

The Relevance of International Accounting Standards for Developing Countries: The Case of IAS 41 in Thailand

**Lapinee Dhasanapongsakul *K*
BSc., MSc.**

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**Department of Accounting and Finance
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ABSTRACT

This thesis reports a study of the relevance of international accounting standards for developing countries by investigating the introduction of IAS 41 (Agriculture) in Thailand. Thailand has a deep involvement in the international standard setting process, particularly in working on E65. Agriculture is a significant part of the Thai economy.

Theories of standard setting are examined in this thesis; namely the political nature of standard setting, the theory of economic and financial consequences, agency theory and institutional legitimacy theory. Theoretical considerations and particular institutional characteristics of Thailand are applied to formulate hypotheses for testing and to indicate exploratory issues having no prior expectation.

The contribution to knowledge is: (1) to contribute to the literature on international accounting harmonisation by examining the processes that make IASs relevant to developing countries, using the case of IAS 41 in Thailand; (2) to contribute to a more comprehensive understanding of factors influencing the extent of adopting IASs in a developing country; and (3) to contribute to the exploration of the relative applicability of standard setting theories in relation to international accounting standards and a developing country.

This study uses three research methods to allow triangulation of results: (1) it examines lobbying of the IASC to investigate the involvement of developing countries in setting IASs and it applies survey research obtained from (2) interviews and (3) questionnaires sent to those involved in setting Thai accounting standards and in using financial reports.

Key findings are: The political nature of standard setting and the nature of economic and financial consequences provide the dominant theoretical framework to explain the reported results. Developing countries are less effective in lobbying than are developed countries and self-interest is a strong factor. The thesis reports the tensions and dilemmas facing a national standard setter wishing to harmonise with international standard setting, whilst also having regard local needs.

ABBREVIATIONS

AASB	Australian Accounting Standards Board
AARF	Australian Accounting Research Foundation
AFA	ASEAN Federation of Accountants
AFET	Agricultural Futures Exchange of Thailand
ASEAN	Association of South East Asia Nations
BA	Biological Asset
BOT	Bank of Thailand
BSAP	Board of Supervision of Auditing Practices
DBD	Department of Business Development
DSOP	Draft Statement of Principles
EEC	European Economic Community
EU	European Union
FASB	Financial Accounting Standards Board
G100	Group of 100
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAAT	Institute of Certified Accountants and Auditors of Thailand
ICANZ	Institute of Chartered Accountants in New Zealand
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
LOT	Letter of Intent
MOC	Ministry of Commerce
MOF	Ministry of Finance
OAE	Office of Agricultural Economic
OECD	Organisation for Economic Co-operations and Development
SEC/T	Securities and Exchange Commission/ of Thailand
SET	Securities Exchange of Thailand
TAS	Thai Accounting Standard

CHAPTER 1

1. Introduction, objectives and organisation of the thesis

1.1 Introduction

The forces of globalisation in trade and commerce, stock market trading and investment make much of the work of setting international accounting standards eminently important. The international accounting standards have been adopted by a considerable increasing number of professional accounting bodies in developing countries (Chamisa, 2000). Further, the question of the relevance of international accounting standards to developing countries has aroused considerable interest, notably among academic accountants (Samuels and Oliga, 1982; Hove, 1986, Perera, 1989; Larson, 1993). However, there are aspects of the harmonisation drive and process which raise concerns, especially with regard to developing countries and others outside the small core group of founder countries which have effectively controlled the agenda of setting international accounting standards until 2000. International accounting standards have been very closely dominated by a small number of what can be termed 'core countries', in almost every respect - numbers, voting power, senior officers, and, arguably, culturally and politically (Kapaya, 1995; Nobes, 1991). These studies display some concerns about the relevance of international accounting standards to developing countries. However, relatively little attention has been directed at ascertaining how international accounting standards have been made relevant to developing countries by examining the due process of international accounting standard-setting.

In this area of research, there is increasing attention paid to the political aspects and processes involved in setting international accounting standards (Rees, 2002). Lobbying of the standard setter has been studied (for example, Kenny and Larson, 1993; 1995, MacArthur, 1996; Larson and Brown, 2001; Brown and Tarca, 2001). Prior lobbying studies led to general conclusions about the motivation for lobbying standard setter and the constituent participation but they did not make a strong linkage relating to the relevance of IASs to developing countries. Theories of accounting standard setting have been employed. These theories are the political

nature of accounting standard setting, economic consequences and financial consequences, institutional legitimacy theory and agency theory. Other issues are raised in the international literature (for example, Anglo-American accounting influence, harmonisation of accounting standards), cultural studies and others concentrating on accounting education, the accounting profession, economic development to achieve an understanding of a national accounting environment.

The former international accounting standard-setter, the International Accounting Standards Committee (IASC) aimed to develop a set of universally accepted accounting standards for both domestic and cross-border financial reporting in order to satisfy demands for greater efficiency in global capital markets (IASC, 1994). The IASC was challenged continually to assess the relevance of its objectives, structure and process in the context of the international arena (Wallace, 1990b). During the period of this doctoral study, the process of setting international accounting standards was restructured in an attempt to enhance its legitimacy, and the International Accounting Standards Board (IASB) came into existence. As a result of this restructuring, the IASC constitution was revised and a Board of Trustees was appointed. The process of setting international accounting standards has continued with broadly the same consultation exercise. This research relates to the final standard issued by the former IASC. It investigates in particular the process used in setting that standard. To the extent that the IASB has continued the processes used by the IASC, the findings of this research have direct relevance. More generally, the findings offer insight into any process of international setting of standards.

This chapter is organised as follows. Section 1.2 provides an important terminology for understanding this study. The motivation for this study is described in 1.3. Section 1.4 outlines the general objectives of the study. Specific objectives are presented in 1.5. Research questions are reported in 1.6. Section 1.7 contains a summary of the research methods used. The contributions of this research study are outlined in 1.8. Finally, the organisation of the thesis is presented in 1.9.

1.2 Terminology

1.2.1 IASC/ IASB

In the thesis the use of 'IASC' is applied in the specific discussion of the case investigated. Where more general statements are made about future direction of standard setting, 'IASB' is used.

1.2.2 IAS/IFRS

The IASB replaced the IASC in 2001. Since then, the IASB has amended some IASs, proposed replacement of some IASs with new International Financial Reporting Standards (IFRSs), and certain new IFRS on topics for which there is no previous IAS. In this thesis, the use of 'IAS' is applied to standards existing with that title in the period of the study. Where more general statements are made about the future, 'IFRS' is used, following the convention of IAS 1 (revised 2003, see chapter 4).

1.3 Motivation

This section explains motivation in choosing Thailand and in using method of investigation. The adoption or adaptation of IASs is believed to be a less costly route and consumes less time for developing countries than preparing their own standards (Nobes and Parker, 2000). Amenkhienan (1986) indicated that the adoption of IASs is one of strategies for the standard setting process in developing countries. Belkaoui (1994) suggested that the best strategy available for developing countries is either joining the IASC or the other international standards setting bodies, and adopting their complete set of pronouncements. Adopting IASs has been suggested to provide an appropriate accounting system to facilitate the growth of capital markets and promote economic development (Belkaoui, 1988). However, Hove (1989), Perera (1989a), Briston (1990), and Larson (1993) argued that the strict adoption of IASs might be harmful to developing countries because the IASC mainly focused on developed countries' environments, cultures and needs when it promulgated standards, which differed from those of developing countries (Larson, 1993). Thailand was chosen as a case study because it uses IASs as a basis for setting Thai accounting standards and adapting them to the local accounting environment (ICAAAT, 2002). In addition, Thailand has been deeply involved in the international

standard setting process, in particular, work on IASC E65. There were two Thai representatives on the IAC E65 steering committees. Moreover, agriculture is a significant part of the Thai economy, so using IAS 41 as a case study will provide useful information when examining the process of making this IAS relevant to developing countries. IAS 41 introduces fair value for measuring agricultural assets. However, the problem in a developing or immature market is that the market price level is not readily ascertainable (Praditsmanont, 2002). These issues will be explored further in this thesis. It is also interesting to investigate why Thailand did not adopt IASs wholesale as some other developing countries did. Thai accounting standards are a mixture of US GAAP (Generally Accepted Accounting Principles) and IASs. The national study is motivated in order to increase understanding of the relevance of IASs to a developing country. Using IAS 41 as a case study, this will provide further insight into IAS 41's relevance to Thailand. This study framework can also be used to examine the relevance of IASs to other developing countries.

Saudagaran and Meek (1997) suggested that most descriptive investigative work had focused on developed nations, and additional research addressing developing countries was needed. Whether the greater portion of existing studies is purely descriptive or not, it has served to increase the breadth of international accounting research and provide data upon which generalisable theory can be based (Carlson, 1997b). Watty and Carlson (1998) pointed to the paucity of studies critically exploring the process of adopting IASs in developing countries and called for further country-specific research in this area. The need for research at a national-specific level was also highlighted by Dahawy *et al.* (2002). There is not only a need to study the perception of people in the particular country, but also a need to understand the role and participation of developing countries during the due process of setting accounting standard which these standards will be developed as their own standards.

This study examines lobbying of the IASC in an attempt to investigate the involvement of developing countries in setting IASs. This includes examining the extent to which comments from developing countries have been considered in the final standard. These provide an overall picture of whether the needs of developing countries were matched with the final standard by the IASC.

1.4 General objectives

The objective of this research study is to make a contribution to knowledge in three main areas as follows.

1.4.1 Contribution to the debate on adopting IASs in a developing country and in a particular industry (General Objective 1)

To contribute to the literature on international accounting, this study examines the processes that make IASs relevant to developing countries, using the case of IAS 41 in Thailand.

1.4.2 Contribution to a more comprehensive understanding of factors influencing the extent of adopting IASs in a developing country (General Objective 2)

To contribute to a more comprehensive understanding of factors influencing the extent of adopting IASs in a developing country, Thailand was used as a case study for the exploration.

1.4.3 Contribution to the exploration of the relative applicability of standard-setting theories in relation to IASs and a developing country (General Objective 3)

Theories of standard setting have been used in prior studies. Most of them used one or two theories in explaining the process of setting accounting standards, this study's third objective is to contribute to the exploration of the relative applicability of these theories in relation to setting the accounting standard in Thailand.

1.5 Specific objectives

The specific research objectives aim to help achieve the aforementioned general objectives. The specific objectives are categorised into two levels: Thailand objectives and agricultural objectives. These objectives aim to assess the relevance of IASs to developing countries, factors influencing the extent of incorporating IASs in Thai accounting standards, and the relative applicability of standard setting theories.

1.5.1 Thailand objectives

The Thailand objectives of this study are as follows:

TO₁: To evaluate the relevance of IASs to Thailand.

TO₂: To investigate factors influencing the extent of incorporating IASs in Thai accounting standards.

TO₃: To explore the perceptions of participants in setting accounting standards regarding to the adoption of IASs in Thai accounting standards in order to provide further insights into the relevance of IASs to developing countries.

1.5.2 Agricultural objectives

Agricultural objectives of this study are as follows:

AO₁: To evaluate the relevance of IAS 41 and its applicability in the context of Thailand.

AO₂: To investigate influential factors to be considered in adopting IAS 41 in Thailand.

AO₃: To explore the perceptions of participants towards the accounting standard for agriculture in matters of accounting measurement and disclosure in order to provide further insights into the relevance of IAS 41 to Thailand.

1.6 Research Questions

The three general research objectives, reported in 1.4, are employed here to form three general research questions. The research questions can be separated into two main groups: those which lead to hypotheses for testing and those which are descriptive or exploratory questions (no prior expectation). A full presentation of the hypotheses is to be found in chapter 5, section 5.2.

1.6.1 Research questions for hypothesis testing

The research questions of this study are as follows:

GQ_{1a}: How relevant are IASs to developing countries, in particular the case of accounting for agriculture and the situation in Thailand?

GQ_{1b}: What is the extent of developing countries' influence on the international accounting standard setting process?

GQ₂: What factors influence the extent of adopting IASs in developing countries?

GQ₃: What are the standard setting theories that may be applicable to a developing country in forming expectations about setting an accounting standard incorporating IASs?

TQ₁: How relevant are IASs to Thailand?

TQ₂: What factors influence the extent of adopting IAS in Thailand?

TQ₃: What factors move Thailand towards adopting IASs?

TQ₄: What factors influence the extent of compliance with adopted accounting standards?

1.6.2 Research questions for exploratory testing

AQ₁: How relevant is IAS 41 to Thailand?

AQ₂: What is the attitude to changing current accounting practice in agriculture in Thailand?

AQ₃: What factors influence the extent of adopting IAS 41 in Thailand?

1.7 Summary of research methods

This study uses three research methods. These are: the primary sources of comment letters on IASC E65 available on the IASB's website and survey research obtained from interviews and questionnaires sent to people involved in setting Thai accounting standards and in using the financial reports. The combination of these different methods forms a triangulation, which helps the researcher to crosscheck conclusions from data gathered by different methods, and can overcome potential bias (Hussey and Hussey, 1997: 74) and lead to greater validity (Silverman, 2000) and reliability than a single methodological approach (Denzin, 1970). Triangulation, the antecedent to a mixed-methods approach was conceptualised by Denzin (1970) to encompass diverse methods and forms of data, as well as multiple investigators and the use of multiple theories. It allows full interpretation and explanation. Theories are discussed in chapter 10 after empirical results are brought together.

1.8 Contribution to knowledge

This study contributes to knowledge in the following aspects:

First, the paucity of studies critically exploring the process of adoption of IASs in developing countries has been noted by Watty and Carlson (1998) who called for

further country-specific research in this area. This study seeks to fill the gap in the literature, particularly relating to the relevance of IASs in developing countries by examining the international standard setting process that make IASs relevant to them.

Secondly, many cultural, political, and other environmental factors have been suggested as influential in the adoption of IASs in developing countries. This national study contributes to a better understanding of factors influencing adopting IASs in developing countries. In-depth studies of national accounting incorporating institutional factors are also helpful as building blocks for international comparative analysis and international classification (Gray and Roberts, 1991).

Finally, the study provides an understanding of the relative applicability of standard setting theories in explaining the process of setting international accounting standards and Thai accounting standards. Analysis of the institutional characteristics in relation to accounting provides fruitful insights on the explanatory power of theories.

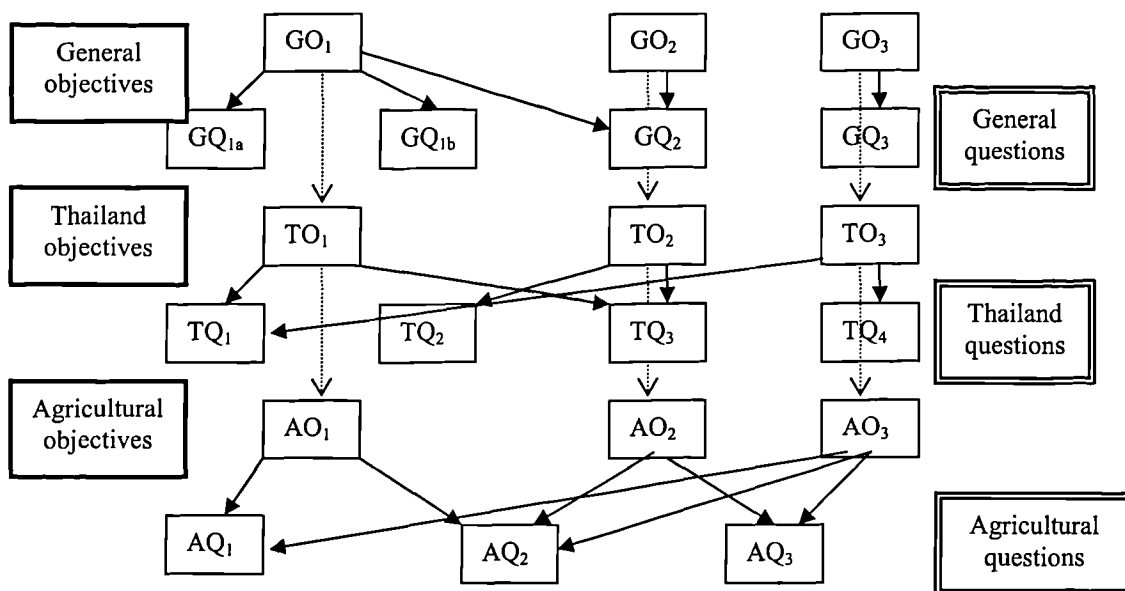
1.9 Organisation of the thesis

The thesis, including this introductory chapter, is organised in 11 chapters which follow the research objectives of this study, as viewed in Table 1-1. The general objectives generate research objectives at Thailand and agricultural levels in order to help achieve each general objective. The diagram in Figure 1-1 illustrates the overall development of research objectives and research questions.

Table 1-1: Research objectives and research questions

<i>Research Objectives</i>	<i>Research Questions</i>	<i>Chapters</i>
GO ₁	GQ _{1a} , GQ _{1b} , GQ ₂	6, 7, 8, 10, 11
GO ₂	GQ ₂	10, 11
GO ₃	GQ ₃	10, 11
TO ₁	TQ ₁ , TQ ₃	7, 8, 9, 10, 11
TO ₂	TQ ₂ , TQ ₃	7, 8, 9, 10, 11
TO ₃	TQ ₁ , TQ ₄	7, 8, 9, 10, 11
AO ₁	AQ ₁ , AQ ₂	8, 9, 10, 11
AO ₂	AQ ₂ , AQ ₃	8, 9, 10, 11
AO ₃	AQ ₁ , AQ ₂ , AQ ₃	8, 9, 10, 11

Figure 1-1: Research objectives and research questions



Specifically, the contents of 11 chapters of this thesis are outlined below.

Chapter 1 provides an introductory outline of the thesis. It introduces the general objectives of this study and transforms them into Thailand and agricultural objectives and research questions. The motivation for this thesis is also presented. A summary of the research methods applied is provided. The study’s contributions are discussed briefly. Finally, the organisation of the thesis is reported.

Chapter 2 discusses a theoretical framework and explains issues relating to setting accounting standards. It presents ideas for exploring international accounting standards in terms of the irrelevance and the problems, particularly for developing countries. This includes the adoption of IASs in developing countries. A theoretical framework is further discussed in relation to their applicability to developing countries.

Chapter 3 introduces Thailand and describes its main institutional characteristics. An analysis of these factors aligns this chapter with the theoretical framework.

Chapter 4 discusses the relevant aspects of the IASC/IASB and IASs/IFRSs. This chapter provides a background to discuss the relevance of IASs in a developing country.

Chapter 5 presents, explains and critically evaluates the research methods employed in this study. This chapter develops a set of research hypotheses to test the research questions and reviews the literature relating to methodology in the area of international accounting research. This includes a discussion of the methods for data collection employed in this study. It provides a detailed description of how data are gathered under each of the chosen methods and the tools for data analysis. The ethical implications of the research are also discussed.

Chapter 6 presents the results of analysing the standard setting process of IAS 41 and comment letters on IASC E65, Agriculture.

Chapter 7 presents the perceptions of all respondents regarding the adoption of IASs in setting national accounting standards, practical issues in implementing TASs adopted from IASs, and the relevance of IASs in Thailand in general.

Chapter 8 presents the results of the interviews, generating ideas from findings regarding particular issues related to IAS 41 and analysing them in terms of research questions. Respondents' opinions on the possibility of adopting IAS 41 in the case of Thailand are explored. The chapter provides some insights into how developing countries, such as Thailand, played roles in setting IAS 41.

Chapter 9 presents the results of the questionnaire survey. This chapter reports the perceptions of respondents on general issues of financial reports prepared in compliance with current TASs based mainly on IASs, and on particular issues concerning the adoption of IAS 41 to assist evaluation of the relevance for Thailand of International Accounting Standards, particularly IAS 41.

Chapter 10 draws upon the combined results of the three different research methods based on the research objectives and questions, and discusses the explanatory power of the theories.

Chapter 11 summaries the main research findings, and reports the main implications, contributions and limitations of this study. Finally, suggestions for further research are proposed and discussed.

CHAPTER 2

2. Literature review

2.1 Introduction

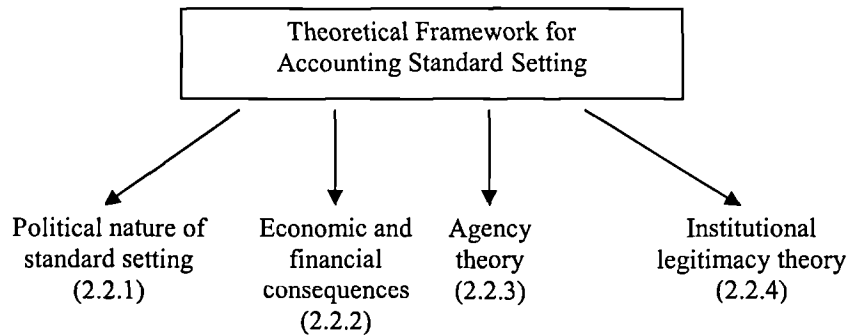
The purpose of this chapter is to respond to the general objectives of this study (1.4). It reviews a theoretical framework for accounting standard setting and examines issues relating to setting accounting standards. This chapter explores international accounting standards in terms of relevance and problems for developing countries. The involvement of developing countries in the process of setting international accounting standards and their adoption of IASs are investigated. In order to gain greater insight into issues related to the adoption of IASs, this chapter reviews prior research in international accounting in respect of international accounting differences, and desired harmonisation of accounting standards. This chapter also reviews theoretical and empirical studies that will assist the location of Thailand in terms of setting accounting standards or incorporating international accounting standards. The literature review supports justification of the research questions, research methodology design, and also interpretation of empirical findings.

This chapter is organised as follows. The following section (2.2) discusses a theoretical framework for accounting standard setting. Prior research in international accounting is discussed in 2.3 to provide some insight into the progress of research in this area. Issues related to international accounting standards are discussed in 2.4 in respect of the adoption of IASs as well as the benefits and limitations from adopting them. The development of accounting in developing countries is discussed in 2.5 in order to gain a better understanding of their accounting background and provide some insight into the applicability of theories to these contexts. The adoption of IASs in developing countries and issues on fair value accounting are presented in 2.6 and 2.7, respectively. Based on the above sections the implications of prior literature for a study of a developing country's adoption of IASs are critically evaluated in 2.8. Finally, conclusions are drawn and summarised in 2.9.

2.2 Theoretical Framework for Accounting Standard Setting

The purpose of this section is to discuss a theoretical framework for accounting standard setting in terms of four areas, namely the political nature of accounting standard setting, economic consequences and financial consequences, agency theory, and institutional legitimacy theory. The theoretical framework is presented diagrammatically in Figure 2-1.

Figure 2-1: Theoretical Framework on Accounting Standard Setting



The theoretical framework is discussed below.

2.2.1 Political nature of standard setting

The political nature of standard setting has long been acknowledged (Zeff, 1972; Horngren, 1972; Solomons, 1978; Taylor and Turley, 1986; Fogarty, 1992, 1998, Rahman, 1998, Fogarty *et al.*, 1994; McLeay *et al.*, 2000; Stoddart, 2000; Brown and Tarca, 2001). The setting of standards is a social decision (Horngren, 1972) and cannot remain politically neutral (Solomons, 1978; Rivera, 1989). Accounting standards reflect a social decision whereby regulatory bodies attempt to manage conflict between competing constituencies by selecting the most socially acceptable solution (Horngren, 1972; Zeff, 1978). Standards place restrictions on behaviour, therefore, they must be accepted by the affected parties (Horngren, 1973). These parties expend resources to influence the setting of accounting standards (Watts and Zimmerman, 1986). The setting of accounting standards is a political process and the standard setter may be viewed as a political body (Solomons, 1978; Sutton, 1984). A party, whether manager, investor, or auditor, who is affected by the accounting standards, will seek to persuade the standard setter to write the rules to his advantage (Mathews and Perera, 1996:117). Sutton explained that the actions which ‘interested

parties' take to influence the rule-making body are collectively described as lobbying. A series of empirical studies have focused on written submissions to a standard setting body, and have characterised this kind of lobbying behaviour as 'political' (Walker and Robinson, 1994). To survive, the standard setting bodies have been forced to take account of and adapt to their highly politicised and generally changing social and economic environments (Gorelik, 1994). The role of the government in the domain of setting accounting standard has also been discussed (Brown and Tarca, 2001). Table 2-1 presents evidences of the political nature of standard setting from prior studies.

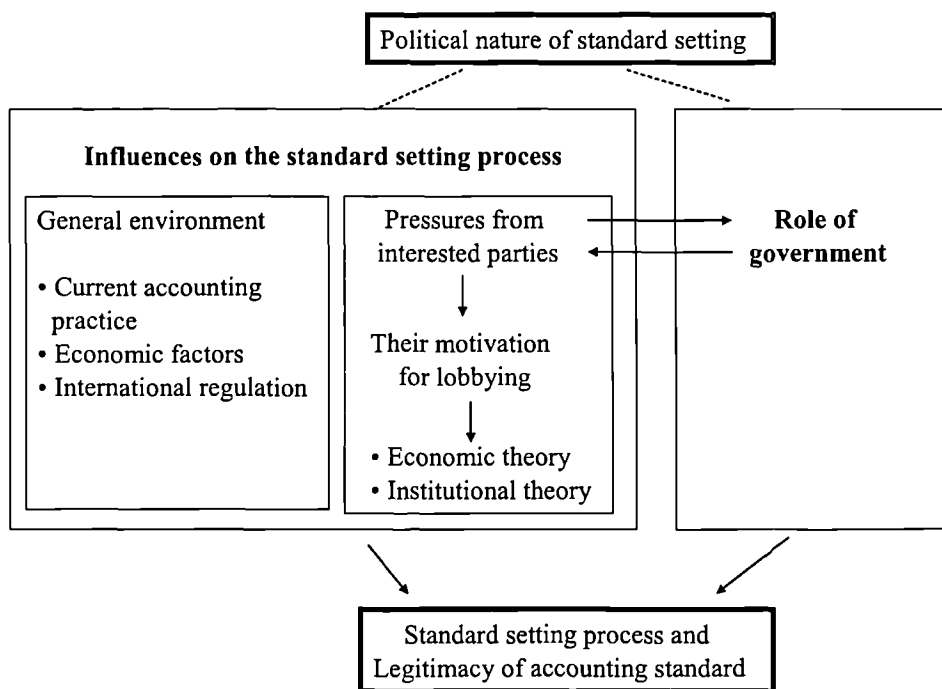
Table 2-1: Evidence of the political nature of standard setting

<i>Evidence of the political nature of standard setting</i>	<i>Prior studies</i>
Lobbying in the open due process	Taylor and Turley (1986); Saemann (1999); McLeay <i>et al.</i> (2000).
The standard setting process in most western countries exposed conflict between private-sector bodies, professional accounting organisations, and government bodies, each attempting to dominate the process to gain favour outcomes	Walker and Robinson (1994); Stoddart, (2000).
The standard setters were affected by political forces and to balance the needs of interested parties in a process.	Brown and Tarca (2001)
Political process in international accounting standard setting in order to pass a standard	Guenther and Hussein (1995)
The IASC was dominated by UK and US interests	Hove (1990); Kenny and Larson (1993)
Investor-oriented approach has dominated international standard setting to pass a standard of the IASC.	Alexander and Archer (2000)
Influence on IASC came from the source of funding	Kenny and Larson (1993)

In the international context, Guenther and Hussein (1995) described the political process involved in international accounting standard setting in the case of LIFO. The IASC was unable to achieve passage without embracing sufficient alternatives to obtain eleven favourable votes. In addition, there was criticism of the IASC as being dominated by UK and US interests (Hove, 1990). From an analysis of representatives from IASC Board member countries, Kenny and Larson (1993) provided some evidence of UK/US influence on the final standard. In response to objections from the US and UK, the IASC modified the ED so as to be acceptable to US and UK respondents (Kenny and Larson, 1995: 548). Alexander and Archer (2000) referred to the politics of the IASC as an Anglo-Saxon or Anglo-American Approach but they also questioned it.

The political nature of the standard setting process can be presented under two main headings (see Figure 2-2). These are influences on the standard setting process (2.2.1.1) and the role of government (2.2.1.2). These are discussed in the following sections.

Figure 2-2: Political nature of standard setting and interrelationship of factors influencing in the standard setting process



2.2.1.1 Influences on the standard setting process

Taylor and Turley (1986) identified possible factors that may influence the standard setting process. These factors can be categorised into two groups, namely general environmental influences and pressure from interested parties (see Figure 2-2).

2.2.1.1.1 General environmental influences

The general environmental influences come from current accounting practice, economic factors and international regulation or international influences (Nobes, 1992) such as the IASC. Existing practice provides an input to, and influence on the standard setting process (Larson and Brown, 2001; Taylor and Turley, 1986). For example, Nobes (2003:101) pointed out that the IASC begins projects with studies of existing rules.

Economic factors may also be relevant to the assessment of accounting choice for an accounting standard (Kelly, 1982; Francis, 1987; Ndubizu *et al.*, 1993). The possible economic effects from an accounting standard are likely to influence the attitudes and the lobbying behaviour of interested parties (Kelly, 1982; Deakin, 1989). The issue of economic factors is discussed further in section 2.2.2 in terms of economic consequences and financial consequences. The diversity of accounting systems internationally provides a source of information on alternative practices and regulations and experiences with their use and application. The existence of international standards provides another consideration in developing accounting standards (Taylor and Turley, 1986). In particular, this will contribute to the worldwide harmonisation attempts of the IASC (Nobes, 1992; Collett *et al.*, 2001).

