IFRS universal adoption to standardise financial language (e.g., Bozkurta et al., 2013). The implementation and interpretation of IFRS has enhanced financial statement transparency, reliability, and comparability worldwide. It has also reduced statement preparation errors and illegalities (Bozkurta et al., 2013).

However, convergence has faults. Comparative studies reveal that the IASB and FASB have converged but diverge. Consolidation procedures and long-standing accounting practices differed, according to Cîrsteaa and Baltariua (2013). According to Hughesa et al. (2017), stakeholder groups send different comment letters (CLs) to boards. The FASB receives most comments letters (CLs) from US-listed firms. The International Accounting Standards Board (IASB) receives CLs from several stakeholders, focusing on European CLs. The two entities cannot converge because stakeholder groups have different perspectives. Financial records from each company show this divergence. Presenters claim excessive production of unnecessary content encourages omission of relevant information. Thus, disclosure requirements must be changed to enable preparers discern significant accounting processes and improve company information (Abad et al., 2020; Sahaa, 2021).

Harmonisation and convergence require increased collaboration, particularly among accounting and auditing specialists. Institutional knowledge sharing should also expand (Bozkurta et al., 2013). Standardisation in accounting is important for financial account comparability. Comparable financial statements improve target assessment and acquisition-investment decisions, according to Chen et al. (2018). Thus, businesses must constantly improve this technique to improve accounting openness, dependability, and comparability.

The IASB has initiated a research project to address the diversity in accounting for BCUCC caused by the gap in IFRS 3 "Business Combinations". The goal is to develop reporting requirements that will enhance transparency and comparability in financial statements. The research led to the issuance of the Discussion Paper "Business Combinations under Common Control" in November 2020. This article presents a decision tree that outlines four criteria for determining the most suitable approach for accounting for these combinations. Figure 1 provides a visual representation of these criteria.

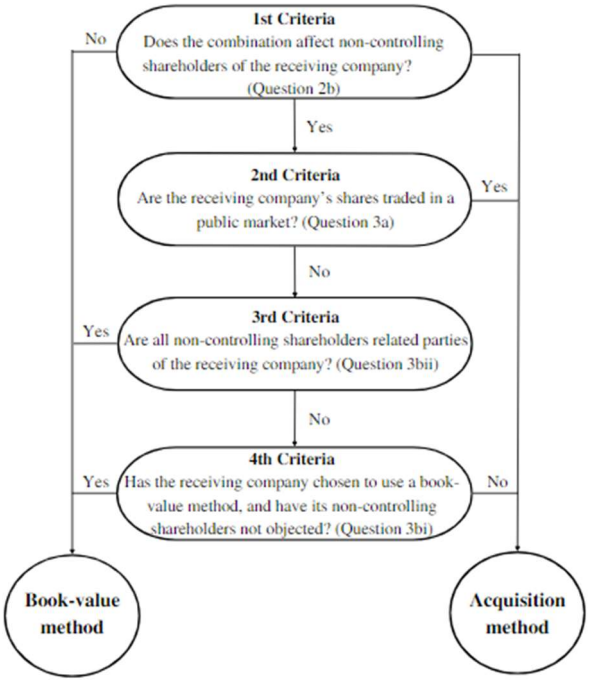


Figure 1. Summary of IASB´s preliminary views.

The IASB's first criterion stipulates that the book-value technique should be automatically implemented if a business combination under common control (BCUCC) does not affect non-controlling interests (NCI). If it affects NCI (non-controlling interest), the IASB (International Accounting Standards Board) deems this BCUCC (Business Combination Under Common Control) a business combination between unrelated parties under IFRS 3. Consider the following criteria in such circumstances. If the beneficiary firm has publicly traded shares, Non-Controlling Interest (NCI) is likely to be substantial. The acquisition method's benefits outweigh the company's costs in determining its assets and liabilities' fair value. The corporation should use acquisition. The acquisition strategy may not be worth the expense if the receiving firm is privately owned because the Non-controlling Interest (NCI) may be less essential. Consider alternate criteria in such circumstances. The IASB's third criterion addresses firms' arbitrary manipulation of transactions to gain the appropriate accounting treatment. If all non-controlling interests (NCI) are with the receiving firm, use book-value. Alternatively, apply these conditions. The fourth requirement allows a private receiving firm in a BCUCC that has affected NCI but not all associated parties to use the book-value approach. This is only possible if the firm informs all NCI and they do not protest. The firm must use the acquisition method defined by the International Accounting

Standards Board (IASB) in 2020 and Tarca in 2021 if any Non-Controlling Interest (NCI) disagrees.

Feedback letters from stakeholders confirm or disagree with the IASB's early criterion assessments.

3 Research hypothesis

IASB Exposure Draft input summaries are routinely posted on its website. IASB (2013) and IASB (2014) summarise comment letters by geographic origin and respondent type. Previous research frequently analyses stakeholder behaviour using country or area characteristics. Larson (2007), Jorissen et al. (2013), Eisenschmidt & Krasodomska (2017), and Hughes (2017) are examples. These studies focus on how stakeholder country/region affects comment letter submission. Most stakeholders who submit comment letters are from Europe and North America. There is little discussion about their agreement with the proposals. Hughes et al. (2017) found that stakeholder interest group and geographical location consistently affect agreement rates for suggested improvements. According to Hughes et al. (2017), this study's main goal is to determine if a comment letter's geographical origin predicts agreement with IASB's new BCUCC processes. Hypothesis 1 is expressed as follows, without implying any positive or negative relationship:

H1: The geographic origin of the respondent of the comment letter can be used to forecast the extent to which they agree with the BCUCC proposals.

Prior research has demonstrated that stakeholders most affected by a project or standard are more likely to agree with IASB preliminary opinions (Visoto et al., 2020). These groups also disagree (Hughes et al., 2017). Accounting bodies and corporations offer global comment letters, according to literature (Larson, 2007; Hughes et al., 2017). BCUCC provides no proof. These two factors determine whether heightened BCUCC regulation, which reduces variety, can forecast stakeholder agreement with new processes. No positive or negative relationship is implied by Hypothesis 2:

H2: The amount of agreement with the BCUCC proposals can be predicted based on the professional kind of stakeholder who responds to the feedback letter.

GDP growth is linked to stakeholder feedback letters. Dobler & Knospe (2016) and Eisenschmidt & Krasodomska (2017) identified this relationship. No research supports the same findings about how economic growth affects stakeholders' agreement or disagreement with the IASB's first perspectives. Exports can effect a nation's economic growth. Since it boosts global competitiveness and productivity, Hesse (2008) and Iqbal et al. (2012) have called this measure an economic growth accelerator. This study analyses GDP and exports to assess economic development. H3 I defined as:

H3: The economic progress of the country, as indicated by the recipient of the comment letter, can be used to anticipate the extent of agreement with the BCUCC proposals.

A nation's legal framework and mandated IFRS implementation have been investigated as variables in stakeholder participation. Previous research supports these two concepts. In International Accounting Standards Board projects, stakeholders from nations that use IFRS in financial statements are likely to increase. Accounting policies directly impact residents in different countries. We then test the next hypothesis:

H4: The legal system of the country where the respondent of the comment letter is located can be used to forecast their level of agreement with the BCUCC proposals.

The accounting profession impacts common law accounting standards, unlike code law countries. Thus, IASB projects should involve more common law stakeholders (Eisenschmidt & Krasodomska, 2017).The accounting profession impacts common law accounting standards, unlike code law countries. Thus, IASB projects should involve more common law stakeholders (Eisenschmidt & Krasodomska, 2017). Thus, the fourth hypothesis is:

H5: The mandatory adoption of International Financial Reporting Standards (IFRS) in the respondent's country, as indicated in the comment letter, is indicative of the extent to which they agree with the BCUCC proposals.