2.2.1.1.2 Pressure from interested parties

The particular interest groups are (1) auditors (McLeay *et al.*, 2000); (2) company management as producers of information (Larson, 1997; McLeay *et al.*, 2000; Hill *et al.*, 2002); (3) users of accounts (Nobes, 1992; Taylor and Turley, 1986; Tandy and Wilburn, 1992; Weetman *et al.*, 1996); (4) government (Walker and Robinson, 1994a, 1994b); and (5) academics (Tandy and Wilburn, 1996; McLeay *et al.*, 2000). The influence of special interest groups in accounting standard setting has been evident for many years (Brown and Tarca, 2001).

(2.1) Auditors

Auditors have an important role in the implementation and enforcement of accounting standards (Taylor and Turley, 1986). The nature of auditors' relationships with company management is important in assessing their influence on accounting standards. To some extent, auditors have an advisory role. This means they are able to influence management views on an accounting policy but, equally, this position can put auditors under pressure to see things from a management point of view (Taylor and Turley, 1986). Watts and Zimmerman (1986) indicated that audit firms have incentives to lobby for standards that increase audit firms' value; an increase in value will be expected if audit fees rise due to increased audit services. They also suggested that an agency relationship encourages auditors to align with their clients. Puro (1984) argued that the extent of preference alignment between preparer and

auditor lobby groups may also differ according to the nature of the accounting issue. Preparers and auditors are more likely to adopt similar lobby positions in relation to proposals designed to standardise accounting treatments whereas they tend to adopt competing positions in relation to issues of disclosure (Puro, 1984).

(2.2) Management

In general, it may be expected that management will have a natural reluctance to support increased disclosure and more rigid regulation of accounting practice (Taylor and Turley, 1986). Management is likely to seek to influence standard setters in their choice of accounting standards (Ang *et al.*, 2000; Hill *et al.*, 2002), and will constitute a very important potential influence because of its control over the production of accounts. The possibility of non-compliance gives management a very significant and powerful role in standard setting as observed by Ang *et al.* (2000) in Australia. Prior studies (e.g. Solomons, 1983) illustrate the situations in various countries where industry groups have successfully lobbied accounting standard setters. The lobbying behaviour of management has been subject to a significant amount of research.

(2.3) Users

Prior research (Saemann, 1999) suggested that users of financial statements favoured uniformity and full disclosure in accounting standards or as much disclosure as possible (Mian and Smith, 1990). This is because users cannot readily obtain additional information when needed. Users have an incentive to support mandated disclosures, even if they do not have an immediate demand for the information (Saemann, 1999). Users of accounting statements seldom responded to exposure drafts (Sutton, 1984; Tutticci *et al.*, 1994; Weetman *et al.*, 1996; Van Lent, 1997). Low user involvement could be explained by a perceived absence of economic consequences for this group (Rahman, 1994). Gavens *et al.* (1989) argued that constituents' perceptions of their ability to influence standard setters will impact on their decision to make submissions on proposed standards. For example, Weetman *et al.* (1996) found the reason for non-response in written submissions from users was their lack of expectation of being influential in the lobbying process since the preparers of accounts hold the key to consensus. Sutton (1984) found wealthy

investors more likely to lobby than rational consumers of financial statements, while Weetman *et al.* (1996) reported they welcomed more disclosure in order to allow them to ask more specific questions for clarification. Comparatively, Tandy and Wilburn (1992) and McLeay *et al.* (2000) suggested that preparers were more active lobbyists than users.

(2.4) Government

The government is clearly in a position to influence the choice of standard accounting practice in informal ways, but it can also do so by more explicit formal action. The role of government is discussed in more detail in section 2.2.1.3.

(2.5) Academics

The final group likely to influence accounting standard setting are those involved in the academic accounting community. The academic community can also have a role in the supply of theories or of empirical research as inputs to the choice of standard practice (Taylor and Turley, 1986). In addition, this community is economically independent and should have the theoretical understanding necessary to evaluate issues (Tandy and Wilburn, 1996). Tandy and Wilburn (1996) observed that in the US few academicians submitted comment letters to the standard setting body. Their finding indicated that the participation of the academic community in due process procedures was deterred by the low probability of success, lack of time or resources, inadequate rewards for this activity at their universities, and the narrow scope of some issues. The low levels of lobbying observed for US accounting academics have been partly attributed to the lack of a significant wealth effect for them. McLeay *et al.* (2000) reported that in Germany the academic community appeared to have exerted relatively little influence over the decisions of the standard setter while the industry group exerted the greatest level of relative power.

2.2.1.2 Lobbying in the standard setting process and motivation for lobbying

The political process provides a channel for constituent participation (Rahman, 1992). Tandy and Wilburn (1992) stated that participation in the standard-setting process is necessary to ensure the legitimacy of the standards (Johnson and Solomons, 1984). Zeff (1978) observed an increasing influence of interested parties

in the standard setting process. Interested parties have the opportunity to lobby through formal channels, by contributing a proposed standard for approval, submitting comments on published exposure drafts or attending public hearings held by the standard setters (Tutticci *et al.*, 1994). Lobbying has been seen as an action justified by political and social factors but with different consequences for different lobbying groups (Weetman *et al.*, 1996, Weetman, 2001). Prior literature (e.g. Francis, 1987; Deakin, 1989 etc.) has viewed lobbying accounting standard setters as a subset of accounting choice research. Accounting choice research is concerned with identifying economic incentives associated with management's choice of accounting methods (Ball and Foster, 1982). Accounting choice research on lobbying behaviour has examined whether lobbying significantly influences standard-setters' activities, and whether lobbyists get what they want in the process. Given the existence of due process, constituents (e.g. shareholders, preparers, managers, auditors) who are economically disadvantaged by the introduction of a proposed standard have been found to utilise due process in an attempt to influence the regulators (Tutticci *et al.*, 1994).

A large body of literature has examined the lobbying of standard-setting organisations in developed countries (see, for example, Ang *et al.* (2000); McLeay *et al.* (2000); Hill *et al.* (2002), etc.) and other studies have examined lobbying efforts directed towards the IASC (see, for example, Kenny and Larson (1993, 1995); Larson and Brown (2001), etc). Ang *et al.* (2000) suggested that country specific lobbying study conclusions were not always generalisable in different institutional contexts. Table 2-2 provides a comprehensive list of authors, however, comparatively little research has investigated lobbying efforts directed towards the IASC as the major international accounting standard setting organisation.

Larson (1997) and Vietze and Chatham (1998) examined lobbying of the IASC by US and Australian companies and reported various attempts by interest groups to influence the setting of IASs. For example, Brown and Tarca (2001) found Australian companies had submitted comments on IASs, but the relatively small number and size of these firms suggested they would have less influence on an international standard in the future, as more countries adopting IASs were taking part

in the IASC and the US had become more heavily involved. In addition, the IASC's process would be less transparent, given the large number of countries with an interest in international standards and the various coalitions and interest groups that would emerge within the IASC.

Respondent lobbying on accounting standards has been extensively researched (Ryan *et al.*, 1999). It has been found generally that potential economic consequences and financial consequences motivate responses to Exposure Drafts. Responses can be explained in terms of economic consequences and financial consequences (see 2.2.2) and agency theory framework (see section 2.2.3). In addition, institutional legitimacy theory or legitimacy of accounting standards can complement other theories in explaining lobbying behaviour and motivation (see section 2.2.4).

Table 2-2: National and international lobbying studies

<i>National studies</i>		<i>International studies</i>
Ang <i>et al.</i> (2000); Brown and Tarca (2001); Deegan <i>et al.</i> (1990); Tutticci <i>et al.</i> (1994); Walker and Robinson (1994); Klumpes (1994)	Australia	Guenther & Hussein (1995); Kenny & Larson (1993, 1995); Larson (1997); Larson & Brown (2001); MacArthur (1996, 1999)
McLeay <i>et al.</i> (2000)	Germany	
Rahman <i>et al.</i> (1994)	New Zealand	
van Lent (1997)	The Netherlands	
Grinyer and Russell (1992); MacArthur (1988a); Weetman <i>et al.</i> (1996)	U.K.	
Deakin (1989); Dechow <i>et al.</i> (1996); Francis (1987); Hill <i>et al.</i> (2002); Kelly (1982, 1985); Lindahl (1987); McEnroe (1993); McKee <i>et al.</i> (1991); Ndubizu <i>et al.</i> (1993); O'Keefe and Soloman (1985); Puro (1984); Saemann (1995, 1999); Schalow (1995); Tandy and Wilburn (1992, 1999); Watts and Zimmerman (1978)	U.S.	
Sutton (1984)	U.K. & U.S.	

2.2.1.3 Role of the Government

There are differences in the accounting standard setting process among countries. Some countries, such as the UK, the US and Australia, have standard setting bodies that are independent from their governments. Although the standard setting process in many English-speaking countries has a strong private sector tradition, a degree of state intervention in regulatory initiatives remains a distinct possibility (Wyatt, 1991). In other countries, the standard setting process is driven by the commercial laws (Munter, 2001). In countries where a capital market exists, the involvement of

government in setting accounting standards results from a form of market failure (Brown and Tarca, 2001). Market force alone does not generate the quality or quantity of information required for the greatest benefit to society. Stigler's (1971) 'public interest' explanation for government's regulation of the market for information is that it does so in response to demands from community interest groups.

As regards developing countries, Perera (1985:63-66) indicated that heavy government involvement in economic activity is a common phenomenon in such developing countries. As a result, the government becomes an important or, in many cases, the most important user of accounting information, in addition to its role as the regulator of the economy (Perera, 1989a). Further, the accounting standards of developing countries may have to be fashioned to achieve political objectives. Since accounting influences economic behaviour, it should be able to assist in achieving the government's economic development policies.

2.2.2 Economic consequences and financial consequences in terms of cost-benefit aspects and self-serving interests

The accounting standard setting process has been presented as a political process in which the various constituencies lobby for their positions (Zeff, 1978, 2002; Watts and Zimmerman, 1986). While the standard-setting agency should be neutral among competing groups in terms of providing information which is useful for helping to predict cash flows and to assess managerial performance, standard setting often entails benefiting one group at the expense of another (Wolk *et al.*, 2001). The economic consequences of proposed accounting policies have been defined as "*The impact of accounting reports on...business, government, unions, investors, and creditors.*" (Zeff, 1978).

More specifically, self-interest may motivate individuals and groups to participate in it. It focuses upon self-serving motivations for constituent participation (Watts and Zimmerman, 1986; Kenny and Larson, 1995). Cost-benefit analysis sets the framework for the decision making process. In deciding whether to support for any alternative, lobbyists weigh the costs and benefits involved and support when the benefits exceed the costs. This study will focus more narrowly on financial

consequences for individuals and companies. The term of ‘financial consequences’ is explained in two aspects, which are cost-benefit aspects and self-serving interests.

- **Cost-Benefit Aspects**

The types of costs and benefits are economic, political, social and ethical. Parties may be affected by both costs and benefits (Elliot and Jacobson, 1994). The benefits of accounting information are represented primarily by the utility of the information for the various user groups-centering on investors and creditors- in the decision-making process. The direct costs of information pertain to gathering, preparation, and dissemination of information. There are two indirect costs of information. Published information may create a competitive disadvantage. Another indirect cost pertains to the understandability of information. Another problem concerns information overload (the ability of individuals and the market to absorb and use information) (Wolk *et al.*, 2001).

In the US, the FASB is very sensitive to producer costs and whether or not there are sufficient benefits (to external users) to warrant the imposition of new, costly accounting standards (Wolk *et al.*, 2001). Smaller, nonpublicly listed firms (and their auditors) argue that accounting standards are formulated mainly for larger, publicly traded firms that can afford the costs of accounting regulation and for the benefit of financial analysts who trade in these firms. For smaller, non-public firms, the compliance costs are disproportionately higher and the benefits smaller since the firms’ securities are not traded (Wolk *et al.*, 2001).

Overall, cost-benefit analysis involves an accounting framework in which benefits and costs associated with decisions are set out for purposes of information and discussion. While cost-benefit analysis does not directly determine decisions, it sets the framework for the decision making process. Therefore, it should be recognised that within a policy context, cost-benefit analysis provides information for decision makers and not as the decision itself. Direct and indirect costs of information, compliance cost and other costs exceeding the benefits may be used as reasons to support for or argue against the proposed standards.

- **Self-serving interests**

Several papers have applied a term of 'self-interest' to explain the lobbying motivation of different lobby groups. Puro (1984) suggested that audit firms may pursue their own interests when they lobby on accounting rules. Watts and Zimmerman (1986) pointed out that management lobbied on accounting standards based on its own self-interests. Dechow *et al.* (1996) reported that the management opposed the expensing of stock options because of their concerns with public scrutiny of their compensation. However, management may be reluctant to provide economic consequences arguments, since these may be viewed as self-serving interests (Holthausen and Leftwich, 1983). Watts and Zimmerman (1979) suggested that the lobbyists will say anything in the public interest or theoretically sound in order to support their position. O'Keefe and Soloman (1985) indicated that respondents may present positions that do not reflect their true beliefs if these are considered socially or politically unacceptable.

Some authors (e.g. Francis, 1987; Deakin, 1989; Kenny and Larson, 1993; Larson, 1997; Ang *et al.*, 2000 etc.) focused upon the characteristics of lobbying corporations. Large corporations will lobby standard-setting organisations (Watts and Zimmerman, 1978) because: (1) lobbying is too costly for small entities to afford; (2) large organisations are likely to have an influence on standard-setting institutions; and (3) positively affecting the direction of accounting standards can reduce firms' political costs (Watts and Zimmerman, 1986; Francis, 1987; Kenny and Larson, 1993). Economic self-interest motivated lobbying behaviour (Hill *et al.*, 2002). Brown and Tarca (2001) indicated that the politics of standard setting often led to excuses being preferred rather than self-interest being admitted openly. Other studies (e.g. Watts and Zimmerman, 1978; Francis, 1987) have used the concept of economic consequences in terms of economic disadvantage resulting from the introduction of a proposed standard to explain why some members of a constituent group lobby while others do not. To the extent that economic consequences and financial consequences of accounting practices vary by country and to the extent that they are considered in the standard-setting process this acts as an important obstacle to global harmonisation.

In the international context, several previous studies have examined the lobbying behaviour of public accounting firms and multinational corporations or corporations listed on foreign stock exchanges. These studies are discussed in the following sections.

2.2.2.1 Public Accounting Firms

Prior studies (e.g. Taylor, 1987; Rahman *et al.*, 2002) indicated that international accounting firms were the main supporters of the IASC. They have played a role in harmonisation of accounting practice. Puro (1984) used the economic theory of regulation and the agency theory of Jensen and Meckling (1976) to explain the lobbying behaviour of public accounting firms. International accounting firms supported the IASC from a self-interest perspective in order to (1) enhance their own prestige; (2) enhance their own competitive advantage over local national firms; (3) reduce training costs; (4) generate greater demand for their audit services; and (5) maintain private control over the accounting standard-setting process (Taylor, 1987; Chandler, 1992; Choi *et al.*, 1999). These firms are strongly interested in and seek to influence the IASC (Wallace, 1990b).

2.2.2.2 Multinational Corporations/ Corporations listing on foreign stock exchanges

Larson (1997) stated that all corporations desiring to list on foreign stock exchanges should be interested in IASs for two reasons. First, the use of IASs by multiple stock exchanges reduces the cost of multiple stock exchange listings, therefore, corporations may want to support and promote IASs. Second, because corporations listing on multiple stock exchanges may have to comply with IASs, they should be interested in lobbying the standard setter to influence the substance of IASs. These ideas are consistent with the assumption of self-interest common in the lobbying literature.

Kenny and Larson (1995) examined the lobbying of the IASC. In response letters to the IASC, relatively few corporations lobbied the IASC. The lobbying firms were primarily from countries in which lobbying is an accepted practice, such as the US, UK, and Australia, while there was a lack of constituent participation by non-Anglo-

Saxon MNCs in letters of response to IASC EDs. This lack of response may have been more of a cultural phenomenon than a lack of interest. Overall lack of participation may not have been so much indicative of a lack of interest on the part of constituents, but rather reflected the differences in international attitudes towards participation in accounting standard setting. In other words, attitudes and approaches to accounting standard setting were not harmonised.

2.2.2.3 IASC member bodies and national accounting standard setting bodies

The accounting profession was the primary constituent of the pre-2001 IASC (Larson, 2002). The IASC's members were professional accountancy societies. Kenny and Larson (1995) found IASC members were frequent lobbyists of the IASC and provided 31% of the comments for the 14 EDs examined.

The IASC viewed national accounting standard setters as a key part of its long-term success and took steps to increase contact and cooperation with them (Larson, 2002). The first IASB Chairman stated that "the goal of high-quality global standards cannot be achieved without the active co-operation of national standard-setters" (Tweedie, 2001).

2.2.3 Agency theory

In agency theory, the organisation is regarded as a 'set of contracts' between principal (s) and agent(s) (Fama, 1980). Jensen and Meckling (1976: 5) define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationships are utility maximisers, there is a good reason to believe that the agent will not always act in the best interests of the principal. In the principal/agent relationship, the agents are perceived as serving the principals through self-interested activity (Kirsch and Day, 2001). Prior studies have used an agency theory framework (Jensen and Meckling, 1976) as a basis for deriving economic motivations for managements' choices in preparing firms' financial reports and their reactions to accounting standards. This framework can explain management lobbying behaviour.

Puro (1984) took a particular view of agency theory in the auditor/client relationship in that the auditor's role is that of an agent and the stockholders of client firms are the principals. The auditors are expected to lobby for rules which benefit their clients and, in the process, benefit the audit firms (Puro, 1984). Agency theory emphasises the ways in which the interests of clients and auditors can overlap. The effect from changes in accounting rules on company's wealth may affect the wealth of both auditor firm and management. According to Watts and Zimmerman (1983), audit firms' wealth is a function of their clients' wealth. Anything which decreases clients' wealth will reduce audit fees and audit firm wealth. McKee *et al.* (1991) reported a case study of SFAS No. 86 that there was a very strong association between positions advocated by clients and their respective accounting firms when the clients positions are weighted by a measure of lobbying effort. MacArthur (1988b) tested for a client effect using accounting firms' and their client submissions on 22 proposed accounting standards in the UK. The results did not indicate that auditor and client relationship took place. MacArthur's (1988b) findings contradicted the findings of Puro (1984) and Watts and Zimmerman (1983) and McKee *et al.* (1991) in the studies of accounting firm lobbies.

Other studies (Fama and Jensen, 1983b; DeAngelo and DeAngelo, 1985) applying agency theory to family-controlled business found that family members provided good monitoring in family-controlled firms, resulting in lower agency costs. Family members have the incentive to increase the family firm's value and be good monitors because their wealth, such as benefits derived from having control over the firms, is linked to the continuation of the company. The implicit contract among family members, i.e. the responsibility towards the family, may discourage owner-managers from abusing their power and transferring corporate funds to themselves (Wiwattanakantang, 2001).

2.2.4 Institutional legitimacy theory

Institutional theory (Scott, 1987) places organisations within a social setting and explicitly recognises the influences and interactions of the external social environment on the internal activities of the organisation. A key element of institutional theory is that an organisation strives to be legitimised by becoming or

remaining acceptable within the social environment (Scott, 1987). A major concept within institutional theory is legitimacy (Larson, 2002). Legitimacy is the result of a positive judgement by individuals and organisations in a society of the appropriateness of an organisation (Zimmerman, 1998). Legitimacy theory is based upon the notion that business operates in society via a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival (Guthrie and Parker, 1989; Suchman, 1995; Larson, 2002). Moreover, institutional theory can complement economic theory in explaining institutional pressures exerted on the standard setter (Carpenter and Feroz, 2001).

Kenny and Larson (1993) also reported an interesting relationship between international stock exchanges, professional accounting organisations, and multinational corporations as the IASC's targeted constituents. Based upon this relationship, MNCs and organisations representing MNCs were highly inclined to respond to IASC exposure drafts. Institutional theory also predicts that the IASC/IASB will try to accommodate the strongest wishes of its perceived constituents when doing so enhances the organisation's acceptability without seriously impairing its integrity. This process results in at least some flexibility in accounting standards in order to accommodate the wishes of as many of its constituents as possible.

Standard setting is a social institution; to survive it must maintain its legitimacy (Baylin *et al.*, 1996). The need for institutional legitimacy is particularly salient for the IASC (Wallace, 1990b). Wallace (1990b) maintained that to achieve its goal of harmonisation, the IASC has to legitimise itself within both the professional accountancy community and the multinational corporate arena. Legitimacy through participation with the standard setter may be seen as desirable (Kenny and Larson, 1995). Institutional theory predicts that organisations (e.g. standard setters) will seek to legitimise themselves by seeking constitution participation and by taking actions to enhance their own visibility in the environment. The only means of participation available to most constituents in the IASC's due process is by providing written commentary to IASC EDs (Kenny and Larson, 1993). These two theories can

complement each other in explaining the standard setting. Therefore, this present study uses a term of 'institutional legitimacy theory' or 'legitimacy of accounting standards' as representing these two theories.

Wallace (1990b) and Falk (1994) also suggested that the legitimacy of the IASC is also related to the involvement of individuals and organisations from developing countries and countries with emerging economies. Previous studies (Wallace, 1993; Larson and Kenny, 1996) have found limited involvement from individuals and organisations outside the world's developed countries.

2.2.5 Comments

This section has presented a theoretical framework useful for further examining and explaining the development of IASs and their relevance to developing countries. This theoretical framework comprises the political nature of accounting standard setting, economic consequences and financial consequences, agency theory, institutional legitimacy of the standard and the process. It will help to formulate the research hypothesis and assist in interpretation of empirical findings.

2.3 Prior Research in International Accounting

This section aims to provide insight into the progression of research in the international accounting field in respect of accounting standards and practices in national and cross-national contexts. In order to obtain a better understanding of accounting diversity, this section presents a review of previous studies examining the importance of various factors explaining existing accounting diversity worldwide which will assist assessment of developing countries, particularly Thailand in terms of current accounting standards and practices. This section discusses studies exploring the harmonisation of accounting standards (2.3.2). Finally, section 2.3.3 provides a summary of how prior research has assisted planning of the present study.

2.3.1 Causes of international accounting differences

Accounting differences across countries are to be expected because every nation's accounting standards and practices are the results of a complex interaction between economic, historical, institutional and cultural factors (Choi *et al.*, 1999; Saudagaran

and Meek, 1997; Schultz and Lopez, 2001). These factors have had a significant influence on accounting development and contributed to accounting diversity. Differences in environment will lead to different accounting objectives and also different standards, so not only are there differences between developing and developed countries but differences also exist among these groups of countries (Samuels and Oliga, 1982). Many reasons have been suggested in the previous literature for international differences in financial reporting (see Table 2-2) but no general theory links the factors (Nobes, 1998). To enhance the understanding of international accounting diversity, the various attempts in the literature to develop a theoretical model of accounting development have been synthesised to form a general model of international accounting development (e.g. Gray, 1988; Doupnik and Salter, 1995). Carlson (1997b) concluded that analysis of accounting diversity led to the recognition that an accounting system is shaped by its environmental circumstances.

Nobes and Parker (2000) reviewed prior studies (e.g. Choi and Muller, 1992; Radebaugh and Gray, 1997; Belkaoui, 1985, etc.) of the causes of international differences and reported causal factors seemed to be linked to the differences in accounting systems. They categorised these factors into two main groups based on the external environment (e.g. historical background, political system, economic development, legal system, taxation system and providers of finance etc.) and culture. Culture appeared to be interrelated with other environmental factors. The following section will discuss the earlier studies of these factors.

2.3.1.1 Studies of environmental factors influencing accounting differences

If environmental factors play an important role in the development of accounting concepts and practices, and if these environmental factors differ significantly between countries, their accounting concepts and practices in use in various countries will also differ (Frank, 1979). Previous studies have identified several factors important in shaping the accounting principles and practices in various countries (see Table 2-3).

2.3.1.2 Cultural studies

Culture is an important factor influencing accounting development internationally (Gray, 1988; Douppnik and Salter, 1995). A number of studies have explored the effect of cultural variables on accounting development (see Table 2-3). Culture has been used as an explanatory factor in classification studies based on environmental variants (e.g. Nobes, 1983; Belkaoui, 1985) and in trying to explain, empirically, variations in accounting patterns (e.g. Nair and Frank, 1980; Belkaoui, 1989). Jaggi (1975) found culture was a factor shaping accounting and disclosure practices.

Chow *et al.* (1995) used Hofstede's and Gray's model to compare in explaining the culture of China and the Anglo-American country group. They pointed to the difficulty in practically adopting accounting standards from other countries due to absolute differences in accounting values. MacArthur (1996, 1999) empirically investigated the impact of cultural factors on the lobbying of the IASC on E32. His findings suggested that cultural factors influenced the international accounting preferences of accounting member bodies and corporate management.

Gray (1988) proposed a framework and developed hypotheses linking culture with the development of accounting values and accounting systems, based on Hofstede's (1980, 1983) model of cultural dimensions. Several studies (e.g. Perera, 1989b; Baydoun and Willett, 1995; Chow *et al.*, 1995; Fechner and Kilgore, 1994; Douppnik and Salter, 1995; Salter and Niswander, 1995; Sudarwan and Fogarty, 1996 etc.) have used Gray's model to explore the influence of cultural factors on accounting practices in the national context. All of these studies have concluded that accounting was highly affected by national culture. Following Gray's hypotheses, Perera (1989b) contended that accounting standards based on the cultural environments of Anglo-American countries encounter problems of relevance in countries with different cultural environments. However, because Hofstede's and Gray's studies were conducted many years ago, it may be questioned whether their work can be used for analysing the country's accounting value at the present time. This present study will examine the explanatory power of the cultural factors in the case of Thailand.

Table 2-3: Reasons for international accounting differences

<i>Reasons for international accounting differences</i>	<i>Previous Studies</i>
1. Taxation system	Meek and Saudagaran (1990); Salter and Niswander (1995); Doupnik and Salter (1995)
2. Inflation	Meek and Saudagaran (1990); Doupnik and Salter (1995); Saudagaran (2001:3)
3. Level of education	Meek and Saudagaran (1990); Doupnik and Salter (1995); Saudagaran (2001:3)
4. Accounting profession	Radebaugh (1975); Meek and Saudagaran (1990); Doupnik and Salter (1995); Nobes and Parker (2000:25); Saudagaran (2001:3)
5. Level of enforcement	Saudagaran (2001:3)
6. Level of economic development	Mueller (1968); Choi and Mueller (1992); Salter&Niswander (1995); Doupnik and Salter (1995); Saudagaran&Meek (1997)
7. Capital markets	Adhakari and Tondkar (1992); Doupnik and Salter (1995); Salter (1998); Saudagaran (2001:3)
8. Legal systems	Meek and Saudagaran (1990); Doupnik and Salter (1995); Jaggi and Low (2000); Saudagaran (2001:3); Salter and Doupnik (1992)
9. Culture	Gray (1988); Perera (1989b, 1994); Meek and Saudagaran (1990); Doupnik and Salter (1995); Salter and Niswander (1995); Gray and Vint (1995); Baydoun and Willett (1995); Hussein (1996); Saudagaran and Meek (1997); MacArthur (1996, 1999); Secord and Su (1994)
10. History	Saudagaran and Meek (1997)
11. Political systems, social climate	Choi and Mueller (1992); Meek and Saudagaran (1990); Doupnik and Salter (1995);
12. Nature of the relationship between business enterprises and providers of capital	Meek and Saudagaran (1990)

2.3.1.3 Other factors

The previously mentioned studies identified reasons at a macro level likely to cause differences in the accounting practices and systems of various countries. At a micro (firm) level, a number of studies examining voluntary disclosure practices and accounting policy choice in a single country context (e.g. Chow and Wong-Boren, 1987) have indicated that firm characteristics can influence accounting practices. Rahman *et al.* (2002) found accounting practice harmony was associated with both accounting regulation harmony and firm characteristics. Another influential factor is financial globalisation. Saudagaran and Meek (1997) stated that international capital

market pressures are likely to be a primary cause of accounting diversity moderation in the future.

2.3.1.4 Comments

From the above literature, it is reasonable to conclude that cultural factor, external environmental factors, and other factors may explain the current accounting practice differences and assist understanding of why a country may have the accounting systems and practices that are different from those of other countries. These differences arise from specific variations in users requirements of accounting information. Thus, it would be most useful to analyse the impact of those factors influencing national accounting practices. Prior studies suggested a range of influential factors. These factors will be taken forward to discuss in chapter 3 the particular factors related to the Thai accounting environment.

2.3.2 Standardisation and Harmonisation

Tay and Parker (1990) defined the distinction between 'standardisation' and 'harmonisation'. Standardisation is a movement towards uniformity and harmonisation is a movement away from total diversity of practice. This terminology is intended for both national and international contexts. In the international context, Mc Leay *et al.* (1999) used Tay and Parker's (1990) definition to explain international standardisation and harmonisation. International standardisation implies a movement towards global uniformity and international harmonisation implies a movement towards similarity in the choice between alternative treatment methods.

The use of the same accounting method by different firms will improve financial statement comparability (Archer *et al.*, 1996). McLeay *et al.* (1999) argued that the universal application of a uniform accounting method does not necessarily enhance comparability. Rather, it is the availability of alternative accounting treatments and the use by individual firms of the appropriate method that produces financial statements which are comparable (van der Tas, 1992). The broad definition of 'harmonisation' given by Nobes and Parker (1981) is that harmonisation is a process of increasing the comparability of accounting practices by setting bands to their degree of variation.

2.3.3 Harmonisation of accounting standards

It has been recognised that harmonisation of accounting standards may be viewed as a political process (Tang, 1994; Hoarau, 1995). Harmonisation of accounting standards is, in fact, harmonisation of the interests of affected parties. Harmonisation must be achieved which sustains the legitimacy of the national standard setting body. However, harmonisation of accounting standards, even among the G4 countries has proved somewhat difficult (Hora *et al.*, 1997; Street and Shaughnessey, 1998; Robb *et al.*, 2001). Baylin *et al.* (1996) suggested that in a country committed to the harmonisation of accounting standards, it would require slow and careful change in a process.

Users, such as investors and financial analysts, are concerned about the reliability and comparability of financial statements prepared in countries other than their own. As companies increasingly tap foreign sources of capital, this is also a reason for preparers of financial statements to support the harmonisation effort. Regulators face higher costs with the growth in cross-border listings by companies since they now need to monitor compliance not just by domestic firms but also by foreign firms that are listed in their jurisdiction (Saudagaran and Meek, 1997). This section reviews the benefits of and obstacles to harmonisation of accounting standards and reports harmonisation progress at global and regional levels.

2.3.3.1 Benefits of harmonisation

Harmonisation of accounting standards may facilitate internationalisation of capital markets and multinational businesses because it can provide comparable financial information for international users (Choi and Levich, 1991; Nobes, 1990). Harmonisation is intended to facilitate world trade and economic growth by making financial information of organisations located in different countries comparable (Larson, 1993; Purvis *et al.*, 1991). It is also a means of making it easier for businesses to seek foreign investment capital by overcoming the need to provide different financial statements to meet disclosure requirements of stock exchanges around the globe (Collins, 1989; Howieson, 1998).

The pressure for international harmonisation comes from those who regulate, prepare, and use financial statements (Saudagaran and Meek, 1997). Multinationals will be greatly facilitated in preparing or using the accounting information. In addition, Nobes and Parker (2000) pointed out that governments in developing countries might find it easier to understand and control the operations of multinationals if financial reporting is harmonised, particularly as this will imply greater disclosure in some cases. International credit grantors, such as the World Bank, may encourage the use of IAS because it will eliminate the difficulties of comparison.

2.3.3.2 Obstacles to harmonisation

Nobes and Parker (2000) indicated that obstacles to harmonisation come from differences in the objective of financial reporting. Stolowy and Jeny-Cazavan (2001) suggested that the lack of international homogeneity arose from a lack of national homogeneity. They highlighted the advent of IAS 38 could be a sign of the failure of international harmonisation (Stolowy *et al.*, 2001). The lack of professional accountancy bodies in some countries is also mentioned as another obstacle. This means that any body, such as the IASC or the IASB cannot operate effectively through the private sector in these countries. Another difficulty is the effect of 'economic consequences and financial consequences' on accounting standards. To the extent that the economic consequences and financial consequences of standards vary by country and to the extent they are taken into account by those who set standards, this can be a force for deharmonisation. Perera (1989a) also pointed to problems that practical harmonisation efforts are likely to encounter, particularly in developing countries.

2.3.3.3 Harmonisation at a global level

Hoarau (1995) argued that international accounting harmonisation is predominantly harmonisation with the Anglo-Saxon accounting model and disregards the economic, social and cultural environment of other accounting systems. Flower (1997) identified the major problem of international harmonisation as the IASC being dominated by the Anglo-American approach to financial reporting which is fundamentally different from the continental European approach followed in EU

directives. In addition, IASs have been heavily influenced by practices in the UK and US (Saudagaran and Diga, 2000a; Craig and Diga, 1996a), although this influence has been decreasing (Nobes and Parker, 2000). Progress by the IASC in some areas of the world is difficult because of an underdeveloped accountancy profession or because the rules for financial reporting are made by governments. Other studies (e.g. Douppnik, 1987; Nair and Frank, 1981; and Street and Gray, 1999) have assessed harmonisation by comparing accounting standards across nations or with IAS. Overall, these studies have reported increasing similarities between IASs and accounting standards in both developed and developing countries (Chen *et al.*, 2002).

2.3.3.4 Harmonisation at a regional level

A development in favour of global harmonisation and against regional harmonisation was the EU's decision in 1995 to accept rather than continue its efforts at regional accounting harmonisation (Saudagaran and Diga, 2003). For ASEAN countries, the Asian Federation of Accountants Council decided against "reinventing the wheel" and instead encouraged its members to go for harmonisation of standards and practices based on issuance of the International Accounting Standards Committee and the IFAC (AFA, 2003). The Asian Federation of Accountants (AFA) concentrates on promoting regional co-operation on issues such as accounting education and the development of training and professional standards for accountants in ASEAN countries. Developing countries can use their regional organisations, such as the AFA, to make their collective voice heard in the IASB deliberations in order to ensure that the views and concerns of developing countries are considered in any new international accounting standards (Saudagaran and Diga, 2003).

2.3.3.5 Comments

Prior literature has indicated not only the benefits but also the obstacles to harmonisation. In particular, problems encountered in practical harmonisation efforts in developing countries and the lack of professional accounting bodies in some countries are mentioned as obstacles to harmonisation. At a global level, IASs are outcomes of harmonisation attempts, although IASs have been criticised for their neutrality and domination by an Anglo-American accounting model (see also 2.4.1). At a regional level, developing countries use regional organisations to make their

collective voice heard in IASB deliberations. These attempts provide evidence of harmonisation progress and a move towards harmonisation of accounting standards.

2.4 Studies on International Accounting Standards

The magnitude of cross-border financing, securities trading and direct foreign investments shows the need for a single set of rules for recognising and measuring assets, liabilities, and income. El-Gazzar *et al.* (1999) stated that IASs provided the best answers to this issue because financial disclosures prepared in compliance with IASs can facilitate comparison across firms of different nationalities as well as be indicative of greater reliability. Another perceived benefit of IASs is that the adoption of IASs will greatly enhance the credibility of financial statements produced by domestic companies to a largely international audience (Larson, 1993). Several researchers (e.g. Samuels and Oliga, 1982; Perera, 1989a, 1994; Briston, 1978) have questioned the applicability and acceptability of IASs across diverse environments, particularly in the case of developing countries. This section reviews the previous literature on IASs and discusses their neutrality (2.4.1), flexibility of IASs, concern on nationalism and sovereignty (2.4.2), as well as the observance of IASs (2.4.3).

2.4.1 Neutrality of IASs and the Anglo-American influence

The neutrality of IASs has been questioned in the literature. Some maintain the Anglo-American influence has strongly influenced IASs (Kikuya, 2001; Wallace, 1990b; Craig and Diga, 1996b; Flower, 1997). Hove (1990) examined the extent of the significant influence of the UK and US on IASs by comparing selected disclosure standards of IASs with those of the UK and US. His study revealed significant levels of influence by these two countries on the selected IASs generating reluctance in other countries, especially other European countries, to adopt IASs (Doupnik and Taylor, 1985).

Rivera (1989) referred to criticism of the IASC's standard-setting process in that it has not paid sufficient attention to the objectives of financial accounting and reporting in an international context. Some researchers have reported the IASC is generally reluctant to issue a standard that conflicts with US or UK principles

(Benson, 1981). This implies that the task of standard setting cannot remain politically neutral (Rivera, 1989). Nevertheless, it is important to maintain the neutrality of IASs and, at the same time, consider their relevance to developing countries.

However, Larson (1993), Perera (1989a) and Amenkhanan (1986) argued that the complete implementation of IASs in developing countries was virtually impossible. They contended that the IASC mainly focuses on developed nations' cultures and needs when they promulgate standards. Kenny and Larson (1993) studied lobbying of the IASC, the case of IASC's joint venture project, and their research findings supported criticisms of the IASC which claim it is dominated by the US and UK influence. While other studies suggested the Anglo-American influence, particularly from UK and US, on IASC, the study of Alexander and Archer (2000) highlighted the differences between UK and US financial reporting were taking on an increased significance. They demonstrated that the belief in Anglo-American approach to financial accounting and its regulation was of a mythical nature. A myth may still form an effective basis for a coalition provided that the myth is sustained and it may not be sustainable in the future (Alexander and Archer 2000). Alexander and Archer (2003) indicated this difference had quite fundamental implications for the whole approach to standard setting and its enforcement. US and UK are on opposite sites. FASB standards are significantly more detailed and prescriptive (rule based) than either UK standards or existing IASs (principle based).

The former structure of the IASC Board was studied by Alexander and Archer (2000) who found most members of the IASC Board, as of January, 1999 were representatives of developed countries both Anglo-Saxon and Continental European groups. This finding is similar to that of Rivera (1989) and, therefore, both studies lead to the question whether IASC standards are the best practices for and relevant to developing countries.

The new structure of the IASB has also been criticised. This structure is favoured by the US and originally opposed by continental European countries (McGregor, 1999; Oliverio, 2000). Buchanan (2003) suggested there was pressure exerted by the US on the IFRS. Europeans feel the US is pulling strings behind the scenes, particularly in

respect of the SEC's influence on the appointment of the trustees of the IASC Foundation. The current chairman of the trustees is the former chairman of the Board of Governors of the US Federal Reserve Board. The European Community has sought a more balanced European representation on the IASB Board (European Commission, 2003b). Buchanan (2003) indicated the EU's needs to balance the American influence.

2.4.2 Flexibility of IASs, Nationalism and Sovereignty concerns

Although technically the US GAAP are generally based on more extensive and in-depth research compared to IASs (Saudagaran and Diga, 1997b), many countries prefer the perceived flexibility and neutrality of IASs to the national accounting standards of those of another country. Although some researchers have criticised the neutrality of IASs, when compared with some other country's standard, IASs issued by a supranational organisation rather than by any one country were perceived to be more neutral. Flexibility means IASs incorporate allowable accounting methods in two or more countries, rather than the more standardised accounting requirements of any one country (Rivera, 1989). They engender less resistance from financial statement preparers in adopting countries. The ready availability of accounting alternatives under IASs provide considerable flexibility (Saudagaran and Diga, 1997b). Moreover, IASs are perceived to be easier to adopt because they do not raise the nationalism and sovereignty concerns that accompany the adoption of another country's standards.

In the period pre-1990, some IASs allowed users the option of alternative accounting principles that followed different national standards. In order to enhance the comparability of statements, in the 1990s the IASC launched the Comparability/Improvements Project, which significantly reduced the number of acceptable alternatives allowed under existing IASs (Hora *et al.*, 1997:180). However, as a result of tightening IASs in order to obtain the IOSCO endorsement, IASs may lose their ease of implementation (Saudagaran and Diga, 2003).

2.4.3 Observance of IASs

The majority of developing countries as IASC members have adopted IASs (Cairns, 1990; Gernon *et al.*, 1990) with little or no amendments as their national standards (IASC, 2000a). The EU and other supranational bodies (e.g. the World Bank) recognise, and many stock exchanges and regulators accept, financial statements that are in accordance with IASs (Choi *et al.*, 1999). IASs have been adopted by laws in some countries (e.g. Malta) and by accounting bodies (e.g. Malaysia and Singapore). More importantly, a growing number of companies are voluntarily adopting IASs, including multinationals (Street *et al.*, 1999). This means IASs are currently being accepted and observed by companies in practice. Nevertheless, while compliance is an issue of substantial importance, IASC is concerned that companies claiming compliance may not in fact be complying with all the requirements of IASs (Street *et al.*, 1999). Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) reviewed the published financial statements of corporations and banks in five East Asian countries (Korea, Thailand, Indonesia, Malaysia, and the Philippines). The results reveal that compliance with IAS-required disclosures was problematic (UNCTAD, 1998). In this regard, the President of the IFAC criticised auditors for asserting that financial statements complied with IASs when the accounting policies and other notes showed otherwise (Cairns, 1997b). This was supported by Street *et al.*'s (1999) findings of high levels of non-compliance with IASs by companies claiming to follow IASs. This also suggests that while many companies appear anxious to seek the international investment status that comes with the adoption of IASs they are not always willing to fulfil all of the requirements and obligations involved.

2.4.4 Comments

This section has reviewed prior studies on IASs that have provided broad discussion of the neutrality and flexibility of IASs, nationalism and sovereignty concerns, and observance of IASs. Anglo-American influence on the neutrality of IASs has been discussed by many researchers. IASs are perceived to be flexible. Although in the 1990s, IASs reduced alternative accounting principles, allowing other methods in some cases can be viewed as flexible. IASs are also perceived as being easier to

adopt because they do not raise nationalism and sovereignty concerns. IASs have been widely accepted by many stock exchange regulators and national accounting bodies and observed by companies in practice in order to achieve international investment status. However, previous studies have revealed high levels of non-compliance with IAS requirements. This suggests a need to further explore how this affects the relevance of IASs to developing countries or points to potential problems in adopting IASs.

2.5 Accounting in developing countries

This section reviews previous studies of accounting development in developing countries and their accounting infrastructure, to assist critical evaluation of accounting standard setting theories and other research perspectives on international accounting and their implications for establishing a study to examine a developing country's adoption of IASs, specifically in the case of Thailand.

2.5.1 Diversity among developing countries

According to the definition by the World Bank (2002), developing countries are countries that are low-income and middle-income as measured by gross national product (GNP) per capita. Wallace (1990a) described developing countries as countries in the midstream of economic development. After World War II, developing countries received foreign aid from developed countries offered in two major forms: (1) capital transfers by grants or loans; and (2) technical assistance and training (Encyclopaedia Britannica, 2000). Moreover, many developing countries were historically colonised by some developed countries. These may particularly explain why some developing countries have accounting systems that are influenced by particular developed countries.

Developing countries are diverse in several aspects. The range of selected economic and social indicators is much wider among developing than among developed nations (Chamisa, 2000). This underscores the diversity among developing countries. Each country has faced different problems in accounting aspects (Chamisa, 2000). Other studies have explicitly recognised the magnitude of the differences that exist between and among developing countries. For example, Scott (1968) pointed out that the

generalised conclusions reached in his article may need to be radically modified to fit the unique environment of a particular developing country, and some of the conclusions may have no validity for some developing countries. Peasnell (1993) warned of the dangers of making generalised conclusions about accounting in developing countries because national environments and accounting needs differ greatly from country to country.

2.5.2 National studies

As discussed in 2.5.1, developing countries are diverse in many aspects so each country necessitates study of particular issues or aspects that may be important or of interest to that country and researchers. This section reviews national studies related to accounting development in developing countries in order to identify underlying ideas or issues highlighted by prior literature. Table 2-4 presents a list of studies related to accounting development in developing countries.

Table 2-4: Studies related to accounting development in developing countries

<i>Accounting profession</i>	<i>Accounting education</i>	<i>Transfer of accounting technology</i>	<i>Accounting Standards & enforcements IAS adoption</i>	<i>Culture</i>	<i>Economic development</i>
Seidler (1969); Radebaugh (1975); Juchau (1978); Ninsuvannakul (1988); Adams & McMillan (1998); Saudagaran & Diga (1997b); Xiang (1998); Chamisa (2000)	Briston (1978); Enthoven (1981); Akathaporn <i>et al.</i> (1993); Wijewardena & Yapa (1998); Yapa (2003)	Seidler (1969); Briston (1978); Hofstede (1983); Hove (1986); Perera (1989a); Tang & Tse (1986); Hagigi and Williams (1993)	Samuels & Oliga (1982); Han (1994); Al-Basteki (1995); Joshi & Ramadhan (2002); Abd-Elsalam & Weetman (2003)	Baydoun & Willett (1995); Chow <i>et al.</i> (1995); Sudarwan & Fogarty (1996); Dahawy <i>et al.</i> (2002)	Larson (1993); Larson and Kenny (1995); Ndzinge and Briston (1999); Rahman (2000)

2.5.2.1 Accounting profession

Radebaugh (1975) pointed to a major problem in Peru in that accounting was not recognised as a profession. Because of the relatively low status of the profession, it is difficult to attract high-quality students. The government has heavily influenced accounting development because of a relatively weak and unsophisticated accounting profession. According to Radebaugh (1975), if the accounting profession in a country is relatively less sophisticated and does not appear to achieve the needs of the users, the government is likely to interfere a great deal. Juchau (1978) reported a shortage

of manpower as a problem of Fiji and Papua New Guinea. Moreover, large sections of local communities have very confused and unclear perceptions of the role of accountants and significance of accountancy's contribution to economic development. Ninsuvannakul (1988) conducted a comparative study of the development of accounting profession in five ASEAN countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. He concluded that although each of these countries had followed a similar pattern of professional accounting development, they had not achieved similar results because of their varying levels of economic business development. Favere-Marches (2000) examined audit quality in ASEAN and suggested Brunei, Thailand, and Vietnam should enhance audit quality by instituting requirements that will mandate rigorous continuing professional education.

Adams and McMillan (1997) studied internationalisation of financial economy in Poland. They indicated that Polish accountants had traditionally been trained to follow detailed instructions and were not able to cope adequately with a system requiring professional judgement. Chamisa (2000) pointed to accounting development problems in developing countries suffering from a shortage of financial and manpower resources and lack of experience in developing their own accounting standards. The study of accounting standards of China by Xiang (1998) also highlighted problems due to the lack of independent or professional auditing. Xiang (1998) noted that the implementation of IASs, primarily from an Anglo-Saxon approach, required professional judgement from management and from auditors.

Saudagaran and Diga (1997b) indicated that ASEAN countries lacked a well-developed and resource-laden agency capable of undertaking research into accounting regulatory issues. While government regulators perceived accounting standards as being important for regulating companies, resources were generally not available to develop even a modest research capability patterned after those of standard-setting bodies in the UK and US.

2.5.2.2 Accounting education

Previous studies of accounting education and training have revealed the inability of educational institutions in developing countries to provide the needed quantity and quality of accountants (Enthoven, 1981). Briston (1978) also pointed out that most developing countries have had little change to evolve accounting systems that truly reflect the needs and circumstances of their own societies. Their existing systems are largely extensions of those in developed countries. He noted that in Indonesia, as a result of the influence of multinational companies, international firms of accountants, and US aid, university accounting courses have become strongly biased towards American texts. Akathaporn *et al.* (1993) studied accounting education and practice in Thailand. They pointed to a shortage of accounting textbooks written in the Thai language as a significant problem. Translating foreign accounting textbooks, and professional standards, without adapting them to the domestic needs and the environment, is not a useful practice.

Wijewardena and Yapa (1998) studied colonialism and accounting education in developing countries and that if a developing country continues to depend very heavily on foreign accounting bodies to produce its accountants locally, the consequences are often less than desirable. Yapa (2003) also studied accounting education and training in Singapore, Malaysia, Indonesia, and Brunei. He found some developing countries, which were formerly colonies of Western countries, were still following the same colonial system of accounting education, which is irrelevant and inadequate for producing accountants suitable for their economies.

In general, this section has highlighted problems of accounting education in developing countries and pointed out that accounting education in developing countries that is influenced by developed countries may be irrelevant to their needs and therefore it may be considered an obstacle to the development of accounting.

2.5.2.3 Transfer of accounting technology

Prior studies have provided evidence of accounting transfer from developed to developing countries in various ways. Seidler (1969) indicated that the transfer of accounting skills in written form (e.g. accounting texts), language problems and

difficulties of translation present major problems. Accounting terminology is difficult to translate. Translations must be made by translators skilled in accounting. Moreover, such translations are very time-consuming, and they usually require the allocation of large amounts of time spent on them by accounting professors in developing countries. Hofstede (1983) indicated that the skills transferred from Anglo-American countries might not work because they are culturally irrelevant in the receiving countries' context. To the extent that accounting skills are culturally specific, these differences are certain to create gaps in virtually any such transfer which includes accounting standards and practices (Perera, 1989a).

Other studies have indicated that a significant problem in current accounting practices arises from the fact that existing accounting practice in almost all developing countries is imposed by developed countries, initially through colonialism and then through the operations of transnational corporations, professional accounting institutes, and special conditions in economic aid agreements, rather than in response to the social needs of these countries (Briston, 1978; Hove, 1986). Multinational corporations require their subsidiaries to adopt the accounting systems of the parent company's home country. Further, international accounting firms and the forms of exchange of staff are other important factors strongly influencing accounting systems in developing countries (Briston, 1978).

2.5.2.4 Accounting standards, accounting enforcement and IAS adoption

Choi and Mueller (1992) suggested external auditors might encourage their clients to adopt IASs in order to enhance their audit revenue potential while Al-Basteki (1995) found evidence supporting the hypothesis that external auditors influence their clients' decisions to adopt IASs in Bahrain. Al-Basteki (1995) argued that the IASC/IASB could promote acceptance for its standards in various countries through close cooperation with auditors practising in these countries, highlighting the important role of external auditors on the adoption of accounting standards. Sucher and Alexander (2004) indicated the Big-Five audit firms played a key role in the export of IAS/IFRS to large local companies in the case study in a transitional economy and suggested rigorous application of IASs required not only real effort by

preparers and auditors, but also an understanding of cultural and economic realities by standard-setters themselves.

Amenkhienan *et al.* (1999) used a macro approach to study for accounting infrastructure in Third world economies. They concluded that the development of accounting standards in Third world economies should be consistent with the socio-economic-political environment of these countries in order to serve the developmental needs of their economies. In other words, when establishing accounting standards, each country's unique environment should be considered. Thus, countries' adoption of established accounting standards, such as IASs, may require modification of their accounting systems to reflect and meet the needs of their local environment (Briston and Wallace, 1990a; Larson and Kenny, 1996).

In Egypt, Dahawy *et al.* (2002) studied the IASB and global business attention to the problems developing countries faced when they adopt IASs. They pointed out that the imposition of foreign standards generates resistance. They also indicated pressure exerted from international bodies, like the World Bank and the IMF, and the economic problems led to changes in a country's economic/political system. The external capital needed required adopted IASs to gain external credibility for financial reports (Dahawy *et al.*, 2002). Abd-Elsalam and Weetman (2003) studied the introduction of IASs to Egypt and found the problems associated with their unfamiliarity and language translation from English into the national language. Moreover, such difficulties were greater in countries where the IAS approach was very different from the domestic tradition. Han (1994) also pointed out that the English-language glossary when translated into another language might not carry the same connotation.

Rahman (2000) reported there seemed to be inadequate emphasis on the enforcement mechanism in East Asian countries that is very important for sound accounting practices.

2.5.2.5 Cultural studies

Chow *et al.* (1995) analysed issues encountered in China's accounting reforms from a cultural perspective. They concluded that moving towards an Anglo-Saxon model

of financial reporting, which emphasises professional self-regulation and judgement will be very difficult to achieve in practice. Dahawy *et al.* (2002) suggested that in the case of Egypt, accounting offers detailed rules on how to record accounting transactions and prepare financial statements. Accountants are technicians who apply the rules whereas IASs require accountants to exercise professional judgement and increase transparency, directly conflicting with Egyptian culture. Baydoun and Willett (1995) argued that separating problems of accounting measurement from those of accounting disclosure would assist assessment of what aspects of Western accounting systems fail to meet the test of relevance to developing countries. They contended that the specific rules of disclosure inherent in Western accounting systems rather than accounting measurement are most likely to fail the needs of users in developing countries.

2.5.2.6 Economic development and economic growth

Cooke and Wallace (1990) found accounting not only affects economic growth but is also affected by economic growth and each country's unique combination of environmental factors in an interactive relationship. Larson (1993) empirically examined the adoption of IASs in developing countries and provided evidence to support IASs as an appropriate accounting system to facilitate economic growth. The higher economic growth of developing countries that have adopted or modified IASs, presumably reflects local environmental conditions. However, his sample was limited to African countries, few of which have equity markets. Sedaghat *et al.* (1994) found a positive relationship between securities market development and economic growth in developing countries and suggested the developing countries to undertake a credible educational program aimed at promoting the reliability of accounting information and disclosure. Larson and Kenny (1995) empirically studied IASs, equity markets and economic growth in developing countries; they found adoption of IASs alone did not guarantee greater equity market development or greater economic growth.

According to Ndzinge and Briston (1999), to construct a system which will encourage accounting to achieve its potential contribution to economic development, it is necessary for developing countries to search for a system which is relevant to

their economic, social, political and legal environments and then provide suitable education, training, and professional development in order to ensure its successful implementation. Each country faces a different situation and has different emerging accounting issues depending on its stage of economic development (Hove, 1989). Adopting IASs as a framework for setting national standards or as a solid framework for reference, standard setters need room to manoeuvre in order to adapt to changing economic conditions.

2.5.2.7 Comments

The review of prior literature shows studies on accounting in developing countries point to the need to take into account the particular problems for each country. These studies focused on accounting profession, accounting education, transfer of accounting technology, accounting standards, enforcement and IAS adoption, cultural studies, as well as economic development and economic growth. These issues will be further examined for relative applicability in evaluating the relevance of IASs to the particular institutional characteristics of Thailand (chapter 3).

2.6 Adopting IASs in developing countries

The adoption or adaptation of IASs by developing countries is believed to be a less costly route and consumes less time than preparing their own standards. It has great advantages in facilitating foreign investments and access to global capital markets (Nobes and Parker, 2000: 75). However, the relevance of IASs becomes questionable (Samuels and Oliga, 1982). Enthoven (1973, cited in Hove, 1986) states that we must not assume that what might be good accounting for the developed countries “will automatically be economically relevant and good for the emerging nations and the process of development”. Each country should develop its own accounting standards in response to needs of the society.

This section reviews the adoption of IASs in developing countries, and their relevance to these countries, in order to critically evaluate how IASs can be made relevant to such countries.

2.6.1 Motivation for adopting IASs

Many developing countries have adopted IASs because they want to develop their capital markets and encourage potential foreign investors to enter into trade in their capital markets and also directly invest in the form of multinational corporations (Saudagaran, 2001). Many foreign investors operate their businesses in developing countries because they can gain access to natural resources not available in their home countries and employ a work force with lower wages compared to wages in their own countries. This may help maximise profit or expand their markets (Nobes and Parker, 2000). In doing so, developed countries may transfer accounting thought to developing countries. In addition, motivations for complying with IASs are linked to being listed outside the home region, and being audited by an international accounting firm is also an important factor in promoting compliance (Street and Gray, 2002b).

2.6.2 Pressure for adopting IASs

During the Asian economic crisis, most Asian countries received help from international development organisations, such as the World Bank or International Monetary Fund (IMF). Obtaining help from international development organisations is based on certain conditions (Rahman, 2000). As reported by Chamisa (2000), the World Bank and IMF are increasingly insisting on the use of IASs by recipients of their finance. Hove (1986) also demonstrated how accounting practices in developed countries have been imposed on the third world by international development organisations giving economic aid. Noticeably, the degree of adopting IASs after the Asian economic crisis has rapidly increased (Rahman, 2000). These findings indicated the effect of obtaining help from those organisations and how they influence developing countries' accounting systems.

2.6.2.1 Relevance of IASs

Several studies have been carried out to assess the relevance of IASs, in particular to developing countries. Joshi and Ramadhan (2002) tested empirically the relevance of IASs to Bahrain. They suggested that there were a few IASs judged to have no relevance to the economy of Bahrain. They found the adoption of IASs was not

costly nor did they face any major difficulty interpreting them. External auditors helped clarify any problems interpreting the standards. Akathaporn *et al.* (1993) indicated that perceived lack of relevance of accounting standards to domestic needs was the main reason for low usage of accounting information for decision-making in Thailand. More attention should be given to domestic users' needs and their sophistication level when accounting systems are developed. Using a case study of Zimbabwe, Chamisa (2000) argued IASs as relevant to developing countries, in which the private sector dominates the economy and a capital market exists.

Larson (1997) examined the relationship between the adoption of IASs and economic growth in developing countries using data covering 35 African countries. He found those countries that had adopted and modified IASs experienced significantly higher rates of economic growth than those countries that had either not adopted IASs or had adopted them without modifications.

Briston (1978) and Hove (1989) suggested that political, economic, and cultural factors should be considered when determining accounting standards. Accounting practices must be responsive to the financial information needs in the country (Hove, 1989).

2.6.3 Comments

Prior studies have indicated the motivation and pressure for developing countries to adopting IASs. Motivation to adopting IASs is linked to a country's economic development in relation to globalisation. Pressure to adopt IASs comes from international organisations giving financial and economic aid to developing countries. Based on national studies, the relevance of IASs to developing countries may depend on each country's accounting environment. Adopting IASs with modifications to suit domestic needs has been suggested.

2.7 Fair Value Accounting

The concept of fair value has emerged gradually in IASC standards over a couple of decades, not always consistently and certainly without analytical foundation. IAS 39, 40 and 41 all place heavy reliance on the fair value concept, but not consistent with

each other (Alexander, 2003). A number of the IASC Board's projects raise questions about whether or not fair value should be used for assets and liabilities measurement. This can be seen as part of a growing trend in the accounting literature. In December 2000, the IASC Board decided that fair value measurements should be a continuing focus for the new Board (IASB, 2001a; *Accountancy*, 2002). Sir David Tweedie, IASB chairman says that he aims to move towards fair value in the long term, but it will be a lengthy process. FASB added a fair value measurement project to its agenda in June 2003. Bob Herz, FASB chairman views on this issue that income should be measured by change in value or net worth. FASB has been working on appropriate valuation techniques and a fair value hierarchy to prioritise the required market inputs for all fair value estimates (Sayther, 2004).

The desirability of measuring assets and liabilities at fair values is apparent from the conceptual frameworks of various standard setters. These emphasise the view that a major objective of financial reporting is to help its users assess future cash flows for the reporting entity. One of the major IAS concepts is to enable users of financial statements to arrive at economic decisions based the evaluation of assets and liabilities of the company.

However, Alexander (2003) suggested that over the years, the IASC has given a number of slightly different definitions of fair values in IAS 36, 38, 40 and 41. For example, he noted that careful consideration of the precise definitions and requirements of IAS 40 (Investment Properties) and IAS 41 (Agriculture) revealed significant differences, if not potentially significant confusion. Since the fair value under IAS 40 is explicitly stated to be identical for both buyer and seller, and the fair value "of cattle at a farm" under IAS 41 is explicitly stated not to be identical for both buyer and seller (being different by the transport, etc. cost to the market). The second point is that, IAS 40 requires the relevant properties to be measured at fair value. IAS 41, in contrast, requires the relevant agricultural or biological assets to be measured at fair value as defined less point-of-sale costs as defined. This required carrying value under IAS 41 is effectively identical to the more traditional concept of net realisable values (NRV), which defined in IAS 2, *Inventories*. IAS 40 under the

fair value option requires the arm-length exchange price, but not NRV, because it ignores transaction costs (Alexander, 2003).