4 Methodology

This study examines characteristics that may accurately forecast the possibility of agreeing with the International Accounting Standards Board (IASB)'s first viewpoints in the Discussion Paper (DP) "Business Combination under Common Control" to achieve its goal. This DP allows the IASB to investigate ways to fix IFRS 3's BCUCC accounting treatment issue. So, the IASB devised four criteria in a decision tree to decide whether to apply the acquisition method or the book-value method for accounting in certain situations. The IASB requested stakeholders to write comment letters on the criterion, stating their agreement or disagreement.

This study investigates whether the respondent's geographical origin, kind, economic development, legal origin, and required adoption of IFRS can predict or impact IASB compliance. Two methods are used: a) Data was collected by carefully reading all comment messages using content analysis. Gathering variables, categorising replies, and creating agreement categories were required. b) SPSS was used to evaluate the data in the quantitative study. This required descriptive statistics and a research-type-appropriate regression model.

4.1 Sample and data

The initial sample consists of 102 comment letters submitted by stakeholders as part of the DP published by the IASB in November 2020. These comment letters are freely accessible on the IFRS Foundation website. This study builds upon previous research that also utilised comment letters to examine stakeholder behaviour (Larson, 2007; Hansen, 2011; Chircop & Kiosse, 2015; Eisenschmidt & Krasodomska, 2017; Visoto et al., 2020; Mellado & Parte, 2020). Four comment letters were excluded from the sample due to either the inability to determine the stakeholder's country of origin or the presence of irrelevant information in relation to the context. The final sample comprises a total of 98 comment letters.

As the purpose of this study is to examine the factors that influence a stakeholder's agreement with the four criteria outlined in the IASB's preliminary views, only the responses to the questions that express the stakeholder's opinion on these criteria are analysed. Thus, this study only considers the responses to questions 2, 3a, 3bi, and 3bii from the DP.

4.2 Dependent variable

Previous research commonly employs binary dependent variables to examine stakeholder behaviour, as demonstrated by Hansen (2011), Chircop and Kiosse (2015), and Rey et al. (2020). However, this study establishes a dependent variable with three categories to determine the various elements that influence stakeholders' opinions on the four criteria set by the IASB. The opinion is categorised into three distinct categories: (0) Dissenting stakeholders who do not concur with any of the criteria established by the IASB; (1) Partially concurring stakeholders who agree with some of the criteria provided by the IASB, but not with all of them; (2) Concurring stakeholders who agree with all four criteria issued by the IASB. The dependent variable, Opinion, can take on the values 0, 1, or 2, based on the stance given by the stakeholder in the comment letter. This classification is manually performed by analysing the content of all the comment letters submitted.

4.3 Independent variables

Six independent variables are used to determine the dependent variable's categories' factors. The IASB launched the DP in 2020, hence the research focuses on that year.

Based on previous literature (Larson, 2017; Hughes et al., 2017), Region is specified to test study hypothesis H1. Stakeholder comment letter submitters' nationalities were used to collect data. The variable "Region" was created by categorising these letters into geographic regions.

To explore H2 and how a stakeholder's professional activity affects their view, we define "Activity" (Larson, 2007; Hughes et al., 2017; Visoto, 2020). Initially, comment

letters identified the stakeholders' professional duties, which the IASB then classified as accountancy body, accounting firm, national standard-setter, preparers, regulators, and users. Academics and individuals, which the IASB uses, were blended into users due to the small sample size.

Two macroeconomic variables are defined to examine how a nation's wealth affects stakeholder choices (H3). Previous research (Dobler & Knospe, 2016; Eisenschmidt & Krasodomska, 2017) have shown that GDP can be used to assess a nation's economic advancement. However, the GDP per Capita—the average value calculated by dividing GDP by population—provides more accurate wealth statistics. Monetary export value is the second macroeconomic variable. This indicator shows a nation's global competitiveness, which helps measure economic progress. The World Bank website provides GDP per capita and export data (World Bank, 2020). US dollars represent values.