Moreover, there is an issue of fair value in a non-IAS context. There seems to be a tendency to use the phrase “fair value” as a loose term for market or current value, as for example in Richard (2002). US usages of the “fair value” term are worth exploring, especially because early stage (early 1980s) did not necessarily seem to equate with the IASC use of the term, and considerable confusion could result (Alexander, 2003). US usage was essentially net realisable value and IAS usage in the same period was not.

Alexander (2003) also suggested that no real attempt to sort out exactly what fair value is, and how it fits into the wider scheme of things, seems to have been made. IAS 39 indicates if the market is not an active market, then the market price may not be a reliable measure of fair value and may have to be adjusted. IAS 40 seems consistent that it is only an active market that can be relied on to provide the best evidence of fair value. IAS 41 is more complicated. It is important to distinguish between what IAS 41 says about the fair value concept, on one hand, and what IAS 41 actually requires as its practical valuation basis, on the other. The practical valuation basis under IAS 41 is fair value less estimated point-of-sale costs. Fair-value based carrying value under IAS 41 is not the same as the fair-value based carrying value under IAS 39 and 40. Therefore, there has been still unclear about usage of fair value by IASC/IASB.

2.7.1 Discussion of fair value

The main thrust of the arguments for fair value is the relevance of market value as a more accurate and timely price for a financial instrument than a traditional cost base figure, which only reflects the conditions at the time a transaction takes place. Market value would allow greater comparability of balance sheets (Campbell, 2000). In addition, financial disclosures that use fair value provide investors with insight into prevailing market values, further helping to ensure the usefulness of financial reports. The reported profits reflect changes in economic condition and it brings

financial reporting in line with current risk-management policies (Fargher and Gustafson, 2000).

A valuation of a financial instrument depends on management's intentions, rather than the current value of the instruments. Fair value accounting creates the potential for either unintentional or intentional bias. Companies could significantly manage earnings with slight changes to valuation procedures. Fair value model requires a number of assumptions, and minor changes can substantially affect the results (Connolly, 2003; Menelaides, 2003).

Banks and European continental preparers are strongly opposed to valuing all financial instruments at full fair value, fearing uncontrollable volatility (*Accountancy, 2002*). The concerns include the practice introduces volatility into reported profits that may be misunderstood by users of accounts and that reliable and independent valuations are impossible to obtain for some products (Fargher and Gustafson, 2000). The EU objects to large parts of the rules, saying they will introduce volatility into banks' and insurers' financial results. The IASB argues that a fair-value approach is needed because it best reflects reality. Some experts say that full fair value does not guarantee accurate measurement, and can obscure assets' real worth in some cases (Reilly, 2004).

2.7.2 Problem of fair value

The fair value may be measured as a price in an active market, where such a market exists, and the price can be assumed to represent a kind of consensus view of the present value of future cash flows. The use of unreliable measurement opens up opportunities for management in financial statements of earnings to manipulate the usefulness of the information. If a current price for an asset or liability can be obtained from data about an active market, reliability can be high and a strong case exists for using the fair value measurement. However, often assets and liabilities are not traded in an active market and other possibilities for measuring fair value may be such that high reliability cannot be achieved (IASB, 2001a). The statement by the IASB Board (IASB, 2001a) indicated that when deciding whether or not fair values should be used in an IAS, consideration must be given to the characteristics of

markets all over the world and reliability must be assessed in relation to assets traded in all such markets.

Critics for fair value accounting point to the reduced reliability of fair value estimates relative to historical cost (Barth, 1994). Historical cost information can be based on internally available information about prices in past transactions, without references to outside market data. In contrast, fair value is based on current prices, which may require estimation and can lead to reliability problems. Khurana and Kim (2003) examined whether fair value is more informative than historical cost in explaining equity values in the banking industry. They suggested that simply requiring fair value may not improve the quality of information for Bank holding companies unless appropriate estimation methods or guidance for financial instruments, that are not traded in active markets, are used by firms with less sophisticated information.

2.7.3 Implications of fair value for this study

The problems related to the determination of fair value are still under discussion, and they involve not only considerable discretionary judgement but also much disagreement on the concepts and the basis of measurement. Therefore, it would be difficult to any countries who want to adopt international accounting standards. Some of those standards require using fair value in accounting measurement. There have been inconsistencies of defining a term of 'fair value', that may make the countries adopting IASs and people may misunderstand the concept of fair value and how to estimate fair value, in particular many developing countries where active market does not exist and it would be more difficult to arrive at fair value.

2.8 Implications of prior literature to develop a theoretical basis for a study of a developing country's adoption of IASs

A serious issue emerging when theories are adopted to explain research observations, is the relative applicability of these theories. This is particularly true when theories have been introduced and developed based on the specific characteristics of certain countries. The relative applicability of several theories to developing countries where there are different institutional and cultural characteristics then becomes less straightforward (Wallace and Naser, 1995). Agency theory based on the

management/shareholder relationship proposed by Jensen and Meckling (1976) may be less relevant to some developing countries where certain families have substantial equity holdings, and there is generally little separation between ownership and management of capital (Adhikari and Tondkar, 1992). In the particular case of Thailand, most businesses in Thailand are family-owned businesses (see chapter 3). Family members provide good monitoring in firms, resulting in lower agency costs (Wiwattanakantang, 2001). External auditors, particularly international accounting firms, work very closely with their clients. In these circumstances agency theory based on the auditor/client relationship may be more relevant. It is suggested by Puro (1984) that the auditor's role is that of an agent and the stockholders of client firms are the principals. The auditors are expected to lobby for rules which benefit their clients and, in the process, benefit the audit firms (Puro, 1984).

The political nature of standard setting, economic consequences and financial consequences, and institutional legitimacy theory have been introduced and explained in many research studies on standard setting in developed countries. The theoretical basis may be quite different for a study of international accounting standard setting because not only developed countries but also developing countries have participated in the process of international standard setting. The majority of these theories are based on strong assumptions that may not hold for developing countries, thus affecting the explanatory power of these theories. For example, with the limited financial resources of developing countries, companies or other accounting practitioners based in these countries may have lower participation than those from developed countries. This may not provide strong grounds for political-based theory. Developing countries cannot afford to lobby. In addition, in developing countries the government is heavily involved in setting accounting standards because this will assist in achieving the government's economic development policies (Perera, 1989a).

The theories previously discussed in section 2.2 will be applied in this study to examine how an IAS can be made relevant to developing countries. Previous studies suggest that environmental factors (e.g. cultural factors, legal system, political system, level of education, etc.) contribute to accounting differences and may affect

the relevance of IASs to each country. These factors should be considered in research design. The factors discussed in this chapter are relevant to Thai institutional characteristics as will be shown in chapter 3.

2.9 Summary and conclusions

This chapter has presented underlying issues relating to accounting standard setting to justify the main research questions (Table 2-4), develop research hypotheses, design the research methodology (chapter 5), and interpret empirical results (chapter 10), based on the presumption that international accounting standards help to achieve convergence in the accounting principles used by businesses and other organisations for financial reporting around the world (IASB, 2003). However, each country's accounting system is shaped and determined by a variety of factors (2.3). International accounting standards have been criticised for their flexibility and lack of neutrality (2.4). Previous studies of accounting in developing countries and adopting IASs in developing countries are in 2.5 and 2.6.

A review of the literature has been undertaken to locate the area of study of the present study. This chapter has discussed theories to form testing hypotheses and indicated issues to investigate. It assists in forming the themes for investigation. These theories are the political nature of standard setting as lobbying, economic consequences and financial consequences, agency theory and legitimacy of accounting standards. There are two more aspects of political process which are harmonisation of accounting standards and the government influence. The particular issues to investigate are discussed in relation to the extent of influence in adopting IASs in developing countries. These issues are level of economic development, level of capital market development, level of education and culture. Moving towards the adoption of IASs in developing countries also raised issues on harmonisation of accounting standards, concerns about the benefits of IASs, neutrality of IASs and Anglo-American influence on the IASs. Other interesting issues for developing countries in adopting IASs are issues on accounting education, accounting profession, accounting regulation and enforcement. Chapter 3 will provide further discussion on particular interesting issues for the case of Thailand.

A review of the literature has highlighted the theories and issues necessary to answer the main research questions (see Table 2-5).

Table 2-5: Research Questions (RQ): testing theories and exploring issues

<i>RQ</i>	<i>Theories and issues discussed in chapter 2</i>	<i>Section</i>
GQ _{1a} , GQ _{1b}	<ul style="list-style-type: none"> • Cause of international accounting differences • Harmonisation of accounting standards • Studies on international accounting standards: Neutrality of IASs, Anglo-American influence, flexibility of IASs, observance of IASs • Accounting in developing countries • Adopting IASs in developing countries 	2.3.1 2.3.3 2.4 2.5 2.6
GQ ₂	<ul style="list-style-type: none"> • Cause of international accounting differences • Accounting in developing countries 	2.3.1 2.5
GQ ₃	<ul style="list-style-type: none"> • Theories of accounting standard setting: Political nature of standard setting, economic consequences and financial consequences, agency theory, legitimacy of accounting standards 	2.2

This study examines the applicability of IASs to the Thai accounting environment. Theories of accounting standard setting with reference to prior studies, Thai institutional characteristics (chapter 3) and the accounting standard for agriculture industry (chapter 4) rely upon the development of research questions, hypotheses and expectations (chapter 5) as well as interpretation of empirical findings (chapter 6-10) and the overall study conclusions presented in chapter 11.

CHAPTER 3

3. Background to Accounting in Thailand

3.1 Introduction

It has been suggested that accounting standards and practices are influenced by institutional, cultural and historical factors (see chapter 2). The main purpose of this chapter is to provide insights into the relative applicability of accounting standard setting theoretical frameworks to, and the implications of prior literature on international accounting for the adoption of IASs in Thailand. These will help to form the research questions, guide research planning, and interpret the results.

This chapter introduces Thailand (3.2) and describes its political system (3.3), legal system (3.4) and economic system (3.5), particularly, the importance of the agriculture sector. The influence of the capital market on Thai accounting development is discussed in section 3.6. Section 3.7 introduces accounting regulation and auditing requirements in Thailand. Section 3.8 describes Thai accounting development in terms of the accounting system, accounting profession and accounting education. The local cultural values in Thailand are discussed in 3.9. Section 3.10 discusses the influences on Thai accounting standards (TASs). Summary and conclusions are presented in 3.11.

3.2 The country

Thailand has existed as a country for over 800 years. A unified Thai kingdom was established in the mid 13th century, known as Siam until 1939. Thailand is the only one of the Southeast Asia countries which has never been colonised by a European power. A bloodless revolution in 1930s turned Thailand from an absolute monarchy to a constitutional monarchy. Thailand has had a good relationship with the West since after World War II. In 2004, Thailand had a population of 64,238,000 with ethnic background in Thai 75%, Chinese 14% and other 11%. The main religions are Buddhism 95%, Muslim 3.8%, Christianity 0.5%, Hinduism 0.1% and other 0.6% (National Statistic Office, 2004; The CIA World Fact Book, 2003). From these statistics, Thailand is quite a homogeneous society by ethnic and religious

background. However, Chinese, the second largest group, has a very strong influence in Thailand in many aspects. Notably, within 75% of the Thai population who declare themselves as Thai by their nationality, many of them are a second and third generation of Chinese stock who no longer identify themselves as Chinese.

Thailand is distinct from many of its neighbours in that it is much less diverse with respect to ethnic and religious differences. This is especially the case in comparison to the other rapidly growing economies in the region (i.e. Malaysia, Indonesia, and Singapore). Unlike Malaysia, where 32 per cent of the population is Chinese, the Chinese in Thailand are highly assimilated into Thai society. As a consequence, the inter-ethnic conflicts experienced in Malaysia and Indonesia between Chinese and non-Chinese groups, coupled with employment discrimination (especially in the case of Chinese in Malaysia), are largely absent in Thailand (Lawler, 1996).

Thailand is almost unique among developing nations. The lack of a colonial past has had important positive effects on Thailand's present development and financial reporting environment. Thailand is a rapidly developing country. The environmental circumstances affecting the accounting profession and practices have changed considerably, particularly after the Asian economic crisis in 1997. The economic and social systems also have implications for, and effects on, the nature of financial reporting system in Thailand (Jaikengkit, 2002).

Until the economic crisis, the Thai economy had performed exceptionally well. Economic growth had been averaging 7.6 percent over two decades from 1977-1996 (Siamwalla, 1998). The agricultural sector has played a major role in economic growth in Thailand over the centuries. In recent decades, GDP Indexes of Thailand show agriculture around 12% of GDP (Bank of Thailand, 2002). These figures come predominantly from rice, grain, fishery products, and frozen seafood. From 1980 to 1996 agriculture's share of GDP fell by almost half, declining from 23% to 11%. However, this was offset by the manufacturing and non-traded sectors of construction and real estate. Credit data point to a rapid increase in loans to the real estate and housing sectors, especially among finance companies, at a time when overall credit was already growing rapidly. In the end, many of these loans were to turn non-performing, and finance companies closed, giving clear evidence of the

over expansion of property sector credit. That caused Thailand's economic crisis in 1997 (Jelatianranat, 2000; Phongpaichit and Baker, 2000).

Thailand's economic problems are mirrored in the underlying weaknesses of both its corporate sectors and regulatory sectors (IMF, 2000). One of the main sources of the problems is the perceived low quality of financial reporting (Jelatianranat, 2000). The financial statements did not reflect the current financial position and performance at the time of Asian Economic Crisis and so users of accounting information could not use it effectively to make decisions. After Thailand received help from the IMF, the Thai government agreed to improve the quality of TASs in compliance with IASs, including strict regulation by the regulatory bodies.

3.3 Political system

3.3.1 Background information

Thailand is the only one of the Southeast Asian countries states to escape formal western political control in the nineteenth century, and is governed by a constitutional monarchy with the King as the head of the state, while the Prime Minister empowers the government. The Thai constitution is the highest law and governs Thailand through a centralised system. Legislative power is exercised through a bicameral National Assembly in the Parliament. The Parliament must approve all matters before passing to the King for his approval to become the Law of Thailand. Judicial power is exercised through three courts of law including the Court of the first instance, the Court of Appeal, and the Supreme Court. The executive power is exercised through a cabinet headed by a Prime Minister. The government includes the Prime Minister and a Council of Ministers who control each ministry (Jaikengkit, 2002).

Many countries around the world have been colonised at some time by the US and other European power. The colonial influence persisted for long time so they mostly have been influenced strongly in education, business practice, commercial and legal system, accounting practice and so on. Although Thailand was not historically colonised by the western countries, the influences of these countries on Thai accounting has existed both in a direct way (e.g. transfer of accounting technology in

accounting education) and an indirect way (such as through the economic development and the development of capital market). These are discussed in the following sections.

3.3.2 Role of the government in accounting development

According to the government's policy on economic development, the Thai capital market has played a pivotal role in the country's economic system. The Second National Economic and Social Development Plan of Thailand (1967-1971) proposed for the first time that an orderly securities market should be established in order to mobilise additional capital for national economic development. A growing trend towards globalisation, increased competition among stock exchanges, greater investor interest in new investments and products apart from traditional securities, and the 1997 crisis (Lauridson, 1998) have combined to produce a major impact on capital markets (Warr, 1999). The government through the securities regulators has implemented international standards of enforcement and corporate governance to ensure the quality of its products and provide effective investor protection (SET, 2003). The government supports IAS-based accounting standards. Official recognition is provided particularly by securities regulators. According to officials with the SET, attempts to raise disclosure standards are typically due to internal pressure as the government attempted to push the Thai stock market to a high level, rather than in response to external pressure from investors (Narktabtee *et al.*, 2002). The government passed the Accounting Act B.E. 2543 (2000), which gives legal force to Thai accounting standards (see section 3.9.2.2). In addition, the government has regulated through the Securities Exchange Commission of Thailand (SECT) in registration and monitoring of the work of auditors who audit listed companies' financial statements as well as serious sanctions for those auditors who fail to meet auditing standards (Trairatvorakul, 2001).

3.4 Legal system

The legal system in Thailand is primarily a code law system but there are influences of common law (Sathitsuksomboon, 2003). No historical incidents like other developing countries, Thailand modelled its commercial laws upon selected Eastern and Western legal systems, including those of Britain, Japan and Germany, reflecting

its important trading links with these major economic powers during the late 1800s and early 1900s (Lyman, 1975; Maolanond and Nobuyuki, 1985; Yasuda, 1993).

Craig and Diga (1996) indicated that Thailand's company laws have adopted a mixed approach. The financial reporting provisions in the laws are less detailed because they specify only that certain accounting records be kept. This gives government agencies and private sector bodies the flexibility to provide separately detailed rules for adoption of the financial reporting regulations. The accounting profession has contributed significantly to specification of the detailed rules necessary, particularly development of the accounting standards (Craig and Diga, 1996).

3.5 Economic system

3.5.1 Background information

Thailand is an agricultural country. The Thai economy has traditionally been self-sufficient (Tay, 1994). More than 50% of Thailand's labour force is employed in agricultural production (OAE, 2002). The agricultural sector has played a major role in economic growth in Thailand over the centuries (Phongpaichit and Baker, 2000). However, from 1980 to 1996 agriculture's share of GDP fell by almost half, declining from 23% to 11%. Until the economic crisis in 1997, the manufacturing sector and non-traded sectors of construction and real estate were outstripping agriculture in relative importance (Phongpaichit and Baker, 2000; Ryan, 2000). The crisis forced Thailand to take out massive loans from the IMF and other funding agencies, such as the World Bank, and Asian Development Bank (ADB), etc. After obtaining foreign loans, these international lenders took advantage of their position to play an influential role indicating the direction of planning for the economic and social development of the whole country. They encourage capitalism emphasising foreign investment and export-oriented production (Rojjanapo, 2000).

Thailand's economic problems are mirrored in the underlying weaknesses of its corporate and regulatory sectors (IMF, 2000). One of the main sources of these problems is the low quality of financial reporting (Jelatianranat, 2000; Charoenseang and Manakit, 2002). The financial statements did not reflect the current financial position and performance at that time so users of accounting information could not

use them effectively to make decisions. A President of the World Bank, Mr. Wolfensohn, criticised the accounting profession for not doing enough to enhance the accounting capacity and capabilities in developing and emerging nations (ACCA, 2001). After Thailand received help from the IMF, the Thai government agreed to improve the quality of TASs in compliance with IASs, including strict regulation by the regulatory bodies (IMF, 1998).

3.5.2 Thai businesses

Most large-scale businesses in Thailand began as family enterprises and many still operate as such (Lawler *et al.*, 1997). Moreover, small and medium enterprises provide more than 70% of the country's total employment and produce 40% of GDP. Most of them are also run by family members (The Office of SMEs' promotion in Thailand, 2001).

Witwattanakantang (2001) indicated that while foreign investors are certainly involved in listed companies in the Stock Exchange of Thailand (SET), the vast majority are controlled by Thai interests. About 80% of non-financial companies trading on the SET are family-owned (Wiwattanakantang, 2001) or controlled by majority shareholders (Lawler *et al.*, 1997). These companies need to raise capital to support rapidly expanding business activities. Despite being publicly traded, most of these companies continue to be controlled by the founding families (Lawler *et al.*, 1997; Wiwattanakantang, 1999; Pitiyasak, 2002).

3.5.3 Agriculture

3.5.3.1 Background information

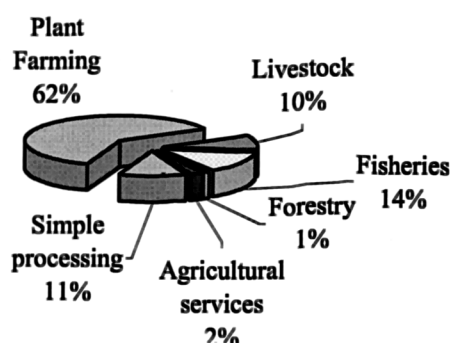
Despite the rapid growth of the manufacturing sector, the agricultural sector is still very important, principally as a supplier of inputs to many of the industrial activities (OAE, 2002). In last ten years, GDP indexes of Thailand show agriculture around 12% of GDP (BOT, 2002). Although the growth of employment in non-agricultural activities has exceeded that of agriculture for several years, more than 50 percent of Thailand's population is involved in the agricultural sector (OAE, 2002). Ninety

percent of them are small farmers scattered around the country and owning less than 10 acres of land (Rojjanapo, 2000).

The Thai government has identified the agriculture sector as a top priority for development (OAE, 2002; Agri-Food Trade Service, 2001). The government plans to increase efficiency in both agricultural production and the food processing industry. In the meantime, as a member of the WTO, the Thai government is committed to move towards greater liberalisation of farm products by phasing out all forms of subsidies (*Bangkok Post*, 2001). The impact of these decisions has been to reduce the number of small farmers, while promoting the interests of big farmers and agribusiness corporations. These corporations will soon be able to set up their own management systems and establish a relationship with small farmers as contract growers within a complete circuit. This is called the contract farming system¹, This direction is considered by the government to be an effective management method enabling these agribusinesses to centralise production at low cost, which will help the country become more competitive in the world market (Rojjanapo, 2000).

3.5.3.2 Agricultural produce

Figure 3-1: Distribution of the agricultural sector by type of business



Source: OAE (2002)

Thai agriculture has diversified, although crops are the mainstay and generate 60% of the agricultural revenue. The rest is derived from fisheries, livestock, forestry, simple processing and agricultural services. The major agricultural activities are: 1) farming,

¹ In the contract farming system small farmers have the opportunity to invest capital and labour in the production process on their own land. Companies provide inputs on credit and direct loans for hired labour for a given quota of production, and purchase the farmer's crop at a stated price (Benziger, 1996). These companies take the role of decision-makers and supervise the production process and marketing.

2) fisheries, and 3) forestry. The main products from farming are crops (e.g. cassava, maize, natural rubber, rice and sugar cane) and livestock (OAE, 2002). Figure 3-1 shows the distribution of the agricultural sector by type of agricultural business.

3.5.3.3 Characteristics of Thai agricultural companies

Relatively few companies have invested in the agricultural business. From data published by the Ministry of Commerce (2002), registered companies in this sector make up 1% of total or 2,584 out of about 427,961 companies. Typically, Thai agriculture has been a small-scale activity. This means many agricultural activities are performed by small farmers with their families, which do not operate in the form of business or firm, leading to underestimation of the distribution of the agricultural sector. Thai farmers are poor and have little specific capital invested in a particular line of activity (Schultz, 1964; Siamwalla, 1992). Some agricultural companies have used contract farming to attract farmers by providing them with a complete package of support measures, including risk sharing (Benziger, 1996).

There are two kinds of company in the agriculture sector. One is the agricultural company involved in agricultural activities from the early stage of growth of agricultural produce until maturity or until ready to be sold or processed. The other is the processing company which buys agricultural produce from small farmers and produces it as processed agricultural products. Some of these firms are listed on the SET since they need more capital to expand their businesses, including advanced technology from foreign investors to improve cultivation process and the quality of products.

Twenty-four agricultural companies were listed on the SET in December 2003 (SET, 2003). Out of 24 companies, 20 companies were agricultural companies in nature covered by the accounting standard for agriculture as indicated in IAS 41. Other companies are food-processing companies but they are grouped under the agricultural sector because their products are related to agricultural produce.

3.5.3.4 Agricultural markets and the price of agricultural produce

Agricultural markets in Thailand are scattered across produce regions. The price of agricultural produce is determined by the demand and supply mechanism with

reference to the world market price (OAE, 2002). The Office of Agricultural Economics (OAE) collects the market price of each product from all regional markets and announces official prices throughout the country on a daily, weekly or monthly basis, depending on how important the product is to the economy and the liquidity of trading in each agricultural produce. This means only the price of an agricultural produce that is regularly traded in the market is announced by the OAE. There is no available market information for any biological assets which are not traded in the market.

3.5.3.5 Role of the government in price intervention and risk management

The World Bank (1999b) has suggested that commodity price instability undermines economic growth and skews the distribution of income. Moving towards the liberalisation of agricultural markets, the Thai government has had to reduce its role in price intervention where agricultural products are concerned. Thus market-based commodity risk management instruments which have become increasingly popular in many developing countries have also been considered helpful to Thailand. Using risk management instruments improves local price discovery and more closely links domestic and international prices (World Bank, 1999b).

In Thailand, the government has been establishing the Agricultural Futures Exchange of Thailand (AFET) under the Agricultural Futures Trading Act B.E. 2542 (1999) as the exclusive marketplace to trade agricultural futures in Thailand, an innovative price risk management instrument for farmers and agricultural-related businesses (AFET, 2003). The issue on accounting for agricultural future is too new for the present project but could be of interest in future study.

3.5.3.6 Comments

This section has described the importance of agriculture to the Thai economy. Financial reporting on agriculture is important in order to provide useful and relevant accounting information for macro and micro levels of economic decisions. Accounting for agriculture has increased in importance due to the development of the Thai economy, and particularly since Thailand adopts the policy of the liberalisation of agricultural markets. Section 3.5.3.4 referred to the problem of unavailability of

market information for any biological assets not traded in the market. Only the price of an agricultural produce regularly traded in the market is announced by the OAE. In terms of accounting, this may create an asset valuation problem, particularly when determining the fair value of assets during biological transformation where fair value information has not existed. The need for sound financial reporting on agriculture will increase.

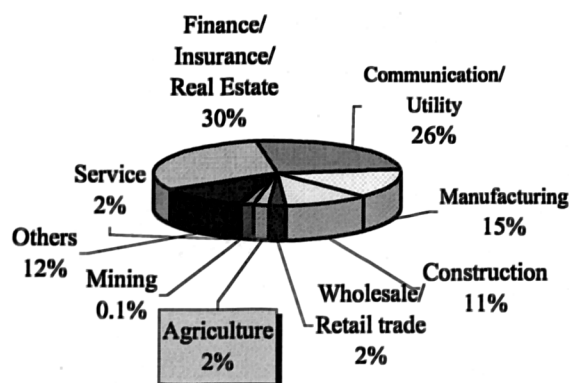
3.6 Capital market development

3.6.1 Background information on Thailand's capital market

The first Stock Exchange of Thailand, namely, the Bangkok Stock Exchange (BSE), failed due to lack of knowledge and internal and external support for equity investment (SET, 2003). Its failure demonstrated the need for the Thai government to direct and accelerate the development of a capital market. A former chief economist of the US SEC, Professor Robbins, was hired to study and report on the existing financial markets and to make suggestions for the reorganisation of the BSE. He proposed several influential recommendations, including changes in Civil and Commercial Laws (Priobjrivat, 1992). The second Securities Exchange of Thailand began operations in 1975 with 30 member firms and 15 securities issued by eleven quoted companies. It is both a stock exchange and a regulatory body. Its trading operations are based on practices in Hong Kong and Australia, while its regulations are based on those of the US SEC (SET, 2001).

On 1 January 1991 "The Securities Exchange of Thailand" officially changed its name to "The Stock Exchange of Thailand" (SET). The Securities and Exchange Act B.E. 2535 (1992) stipulates the Securities Exchange Commission of Thailand (SECT), a single unified supervisory agency with the status of a public agency, as regulator of the Thai Capital Market (see 3.6.2). While the SECT oversees the development of the capital market, the Bank of Thailand (BOT) is responsible for the country's money market.

Figure 3-2: Market capitalisation by sector as of May 2003



Source: SET (2003)

As of December 2002, there were 389 companies listed on the SET with a total market capitalisation of GBP 28.4 billion or THB 1,986 billion, approximately. Figure 3-2 shows the total market capitalisation of Thailand by sector. However, in Figure 3-2 the market capitalisation of agriculture and the relative importance of agriculture for the Thai economy is understated as discussed in 3.5.3.3. The average market capitalisation per company is GBP 73 million (SET, 2003b).

3.6.2 The Stock Exchange of Thailand and The Securities Exchange Commission of Thailand

The development of the equity market has probably been the most important factor in the development of financial reporting in Thailand (Tay, 1994). Thailand emulated the regulatory model of the US SEC (Saudagaran, 2001: 181; Craig and Diga, 1996; Graham *et al.*, 2000). The SECT regulates financial reporting requirements under the powers granted by the SEC Act, and also acts through MOC, which monitors compliance by all companies with legal and professional reporting requirements, and the Institute of Certified Accountants and Auditors of Thailand (ICAAT), which has developed a number of accounting and auditing standards. However, the SECT has tried to limit the requirements, because it has not wanted to discourage companies from seeking quoted status through the imposition of significantly heavier reporting requirements for quoted companies (Tay, 1994). In its efforts to promote more widespread ownership and foreign investment, the SET has encouraged the development of financial reporting along investor-oriented lines, in particular in the provision of consolidated accounts and more detailed information in the notes. In

addition, as a result of the Asian economic crisis, the importance of good corporate governance has been paid greater attention by the Thai government. The SET required existing listed companies to establish an audit committee in 1999 and new applicants listed after that date have to have an audit committee as a mandatory qualification.

Table 3-1: No of listed companies by sector in the SET (2002)

<i>Sectors</i>	<i>No. of listed companies</i>	<i>Sector</i>	<i>No. of listed companies</i>
Agribusiness	21	Rehab Co	45
Banking	14	Jewellery	2
Building	24	Machinery	4
Chemical	13	Mining	1
Commerce	12	Packaging	14
Communication	10	Pharmaceutical	2
Electrical	10	Printing	8
Electronics	8	Professional services	2
Energy	9	Property	27
Entertainment	8	Pulp	5
Finance	21	Textile	25
Food	22	Transportation	8
Health	11	Vehicle	8
Hotel	12	Warehouse	4
Household	7	Others	10
Insurance	22	Total	389

3.6.2.1 Stock Market Regulation

In May 1992, the SET Act of 1984 (No. 2) was replaced by 'the Securities and Exchange Act BE 2535 (1992)' which also established the Securities and Exchange Commission of Thailand (SECT). The enactment of the SEC Act empowered the Office of the Securities and Exchange Commission to be established as an independent state agency responsible for the supervision and development of the capital market under the direction and guidance of the SECT.

The SET is a full self-regulatory organisation, which with the SECT ensures all individuals and institutions abide by the established laws, regulations and standards of Thailand's capital market. It is considered an important secondary market for trading securities initially issued and offered for sale to the public in the primary market. As regards the relationship between the SECT and the SET's Board of Governors, the SECT plays an important role in setting out policies and approving main regulations for the SET (SECT, 2003).

In its efforts to promote more widespread ownership and to attract foreign investors, the SET has encouraged the development of financial reporting, in particular in the provision of consolidated accounts and more detailed information in the notes (SET, 2002). On this point, there may be criticism that accounting standards are unfair in treating listed and non-listed companies differently. To give auditor opinions on the financial statements of listed companies, auditors are required to obtain the approval of the Office of the Securities and Exchange Commission (SET, 2002).

3.6.2.2 Stock Market Accounting Requirements

Listed companies' accounting systems must accord with the SET requirements. The SECT allows foreign listed companies to follow TASs, IASs, or the US GAAP, whereas domestic listed companies must follow TASs, or IASs if there is no Thai standard on the subject (SET, 2002).

3.6.3 Comments

The effective enforcement of the reporting rules requires a regulatory agency, the SECT. This helps to maximise the use of scarce qualified professional accounting personnel, facilitates compliance with extant requirements, and educates enterprises regarding the need to provide adequate financial and non-financial information. The enforcement mechanism may differ from that of other countries which have a greater number of well-trained accounting professionals so that regulators can allow the private sector (e.g. stock exchanges and professional accounting bodies) to play a more active role in setting and enforcing financial reporting policies. This section shows the strong US influence on the stock market regulation in Thailand, although there was no formal occupation or colonial history by any country.

3.7 Accounting Regulation

3.7.1 Background information

Accounting in Thailand can be distinguished as two stages of development. The first development stage was prior to the accounting reform in 2000. The second stage of development started from the enforcement of the Accounting Act 2543 (2000), including the Draft of the Accounting Profession Act that was approved by the

House of Representatives on 15 October 2003 and forwarded for consideration by the Senate. The Senate resolved to approve it in principle on 27 October 2003 (Nukbunchee, 13 November 2003). The crisis has also influenced the reform of Thailand's accounting structure.

The principal agencies for regulating accounting practices in Thailand are the ICAAT, Board of Supervisory of Auditing Practices (BSAP) of Ministry of Commerce, SECT, SET, and BOT. Before reforming accounting regulation by promulgating the Accounting Acts, the Department of Business Development (DBD) had duties and responsibilities related to business accounting. These responsibilities were control of business accounting, issue of licenses for certified auditors, improvement of accounting and auditing techniques and amendment of the laws and regulations in line with the situation, training in accounting, auditing and consultation, and giving advice on accounting to auditors and accountants (DBD, 2002). Table 3-2 presents a list of accounting regulations and the main purpose of each.

Table 3-2: List of Thai accounting regulations

<i>Name</i>	<i>Main purpose</i>	<i>Date</i>
Proposed Accounting Profession Act (Draft 2003)	<ul style="list-style-type: none"> • Will establish the "Accounting Profession Council" • Will allow the professional community to take care of its professionals 	Draft
Civil and Commercial Code, Book III (1914 amended in 1929)	<ul style="list-style-type: none"> • Private Companies Law 	1914/1929
Public Companies Limited Act B.E. 2535 (1992)	<ul style="list-style-type: none"> • Public Companies law • Financial reporting requirements 	1992
Auditor Act B.E. 2505 (1962)	<ul style="list-style-type: none"> • Established the BSAP which has the power to regulate the auditing profession. 	1962
Accounting Act B.E. 2543 (2000)	<ul style="list-style-type: none"> • Defines the responsibilities of accounting preparers and management. • Gives legal force to accounting standards • Qualifications of accountants • Sets greater penalties for any involvement in malpractice, both fines and imprisonment • Sets out financial statement requirements 	2000

3.7.2 Accounting laws

3.7.2.1 Prior to the Accounting Act B.E. 2543 (2000)

The first promulgated accounting law in Thailand was the Accounting Act B.E. 2482 (1839). The objectives of this Act were: (1) to harmonise accounting practices for the different kinds of company sectors (2) to protect shareholders' interest; and (3) to facilitate and enhance justice in levying a tax. This Act was first adjusted in 1843 and later revised in 1972 by promulgating the Revolutionary Council's Announcement No. 285: Accounting (RCA 285). Change in accounting law are relatively infrequent in Thailand. Detailed rules are set separately but within the law and called 'Ministerial Regulation'.

However, this announcement was considered inappropriate due to the significant changes in the accounting environment and internationally current practices. Therefore, in order to upgrade Thai accounting laws, the new Accounting Act B.E. 2543 (2000), was promulgated and superseded the RCA 285.

3.7.2.2 The Accounting Act B.E. 2543 (2000)

This Act attempts to make clear the responsibilities of accounting preparers and management. The clarification is expected to bring about better disclosure of information. The Act requires financial statements to be prepared in accordance with accounting standards. The Act also gives legal force to the accounting standards as pronounced by the ICAAT and approved by the MOC. The qualifications of accountants are also tightened under the new law. It provides for greater penalties for any involvement in malpractice, both fines and imprisonment. This is expected to help the financial systems of Thailand to become more transparent and meet international accounting standards. The former accounting objective of the former Act was only a procedure to meet legal requirements or tax calculations. The main objectives of the Accounting Act BE 2543 (2000) are to help improve financial standards and business management. Company executives can make better business policy decisions as well as attract foreign investors.

3.7.2.3 Draft of the Accounting Profession Act

The Draft of the “Accounting Profession Act” was approved by the House of Representatives on 15 October 2003 and has been under consideration by the Senate (ICAAT, 2003). The government has approved in principle the institutional framework for setting standards and regulating the profession. The early Draft of this Act proposes transfer of power to enforce professional standards from the government to professional bodies (Trevellato, 2002). But, this Act has been considered important to the country’s economy as a whole so cannot be independently self-regulated like other professions (Prachachart, 12-15 June 2003). The latest Draft of this Act approved by the House of Representatives proposes establishing the “Accounting Profession Council” as a legal entity. This will allow the professional community to take care of its own professionals. However, the Accounting Profession Council will be monitored and supervised by the “Regulatory and Supervisory Board”, which is the governmental authority. Members of the Board will consist of representatives from the government, private sector, and accounting profession, and will be chaired by the Permanent Secretary of the Ministry of Commerce (in the Draft of the Accounting Profession Act, 27 October 2003).

Under the Accounting Profession Act, the Accounting Profession Council will appoint the members of its own Management Board, the Thai Accounting Standards Board, Ethical Standards Board, and the Boards for each branch of accounting services for considering or operating in special accounting issues. It will also have the full power to grant, revoke or suspend licenses of certified auditors who fail to uphold required professional standards; and it will oversee professional accountants.

3.7.3 Companies and Company Law

3.7.3.1 Companies

Limited companies can be categorised as private or public. Private companies are either locally owned, or have international connections. The majority of locally owned businesses, even very substantial businesses, are still family-owned or controlled by a relatively small number of shareholders (Lawler *et al.*, 1997).

Corporate financing has thus been mainly through borrowing, and, in the main, borrowing from banks (Tay, 1994).

3.7.3.2 Company Law

Private companies are subject to the Civil and Commercial Code, Book III (1914 as amended in 1929) which contains some evidence of the influence of the UK. To a lesser extent, the Code draws upon elements of Japanese and German code law (Craig and Diga, 1996). Public companies are subject to the Public Companies Limited Act B.E. 2535 (1992). Both laws are administered by the MOC. The Public Companies Limited Act B.E. 2535 (1992) is a part of the government's efforts to develop the Thai equity market.

3.7.3.3 Financial Statement Requirements

Ministerial Regulation No. 2 B.E. 2519 (1976) contains the minimum disclosures to be made in the balance sheet and profit and loss account of various enterprises. It was the first Thai legislation to have a direct impact on financial reporting. But, currently, financial statements are required by the Accounting Act (2000). Under the Accounting Act B.E. 2543 (2000), the DBD has introduced new formats for financial statements and requires mandatory financial reports, which are effective for accounting periods subsequent to December 31, 2001. These reports consist of two-year Comparative Balance Sheets, two-year Comparative Income Statements, two-year Comparative Statements of Change in Equity or a Comprehensive Income Statement, and two-year Comparative Cash Flow Statements, only in case of Public Companies (The Accounting Act, 2000). The financial reports of companies including companies' annual reports, and other reports, are kept by the DBD of Ministry of Commerce, and are available to the public (DBD, 2002).

3.7.3.4 Publication Requirements

(1) Annual reports

The Public Companies Act (1995) requires the production of an annual report together with a disclosure report of additional information (Form 69-1) and information on operational and financial structures that is price sensitive and/or affects shareholders.

(2) Quarterly reports

Listed companies in the SET must submit reviewed quarterly financial statements, including a consolidated statement if there are subsidiary companies, to the SET within forty-five days of the end of each quarter. The quarterly reports must be reviewed by the certified auditor (SET, 2003).

(3) Additional information

For listed companies, the SET has also instituted requirements for financial statements to be audited by CPAs who are approved by the SET and disclosures of various matters (disclosure requirements: form 56-1) to investors (SET, 2002). In principle, disclosures are required at almost the same level as in the US (Praditsmanont, 2002). Financial disclosure in Thailand is a recent development when compared with financial disclosure in the US. Further, while there have been developments in financial disclosure requirements, there are few specific requirements for non-financial disclosure. However, the SECT, SET, and BOT have shown an interest in this area by providing guidelines, instructions and policies for corporate government and reports (Jaikengkit, 2002).

3.7.4 Tax Law

The Revenue Code outlines regulations for the imposition of taxes on income. Accrual accounting is used for tax purposes in Thailand. The resulting tax profit may differ from the accounting profit because the tax code is intended to generate revenue for the government in a manner consistent with specific social and economic goals, while financial accounting information is intended to be useful to investors, lenders, creditors and shareholders. The starting point is the reported accounting profit modified by specific aspects of tax law.

Overall, tax legislation has not affected financial reporting directly. There is no requirement that tax-reporting procedures be followed for financial reporting purposes. In contrast, company laws and securities laws directly address financial reporting for companies (Craig and Diga, 1996).

3.7.5 Audit

The government enacted the Auditor Act B.E. 2505 (1962). The Auditing Act established the Board of Supervision of Auditing Practice (BSAP) which has the power to regulate the auditing profession. The BSAP is a governmental agency under the MOC. The BSAP determines the qualifications of persons seeking registration as public accountants. Statutory auditors are appointed by shareholders at their annual general meeting and must be approved by the SECT for publicly listed companies and by the BOT for banks and finance institutions. The ICAAT promulgates auditing standards, practices and procedures. The pronouncement must be approved by the BSAP to become generally accepted by the accounting profession. Most auditing standards follow the ISA (ICAAT, 2002). Under the Draft of the Accounting Profession Act, its duties and responsibilities will transfer to the Accounting Profession Council (The Draft of the Accounting Profession Act, 27 October 2003).

3.8 Thai Accounting Development

To date, outside knowledge of accounting development in Thailand has been very limited. Only a few studies can be seen to date such as the study of accounting education and the accounting profession (e.g. Ninsuvannakul, 1973, 1988; Akathaporn *et al.*, 1993), governmental accounting (Henry and Attavikamtorn, 1999), accounting disclosures (Priebjriwat, 1992), social accounting disclosure (Kuasirikun, 1998). Most accounting research publicly available about Thailand is capital market-oriented, which usually causes problems since accounting numbers do not reflect the real picture of companies (Sitchawat and Pongwan, 2000). Sitchawat and Pongwan (2000) suggested that these problems should be given more attention and accounting research should be more focused on the problems of rules or standard setting and implementation.

More recently, several researchers (e.g. Saudagaran and Diga, 1997a, 1997b, 1997c) have paid more attention to studying accounting in Thailand rather than other developing or ASEAN countries with particular regard to accounting regulations. Although these provide a descriptive analysis of accounting in Thailand, empirical work on accounting standards and practices in Thailand is still needed.

3.8.1 Accounting systems: from a macro to a micro approach

Saudagaran and Diga (1997c) indicated that accounting in Thailand has adopted a macro-user-oriented approach. Moreover, accounting regulations in Thailand have traditionally preferred a more conservative, creditor-oriented, and tax-driven accounting system broadly similar to the accounting system in Japan and Germany.

However, in recent decades, the securities market has gained in importance as a source of capital in Thailand and corporate financial reporting has become a key policy issue. Tay (1994) suggested that the main factor which has influenced financial reporting in Thailand has been the development of the equity market. This has been an important part of the government's overall economic strategy. The evolution of the Thai financial environment has also led to the accounting system in Thailand gradually coming to resemble a micro-user oriented accounting system. The growth of securities in Thailand has spurred direct government involvement in regulating the market to respond to increasing demands for greater transparency in financial reporting. The development in accounting regulation indicates that Thailand has moved towards a regime requiring more extensive financial disclosures based on standards widely accepted in the UK and US (Saudagaran and Diga, 1998). The strong regulatory endorsement of standards set by the IASC for domestic use affirms further the decisive shift towards a micro-user oriented accounting system.

3.8.2 Accounting Profession

3.8.2.1 Professional accounting body

The accounting profession was only formally recognised in 1962, when the Auditor Act B.E. 2505 (1962) was passed. However, it has a relatively high standing in Thailand, especially since the important role of accounting and auditing in the development process has become acknowledged. Established in 1948, the Institute of Certified Accountants and Auditors of Thailand (ICAAAT) was the first professional body of accountants and auditors (ICAAAT, 2002). ICAAAT is an incorporated association similar to a club but in practice it wields a lot of power over the conduct of accountants and auditors. Its executives normally sit in the BSAP. All Thai

accounting and auditing standards and ethics are initiated by the ICAAT and routinely supported by the BSAP (Praditsmanont, 2002).

The ICAAT is responsible for developing TASs and soliciting public hearings (ICAAT, 2002). The ICAAT also organises conventions and seminars for the general public, and publishes a quarterly journal called the *Accountants Journal* (ICAAT, 2002). Membership of the ICAAT is open to those who possess either a degree in Accountancy or some other diploma or certificate which the ICAAT recognises as being equal in status to a Bachelor degree in accountancy with Thai nationality. In December 2003, the ICAAT has about 8,400 members working in both the public and private sectors (ICAAT, 2003). Only a few are authorised auditors (Praditsmanont, 2002). This may be because the ICAAT membership is not a requirement for practice in Thailand. The lack of incentive for qualified persons to join the ICAAT is a part of the obstacle hindering development of the accounting profession.

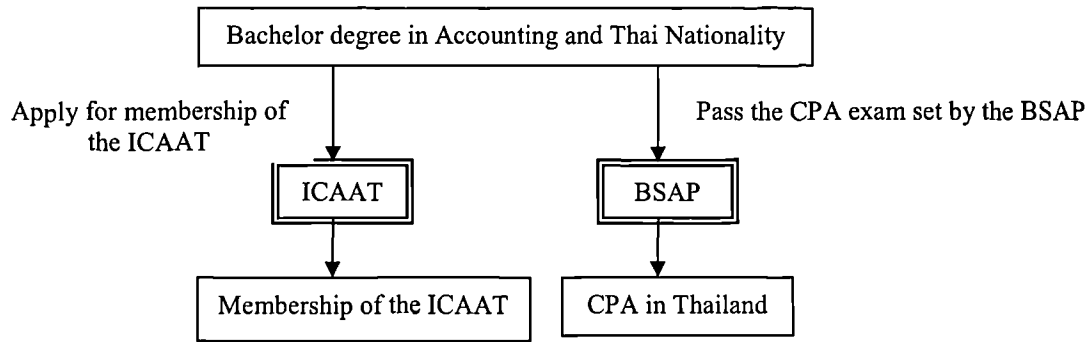
3.8.2.2 Professional accounting education and training

An accounting course was first offered at Thammasat University in the Master of Science in Economics programme in 1935. Three years later, the Department of Accountancy was established in that university (Ninsuvannakul, 1988). Since then almost every state university has a Department of Accountancy providing an accounting course.

Limited proficiency in English is another obstacle to developing national accounting standards and understanding the accounting literature. Many universities provide a Master programme in Accounting taught in English to assist understanding of complicated accounting knowledge and to stimulate accounting research. Currently, a Ph.D. programme in Accounting is operated in universities.

To become a Certified Public Accountant of Thailand, it is necessary to have a Bachelor degree in accounting, to have the practical auditing experience for a period of approximately two years and to have passed the exam of the BSAP of Ministry of Commerce (see 3.8.2.3). Figure 3-3 illustrates the path to becoming an ICAAT membership and a CPA in Thailand.

Figure 3-3: The Path to becoming an ICAAT membership and a CPA in Thailand



3.8.2.3 Role of the government

The Thai government plays an important role in the accounting profession through the MOC. Under the Auditor Act 1962, the MOC registers, issues, and revokes CPA licences. The BSAP sets the rules and CPA exams. This Act, however, is regarded as an obstacle to professional accounting development because some regulations are considered inappropriate for current economic expansion and growth of international trade. The Auditor Act sets only the rules for auditors while accounting services have various types of services (Finance and Banking, 2002). It will be repealed and replaced by the proposed 'Accounting Profession Act' (Sitchawat and Pongwan, 2000). This Act will allow the professional community to take care of its own professionals under regulation and supervision by the governmental authority (Krungthepturakij, 2003)

3.8.3 US influence on accounting concepts and practice

Accounting theory and practice in the US has had a major influence on accounting education in Thailand, perhaps because many Thai instructors have completed their graduate studies in the US (Akathaporn *et al.*, 1993). In addition, most universities in Thailand have arranged several cooperative programmes with American Universities but rarely with European Universities. Visiting professors from the US help to teach and design graduate programmes in business. Another reason is that many American companies have located branches and subsidiaries in Thailand, which have to apply US GAAP when preparing financial statements in order to report to parent companies in the US (Ninsuvannakul, 1988). The SGV's (1984) survey concluded

that Thailand was influenced to various degrees by US accounting regulations in a similar as were Indonesia and the Philippines. Financial reporting requirements by the Stock Exchange of Thailand follow the US practices (Praditsmanont, 2002).

3.8.4 Influence of international organisations on accounting

International organisations have been criticised for their influence on the accounting development of developing countries (Saudagaran and Diga, 1998). These included the influence on domestic policy exerted by multilateral lending institutions, such as the World Bank and the ADB and during the Asian financial crisis in 1997, the IMF. Each of these organisations requires greater transparency in financial reporting regulation and practices (Saudagaran and Diga, 1998). The World Bank requires its borrowers to use IASs (Nobes, 1998). Thailand is facing an increasing need for accountability to its people, investors, creditors and international agencies for the strategies it is pursuing during economic recovery (Henry and Attavitkamton, 1999; Saudagaran, 2001: 162). There has been a growing appreciation of the fact that financial reporting is a vital infrastructure requirement for the growth of the capital market and economic development (Saudagaran, 2001). Obtaining financial loans from the IMF, Thailand promised IMF to introduce transparency by developing accounting, external auditing and disclosure standards more in line with international best practices (IMF, 1998). The World Bank is involved in a long-term project to enhance accounting development in Thailand, in particular the development of accounting education (Saudagaran, 2001: 181). Moreover, the World Bank granted Economic and Financial Adjustment Loans (EFAL I and II) to Thailand to strengthen the competitive foundations of the economy and to track reforms in the financial and corporate sectors including setting sound accounting and auditing standards (World Bank, 2001). These may influence the Thai Accounting standard setting policy, which is based mainly on IASs.

3.9 Local Cultural Values in Thailand

Thailand has three main sets of indigenous values that more or less affect the attitudes and behaviour of Thai people. These are indigenous Thai values (3.9.1), Buddhism values (3.9.2), and Chinese business values (3.9.3). Moreover, to gain a

better understanding on the Thai culture, this section discusses the characteristics of Thai people (3.9.4) in terms of cultural values.

3.9.1 Thai values: Thai culture and behavioural patterns of individuals and groups of Thai people

Na Talang (1997), a scholar of Thai culture and head of the Thai government's National Cultural Commission, defines culture as *'the system of thought and behaviour of a particular society - something which is dynamic and never static'*. Talang and other world culture experts agree that it is paradoxical to try to protect a culture from foreign influences, realising that culture cannot exist in a vacuum. Culture evolves naturally as outside influences undergo processes of naturalisation. Rohitratana (1998) supports the view that Thai values shape and control the direction of working in Thai work places because no system is run in a vacuum and this system is run by people who are influenced by the perception and attitude from their own culture.

In an analysis of Asian cultures, Pye (1985) points out that the continuing strength and authority of family and lineage in Asia are a principal foundation of these attitudes so that Asian people continue to accept the obligations of deference towards paternal authority and sacrificing individual interests for collectivism. Boyle (1998) supports the view that to understand the Southeast Asian cultures there are at least three main sets of cultural characteristics, which influence the behavioural patterns of individuals and groups of people in Asia in general as following; (a) hierarchy and power, (b) patrons and client relationship, and (c) conflict and 'face'. To understand Thais in particular, specific characteristics of Thai culture are added to Boyle's framework by many Thai and foreign authors. These cultural characteristics are discussed as follows:

(a) Hierarchy and Power: 'Sakdina'

The first set of cultural characteristics relates to a strong desire for 'Paternalistic Authority' and a compulsion for dependency and loyalty to a group. These characteristics are reflected in the strongly hierarchical nature of society and, as a consequence, of social, political, and bureaucratic institutions. Thus, power and authority flow downward through a hierarchy of relationships, whereas deference to

authority flows upward. People are keenly aware of their relative place in the hierarchy and of their status vis-à-vis others, and deference is commonly accepted by and granted to people of higher status. Maintaining and enhancing one's status is a principal motivation factor, because a person's power and influence rises or falls in concert with it (Pye, 1985).

Many Thai and foreign scholars (Vichit-Vadakan, 1989; Nakata and Dhiravegin 1989; Wedel and Wedel, 1987; Girling, 1981) explain the patterns of contemporary social and political relations in Thailand. In many respects, these patterns were established over the seven centuries of absolute monarchy before the 1932 transition to a constitutional monarchy. The hierarchical '*Sakdina*' system assigned stratified ranks to all males according to an individual's relationship by blood or service to the king, and determined each individual's rights, wealth, political power, and responsibilities to the state and the rest society. Status and deference remain strong and pervasive organisation principles in contemporary Thai social relationships. Thais are prone to exercise absolute power if they can; to defer, obey and submit to those in power; and to seek to belong to groups forming around a leader or patron with greater power or wealth. As a consequence in government, lower-ranking officials have difficulty standing up to higher-ranking officials, even those from another ministry, and special requests from higher-up for 'consideration' or 'cooperation' are difficult to refuse even though they evidently hide ulterior motives (Holmes and Tangtongtavee, 2003: 17).

(b) Patron-Client relationships

The second set of traits refers to the tendency to cultivate and rely on feelings of obligation and indebtedness in personal relationships. This is partly as a reflection of the urge for paternalistic authority, dependency, and loyalty to collectivism and partly because, in such structured societies, personal relationships are relied on for getting things done. These relationships often take a patron-client form where the patron provides protection, security of position and income, social connection, or economic and other opportunities in exchange for deference, loyalty, support gifts, or labour from a client. These relationships hold together and give structure to formally designated bureaus or offices, link together different principal figures along lines that

may or may not follow the formal hierarchy of an organisation, and create allegiances that can strongly influence decision-making and the distribution of power and its benefits. In addition to these relationships established and nurtured for specific functional reasons, family, religious, ethnic, and educational connections play a more diffuse but important role in establishing bonds of trust and goodwill, which facilitate communication, cooperation, and gaining personal opportunities and advantages (Boyle, 1998).

According to hierarchical and paternal '*sakdina*' system in the past, the modern form of the patron-client relationship is more limited and focused on specific services than the comprehensive '*sakdina*' system was several centuries ago. Clients may see various patrons, whose spheres of influence differ, and the patron-client exchange tends to be economic, although political loyalty and support can also be mobilised in times of need (Vichit-Vadakan, 1989). These relationships are established on a very personal basis, because familiarity is considered to bring goodwill and trustworthiness; people outside one's 'circle' tend not to be trusted, and those inside are protected (Nakata and Dhiravegin, 1989). More generally, 'personalism' is one principle by which favours are granted, requirements are waived, and tedious procedures are bypassed (Vichit-Vadakan, 1989). The reliance on personal relationships is also evident in the potential arena where groups coalesce around the initiative of certain personalities rather than around guiding systems, ideologies, or principles (Nakata and Dhiravegin, 1989).

(c) Conflict and 'Face'

The set of traits concerns the compulsion to contain inner feelings, to avoid any overt criticism, conflict, disagreement and controversy, and to conduct all interpersonal relations in a smooth, unthreatening manner. Self-control is considered a pre-eminent virtue. Personal emotions should be hidden with the social graces, flawless etiquette, and perfect manners. Therefore, the Southeast Asian style of dealing with unpleasant or even dangerous situations is avoidance and silence, repressing emotions in the hope that the problem will go away if matters are smoothed over. Related to maintaining self-respect and status, and to avoiding conflict and embarrassment, is the importance of saving or gaining face. When face is threatened, the substantive

matter at the heart of a disagreement can quickly raise importance as attention turns to avoiding embarrassment for all involved (Boyle, 1998).

Rungrengsuke and Chansuthus (1998) point out that face is very important to Thais. Komin (1990) supports the view that, for Thais, face is identical with ego. They indicate that the perceptions of conflict and face between Western and Thai people are different. The Western and Thai people evaluate their 'faces' in different degrees. Moreover, for Thais, face is related to conflict. French (1988) supports the view that face appear to be closer to a basic need in Thailand than in Western cultures. For Thais, face is the other value influencing relationships among Thais. Thais are generally keen to avoid conflict, not prone to violence, patient and tolerant towards injustices, and modest, considerate and averse to criticising others in their presence (Nakata and Dhiravegin, 1989). They strive to achieve interpersonal harmony, relying on the social graces to achieve smooth face-to-face interactions and disguising or suppressing true feeling, aggression, and disagreement with others (Vichit-Vadakan, 1989).

(d) Considerate: 'Krengjai'

'*Krengjai*' (think of other's feeling, considerate, to fear to approach, to be disinclined to disturb or offending) is the most frequent behaviour that Thais express in family, office, school and public. This set of actions is curious to many foreign managers because Thais rarely show assertive actions. The reason behind that calm behaviour is '*krengjai*'. A well-socialised Thai is always afraid to annoy other persons. Traditionally, Thai children are taught to consider others' needs and feelings before their own. This makes Thais less assertive and in many cases seems to be passive and inactive. The persons who lack *krengjai* are regarded as aggressive and selfish. In a work place, Thanasankit and Corbitt (2002) explain that '*krengjai*' behaviour can be observed by all superiors, equals and inferiors and includes intimate relationships between husband and wife and between close friends. The only differences are the degree of '*krengjai*'.

3.9.2 Buddhism values

Approximately 95% of Thai citizens are Theravada Buddhists. To a large extent, Thai characteristics find their roots in Buddhist principles, which pervade Thai life,

especially the 'middle path' as known as '*machima*' (Pali) or '*sai klaang*' (Thai), which prompts Thais to compromise rather than hurt another's feeling through criticism, disagreement, or a decisive act. Exercising '*sai klaang*' requires achieving and maintaining balance between two central yet opposing social values- '*krengjai*', being considerate or reluctant to impose on others, and '*jing jai*', being sincere in one's relationships and straightforward in one's dealing with others. Balancing these two values requires self-control and maintaining the presence of mind, even under stress, to think first and consider all potential consequences before acting (Nakata and Dhiravegin. 1989).

3.9.3 Chinese business values

Lawler (1996) mentions that Thailand is distinct from many of its neighbours in that it is much less diverse with respect to ethnic and religious differences. This is especially the case in comparison to the other growing economy in the region (i.e. Malaysia, Indonesia, and Singapore). Pyatt (1996, 2003) supports the view that Chinese in Thailand or Chinese-Thai do not practise traditional Chinese Confucian concepts as Chinese do in other Southeast Asia countries. They are assimilated with Thais and practise local Thai values instead.

At present, Thais and Chinese have mixed in many ways. Basically, all those of Chinese descent go to Thai school and speak Thai in their daily life and identify themselves as Thai. Religiously, many of Chinese descents practise Buddhism and, for men, they also become monks temporarily or permanently in the same way as Thai men do by Thai tradition. Economically, persons of Chinese descent control major economic activities not only in Thailand but also join other overseas Chinese in Southeast Asian countries and establish an overseas Chinese network to control these regional economies. For these reasons, they also have sufficient power to take part in many political activities such as funding for local politicians, running an election for themselves or their representatives, becoming members of parliament or ministers or even prime ministers, and funding major political parties.

3.9.4 Characteristics of Thai People

Hofstede (1984) surveys different business cultures in various countries and finds that in the case of Thailand, Thai people are ranked high (21st out of 53rd countries)

in the *Power Distance* dimension, the extent which a society accepts the fact that power in institutions and organisations is distributed unequally. Thai people are also ranked very high (41st out of 53rd countries) in the dimension of *Collectivism*, which is characterised by a tight social framework in which people distinguish between in-groups and out-groups.