The stakeholder's country's legal system was assessed, yielding a binary variable. Choi and Meer's (2014) classification, which has shaped accounting thinking for 25 years (Eisenschmidt & Krasodomska, 2017), is lawful. For non-listed countries, the CIA World Fact Book is used. The number received determines CL classification: 1 if stakeholders are from a common law jurisdiction, 0 otherwise.

The variable IFRS_Mandatory examines the association between the stakeholder's assessment of the International Accounting Standards Board's (IASB) initial positions and the necessity of adopting IFRS in their country. Studies by Dobler & Knospe (2016) and Eisenschmidt & Krasodomska (2017) inform this analysis. The data from iasplus.com only considered the necessity to use IFRS in all publicly traded domestic enterprises. This produced a binary variable that is 1 if there is no duty and 0 otherwise.

4.4 Research model

A dependent variable in this study can be divided into three groups. For dependent variables with more than two categories, multinomial logistic regression is the most accurate model (Quagli & Avallone, 2010; Clark et al., 2019; Miranda et al., 2021). The goal of this model is to determine if independent variables affect dependent variable selection. This function references one category. Since the stakeholder's opinion on the four IASB criteria is the dependent variable, the reference category is the first category, which is when the stakeholder disagrees. By doing so, we can understand why stakeholders support or oppose IASB standards. The logit function was plotted next:

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

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).

Nominal qualitative independent variables like Region, Activity, Legal, and IFRS_Mandatory must be translated to discrete quantitative ones in this study. Codes each qualitative variable category numerically. The Region variable is: Africa is 1, Asia/Oceania 2, Europe 3, North America 4, and South America 5. Professional activity of the stakeholder: Accounting firms fall into six categories: 1) Accounting bodies, 2) Firms, 3) National standard setter, 4) Preparer, 5) Regulator, and 6) User. Classifying Legal and IFRS_Mandatory is simple because they are binary variables. If the stakeholder is from a common law country, Legal is 1; otherwise, 0. Not mandatory IFRS_Mandatory is 1; mandatory is 0.

5 Results and discussion

5.1 Descriptives

Table 1 demonstrates that 25 of 98 comment letters entirely disagreed with IASB standards. Stakeholders agreed with certain IASB criteria in 39 letters and all in 34. Most stakeholders support the criteria, however many disagree with the IASB's early assessments.

Table 1. Classification of Stakeholder's Opinion.

Dependent Variable' Category	# of Comment Letters	% 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%

Based Table 2 shows that 39.8% of CLs came from European stakeholders and 34.7% from Asia/Oceania. Previous research (Jorissen, et al., 2013; Eisenschmidt &

Krasodomska, 2017; Hughes, 2017; Rey, 2020) has identified low engagement rates in Africa and South America, 5.1% and 10.2%, respectively. Due to the majority of impoverished countries in these two regions, resources are scarce. Despite predictions (Jorissen, et al., 2013; Eisenschmidt & Krasodomska, 2017; Hughes et al., 2017; Rey et al., 2020), North American stakeholders only contributed 10.2%.

Table 2. Classification of Stakeholder's Region.

Region	# of Comment Letters	% of the Total Comment Letters
1 = Africa	5	5.1%
2 = Asia/Oceania	34	34.7%
3 = Europe	39	39.8%
4 = North America	10	10.2%
5 = South America	10	10.2%

Final study examines the CL's variety based on stakeholders' professional activities. National standard-setters had the highest stakeholder participation rate (27.6%) in Table 3. Preparers and accountancy bodies followed closely with 21.4% and 20.4% involvement. Contrary to previous research (Larson, 2007; Eisenschmidt & Krasodomska, 2017), regulators participated least in the IASB initiative.

Table 3. Classification of Stakeholder's Group.