However, it is widely accepted that cultural contexts are dynamic and changing over time. In the latest cultural study by Klausner in 2000s (2002: 103), after his 40 years of experience in Thai cultural study, he concludes that '*the contours of Thai culture are being slowly but surely, reshaped. The traditional markers, signals and signposts that once so clearly pointed the way to social predictability and the acceptance of time-honoured hierarchical and authoritarian structures are now being shifted about, redrawn and, in some cases, obliterated.*'

He points out that the Thai younger generation are westernised and socialised by either local or overseas education, including other informal social learning. They are more assertive and tend to believe in individualism and egalitarianism. It seems as if the basic patterns of Thai culture, such as conflict avoidance, collectivism and compliance with authoritarianism that were described during the 80s-90s by many writers (Cooper and Cooper, 1982; Hofstede, 1991; Vichit-Vadakan, 1989), as a set of guidelines for foreigners to understand Thai behaviour, are almost obsolete. This applies especially for the new generation, the educated and the middle-class, who live in Bangkok and other big cities.

It is unsurprising that Thai society has been changing. During the economic boom of the 80s-90s, many Thai parents sent their children to study abroad. These people came back with western education and also adopted and adapted western style in their work and lifestyles simultaneously, in Thailand, the country where the freedom of media is considered one of the highest in Asia. The new generation, therefore, who grew up in more recent years also shares the same so-called 'modern, westernisation, Americanisation and globalisation' experience with those in western countries. These reasons bring a new pattern of thought to a new generation, especially, the urban middle class (Klausner, 2002).

Although forty years of industrialisation seems to be a long period in one's lifetime, for Thailand, in comparison with her 700 years history as a nation, it is not very long. At least, it is not long enough to change the ideology of 'all' Thais to be fully industrialised, materialised and capitalised. In fact, by geographical location, Thai culture is the result of mixing multi-cultures from the surrounding superpower countries year after year; (1) religion, adapted from the Indian continent since an early stage of the country, such as Buddhism and Hinduism; (2) local business practices, adapted from Chinese through its history; (3) large organisation management, public administration practices, governmental bureaucratic system, educational system, socio-economic and political formats and modern life styles, adopted and adapted from the West (i.e. Anglo-Saxon culture, mainly English during Victorian times and mostly American after the World War II until present); and finally (4) local values, developed from the regional and indigenous animism beliefs² (Klausner, 2002).

3.9.5 Comments

This section has described the Thai local cultural values, which are Thai values, Buddhism values, and Chinese business values. The local values affect behaviour and attitude of local people. Understanding these values will assist in interpretation of findings. Particularly, these values also affect people's attitudes towards setting accounting standards, they will also explain the perception of people towards the adoption of IASs in Thailand.

3.10 Thai Accounting Standards

3.10.1 Influences on Accounting

Thailand is unique among ASEAN countries in that there has been no wholesale adoption of the accounting standards promulgated by other professional bodies, whether national or international (ICAAT, 2003). Gray *et al.* (1984: 23-4) indicated significant IASC influence, and moderate UK influence on Thai financial reporting

² Webster's 1913 Dictionary

Definition: \An"i*mism\, n. [Cf. F. animisme, fr. L. anima soul. See {Animate}.]

The belief that inanimate objects and the phenomena of nature are endowed with personal life or a living soul; also, in an extended sense, the belief in the existence of soul or spirit apart from matter. -Tylor.

practices, while Saudagaran and Diga (1997c) suggested that the Thai accounting system drew from various countries. Gaining widespread domestic acceptance to use the accounting standards of any one country would therefore be problematic. Further, ICAAT has considered FASB and AICPA pronouncements. As a consequence, audit reports are couched in terms of 'fair presentation', 'generally accepted accounting principles', and 'generally accepted auditing principles'. These signs indicate TASs, at least are firmly within the Anglo-American tradition of accounting, in contrast to the more Franco-Germanic disposition of Thai Laws (Tay, 1994).

Thailand first made use of IASs in 1987 when it issued TAS 6, '*Revenue recognition*', based on IAS 18. Prior to this, accounting pronouncements by ICAAT were influenced by US and UK standards (Saudagaran and Diga, 1997c). As a result of the crisis, pressure for full adoption of IASs was made in 1998. In early 1998 the ICAAT critically and carefully reviewed its long-standing procedures for issuing accounting standards and decided that TASs should continue to be based on, but not totally adopt, IASs (ICAAT, 2002). TASs have been influenced by IASs and US GAAP (Graham and King, 2000). However, it was argued that it would be better to adopt either IASs or the US GAAP because this would make interpretation of financial statements easier for foreign investors. Many accounting issues are not covered by IASs, so the US GAAP is taken as a guide to treat the same issues. The US GAAP is only considered when an IAS does not provide for accounting solutions. Therefore, without considering the US GAAP as an alternative in certain situations, growth of the Thai accounting profession will be retarded (ICAAT, 2000). This will also undermine the country's capital market development by not providing reliable and credible financial information to both domestic and foreign users.

3.10.2 Setting Thai Accounting Standards

Thai accounting standards are formulated by the ICAAT. In 1999, the ICAAT issued ICAAT Announcement No. 010/2540-2542, "Policy of setting TASs" indicating that TAS would be based on IAS and if there is no IAS in that accounting topics, ICAAT would set up TAS in accordance with US GAAP. Under the Draft of the Accounting Profession Act (see 3.7.2.3), the formal Board for accounting standard setting (namely, the Thai Accounting Standards Board) will be set up and become

responsible for setting and developing national accounting standards and financial reporting. This Board will take over the responsibilities of the ICAAT.

3.10.3 Existing Thai Accounting Standards

Before the crisis in 1997, thirty-one TASs were issued. Most of those were based on IASs and US GAAP. Between 1998 through 2000, there were many issues of standards. The standards issued within these two years covered almost all of the IASs as then issued by the IASC. There were only a few standards missing, mostly not relevant to the Thai economy, e.g. standards on hyperinflation accounting and the effects of changing prices (Praditsmanont, 2002).

In December 2001, the ICAAT issued an announcement that exempted non-public companies from adopting the following seven accounting standards: TAS 24, *Segment Reporting*; TAS 25, *Cash Flows*; TAS 36, *Impairment*; TAS 44, *Consolidation*; TAS 45, *Equity Accounting*; TAS 47, *Related parties*; and TAS 48, *Financial Instruments*. Non-public companies could elect to adopt these accounting standards voluntarily for financial reporting purposes (IAS Plus, 2003b).

During 2002, the ICAAT issued a draft accounting standard for Agriculture. The exposure draft was based on IAS 41, *Agriculture*. This standard has not been finalised yet (ICAAT, 2004). By October 2003, the ICAAT had issued a total of 56 accounting standards, of which 29 were currently effective, nine standards were not yet required by Thai Law, and 18 standards had been superseded (IAS Plus, 2003). All nine unapproved TASs, awaiting MOC approval, were later withdrawn by the ICAAT from the MOC's consideration³. These accounting standards had been awaiting the outcome of a review by the ICAAT.

Overall, TASs are based on IAS updated versions at the time of consideration with some minor modifications. The minor modifications are in the area of limiting alternatives of choice (Jaikengkit, 2002). However, if there is no pronouncement by the IASC/IASB, TASs follow the US GAAP, such as accounting for trouble and restructured debts (Praditsmanont, 2002). The agenda of the ICAAT in setting TASs

³ Under the Accounting Act B.E. 2543, TASs must be approved by the Ministry of Commerce in Thailand and placed into law before companies are required to adopt such standards.

is based on the relative importance of the issues and the need for the standard. TASs will be revised in conformity with IASs where possible (ICAAT, 2002). Therefore, it is possible TASs may lag behind the IAS updated versions. Appendix 3A presents existing TASs issued in December 2003 by the ICAAT compared with existing IASs.

3.10.4 Opposition to new TASs incorporated from IASs / the US GAAP from accounting practitioners

After the financial crisis, many TASs were established. The ICAAT has faced problems in implementing these accounting standards because of opposition from accounting practitioners. Members of the Federation of Thai Industries, the Thai Chamber of Commerce, and the Thai Bankers' Association protested against the enforcement of the standards which they claimed were inflexible (*Bangkok Post*, 2000). These three industry associations asked regulators to delay implementation of the measure for two years and to review nine different standards. As a result, these standards were later withdrawn by the ICAAT for reconsideration (see also 3.10.3). Other complaints from business include difficulties in assessing the fair market value of assets and how they should be recorded in accounts (*Bangkok Post*, 2000).

3.11 Summary and Conclusions

This chapter has explained how the Thai accounting environment influences TASs and practices. Thailand has selectively adopted its legal system, rather than being influenced by historical incidents. This also applies to accounting because the Thai accounting standard setting policy is based on and similar to IASs. This policy provides some room for the Thai standard setter to choose what is suitable for local environment.

Economic development reveals how governmental policy influences accounting. There is close involvement of government in standard setting process. Agriculture is relatively important to the Thai economy. Financial reporting on agriculture is also considered important in order to provide relevant information for the macro and micro levels of economic decisions. In particular, liberalisation of agricultural markets has increased the need for more relevant accounting information and high quality financial reports. In addition, multinational corporations are paying more attention to investments in this sector. All these factors have created an urgent need

to set an accounting standard for agriculture. However, development of the Thai capital market has probably been the most important factor in the development of Thai financial reporting.

In other developing countries, cultural factors have been viewed as obstacles to accounting development and Thailand is likely to face a similar problem on account of its accounting subculture. There may be resistance to Thai accounting standards incorporating IASs and accounting regulations under accounting law and Stock Market requirements that include many disclosure requirements and higher skills in accounting.

The influence of international organisations has also been important for Thai accounting, particularly that of the IMF after the Asian economic crisis in 1997. In return for financial assistance the Thai government was committed to improving the quality of TASs in compliance with international best practices. This may have affected the decision to base Thai accounting standards mainly on IASs in order to develop TASs in line with international best practices.

The discussion of Thai accounting development in terms of the accounting system, accounting profession and education, has provided insight into the external influences on Thai accounting development. The US seems to be the strongest influence on Thai accounting, in particular on the regulation of listed companies as a result of capital market development. Further, there is strong evidence that accounting education is based on US accounting principles and practice.

The IASB is the main influence on Thai accounting standards in order to move towards internationally accepted accounting principles. Accounting regulation has been changed to support capital market development. This includes the enactment of Accounting Act B.E. 2543 (2000), the Draft of the Accounting Profession Act, which is still under consideration by the Senate, and stock market accounting requirements. These have all assisted development of Thai accounting, leading to a higher quality of accounting information, aimed to facilitate investors in the SET.

The chapter has contributed information to assist examination of the applicability of accounting standard setting theories to the context of Thailand and supported formulation of the research questions (see chapter 1, section 1.6.1) in relation to the Thai accounting environment and planning of the research methods. The material in this chapter will be used for discussion and interpretation of the results in chapters 7 to 10.

**Appendix 3A
Comparing IASs and TASs (December 2003)**

Source: ICAAT (2003)

IAS	Subject	TAS	Subject	Effective Date
IAS 1	Conceptual framework	TAS 35	Accounting framework	1 Jan 2002
IAS 2	Presentation and Financial Statement	TAS 35	Presentation and Financial Statement	1 Jan 2002
IAS 3	Inventories	TAS 31	Inventories	1 Jan 1997
IAS 4	Superseded by IAS 27 & 28)			
IAS 5	Superseded by IAS 16, 22 & 38)			
IAS 6	Superseded by IAS 1)			
IAS 7	Superseded by IAS 15)			
IAS 8	Cash flow statement	TAS 25	Cash flow statement	1 Jan 1994
IAS 9	Net Profit or loss for the period, Fundamental errors and changes in accounting policies	TAS 39	Net Profit or loss for the period, Fundamental errors and changes in accounting policies	1 Jan 1999
IAS 10	Superseded by IAS 38)			
IAS 11	Events after the balance sheet date	TAS 14	Research and Development costs	1 Jan 1990
IAS 12	Construction contracts	TAS 21 & 52*	Events after the balance sheet date	31 Dec 1991
IAS 13	Income taxes	TAS 8 & 49*	Construction contracts	1 Jan 1988
IAS 14	Superseded by IAS 1)	TAS 56*	Income taxes	1 Jan 2007
IAS 15	Segment reporting	TAS 24	Segment reporting	1 Jan 1994
IAS 16	Information reflecting the effects of changing prices +	TAS 50*		
IAS 17	Property, plant and equipment (1998 revisions)	TAS 32*	Property, plant and equipment	1 Jan 1999
IAS 18	Leases	TAS 7	Hire purchase	28 Feb 1987
IAS 19	Revenue	TAS 29	Leases	1 Jan 1999
IAS 20	Employee Benefits +	TAS 37	Revenue recognition	1 Jan 1999
IAS 21	Accounting for government grants and disclosure of government assistance	TAS 55*	Accounting for government assistance	1 Jan 2004
IAS 22	The effects of changes in foreign exchange rates	TAS 30	The effects of changes in foreign exchange rates	1 Jan 1996
IAS 23	Business combinations	TAS 43	Business combinations	1 Jan 2000
IAS 24	Borrowing costs	TAS 33	Borrowing costs	1 Jan 1999
IAS 25	Related party disclosures	TAS 47	Related party disclosures	1 Jan 2000
IAS 26	Superseded by IAS 39 & 40)	TAS 40	Accounting for investments	1 Jan 1999
IAS 27	Accounting and reporting by retirement benefit plans +			
IAS 28	Consolidated financial statements and accounting for investments in subsidiaries	TAS 44	Consolidated financial statements and accounting for investments in subsidiaries	1 Jan 2000
IAS 29	Accounting for investments in associates	TAS 45	Accounting for investments in associates	1 Jan 2000
IAS 30	Financial reporting in Hyperinflationary economies +			

IAS	Subject	TAS	Subject	Effective Date
IAS 30	Disclosures in the financial statements of banks and similar financial institutions	TAS 27	Disclosures in the financial statements of banks and similar financial institutions	1 Jan 1995
IAS 31	Financial reporting of interest in Joint Ventures	TAS 46	Financial reporting of interest in Joint Ventures	1 Jan 2000
IAS 32	Financial instruments: Disclosure and presentation	TAS 48	Financial instruments: Disclosure and presentation	1 Jan 2000
IAS 33	Earning per share	TAS 38	Earning per share	1 Jan 1999
IAS 34	Interim financial reporting	TAS 41	Interim financial reporting	1 Jan 1999
IAS 35	Discontinued operations	TAS 54*	Discontinued operations	1 Jan 2006
IAS 36	Impairment of assets	TAS 36	Impairment of assets	1 Jan 1999
IAS 37	Provisions, contingent liabilities and contingent assets	TAS 53*	Provisions, contingent liabilities and contingent assets	1 Jan 2004
IAS 38	Intangible assets	TAS 51*	Intangible assets	1 Jan 2004
IAS 39	Financial instruments: recognition and measurement	TAS 48	Financial instruments: Disclosure and presentation	1 Jan 2000
IAS 40	Investment property +			
IAS 41	Agriculture +			
SFAS 15, 114		TAS 34*	Accounting for troubled and restructured debts	30 Sep 1998
		TAS 11	Allowance for accounts receivable and bad debts	1 Jul 1989
		TAS 26	Revenue recognition for real state	1 Apr 1994
AICPA	AICPA Industrial Audit and Accounting Guide: Audit of Investment companies	TAS 42	Accounting for investment companies	1 Jan 2000

* Unapproved TASs, pending MOC approval.

+ Projects under consideration by the Thai Accounting Standard Board, ICAAT.

+ IASs have not been considered for incorporation in TASs.

Nineteen TASs superseded are TAS 1-6, 9-10, 12-13, 15-20, 22-23, and 28.

CHAPTER 4

4. Accounting for agriculture, aspects of IASC/IASB organisation and definition of developing countries

4.1 Introduction

The purpose of this chapter is to address the first and second general objectives of this study (1.2.1 and 1.2.2) relating to adopting IASs in the particular case of a developing country. This chapter will focus on IASs and IFRSs, the IASC prior to 2001, the IASB after restructuring, and the role of developing countries. To evaluate the relevance of IASs to a developing country, it is essential to understand the development of the IASC/IASB and IASs/IFRSs. This chapter therefore discusses the development of IAS 41 chosen as the case study, focusing on the standard-setting process and involvement of the international business community, including standard-setting bodies from both developed and developing countries. Insights gained from the discussion will assist the research design and interpretation of research findings.

This chapter is organised as follows. International accounting standards and accounting for agriculture are discussed in 4.2 and 4.3, respectively. Issues related to IAS 41 are explored in 4.4. A definition of 'developing countries' is given in 4.5. Summary of the chapter and conclusions are provided in 4.6.

4.2 International Accounting Standards

International accounting standards are accepted as representing global accounting standards. IASs have been adopted in many countries around the world as their own, either without amendment or minor additions or deletions (IASB, 2003; Garrido *et al.*, 2002). The following sections focus on the IASC prior to 2001 and the IASB after restructuring to assist evaluation of how development of the IASC makes IASs relevant to developing countries.

4.2.1 International Accounting Standards

International Accounting Standards (IASs) were issued by the IASC from 1973 to 2000. The IASB replaced the IASC in 2001. Since then, the IASB has amended some

IASs and proposed to replace some IASs with new International Financial Reporting Standards (IFRSs), and proposed certain new IFRS on topics for which there was no previous IAS. IAS 1 in Improvements to International Accounting Standards in December 2003 defined IFRS as follows.

International Financial Reporting Standards (IFRS) are standards and interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

- (a) International Financial Reporting Standards;*
- (b) International Accounting Standards; and*
- (c) Interpretations originated by the IFRIC or the former SIC.*

4.2.2 IASC before restructuring

This section describes the structure of the IASC before restructuring in 2001 in order to provide background information on the IASC during the process of setting IAS 41, which was completed in December 2000. The members of the IASC at that time were all those professional accountancy bodies that were members of the IFAC. The Board comprised thirteen country members, appointed by the Council of the IFAC and up to four co-opted members, appointed by the Board itself, and mutually agreed between the IFAC and IASC. At least nine of the member countries were most significant in terms of the status and the development of the accountancy profession, or international commerce and trade. Further, preferably not less than three were from developing countries. In addition to Board members, four organisations had observer status at IASC Board meetings but did not have a vote (IASC, 2001a).

4.2.3 Former Steering Committees

Steering Committees were chaired by a Board Representative and usually had around six to eight members (four from Board member countries, one from a Consultative group organisation, and one or more members from other organisations). Most steering committees members were neither Board representatives nor members of their national standard setter. In appointing steering committees, the Board sought both a geographical balance and a mix of accountants in public practice, preparers, and users. The Board also aimed to ensure that steering committees had sufficient specialist knowledge of the topic under consideration (IASC, 2000a).

4.2.4 Funding of the IASC prior to 2001

The IASC depended primarily on financial contributions from its constituents for its operating expenses. The primary funding sources for the IASC were the International Federation of Accountants (IFAC), professional accounting bodies, and other organisations on its Board (Kenny and Larson, 1993). Moreover, funds were also contributed by companies, financial institutions, accounting firms, and other organisations (IASC, 2000a). The IASC also generated revenue from sales of its publications (IASC, 2000a).

4.2.5 Restructuring of the IASC

Carlson (1997a) argued that true accounting harmonisation was unlikely to be achieved unless alterations were made to the structure and powers of the IASC. In 1997, the Strategy Working Party (SWP) was formed to consider what the IASC's strategy and structure should be upon completion of the work programme agreed with the IOSCO (Street, 2002a; IOSCO, 2000). In December 1998, the SWP issued a Discussion Paper, *Shaping the IASC for the Future*, acknowledging the need for major structural reform (IASC, 1998a). This Paper proposed that the IASC's existing structure was replaced with a standards development committee (SDC) that would include accounting standard-setters from various national bodies. The continued exclusion of major national standard-setting bodies from direct participation in the IASC process had created a climate of competition rather than co-operation. There was a fear that such exclusion might present an opportunity for a national standard-setter, namely the US FASB, to become dominant (Rees, 2002). In the restructuring process of the IASC, the SEC tried to gain greater control over the revised IASC structure (Zeff, 2000). In November 1999, the SWP published a further Discussion Paper, *Recommendations on Shaping the IASC for the Future*. Finally, in May 2000, the restructuring of the IASC and the new constitution were approved (IASC, 2001a).

4.2.6 The new IASC constitution

Effective from 1 April 2001, the 'International Accounting Standards Board' (IASB) assumed accounting standard setting responsibilities from its predecessor body, the

International Accounting Standards Committee (IASC). The IASB's structure has the following main features: the IASC Foundation is an independent organisation having two main bodies: (1) the Trustees and the IASB, as well as (2) a Standards Advisory Council (SAC) and the International Financial Reporting Interpretations Committee (IFRIC). The IASC Foundation Trustees appoint IASB Members, exercise oversight and raise the funds needed, whereas the IASB has sole responsibility for setting accounting standards (IASB, 2003). The new structure enhances the legitimacy of the IASB, as it provides a balanced approach to standard setting based upon representativeness among members of the Trustees, the IFRIC and the SAC, and technical competence and independence among Board Members. According to the IASB's due process, meetings of the IASB, the SAC and IFRIC are open to public observation (IASB, 2003).

4.2.6.1 The IASC Foundation Trustees

The IASC Foundation Trustees represent the world's capital markets and come from a diversity of geographic and professional backgrounds (IAS Plus, 2003). The first IASC Foundation Trustees as at 31 December 2001 consists of six from North America (5 from US and Canada), six from Europe (Denmark, France, German, Italy, the Netherlands, and UK), four from Asia-Pacific (Australia, Hong Kong, and 2 from Japan) and three from others (South Africa, International organisation based in Switzerland and Brazil). The majority of the Trustee members are from developed countries and only two are from developing countries.

4.2.6.2 IASB Board

The IASB Board comprises fourteen members, appointed by the Trustees, of whom twelve are full-time members and two part-time members. Qualification for membership of the Board is technical expertise. The selection of Board members is not based on geographic representation but comprises a group of people representing the best available combination of technical skills and background experience of relevant international business and market conditions. Seven of the full-time members of the Board are expected to have formal liaison responsibilities with national standard setters in order to promote the convergence of national accounting

standards and IASs but are not voting members of the national standard setters (IAS Plus, 2003).

Seven national accounting standard setters have an IASB Member resident in their jurisdiction. The IASB Constitution envisages a partnership between the IASB and these national bodies as they work together to achieve the convergence of accounting standards worldwide. The seven national standard setters in the initial board are Australia and New Zealand together, Canada, France, German, Japan, the US, and the UK (IASB, 2003).

As at December 2003 (see Table 4-1), its 14 Board Members (12 of whom are full time) came from nine countries and had a variety of functional backgrounds (IASB, 2003). Thirteen of fourteen are from developed countries and one is from a developing country.

Table 4-1: IASB Board members effective from April 2001

Country	Number	Background*
United States	5	1 Auditor, 1 Preparer, 1 User 1 Other, 1 Academic
United Kingdom	2	1 Auditor, 1 User
Australia	1	1 Other
Canada	1	1 Auditor
<i>South Africa</i>	1	1 User
France	1	1 Auditor
Germany	1	1 Preparer
Japan	1	1 Auditor
Switzerland	1	1 Preparer
Total	14	

*Source from the IASB website (IASB, 2003)

4.2.6.3 Funding of the IASB

The IASB is an independent and privately funded accounting standard setter. It is funded through contributions collected by the IASC Foundation Trustees from both private and public sources in more than 30 countries, including major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations (IASB, 2003).

4.2.7 The style of IASs

The statement by the IASC (IASC, 2001a) indicated that the IASC concentrated more on general principles and left to judgement in application of the principles. It is mentioned that an approach that relies on very detailed rules has dangers because it may obscure the underlying principles, make the requirements less easily assimilable, and encourage the attitude that an approach may be adopted if it is not prohibited by a specific rule. While recognising the need for standards to be detailed enough to avoid unintentionally giving choices, the IASC Board encouraged the new Board to continue its present practice in this regard (IASC, 2001a). The Board believed the style of its standards is more appropriate than another approach that producing detailed rules, leaving little to individual judgement (IASC, 2001a). In comparing IASs with US and UK standards, US standards were significantly more detailed and prescriptive than either UK standards or existing IASs because the litigious environment in the US calls for this (Alexander and Archer, 2003). However, there is currently a debate in the US over the merits of a principles-based rather than a rules-based approach. This may affect Thai accounting standards, which are taken from some US accounting standards. This issue will be further discussed in chapter 10.

4.3 Accounting for agriculture

Argiles and Slof (2001) indicated that prior to IAS 41 guidance for farm accounting could be found from the American Institute of Certified Public Accountants (AICPA, 1996) and the Canadian Institute of Chartered Accountants (CICA, 1986). These two provide an interesting definition and recommendations and valuations of agricultural assets. The French 'Plan Comptable General Agricole' (PCGA) from 1986 set up standards for certain agricultural assets and provided detailed guidelines for the accounting for agricultural transactions and the presentation of financial statements (Argiles and Slof, 2001).

The nature of farming makes an historical cost-based valuation of biological assets, and consequently also of agricultural produce, inherently difficult, because the physical state of biological assets typically changes over time. Although historical costs were indicated that are generally not very informative to users, and allocations

to individual assets are necessarily very arbitrary in most cases (Argiles and Slof, 2001), agriculture has been the preference of standard setters for historical valuation. The French PCGA strictly adheres to the historical cost valuation. Also, the AICPA and CICA recommended the historical cost principle as the main reference for asset valuation, although these institutes also recognised there may be exceptional situations in which realisable value could be considered as an alternative. On the other hand, Australian accounting standard setters first introduced fair value measurement for agricultural assets: AASB 1037, *Self-generating and regenerating assets* in August 1998. AASB 1037 has provided the basis for IASC E65 on living assets (Cummings, 2000).

The IASC always began projects with studies of existing rules (Nobes, 2003). Nobes (2003) suggested that only Anglo-Saxon (ASA) countries had (were developing) detailed accounting rules, so there was little competition from non-ASA countries. From the media release of the AASB and PSASB (July 1999), the chairman of the AASB and the member of the IASC Board announced the IASC decision to approve an Exposure Draft 'Agriculture' for issue for public comment. He said:

'In drafting the Exposure Draft, the IASC drew heavily on the work we had already done in Australia in developing our self-generating and regenerating assets Standards. Consistent with the Australian Standards, the IASC's Exposure Draft will propose that living assets should be measured at current values and that changes in the current values of living assets should be recognised in the statement of financial performance in the year in which the changes occur...the IASC's decision highlighted the ability of the Australian standard setters to play a leading role in improving international financial reporting. The IASC's decision speaks for itself in responding to those who criticised the Australian Board for issuing a Standard on living assets ahead of the rest of the world.'

These statements provide indication of the use of AASB 1037 as a basis for IASC E65. The IASC E65 contained similar requirements to those required in AASB 1037 (G100, 1999).

4.4 IAS 41, Agriculture

The IASC showed its concern for developing countries. One of its concerns was the development of an IAS for agriculture (Cairns, 1997a). The standard for Agriculture

was mentioned by the IASC as being important, even though it dealt with specialised transactions and was not part of the core set of standards covered by the agreement with the IOSCO (IASC, 2000a). While the IASC is usually reluctant to deal with specific industries, agriculture warranted special attention because it involves a number of unique accounting problems (Cairns, 1997a). The World Bank provided funding of approximately £350,000 (IASC, 1996). It was planned that the IASC's project manager, along with members of the project steering committee, should visit various countries as part of the project's research phases and during the comment periods on the DSOP and exposure draft. A former Secretary-General of IASC, Cairns (1997a) commented:

'The IASC has also appointed a team of seven part-time research assistants from developing countries in south-east Asia, south Asia, the Middle East, east, central, and southern Africa, west Africa, the Caribbean and Latin America. The role of these research assistants is to identify accounting issues, possible solutions and implementation issues by region. While most of their work will be carried out in their home countries, they should have the opportunity to debate issues with the steering committee and the IASC Board.'

Regarding the agriculture project, the former Chairman of the IASC stated, 'The IASC had been working on the project for six years and this partly reflected the difficulty of the issues, particularly in deciding on the relative emphases to be given to fair-value-based measurements as opposed to cost-based measurements of agricultural assets (IASC, 2000a).

The Agriculture project was adopted in June 1994. The point outline was prepared in March 1996. The project was started by the project manager⁴ studying the current accounting practices on agriculture from various countries around the world and proposed a draft of accounting for agriculture for discussion in the steering committee. After broad discussion, the Draft Statements of Principles (DSOP) were revised and the questionnaire to the DSOP was produced. A DSOP was published in December 1996 and comments were due by April 1997. The IASC steering committee on Agriculture published a DSOP aiming to improve accounting for agriculture activities and reduce the range of practices currently used to account for these activities (Management Accounting, 1997). The DSOP proposed fair value

measurement (primarily net market value) for agricultural assets and the reporting of change in value of assets. Questions were asked about scope, definitions, biological assets, agricultural produce and agricultural land (IASB, 1996b). The change in carrying amount of a group of biological assets was to be allocated between the physical change reported in the income statement and changes in fair values reported in a statement of non-owner movements in equity (IASB Insight, 1998b). Comment letters on the DSOP were published by the IASB in March 1998. In Appendix 4A the researcher presents a summary of responses to the DSOP by country and the major comments made. All questions on the DSOP were based on the use of the fair value measurement. Although there was no particular question eliciting agreement or disagreement with the use of fair value, some respondents indicated their agreement or disagreement with it, including the concern about the reliability of fair value measurement. The responses to the DSOP were submitted to the steering committee and used as the basis for the preparation of the Exposure Draft.

Appendix 4A shows the greatest participation from Australia (10 of 41 responses) among the various groups of respondents. However, the comment letters on the DSOP have not been used for analysis purposes in the present study because of small number of responses. There was no particular question on fair value and some respondents referred to this issue while others did not. Therefore, it could not be used for a systematic analysis. Notwithstanding, comment letters will be used to provide additional details or reinforce the findings in chapter 10.

In November 1997, the Board asked the Agriculture Steering Committee to consider extending the scope of its project to include wine and similar products sourced from agricultural produce which undergo a significant ageing or maturation process. However, the Steering Committee were unclear about how such products produced by enterprises, for example some distillers and wineries, with no agricultural activities could be brought into the scope of the agricultural project and asked the Board whether it should deal with this kind of product using a standard on Agriculture, a separate standard, or by amending IAS 2, Inventories (IASB Insight, 1998a). The Steering Committee considered the Board's response in preparing an

⁴ The project manager at that time was from New Zealand.

Exposure Draft for the Board to review. In March 1999, the Board considered the draft of an Exposure Draft (IASB Insight, 1999c). After approval by the Board, IASB E65 was published in July 1999 and distributed to professional accountancy bodies, members of the IASB Consultative Group, and other interested individuals and organisations for comment with a comment deadline of 31 January 2000. The ED asked the respondents to answer fifteen questions (see Appendix 6A). Sixty-two Comment letters on E65 received were from various international organisations and from 28 individual countries (see Appendix 6B).

The Board conducted a field test during the exposure period (IASB Insight, 1999c). In April 2000, the IASB staff sent a questionnaire to enterprises that undertake agricultural activity in an attempt to determine the reliability of fair value measurement proposed in IASB E65 (IASB, 2001b). Responses to the questionnaire were due by 15 May 2000 (IASB, 1999b). The IASB invited about 80 companies in both developed and developing countries, to participate. Only 20 companies from 11 countries responded to the questionnaire and only a few of those were from developing countries⁵(IASB, 2001b). The IASB was particularly interested in testing by companies based in emerging market countries, in addition to more developed countries (IASB Insight, 1999c). Responses to the questionnaire were provided to the IASB staff in confidence. A summary of the responses was prepared for the IASB and Steering Committee.

In December 2000 at the last meeting of the IASB Board, after considering the comments on E65 and responses to the questionnaire, the Board approved IAS 41, *Agriculture* (IASB, 2001b). The Standard became operative for annual financial statements covering periods beginning on or after 1 January 2003.

In the development of IAS 41, the IASB Board took a principles-based approach, expressing the hope that the IASB would provide implementation guidance on IAS 41. If implementation guidance were provided, a task force or other advisory group would be needed to identify and consider practical issues (IASB Insight, 2001c).

⁵ The researcher sent an email to the project manager in 2001, Ms. Rieko Yanou asking about the results of the field-test questionnaire. She could only reveal statistical information; the returned questionnaires were not available for examination.

4.4.1 IASC E65 Steering Committee

Table 4-2: Members of the Steering Committee on E65: Agriculture

<i>Country</i>	<i>Committee member</i>	<i>Organisation</i>
<u>Developed countries</u>		
France	1. Jean Allimant	Not applicable
The Netherlands	2. Jan van Ham	Not applicable
New Zealand	3. Bronwyn A. Monopoli	Chairperson of the Primary Sector Committee, ICANZ (ICANZ, 2003), the President of the largest government agribusiness in New Zealand
United Kingdom	4. Sandra Dedman	Chartered Accountant and Lecturer in the preparation and use of accounts in agriculture at the Department of Agricultural Sciences, Wye, Imperial College London
<u>Developing countries</u>		
India	5. Narendra P. Sarda	Partner in Deloitte Haskins & Sells Chartered Accountants and C.C. Chokshi & Co. and a former President of the Institute of Chartered Accountants of India 1993-1994.
Sri Lanka	6. Reyaz Mihular (Chairman)	Partner in KPMG Assurance, Sri Lanka, Former President, ICASL, 1995
Thailand	7. Kesree Narongdej	Chairperson of ICAAT, retired Professor, Thammasat University, Thailand
	8. Angkarat Priebjriwat	Chairperson of Thai Accounting Standard Board, Associate Professor, NIDA, Thailand
Zimbabwe	9. J.A. Atkinson	Not applicable
<u>Two observers</u>		
AASB	10. Robert Keys	Senior Project Manager, AASB
The World Bank	11. George Russell	The World Bank

The Management Accounting Journal (1997) reported that in 1997 the IASC E65 steering committee comprised representatives of accountancy bodies in France, India, New Zealand, Sri Lanka, Thailand and Zimbabwe, a representative from the World Bank (IASC Annual Review, 1996), as well as observers representing the Netherlands Accounting Standards Board (NIVRA), Wye College, Imperial College of London, and Pacioli (a concerted action for the European Commission). From 1997 to 1999, the steering committee remained unchanged (IASC, 1999f). However, in 2000, observers from NIVRA and Wye College (UK) changed their status and became members of the Steering Committee and a representative from the AASB became a new observer along with the representative from the World Bank (IASC Annual Review, 2000b). These changes may have come about as a result of the IASC Board's failure to vote through an ED on agriculture at the meeting in March 1999 (*Accountancy, 1999*). *The Journal of Accountancy* (1999) reported the German member, J. Pape saying at one point, 'we are in danger here of adopting a

comprehensive fair value model on the basis of a discussion of a few minor issues'. It is possible that the AASB was invited to join the committee as an observer because IASC E65 was similar to AASB 1037. In 2000, the members of Steering committees are shown in Table 4-2. The Steering Committee was chaired by a representative from Sri Lanka.

4.4.2 IASC Board members

In December 2000 when the IASC considered finalising IAS 41, the business of the IASC was conducted by a Board comprising representatives of accounting bodies in thirteen country members as shown in Table 4-3. Co-opted members included representatives from the International Council of Investment Associations, the Federation of Swiss Industrial Holding Companies, and the International Association of Financial Executives Institutes (IAFEI), and one vacant seat. Board observers were from the European Commission, FASB, IOSCO, and the People's Republic of China (IASC, 2000a).

Table 4-3: IASC Board members as of December 2000

<i>Country</i>	<i>No. of Board members</i>
<u>Developed countries</u>	
Australia	1
Canada	1
France	1
Germany	1
Japan	1
The Netherlands	1
The Nordic federation of Accountants (Denmark, Finland, Iceland, Norway, and Sweden)	1
United States	1
United Kingdom	1
Total	9
<u>Developing countries</u>	
India and Sri Lanka	1
Malaysia	1
Mexico	1
South Africa and Zimbabwe	1
Total	4
Grand Total	13

4.5 Definition of developing countries

The country classification was defined by the International Monetary Fund (IMF) in the World Economic Outlook (IMF, 2002). It divides the world into three major

groups, advanced economies, developing countries and countries in transition. The group of advanced economies would presumably also cover the following seven smaller countries of Andorra, Bermuda, Faroe Islands, Holy See, Liechtenstein, Monaco, and San Marino which are included in the more comprehensive group of “developed countries” in the CIA World Factbook (2003), although they were not included in the IMF database. The World Bank classifies economies by using GNP per capita. Low-income and middle-income economies referred as developing economies. The use of the term is convenience; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. Classification by income does not necessarily reflect development status. Economies are divided according to 2002 GNI per capita, calculated using the World Bank Atlas method. The groups are: *low income*, \$735 or less; *lower middle income*, \$736 - \$2,935; *upper middle income*, \$2,936 - \$9,075; and *high income*, \$9,076 or more (The World Bank, 2002).

In this study, adopting a term used by IMF, the researcher replaced ‘advanced economies’ with ‘developed countries’ to reflect some concerns on development status. That group included industrialised countries, Hong Kong, South Korea, Singapore and Taiwan. The term of ‘developing countries’ includes ‘countries in transition’ in order to facilitate the statistical analysis in chapter 6.

4.6 Summary and Conclusions

This chapter has provided information for the analysis of the process of setting IAS 41 and its relevance to developing countries. Information about the IASC will assist interpretation of the findings in chapters 6 to 9 and the implications for the future of international standard setting. Although the IASC no longer exists, many of its operations remained unchanged and are now undertaken by the IASB. A study of IAS 41 and its implementation is nevertheless still valid. Information concerning the restructuring of the IASC and the IASB will help to justify the findings and comments related to the future of the IASB. The majority of IASB Board members are from developed countries. Only one is from a developing country. Seven of the IASB Board members have formal liaison responsibilities with national standard

setters to promote the convergence of national accounting standards. Seventeen of the nineteen IASC Foundation Trustees are from developed countries and only two are from developing countries. In contrast, the former IASC had preferably not less than three developing countries on its Board. Developing countries seem to be given a lower degree of participation in the IASB's due process. The new development of the IASB seems to promote the convergence of standards primarily among liaison countries.

Appendix 4A Comments on the Draft Statement of Principles

The letter in brackets after the organisation's name indicates the category to which organisation respondents belonged as grouped by the IASC in Published Comment letters on the Draft Statement of Principles. The letters represent the following.

- a) Member Bodies and Other
 - f) Industry Representative Groups
- b) Accounting Bodies
 - g) Banks and Financial Institutions
- c) Standard Setting Bodies
 - h) Industry and Commerce
- d) Financial Analyst Groups
 - i) Public Sector
- e) Financial Regulators Sector
 - j) Academics
- f) Accounting Firms/ Accountants
 - k) Other

Country	Organisation	Comments related to the measurement
1. Argentina	1. Federation of professional Consultants in economic sciences (a)	No mention of any fair value problem
2. Australia	2. ASCPA (a) 3. ICAA (a) 4. AASF (b) 5. GI00 (f) 6. Broken Hill Proprietary (h) 7. North Limited (h) 8. UNE(j) 9. Cooperative Research Centre (j) 10. Australasian Council of Auditors-General (k) 11. Martin O'Connor (e)	<ul style="list-style-type: none"> • Historical cost should be applied for the short life cycle of assets (less than 3 years). • No need to mandate the use of fair value for activities with a short production cycle. • Generally agreed with the DSOP • No mention of any problem using fair value but particular concern about reporting changes in fair value • Questioned the relevance of one year or less life cycle • The DSOP is too broad. Consideration should be given to issuing separate standards for long and shorter terms. • No mention of agreement or disagreement but answered each question • Generally agreed with the DSOP but questioned the availability of an active market • Agreed with ICAA • Commented on particular issue of accounting for stud horse
3. Canada	12. CICA (a) 13. CGA(a) 14. CMA (a)	<ul style="list-style-type: none"> • Did not support fair value • Questioned appropriateness of the mark-to-market approach • Supported fair value but not clear whether the measures are sufficiently reliable.
4. Denmark	15. Danish Financial Supervisory Authority (d)	Answered each question but no further comment on fair value
5. Germany	16. IDW (a)	Agricultural assets should be valued at cost.

Country	Organisation	Comments related to the measurement
6. Malaysia	17. MIA (a)	Supported fair value
7. The Netherlands	18. NIVRA/CAR (b)	Fair value should not be mandatory. The relevance of the standard is very limited to small and medium enterprises.
8. New Zealand	19. ICANZ (a)	Generally agreed
9. Poland	20. Landcorp Farming (h)	Supported fair value
10. Portugal	21. Accounting Association (a)	No comments
11. South Africa	22. GROC (a)	Supported fair value
12. Sweden	23. SAICA (a)	Supported fair value
13. UK	24. Sappi Limited (Forestry) (h) 25. FAR (a) 26. British Bankers' Association (f) 27. Barclays Bank (g) 28. Dalgety PLC (h) 29. Colin Sanderston (j) 30. Edgar Albow (e)	<ul style="list-style-type: none"> • Did not support fair value • FV is inappropriate for short-term assets and the standard should apply to small businesses. • Historical cost is adequate. The DSOP would do little to help the bank but adverse effect on customers' businesses • Did not support fair value generally • Too academic and would not be understood by UK farmers and developing countries • Answered each question but indicated special concern about reporting unrealised profit
14. US	31. AIMR (c) 32. Farm Financial Standards Council (j)	<ul style="list-style-type: none"> • Supported the DSOP • Did not give any answer to the question but invited the IASC to comment on its financial guidelines for agricultural producers
15. Zimbabwe	33. ICAPZ (a)	Supported fair value
16. Sweden and Finland	34. Swedish and Finnish Forest based Companies (f)	Totally opposed to fair value
17. Europe	35. European Commission (b)	Concerns about cost implications for many small enterprises and reliability of fair value
18. Europe	36. FEE (a)	In favour of applying the historical cost
19. The World Bank	37. The World Bank (g)	Generally agreed with the DSOP
20. International	38. Arthur Andersen (e)	Agreed with fair value
21. International	39. Coopers & Lybrand (e)	Recommended accounting standards should be developed for each sector of agriculture. Historical cost would suit some whereas fair value appropriate for others
22. International	40. Deloitte Touche Tohmatsu (e)	Supported fair value but concern about practicality of applying fair value
23. International	41. IFAC (f)	Generally agreed with the DSOP

CHAPTER 5

5. Research Methods

5.1 Introduction

The purpose of this chapter is to present, explain and critically evaluate the research methods employed in this study. This study attempts to evaluate the relevance of international accounting standards to Thailand through the analysis of comment letters on IASC E65, an interview survey and a questionnaire survey.

This chapter is organised as follows. Section 5.2 develops a set of research hypotheses to test the research questions. Section 5.3 reviews the literature relating to methodology in the area of international accounting research. Section 5.4 justifies research methods to be used in this study. Section 5.5 discusses the methods for data collection employed in this study. It presents a detailed description of how data are to be gathered under each of the chosen methods. The ethical implications of the research are discussed in 5.6. Finally, a summary and conclusion are provided in 5.7.

5.2 Research Hypotheses

Hypotheses are formulated from prior literature to help answer the research questions.

5.2.1 Hypotheses associated with general research questions GQ₁ and TQ₁

Prior literature relating to accounting standard setting has suggested that parties interested in the accounting standard are motivated to lobby in the standard setting process in order to promote their self-interests. Most prior literature regarding lobbying activities in the development of accounting standards has studied the various levels of influence that different parties have on the standard-setters. These have been explained by theories of the political nature of standard setting, economic consequences and financial consequences, agency theory, institutional and legitimacy theory. The expectations from theoretical considerations and prior empirical evidence, as discussed in chapter 2, are that different groups of respondents

from the respective countries will lobby differently on international accounting standards.

Moreover, prior literature suggests that moving towards international accounting standards and the shift to whole adoption of IASs will leave national standard setters with a diminished role (Brown and Tarca, 2001). The role of a national standard setter is primarily to lobby the international standard setting body on behalf of the national perspective, while other interested parties will also lobby on their own behalf. Both developed countries and developing countries are expected to lobby on an IAS to promote their self-interests. However, as mentioned in the IASC (2001a) statement, IAS 41 was firstly developed since agriculture is considered important to developing countries. The majority of developing countries' economies are based mainly on agriculture. This consideration leads to the expectation that developing countries will be more likely to lobby this accounting standard than developed countries by participating in the international standard setting process.

Institutional legitimacy theory suggested that the IASC would try to accommodate the strongest wishes of its constituents to enhance the IASC's acceptability without seriously impairing its integrity. This process will result in at least some flexibility in the accounting standards in order to accommodate as many of its constituents and interested parties as possible. However, over the last few years, the IASC/IASB has made substantial efforts to increase the comparability and transparency of financial statements. Valuation treatments have been reduced and disclosure requirements have been extended (Garrido *et al.*, 2002). Therefore, it is interesting to test whether institutional legitimacy theory still offers an explanation of the IASC's decision on the final version of IAS 41.

The neutrality of IASs has been questioned in the literature. Some criticise the Anglo-American influence on international accounting standards (Kikuya, 2001; Wallace, 1990; Craig and Diga, 1996; Flower, 1997). More specifically, Hove (1990) pointed to very significant levels of influence by the US and the UK on selected IASs. It is supported by Kenny and Larson's (1993: 548) findings when studying the lobbying of the IASC. This may cause reluctance on the part of many countries, especially European countries, to adopt IASs (Douppnik and Taylor, 1985), raising the

question of how relevant IFRSs will be to developing countries in the future. IAS 41 was developed before restructuring of the IASC into the IASB. Thus, it is reasonable to expect that the UK and US had a strong influence on the setting of this accounting standard.

Kenny and Larson (1993) suggested that other influences on the IASC came from its source of funding. They found a relationship between funding of the IASC and its decisions. Therefore, in this study it is expected that source of funding for the IASC may influence its decision on the final accounting standard. Those having an interest in the process of setting an accounting standard will lobby.

Based on the above discussion, the research hypotheses are formulated as follows:

H₁: The parties interested in the accounting standard will lobby based on their self-interests.

H₂: IAS 41 will incorporate comments from as many respondents as possible.

H₃: Anglo-American countries, particularly the US and the UK, have exerted a strong influence on the final version of the international accounting standard.

H_{4a}: Developing countries will have different attitudes to IAS 41 from those of developed countries.

H_{4b}: Developing countries are more likely to lobby IAS 41 than developed countries.

H₆: The parties interested in the TASs will lobby TASs based on their self-interest.

These research hypotheses will help to answer the researcher questions relating to the relevance of IASs to developing countries (GQ_{1a}, GQ_{1b} and TQ₁).

5.2.2 Hypotheses associated with Thailand research questions TQ₁ and TQ₂

As discussed in chapter 2, there are accounting differences across countries because every nation's accounting standards and practices are the result of a complex interaction of factors. Different environments will lead to different accounting objectives and also different standards. These differences may lead to many specific differences in the requirements of users of accounting information and the relevance of IASs to Thailand. Based on the evidence of prior studies (chapter 2) and the particular Thai accounting environment (chapter 3), it is expected that stage of

economic development, level of capital market development, level of education, and culture will be considered when adopting IASs in Thailand.

Theoretical explanations for accounting standard setting suggest that current accounting practice, economic factors (influences on the attitudes and lobbying behaviour of interested parties), and international regulation are influential in the standard setting process. Thus, these factors are expected to influence the extent of adopting IASs in Thailand. The research hypotheses are therefore formulated as follows:

H₅: IASs help Thailand to improve the quality of financial reporting.

H₇: TASs are based mainly on IASs with some modifications as a result of (a) level of economic development, (b) level of capital market development, (c) level of education and (d) culture.

H₈: (1) Current accounting practice influence and (2) economic factors influence the extent of adopting IASs in Thailand.

5.2.3 Hypotheses associated with Thailand Research Question TQ₃

Prior literature suggests various benefits from having global accounting standards or harmonisation of accounting standards. International accounting standards facilitate internationalisation of capital markets and multinational corporations, help increase the credibility of financial reporting, and facilitate foreign investment, as mentioned in chapter 2. Multinationals are greatly facilitated in preparing or using accounting information. Further, there is pressure from international organisations for IAS adoption by developing countries in order to obtain financial aid (Chamisa, 2000) and economic aid (Hove, 1986).

Prior studies indicate that the majority of IASC members from developing countries prior to 2001 adopted IASs (Cairns, 1990; Gernon et *etal.*, 1990; Chamisa, 2000). Many countries prefer IASs because of the perceived flexibility and neutrality of IASs, rather than the national accounting standards of some other countries, including US GAAP (Saudagaran and Diga, 1997b). In addition, IASs are perceived to be internationally accepted accounting principles. This makes it easier to accept IASs.

IASs issued by a supranational organisation rather than by any one country are perceived to be more neutral. As a result of the IASC's comparability project, IASs have been tightened in order to gain more acceptance from other countries and international organisations, in particular the IOSCO endorsement. Although this will reduce the flexibility of IASs, it is still expected that respondents will perceive their flexibility, neutrality and recognition as an internationally accepted accounting principle as reasons for moving towards them rather than US GAAP. The research hypotheses are therefore formulated:

H_{9a}: Thailand moves towards IASs because of (a) moving towards global capital markets, (b) the increased credibility of financial reporting, (c) facilitating foreign investment, (d) influence from international organisations.

H_{9b}: Thailand moves towards IASs rather than US GAAP because IASs are (a) more flexible, (b) neutral and (c) internationally accepted accounting principles.

5.2.4 Hypotheses associated with Thailand Research Question TQ₄

Prior research provides empirical evidence of problems associated with incorporating and implementing IASs. These are related to the development of accounting education, the accounting profession, and accounting regulation and enforcement. Prior studies suggest that the level of education in a country or its accounting profession affect accounting practice. There are some concerns about the lack of an effective and efficient enforcement mechanism that may result in the low quality of financial reporting (Rahman, 2000). The weakness of enforcement mechanism including accounting regulation, is also expected to obstruct implementing IASs in Thailand. The following research hypothesis is therefore formulated:

H₁₀: The development of (a) accounting education, (b) the accounting profession and (c) accounting regulation and enforcement are obstacles to incorporating IASs and implementing modified IASs in Thailand.

5.2.5 Summary

Prior literature helps to formulate 10 hypotheses that will be tested by three different research methods. Table 5-1 links hypotheses to relevant literature discussed previously in chapter 2. Chapters 6 to 9 report the results of using each research

method to answer research questions through hypothesis testing. Chapter 10 discusses the combined results where different findings are brought together. The research methods used in this study are discussed in the following section.

Table 5-1: Testing hypotheses and linked to prior literature

<i>Hypotheses</i>	<i>Literature</i>	<i>Section covered</i>
H ₁ , H ₆	Taylor and Turley (1986); McLeay <i>et al.</i> (2000); Larson (1997); Kenny and Larson (1993, 1995); Larson and Brown (2001); Zeff (1978); Watts and Zimmerman (1986)	2.2.1, 2.2.2, 2.2.3
H ₂	Zimmerman (1998); Suchman (1995); Larson (2002); Wallace (1990); Kenny and Larson (1995); Falk (1994); Fogarty (1992); Fogarty <i>et al.</i> (1994); Johnson and Solomons (1984)	2.2.1, 2.2.4,
H ₃	Kikuya (2001); Wallace, (1990b); Craig and Diga (1996); Flower (1997); Hoarau (1995); Saudagaran (2001); Craig and Diga (1996); Hove (1990); Benson, 1980; Alexander and Archer (2000)	2.2.1, 2.3.3.3, 2.4.1
H ₄	Larson (1993); Perera (1989a); Amenkhinan (1986)	2.4.1, 2.4.2, 2.5
H ₅	Choi and Levich (1991); Nobes (1989); Larson (1997); Purvis <i>et al.</i> (1991); El-Gazzar <i>et al.</i> (1999); Larson (1993); Samuels and Oliga (1982); Perera (1989b); Briston (1978)	2.3.3.1, 2.4
H ₇	Cooke and Wallace (1990); Larson (1997); Larson and Kenny (1995); Ndzinge and Briston (1999); Meek and Saudagaran (1990); Douppnik and Salter (1995); Jaggi and Low (2000); Saudagaran (2001: 3); Gray (1988)	2.3.1, 2.3.3.4, 2.5.2.6
H ₈	Taylor and Turley (1986); Larson and Brown (2001); Nobes (2003: 101); Kelly (1982); Francis (1987); Ndubizu <i>et al.</i> (1993); Kelly (1982); Deakin (1989)	2.2.2.1
H _{9a}	Nobes and Parker (2000: 75); Larson (1993); Dahawy <i>et al.</i> (2002); Rahman, (2000); Chamisa (2000); Hove (1986)	2.3.3.1, 2.5.2.4, 2.6
H _{9b}	Saudagaran and Diga (1997b); Rivera (1989a); Hora <i>et al.</i> (1997, p. 180); Saudagaran and Diga (2003)	2.4.1, 2.4.2
H ₁₀	Radebaugh (1968); Juchau (1978); Ninsuvannakul (1988); Adams and McMillan (1997); Chamisa (2000); Saudagaran and Diga (1997b); Wijewardena and Yapa (1998); Yapa (2003); Perera (1989); Rahman (2000); Chow <i>et al.</i> (1995); Dahawy <i>et al.</i> (2002); Baydoun and Willett (1995)	2.5.2.1, 2.5.2.2, 2.5.2.3, 2.5.2.4, 2.5.2.5

5.3 Methodology

Several researchers argue that international accounting needs to be contextually or theoretically based (Wallace and Gernon, 1991; Carlson, 1997b). Theories of standard setting adopted in lobbying studies, and environmental determinism developed by Douppnik and Salter (1995) and other studies related to the understanding of a national accounting environment, are used here as the main conceptual framework. Interviews and a questionnaire survey will be employed to examine the perceptions of people regarding the relevance of IASs in Thailand. Using comment letters on IASC E65 as another source of information, greater insight will be derived into the relevance of IASs to Thailand and other countries.

5.3.1 Location of the work

This section describes the phases of research development in the area of international accounting, and discusses the philosophy underlying these studies. These will help locate the work of this study. A review of the literature indicates that research in international accounting has developed from descriptive studies to applying a social science or a statistical approach. With descriptive studies it is difficult to generate theory on international accounting. The development of a theory begins with a researcher seeking an explanation for a phenomenon/phenomena. Without a hypothesis formed by a theoretical framework the researcher does not know which facts or data to investigate (Carlson, 1997b).

Reviewing prior studies in international accounting, Carlson (1997b) divided the body of research literature into four phases: (1) The identification of international accounting (e.g. Mueller, 1965; Wirich *et al.*, 1971); (2) development of a descriptive literature base (most studies based on Price Waterhouse's survey in 1973, 1975 and 1979); (3) comparative financial reporting (environmental variables, harmonisation, the role of IASC, IASs, and developing countries) e.g. Douppnik and Salter, (1995); Meek and Saudagaran (1991), Street *et al.* (1999, 2000) and Street and Bryant (2000); and (4) the search for theories. Carlson (1997b) is used as a framework for this section in order to assist the location of this study.

International accounting is a vehicle to assist better understanding of financial reporting in all nations. Although previous studies had concerns on the fact that each country has its own accounting principles, moving towards a global set of accounting standards leads to the adoption of IASs, with some modifications to each country's accounting environment.

Jaggi (1973) evaluated international accounting literature and classified it into groups: descriptive, conceptual, and hypothesis testing. He concluded there was a critical lack of conceptual research. In this phase, research studies adopt a wider variety of research methods than previously used. Techniques, such as statistics, empiricism, hypothesis development, and testing have been adopted from other disciplines, in particular, the social sciences (Carlson, 1997b).

However, Wallace and Gernon (1991) criticised research in this phase for its failure to provide generalisable explanations and theories for the problems confronting aspects of international accounting.

The most importance for this study is the search for theories. Carlson (1997b) acknowledged that the absence of sufficient theoretical frameworks, in conjunction with the adherence to methods recognised as limited, had prevented the growth of empirical work, which might lead to development of generalisable theory. However, researchers have responded to criticisms of inadequate research methods by adopting methods from other disciplines. The use of a broader range of research methods enabled researchers to look beyond the extant accounting systems of nations to examine accounting in its contexts. Cooke and Wallace (1990) raised the issue of accounting as a sociological phenomenon stating that accounting would be expected to reflect differences in economic and social progress. They then proceeded to develop and test hypotheses based on these arguments. Douppnik and Salter (1995) attempted to rectify prior methodology by synthesising several research frameworks (e.g. Mueller, 1968; Gray, 1988; Meek and Saudagaran, 1990) in order to help formulate a theoretical model of international accounting development. The model of Douppnik and Salter, which identifies environmental factors, is applied in this study in order to assist understanding of the current accounting system and practice in Thailand, and to help evaluate the relevance of IASs to Thailand.

Schoenfeld (1981) reviewed the international accounting literature and concluded that empirical research is restricted to a few areas and that analysis needs to extend to non-English nations. Consistent with the observations of Wallace and Gernon (1991) and Carlson (1997b), Saudagaran and Meek (1997) stated that most of the descriptive work to-date focuses on developed nations, and, therefore, additional research that addresses developing countries is needed. However, some researchers (e.g. Saudagaran and Diga, 1997a, 1997b, 1997c, 1998; Chamisa, 2000; Joshi and Ramadhan, 2002 etc.) have studied accounting in developing nations. Most studies are based on descriptive analysis. Whether the greater portion of the expansion of studies is purely descriptive work or not, it has served to increase the breadth of international accounting research (Gray, 1989) and provides data upon which

generalisable theory can be based (Carlson, 1997b). Previous studies note that the socio-economic environment (Enthoven, 1977) and other factors have a strong effect on accounting because accounting is a service function that operates within an accounting environmental framework. Thus, there is a need to understand how these factors affect a developing country's accounting needs and practices. The need exists for research at a national-specific level (Dahawy *et al.*, 2002). The need for testing theories in international accounting research has been mentioned generally (Falk, 1994; Gernon and Wallace, 1995) and in regards to the IASC (Kenny and Larson, 1993).

5.3.2 Discussion of theory

This study is based on the ontological assumption of historical realism that *'reality is assumed to be apprehensible...but...over time, is shaped by a set of social, political, cultural, economic, ethical and gender factors'*. (Guba and Lincoln, 1998: 205). Accordingly, it is assumed knowledge is based not only on phenomena that can objectively be observed but also on phenomena that are intangible and subjective. This study therefore attempts to understand and evaluate the relevance of IASs, taking into account the fact that the system is affected by its contexts, including individual perceptions. The following sections discuss how the theory may apply to the study of Thailand. More specifically, cultural issues and implications of language (5.3.3) will be discussed in order to gain a better understanding of people's perceptions and assist the interpretation of the findings.

5.3.2.1 Criticism of Agency theory

In an agency relationship, the principal wants the agent to act in the principal's interest. However, the agent is expected to have his own interest and consequently, he may not act in the principal's best interests (Jensen and Meckling, 1976: 5). In general terms, this model may be applied to any situation in which one person, the principal, contracts with another person, the agent, to act on his or her behalf in return for some rewards (Ogden, 1993). The agency theory deals with agency problems resulting from conflicts of interest that may emerge in contractual relationships when parties are differently informed or uncertain.