Activity	# of Comment Letters	% of the Total Comment Letters
1 = Accountancy Body	20	20.4%
2 = Accounting Firm	9	9.2%
3 = National Standard-Setter	27	27.6%
4 = Preparer	21	21.4%
5 = Regulator	7	7.1%

5.2 Multinomial Logistic Regression Analysis

To determine if the independent variables are unrelated, we perform a multicollinearity analysis before multinomial logistic regression. The correlation matrix and Variance Inflation Factor (VIF) are explored to attain this goal. Table 4 shows that the variables are unrelated because the collinearity tolerance values exceed 0.1 and the VIF values are less than 10. The various independent variables add unique information to the model, making it more complete.

Table 4. Multicollinearity Analysis.

Independent Variable	Tolerance	VIF
Region	0.948	1.055
Activity	0.941	1.062
GDPperCapita	0.819	1.222
Exports	0.982	1.018
Legal	0.806	1.240
IFRS_Mandatory	0.912	1.096

Since multicollinearity analysis shows no link between independent variables, we perform multinomial logistic regression. Model adequacy is assessed using the -2 log likelihood ratio test. It compares the intercept model (a model without independent variables) against the proposed model to evaluate if adding independent factors improves it. The independent variables increase the model's quality, as seen in Table 5. Specifically, -2 log drops from 189.061 to 130.759.

Table 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

To assess the overall impact of the independent variables on the dependent variable (Stakeholder's opinion), we conduct an analysis of Table 6. The given results indicate that the independent variables Activity and Legal have a statistically significant effect at a significance level of 0.05 ($p<0.05$). These variables have a significant impact on the model and strongly influence the stakeholder's perspective on the four criteria for regulating BCUCC. Additionally, it can be inferred that the other independent variables do not make a substantial impact on the model, as their p-values are greater than 0.05.

Table 7 gives the estimated coefficients for multinomial logistic regression models in column β (Beta). This coefficient shows whether an independent variable affects a dependent variable category. In this scenario, Wald test value-p is crucial. A value-p less than 0.05 indicates that the independent variable affects the dependent variable's category.

The odds ratios for the predictors are also displayed in Table 7 under the column labelled Exp(β). This indicator enables the calculation of the likelihood of a specific category of the dependent variable occurring, rather than the reference category, for each independent variable. It is important to mention that the odds ratio takes on the

value of 1 when there is no impact of the independent variable on the dependent variable, specifically when the value of β is 0.

Table 6. Independent Variables Influence on the Dependent Variable.

Model	Likelihood Ratio Tests		
	Chi-Square	df	Sig.
Intercept	.000	0	.
GDPperCapita	2.871	2	.238
Exports	3.566	2	.168
Region	9.210	8	.325
Activity	28.533	10	.001
Legal	9.63.2	2	.008
IFRS_Mandatory	.042	2	.979

Examining the dependent variable category 1, which represents stakeholders who agree with some of the established criteria, three situations can be identified where the independent variable is statistically significant at a 0.05 level (Sig<0.05). These situations occur when the variable Region is equal to 1, indicating African countries (p<0.001), when the variable Activity is equal to 1, indicating accountancy bodies (p=0.018), and when the variable Legal is equal to 0, indicating legal systems other than common law (p=0.045).

Variable Region=1 has a positive coefficient of 19,990. This shows that African stakeholders are more likely to agree with certain criteria than all. The variable "Activity" has a positive coefficient of 3,550, suggesting that accountancy bodies are more likely to agree with IASB requirements. The variable has 34,806 odds. Data indicates that accountancy bodies are 35 times more likely to agree with IASB criteria than users (β = 0^b). For Legal=0, the regression coefficient is -2,560 and the odds ratio is 0,077. Thus, stakeholders from non-common law nations are 92.3% less likely to agree with IASB criteria than stakeholders from common law states.

On the other hand, for dependent variable' category 2 (Stakeholders who agree with all the criteria established), the multinomial logistic regression reveals that only the variable Legal when assuming the value 0, referring to legal systems other than common law, is statistically significant at a 0.05 level (0,009). Again, the regression coefficient is negative (-3,416) and the odd ratio is 0,033, which means that a stakeholder from a country with a legal system other than a common law system has 0,033 times less probability to agree with all of the criteria established by the IASB in comparison to a stakeholder of a common law country.

One variable has a significant influence at a significance level of 0.10 (Sig<0.10). Activity is considerable at 1 (0.100), 3 (0.092), or 4 (0.076). Activity=1 (Accountancy bodies) and Activity=3 (National standard-setters) had positive regression coefficients. The odd ratios for Activity=1 and Activity=3 are 9,784 and 5,984. At a significance level of 0.10, accountancy bodies and national standard-setters have a 10 times and 6

times better probability of meeting all IASB criteria, respectively, relative to the system's reference category (β = 0^b). For Activity=4 (Preparers), the regression coefficient is negative and the odds ratio is 0.093. Preparers had a 0.093 times lower likelihood of meeting IASB standards compared to consumers, the reference category chosen by the algorithm (β = 0^b).

Region significantly affects stakeholder perspectives, but only for category 1 of the dependent variable. Africa may also agree more with IASB criteria than other regions. Visoto (2020) determined that the IASB is becoming a global accounting standard setter. The data also suggest African stakeholders may adopt IFRS accounting. Research is needed to confirm this. Results suggest European and North American stakeholders don't agree with IASB's early assessments. These findings contradict Larson (2007) by suggesting accounting norms affect European and North American stakeholders. Because they face more IFRS financial statement requirements. This suggests these stakeholders should support the IASB more. Future research could determine these findings' reasons. Results reject research hypothesis H1.

According to research hypothesis H2, accountancy bodies are more likely than other professional activities to agree with IASB criteria. These findings confirm Hughes et al. (2017) because these experts regularly use accounting rules to prepare financial accounts, therefore their opinion should match the standard-setter. Accounting firms' professional activity does not affect stakeholders' opinions. Thus, study hypothesis H2 is not completely rejected.

About study hypothesis H3, statistical analysis shows that the country's GDP per capita and export value did not affect stakeholders' opinions during the debate period. Research hypothesis H3 is rejected. This contradicts Dobler & Knospe (2016) and Eisenschmidt & Krasodomska (2017), which show that GDP affects stakeholder involvement. Accounting standards affect financial statement preparation and intercompany transactions, regardless of country wealth, limiting stakeholders' influence.

Research hypothesis H4 shows that stakeholders from countries with legal systems other than common law are more likely to disagree with IASB standards. Similar findings were found by Eisenschmidt & Krasodomska (2017), who linked stakeholder involvement in these deliberations to their home country's legal system. Thus, this research hypothesis is supported by the stakeholder's country's legal system influencing their perspective.

In contrast to Eisenschmidt & Krasodomska (2017), the mandatory adoption of IFRS in all publicly traded domestic enterprises does not alter stakeholder opinion. These findings contradict the expectation that stakeholders required to apply IFRS in their financial statements and most affected by the IASB's decisions would agree more with this regulating body. This standard's criteria can be concerning if not met.

Table 7. Parameter Estimates.

			β	Std. Error	Wald	Sig.
1 → Stake-holders who agree with some criteria		Intercept	-1.479	1.961	.569	.451
		GDPperCapita	.000	.000	.072	.788
		Exports	.000	.000	.243	.622
		Region = 1	19.990	1.675	142.487	<.001
		Region = 2	2.031	1.475	1.896	.169
		Region = 3	2.885	1.733	2.771	.096
		Region = 4	1.592	2.320	.471	.493
		Region = 5	0^b	.	.	.
		Activity = 1	3.550	1.496	5.632	.018
		Activity = 2	2.144	1.851	1.341	.247
		Activity = 3	3.401	1.227	7.679	.006
		Activity = 4	.559	1.250	.200	.655
		Activity = 5	2.905	1.657	3.074	.080
		Activity = 6	0^b	.	.	.
		Legal = 0	-2.560	1.276	4.024	.045
		Legal = 1	0^b	.	.	.
	IFRS_Mandatory = 0		-.190	.933	.041	.839
	IFRS_Mandatory = 1		0^b	.	.	.
2 → Stake-holders who agree with some criteria		Intercept	2.162	1.717	1.585	.208
		GDPperCapita	.000	.000	.628	.428
		Exports	.000	.000	.337	.562
		Region = 1	20.028	.000	.	.
		Region = 2	.704	1.231	.327	.567
		Region = 3	2.608	1.590	2.692	.101
		Region = 4	-.182	2.296	.006	.937
		Region = 5	0^b	.	.	.
		Activity = 1	2.281	1.386	2.709	.100
		Activity = 2	.276	1.795	.024	.878
		Activity = 3	1.789	1.076	2.769	.096
		Activity = 4	-2.379	1.320	3.246	.072
		Activity = 5	1.332	1.531	.757	.384
		Activity = 6	0^b	.	.	.
		Legal = 0	-3.416	1.312	6.779	.009
		Legal = 1	0^b	.	.	.
	IFRS_Mandatory = 0		-.126	.955	.018	.895
	IFRS_Mandatory = 1		0^b	.	.	.

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

b. This parameter is set to zero because it is redundant.

6. Final remarks

The aim of this study is to determine the factors that influence a stakeholder's agreement with the criteria presented by IASB in the Discussion Paper titled "Business Combination under Common Control". A sample of 102 comment letters is analysed using two methodologies. The first step requires conducting content analysis, which entails extracting all relevant data from the comment messages. The second entails the use of quantitative analysis, notably employing multinomial logistic regression.

While the majority of stakeholders support some or all of the criteria set by the IASB, 25.5% of the stakeholders do not agree with any of the criteria. Considering the significance of legitimacy for IASB as examined in the literature review, it is crucial for the organisation to examine the fundamental reasons behind stakeholders' opposition to the set criteria. The IASB should aim to establish a consensus among the scientific community by developing extra resources that promote scholarly discussion on this matter. From an alternative perspective, the descriptive data validate the previous literature (e.g. Larson, 2007) that demonstrates Europeans as the primary stakeholders who have sent the highest number of comment letters in response to the DP published by the IASB. The findings also indicate that the national standard setters exhibit the highest degree of involvement, which contradicts prior research (e.g. Larson, 2007; Eisenschmidt & Krasodomska, 2017) where regulators were identified as the least engaged in composing comment letters. The results also suggest that the perspective of stakeholders is influenced by both their professional employment and the legal framework of their country of origin. In contrast, the stakeholder's viewpoint remains unaltered by the economic progress of the country, as evidenced by its GDP and value of exports, as well as the mandatory use IFRS standards in publicly traded domestic companies. The variable region exhibits statistical significance only when stakeholders agree with some, but not all, of the criteria proposed by the IASB. Specifically, the research indicates that stakeholders in African countries are inclined to endorse certain, but not all, of the standards set by the IASB in comparison to stakeholders in other regions. Accountancy bodies possess comparable characteristics to other professional pursuits. Moreover, the regression analysis reveals that stakeholders from non-common law countries are less like to agree with one or more of the defined criteria in the DP, in contrast to stakeholders from common law nations.

An important aspect of studying stakeholder behaviour is understanding the motives behind why some stakeholders support particular or all of the criteria set by the IASB, while others do not support any criteria. While there is ample research on stakeholder conduct and characteristics, there is a dearth of authors who analyse the determinants of stakeholder consensus or divergence from the initial viewpoints of IASB. Like other research, this one has limitations, such as categorization. Identifying the factors that impact stakeholders' viewpoints is a means of verifying the accuracy of the

information supplied to the IASB. It allows us to recognise that certain inputs are influenced by external factors and helps in developing accounting solutions that may successfully address these external impacts. This study is crucial as it establishes the foundation for future investigations on supplementary elements that impact stakeholder behaviour, as well as strategies to address these concerns.

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