Agency theory is accompanied by a set of criticisms. The criticism is focused on the main assumptions of agency theory, and issues related to ontology, epistemology and research procedures (Armstrong, 1991). Puxty (1985) challenged agency assumptions on human nature. Rational utility maximisers would never undertake actions of bravery, altruism, and offering, which are parts of social reality. Furthermore, agency theory ignores institutional background (Tinker et al., 1985).

The typical analysis framework of agency theory is supposedly a real-life world characterised by the existence of cost, risk, uncertainty and ignorance. In real life, agency theory observes that contractual relationships are not those that we would observe in a world where information would flow costlessly and perfectly. To summarise, agency models are content with introducing into their models distortions that these imperfections, which characterise the real-life world of agency theory, create in contractual relationships (Pratt and Zekhauser, 1985: 2).

The highly simplified model of organisational conflict and the contrasting complexity of the mathematics required to provide solutions to the agency problem have also been frequently cited as limitations of agency theory (Baiman, 1990). Ogden (1993) indicated agency theory oversimplified complex business relations. He drew attention to the agency model's simplistic conceptualisation of the conflict of interest inherent in employer-employee relations, and its inadequacy to cope with the complexities and contradictions surrounding the uses of accounting information encountered in evaluating and controlling employee performance. According to agency problems, the conflict of interest between owners and managers may have been overestimated in the agency literature. The conflict of interests between principal and agent discussed by the agency model arises from the assumption that both will act out of self interest. This by no means is meant to preclude there being a common interest amongst members of the firm or perfect control systems within the firm (Fama, 1980; Baiman, 1982). Puro (1984) looked at the agency relationship between client and auditor and argued that the interests of clients and auditors can overlap. A perfect agency relationship proposed by Jensen and Meckling (1976) does not allow for the possibility that changes in accounting rules can move audit firms away from their clients as they pursue their own. Puro's findings indicated a classic

agency problem when an accounting rule promises more business to auditing firms that will more than compensate auditors for losses suffered because their client's wealth decrease because of the new rules (Puro, 1984).

5.3.2.2 Implications of agency theory for the case of Thailand

Understanding how introducing the institutional setting into the analysis framework will help agency theory to gain in realism and therefore in practical significance. According to a classic agency theory proposed by Jensen and Meckling (1976), there may have been the agency problem between stockholder (as the principal) and manager (as the agent). This study uses Thailand as a case study when considering the institutional framework, the agency relationship between managers and stockholders may not be worth to explore. This is because most businesses in Thailand are family-owned businesses and the managers are mainly from members of the family. Prior literature suggested that auditors played a main role in setting accounting standards. This study aims to understanding parties interested by the accounting standards and their perceptions in setting accounting standards. As Puro (1984) suggested another particular aspect of the agency relationship between auditors and clients, it would be useful to explore whether there is an agency relationship between the client and the auditor because both company and auditor are playing the role in setting the standards. This would also help to gain a better understanding how these parties relatively perceive and act in setting the accounting standard. In this particular agency theory perspective, the auditors are expected to lobby for new rules which require more disclosure which lead to expanded demand for their audit services and the companies are expected to lobby for fewer disclosure requirements or unspecific disclosure rules which they can choose how much information to disclose.

5.3.3 Language and the implication of language: Translation problem and an aspect of culture issues

Accounting, like any other discipline has its glossary. The English-language glossary when translated into another language may not carry the same connotation and hence application in a dissimilar cultural environment (Han, 1994). Language has been indicated as a barrier to change in the case of the Baltic States where it has been

suggested (Alver *et al.*, 1998) that accounting in the context of a market economy may well remain a matter of puzzlement in the absence of an adequate informative literature in the official Estonian, Latvian and Lithuanian languages and with some Western accounting materials being accessible only in Russian or Polish languages. The 1996 'Know-How Fund' project to introduce IASs in Romania recognised from the outset the importance of having a reliable translation of IASs into the Romanian language (King and Beattie, 1999). Abd-Elsalam and Weetman (2003) suggested the accessibility of the IASs in the language of the country indicated the research design should consider conditions specific to the country under investigation.

The IASB has adopted English as its official language, which may cause problems for the use of standards where English is not the first language (Carlson, 1997a). The meaning of many words has not been entirely agreed upon within the English language itself; and therefore the transmission of real meaning to other languages is particularly difficult (Previts, 1975).

In Thailand, there are no equivalent Thai terms for some of the terms that are used in IASs. Therefore, the transmission of real meaning to other languages is particularly difficult. Although the accounting standard committee translated IASs from English into Thai language with caution, the English-language glossary when translated into another language may not carry the same connotation. A straight translation from English text into Thai language is almost never clearly achieved because of the different grammatical structures of the two languages. For example, in the case of IAS 41, IAS 41 uses a term 'should' (in paragraphs 10, 12-13, 26, 28, 30, 34-35, 39-41, 46-50, 54-58) but when it is translated into Thai language, the term used carries the meaning of 'must'. To understand the different use of wording, it may be important to understand the country background and local cultural values. As explained in chapter 3, Thai people are generally keen to avoid conflict, not prone to violence, patient and tolerant towards injustices, and modest, considerate and averse to criticising others in their presence. 'Should' in Thai translation gives a meaning in term of recommendation to do something, therefore, if the Thai accounting standard were to use this meaning, it would be difficult for the Thai standard setter to enforce the standard. This may imply a different attitude towards giving people instructions.

Culture may affect people's understanding of the words. In English, using 'should' in the standard may provide a more polite meaning than using 'must'. However, in term of application of this word in Thailand, 'must' may be more appropriate.

Another translation issue is in the case where there are no equivalent Thai terms for some of the terms that are used in IASs. For example, in the case of IAS 41, the standard provides a definition of 'fair value' as follows:

IAS 41, paragraph 8,

'Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction'.

The Draft of TAS on Agriculture (Dated 25 June 2002), paragraph 8, [In Thai]:
(Translated by the Thai Accounting Standards Setter)

“มูลค่ายุติธรรม หมายถึง
จำนวนเงินที่ผู้ซื้อและผู้ขายตกลงแลกเปลี่ยนสินทรัพย์กันในขณะที่ทั้งสองฝ่ายมีความรอบรู้และเต็มใจใน
การแลกเปลี่ยน และสามารถต่อรองราคากันได้อย่างเป็นอิสระในลักษณะของผู้ที่ไม่มีความเกี่ยวข้องกัน”

The Draft of TAS on Agriculture (Dated 25 June 2002), paragraph 8, Thai into
English translated by the researcher:

'Fair value is the amount which knowledgeable and willing buyer and seller agree to exchange an asset; they are not related parties and independently negotiable'.

There is no equivalent Thai term for 'an arm's length transaction' so it is explained in simple Thai words to assist understanding of Thai people. However, this example did not indicate the translation problem, it shows another aspect of translation from English to another national language.

In this study, the researcher uses the wording in the Thai version of the draft of the Thai accounting standard on agriculture in providing the respondents with the definition of technical terms used in IAS 41, such as 'fair value', 'active market', 'biological assets' and 'agricultural produce'. The reason for this is it is an official Thai translation by the Thai standard setter and is expected to be best possible translation.

Although there may have not been a problem of translation from English words to Thai words, it is possible that there may be an issue of understandability of the meaning and interpretation when people apply the standards. Lack of understanding may lead to problems in implementing the accounting standards and misrepresenting the accounting figures in the financial statements. This issue will also be explored in this study.

5.3.4 Expectation of societal culture and accounting

Akathaporn *et al.* (1993) argued that cultural influences have obstructed the development of accounting in Thailand. Prior literature has suggested that culture is a significant determinant of accounting systems (Gray, 1988; Perera, 1989b). Societal values may be relevant to the country's accounting system (Gray, 1988). Hofstede (1980) classified Thailand in the group of Less Developed Asian countries. Gray (1988) linked societal values to accounting values at the level of the accounting subculture. He also contended that accounting values would impact on accounting systems. Linking Gray's (1988) accounting values to Hofstede's (1984) cultural dimensions in the manner proposed by Gray (1988), explains why the Thai accounting system is strong in statutory control, high in secrecy, is uniform rather than flexible, and is relatively conservative. This leads us to question the relevance of IASs to Thailand, as prior literature has indicated a strong Anglo-American influence on the IASC (Nobes and Parker, 2000: 72; Wallace, 1990b).

There has been a strong tradition of secrecy supported by the strength of family-owned businesses in Thailand as noted earlier in 3.5.2. However, there is greater pressure on listed companies to disclose more information according to stock exchange requirements. Moreover, Thailand is moving to different accounting values as a result of the Asian financial crisis and the enactment of the Accounting Act B.E. 2543 (2000) as well as consideration of the proposed Accounting Profession Act. Thus, the grouping of Gray (1988) based on Hofstede (1980) may no longer be relevant because the Thai accounting system has moved from a macro-oriented to micro-oriented accounting system as explained in section 3.8.1.

5.4 Justification of research methods

Carlson (1997b) suggested that new research methods employed in international accounting must be capable of simultaneously accommodating the many environmental factors that affect the development of accounting in a nation. He said that it is unlikely that statistical analyses will be capable of this task. The methods capable of accommodating such tasks are most likely to be found in other fields of research, such as the social sciences. Such methods require an in-depth study of nations.

This study chose Thailand as a case study, using interviews and a questionnaire survey following Wallace (1989); Akathaporn *et al.* (1993); Joshi and Ramadhan (2002) to elicit the perceptions of respondents in Thailand and analysing comment letters on IASC E65 to gather the views of other countries and the reaction of the IASC to these responses.

One of the main problems for research in the area of accounting in developing countries, as recognised in the study of Baydoun and Willett (1995), is access to data. Relevant data, which has the advantage of helping to build a general picture, is less easy to acquire in developing countries than in developed countries. Direct data from questionnaires is also less easy to obtain in developing countries. The researcher used the advantage of being a Thai national to gain access to relevant information. Moreover, the researcher has worked in the academia so used academic connections with businesses to facilitate the collection of data.

Another important area of international accounting is lobbying studies. Lobbying studies of IASs are an extension of national studies of standard setting in developed countries to the international accounting standards (Kenny and Larson, 1993). In order to assess the relevance of IASs to developing countries, the study of international accounting standard setting is helpful. In doing so, it is important not only to study the perception of people in the particular country, but also to understand the role and participation of developing countries during the IAS due process of setting an accounting standard which these countries will later develop as

their own standard. The theories of accounting standard setting will help formulate hypotheses relating to influences on international accounting standard setting.

However, these studies primarily examine lobbying activities in a particular country. Only few researchers have extended the lobbying literature into international accounting standard setting arena and investigated the role of lobbying in the IASC's due process (as discussed in chapter 2). Content analysis is widely used in lobbying studies which have led to general conclusions about motivation for lobbying of the IASC and the constituent participation. No investigation has been undertaken which made any strong linkage relating to the relevance of IASs to developing countries. The present study will therefore investigate lobbying of the IASC in an attempt to assess and discern the participation of developing countries in setting an international accounting standard. This includes examination of the extent to which comments from developing countries have been considered in the final standard.

As discussed in chapter 3, there is a lack of international accounting research relating to the adoption of IASs in Thailand. In particular, TASs have been based mainly on IASs. It is therefore useful to evaluate how relevant IASs are to Thailand, using IAS 41 as the case study.

5.5 Data Collection Methods

This study uses three different primary data sources: comment letters to IASC E65 available on the IASB's website, and data derived from interviews and questionnaires sent to people involved in setting TASs and in using financial information. The combination of these different methods allows triangulation. This helps the researcher crosscheck interpretation of data gathered by the different methods and to overcome potential bias (Hussey and Hussey, 1997, p.74), leading to greater validity (Silverman, 2000) and reliability than a single methodological approach (Denzin, 1970, cited in Hussey and Hussey, 1997). The effectiveness of triangulation is that the weakness in each single method will be compensated by the counter-balancing strengths of another (Jick, 1979).

Table 5-2 presents the relationships between the methods and the research questions as well as the research objectives.

Table 5-2: Relationships between research objectives, questions and methods

<i>Research Objectives</i>	<i>Research Questions</i>	<i>Methods</i>
GO ₁	GQ _{1a} GQ _{1b}	Content Analysis of comment letters on E65, Interviews, Questionnaires Content Analysis of comment letters on E65, Interviews, Questionnaires
GO ₂	GQ ₂	TQ ₂ , TQ ₃ help answer GQ2 in the particular case of Thailand
TO ₁	TQ ₁ TQ ₃	Interviews, Questionnaires Interviews, Questionnaires
TO ₂	TQ ₂ , TQ ₃	Interviews, Questionnaires
TO ₃	TQ ₄	Interviews, Questionnaires
AO ₁	AQ ₁	Interviews, Questionnaires
AO ₂	AQ ₂ , AQ ₃	Interviews, Questionnaires

5.5.1 Analysis of comment letters on IASC E65

In order to provide insights into what groups of respondents from many countries and various organisations thought about IASC E65 and the role of lobbying in an international accounting standard setting, respondents' letters were analysed using content analysis. This analysis approach is widely used in empirical studies on lobbying behaviour (Holsti, 1969:14).

5.5.1.1 Content analysis of comment letters

Submissions on exposure drafts are the most observable form of lobbying research (Tutticci *et al.*, 1994). Such research has addressed the factors motivating lobbyists to respond to exposure drafts and described the resultant impact on decisions made by standard setters (Deegan *et al.*, 1990; Francis, 1987; Lindahl, 1987; Puro, 1984; Sutton, 1984, and Watts and Zimmerman, 1986). Previous studies (e.g. Holsti, 1969; Sutton, 1984; McLeay, 2000; Kenny and Larson, 1993; 1995; MacArthur, 1988a, 1996, 1999; Larson, 1997; Guenther and Hussein, 1995; Larson and Brown, 2002; Puro, 1984; Francis, 1987; Tutticci *et al.*, 1994) have used a range of method of content analysis in analysing comment letters.

Following Kenny and Larson's (1993, 1995) studies, this research sought to analyse the development of IASs and lobbying behaviour of respondents. Data about respondents, such as country of origin, type of organisation and the level of country economic development, was combined with the results of the content analysis in order to perform tests analysing the existence of any patterns between the respondents. This study also applies in-depth analysis of comment letters on IASC

E65 (McEnroe, 1993). This approach can help the researcher to gain more interesting issues. Fourteen individual issues were identified for specific comments and one open-ended question asking for other comments. This study analyses the responses to E65 on 14 separate issues. An open-ended question gave an interesting insight but cannot be analysed further in chapter 6. However, interesting facts providing more evidence to the individual question will be discussed where possible in chapter 6.

Finally, the comments and suggestions of respondents will be compared to the requirements in the final version of standard to see what influence, if any, the respondents had on the IAS. This last step is designed to test the IASC's adaptability and desire to be acceptable to its constituents, as well as to examine any significant influence of any one group on the IASC.

5.5.1.2 Characteristics of respondents

The comment letters on IASC E65 were from professional accounting bodies and standard setting bodies, international accounting firms, academics, multinationals and agricultural companies. Some special interest on accounting for agriculture groups also sent responses. Of the total number of 62 responses, only 53 responses were included in the statistical analysis because the other nine did not answer the separate questions specifically (see chapter 6, Appendix 6C). There was an administrative error by the IASC in the numbering of the comment letters⁶, in that numbers 32 and 53 were omitted. However, these general replies were also examined for perceived responses towards IASC E65 and are discussed in the relevant subsection.

Tables 6-3 and 6-4 in chapter 6 present the analysis of responses by group of countries to which they belong (categorised by level of economic development) and by type of organisation.

⁶ The researcher wrote the letter to the project manager to clarify the numbering of comment letters on E65 in 2001. The latter confirmed an administrative error in the number sequence. Letters were given numbers from 1 to 64 but 32 and 53 omitted so there were in total 62 responses.

5.5.1.3 Quantification of lobbying activity

Prior research has used a variety of techniques to quantify lobbying activity. There are two problems of quantification: how to count and categorise lobbyists, and how to count and categorise their responses. Lobbyists are commonly characterised by reference to groupings defined as seems appropriate to the particular set of comments and the method of quantitative analysis applied (Weetman *et al.*, 1996). The specific groupings vary from one paper to the next.

To categorise constituent participation by group, Tandy and Wilburn (1992), Briloff (1986), and Kenny and Larson (1995) categorised respondents in a similar way to facilitate comparability with prior literature. Their categorisations differ from IASC categorisations because IASC categorisations vary somewhat from ED to ED (Kenny and Larson, 1995). However, this study adopts the categorisations of Kenny and Larson (1995) and regroups some particular types of respondents, because IASC E65 is an industry standard that needs categorisation to reflect the comments from each group of respondents. For example, agricultural companies are grouped separately from general corporations, whereas IASC member bodies and standard setting bodies are grouped together because the majority of them represent both types of body.

Respondents were categorised by type of organisation and country of origin. Consistent with Tandy and Wilburn (1992), and Kenny and Larson (1995), responses were categorised by interest groups, such as professional accounting bodies, standard setting bodies, and so on, to facilitate comparability with prior literature. Then, all accounting organisations were aggregated into one large group to analyse responses because these organisations are more likely to interact with organisations whose interests are most closely aligned with their own (Kenny and Larson, 1995). International accounting firms were categorised as one group because they did not represent a particular country like other accounting organisations. Those committees specifically working on accounting for agriculture were also grouped together because they were specialists on this issue, and it would be useful to observe this group's responses separately. Finally, responses by categorisation of country, grouped as developed or developing, were analysed to see if there was a different pattern in responses.

5.5.1.4 Statistical analysis of data from the comment letters on IASC E65

The comment letters were downloaded from the IASC's website. All data from 14 issues of comment letters were coded and entered into SPSS format and categorised into groups (see chapter 6). One hypothesis in this study sought to test whether there was a difference of attitudes between respondent groups' responses to questions. An appropriate way to find out whether two variables are independent or associated is the chi-square test (χ^2) (Easterby-Smith *et al.*, 1991; Saunders *et al.*, 2000). MacArthur (1988a) indicated that testing for significant differences between different respondent groups is relatively basic, relying largely on descriptive analysis backed by χ^2 testing of contingency tables of frequency distributions. Therefore, the chi-square test was used in this study. The chi-square statistic is significant at $p < 0.05$, indicating significant differences between two groups. However, there are limitations to using the chi-square test. According to Bryman and Cramer (1997), the chi-square test can be used to compare the frequency of cases found in one variable in two or more unrelated samples or categories of another variable, and minimum expected frequency is larger than one. However, the test should not be used if any cell has an expected frequency of less than 1, or if 20 percent or more of the cells have an expected frequency of less than 5.

The result of this analysis is reported in chapter 6 and is included in the presentation of overall results in chapter 10. The issues discussed pertaining to IASC E65 were partly used to formulate the questions for interviews and the questionnaire survey, in particular to seek perceptions towards accounting for agriculture proposed in IASC E65.

5.5.2 Interview Survey

Content analysis alone is not sufficient to achieve all the research objectives, particularly relating to Thailand and accounting for agriculture, and cannot capture the perceptions and opinions of those involved in setting TASs and in using financial information. Of note, the study of comment letters on E65 did not provide any evidence of Thailand's view because there was no response from Thailand. An interview survey was therefore undertaken to elicit such information. Interviews also provide an added degree of confidence to findings, not available in questionnaires,

since interviewees can take their time answering questions, thus give more careful considered responses which, in turn, can be further explored and clarified if necessary. Interviews enable researchers to obtain deeply useful data since the researcher is able to clarify any misunderstanding in questions. The interviewer also has the opportunity to identify non-verbal clues which are present (Easterby-Smith *et al.*, 1991).

5.5.2.1 Sample selection

This study employed a non-random sampling technique to select interview respondents because respondents were required to have experience and in-depth knowledge of TASs, which are based mainly on IASs. Therefore, the sample was not representative in a statistical sense. However, the nature of the subject matter required people selected for the study to provide useful and meaningful information.

The sampling strategy employed is known as purposeful sampling (Patton, 1990; Saunders *et al.*, 2000). Under this strategy, criterion sampling was employed, i.e. only individuals that met pre-determined criteria were selected. The selection of respondents started with judgmental sampling in that the decision regarding whom to interview was made prior to the commencement of interviews. Once interviews had commenced, snowball sampling was used, which involved identifying more individuals to participate in the study from using other interviewees' recommendations.

Interview respondents were selected based on their position, experience and involvement in setting TASs or using financial information. They either influenced or were influenced by TASs directly and indirectly. Five categories of respondents were identified that could provide meaningful contribution and insights, namely, Thai standard setters, external auditors, regulators, preparers and users of financial reports.

5.5.2.2 Interview respondents

Respondents consisted of Thai standard setters, external auditors, regulators (stock market and company regulators), agricultural company directors, a banker and users of financial reports.

Originally, based on judgmental sampling, only 12 persons were selected for interview purposes (see Table 5-3). However, once the researcher was in Thailand and started the interviewing, more names were suggested by other interviewees. Interviews started at the end of December, 2001, and finished in early March 2002. In all, 15 interviews were conducted. Three targeted interview respondents refused to be interviewed. One worked in an international accounting firm that had been facing difficulties and the company was unwilling to give an interview or express his opinions to anyone. The other two were financial analysts who claimed it would be difficult for them to give an opinion or comment on issues related to accounting standards. They were more willing to help by answering the questionnaire. Therefore, the researcher sent the questionnaires to these two respondents. The researcher interviewed two academics as users of financial information instead of these two financial analysts.

The detailed analysis of interviewees is reported in chapters 7 and 8. The planned and actual number of interviewees in each group are presented in Table 5-3.

Table 5-3: Planned and actual interviewees by respondent groups

	<i>No. of respondents</i>	
	<i>Planned</i>	<i>Actual</i>
Standard setters	2	3
External auditors	4	4
Regulators	2	3
Agricultural company directors	2	2
Bank financial director	-	1
Users of financial reports	2	-
Academics	-	2
Total	12	15

5.5.2.3 Interview Structure

Interview formats vary from the highly structured type to the unstructured type. Saunders *et al.* (2000) suggested that interviews might be categorised by the level of formality and structure. There are structured interviews, semi-structured interviews and unstructured interviews. Structured interviews have the disadvantages of being fairly rigid and unlikely to reveal insights to respondents' answers or perceptions. Thus, in this study semi-structured interviews were employed to provide more opportunities for interviewees to speak freely about their beliefs and allow the

researcher to probe into respondents' reasoning and understanding. Although unstructured interviews may have provided more in-depth information (Fontana and Frey, 1998), the semi-structured approach was preferred because it gave the researcher control over time, content, and sequence of the interview. Moreover, this method was considered appropriate to conduct exploratory discussions in order not only to reveal the 'what' and the 'how', but also to place more emphasis on the 'why' (Saunders *et al.*, 2000: 245). Semi-structured interviews also give the potential for discovering issues that have not been considered before which are significant for understanding and help to address the research questions and objectives. Furthermore, semi-structured interviews allow the questions covered to vary from interview to interview and with the flow of the conversation. This was particularly suitable in the interview sets undertaken, since there was variation in the expertise and experience of interviewees.

5.5.2.4 Design of the interview guide

An interview guide was used to ensure that all issues intended for the research were covered in each of the interviews. The interview guide contained an outline or checklist of the topic and subtopics to be covered during interviews. An agenda of interview topics or a list of interview themes was sent in advance to each interviewee. This was intended to promote credibility through the supply of relevant information to participants before the interview and also validity and reliability through enabling interviewees to consider the information being requested and allowing them the opportunity to assemble supporting documentation from their files (Saunders *et al.*, 2000). The interview themes were derived from the literature, the theories, and the information gained from the analysis of the comment letters on IASC E65, but with adjustments in order to take into account the institutional characteristics of Thailand (chapter 3) and particular issues related to accounting for agriculture (chapter 4). The questionnaires included open-ended questions to allow respondents to provide opinions and perceptions in their own words, and to avoid interviewer bias. Probes were used during the interview in order to seek further elaboration and clarifications.

5.5.2.5 Administration of the interview survey

This study conducted 'face to face' interviews with all respondents. Firstly, interview appointments were arranged through telephone calls made to the respective persons. As a lecturer in a University in Thailand, the researcher had developed personal relationships with some of the targeted interviewees. Once the researcher contacted them and asked for an interview, they were willing to be interviewed and recommended other key persons that should be interviewed to gain more insightful information. Through interviewees' recommendations, the researcher was able to gain access to other interviewees more easily than expected and they were willing to be interviewed.

All interview sessions were conducted in interviewees' offices. At the beginning of each interview session, the researcher explained the purpose of the study and the contributions that interviewees could make to the study.

Each interview lasted between two and three hours. All questions were covered in interviews. Although the researcher tried to adhere to the sequence of the interview themes, the contents of interviews were largely governed by the flow of thoughts of interviewees. Occasionally, the researcher would probe for more explanations and interrupt interviewees to ensure the interview session remained on track. Following the advice of Healey and Rawlinson (1993), sensitive issues were usually left until the end of the interview enabling a longer time for interviewees to build up trust and confidence in the researcher. During all interviews, the researcher made notes and tape recordings which interviewees allowed.

5.5.2.6 Reliability and Validity

The lack of standardisation in interviews may lead to concerns about reliability, which is related to issues of bias (Robson, 1993; Saunders *et al.*, 2000). There are two main types of bias:

1. *Interviewer bias*: The comments, tones or non-verbal behaviour of the interviewer creates bias in the way that interviewees respond to the questions being asked. It is also possible that the interviewer will demonstrate bias in the way s (he) interprets responses (Easterby-Smith *et al.*, 1991).

2. *Interviewee or response bias*: Interviewees may, in principle, be willing to participate but may be sensitive to the in-depth exploration of certain themes, which they do not wish, or are not empowered to discuss. The outcome of this may be that interviewees provide a partial picture of a situation which casts them in a socially undesirable role or the organisation they work for (Saunders *et al.*, 2000).

Validity is concerned with the extent to which ‘the researcher has gained full access to the knowledge and meaning of informants’ (Easterby-Smith *et al.*, 1991: 41). It refers to the extent to which the research findings accurately represent what is happening in the situation; in other words, whether the data collected is a true picture of what is being studied (Hussey and Hussey, 1997). During the interview process the researcher attempted to promote validity and reliability as discussed earlier in each subsection of the interview survey. Moreover, the researcher studied relevant available documents on issues relating to interview topics to assess the reliability of information given by respondents and ensure respondents were selected based on their experience and knowledge in relation to the objectives of this study.

5.5.2.7 Statistical analysis of data from the interview survey

The tape-recorded data were first transcribed. Then both the transcribed data and data from note taking were analysed and classified into similar categories. Descriptive analysis was undertaken using frequencies to make inferences about the results. The results are reported in chapters 7 and 8. Since this study comprised only 15 interviews and the amount of data was moderate, the researcher found it easier to do the *coding and retrieval* of data manually. Moreover, interviews were conducted in the Thai language and did not suit computer programs. This also gave the researcher the opportunity to discern more ideas or implications that had been mentioned during interviews while reading through the interview scripts repeatedly.

5.5.3 Questionnaire Survey

This section describes how the questionnaire survey was undertaken, starting with descriptions of targeted respondents, how the questionnaire was designed, tested, rationale for the questions, and how the questionnaire was administered.

Advantages of questionnaire surveys, according to Hussey and Hussey (1997), Saunders *et al.* (2000) and Babbie (2001), include the following:

- They enable the study of a larger population by making inferences about the population from the study of samples; this is cheaper and less time consuming than studying the whole population.
- They facilitate replication and comparative studies.
- Such surveys are transparent, since the methods and procedures can be made visible and accessible to others, so that the design and implementation can be assessed.

However, a questionnaire survey usually involves the use of structured questions which necessarily elicit a lesser depth and quality of information than an interview (Hakim, 1987: 49). In addition, a questionnaire survey may demand a lot of time and energy to obtain a good rate of return.

Questionnaire surveys can be conducted either by post, interview or telephone. For this study, all of the sample groups were contacted firstly by telephone to explain the purpose and content of the questionnaire. Because the questionnaire was quite long, they were also asked for their commitment to respond within a given time. The questionnaire was then posted to targeted respondents willing to answer it. Further advantages of postal questionnaires are the ability to reach respondents in widely dispersed locations, and they are reasonably inexpensive and easy to administer. However, postal questionnaire disadvantages include a low response rate, resulting in non-responses bias; no opportunity to correct misunderstandings or to probe; no control over the person who actually completes the questionnaire; and no check on incomplete responses or incomplete questionnaires (Oppenheim, 1992: 102).

The aforementioned disadvantages of using a postal questionnaire were acknowledged and attempts were made to reduce the limitations. Efforts to increase the response rate are discussed later when the administration of the survey is presented. The questionnaire was pilot-tested to reduce ambiguities. In order to deal with the inability to probe in the questionnaire survey, open-ended questions were included so that respondents could explain their answers if they felt the need to do

so. Moreover, the interview survey elicits more in-depth information to supplement that derived from the questionnaire survey. Although there was no control over the person who completed the questionnaire, the analysis of respondents' backgrounds helped to confirm that the persons intended for the study had completed the questionnaire.

5.5.3.1 Questionnaire Respondents

One set of questions was used but modified to suit each group of respondents. The sequence of questions for each respondent group are different. Appendix 5A shows the detailed questions.

The questions focused on issues pertaining to the adoption of IAS 41 in Thailand. Questionnaires were distributed to four main categories of respondents: users, general preparers, preparers specific to agriculture, and auditors.

To help answer the research questions and to accomplish the research objectives, the questionnaire was designed to gather qualitative information. Inevitably, respondents would require relatively high skills and knowledge in accounting to cover all questions. In particular, there were specialist questions related to accounting for agriculture. Most questions focused on issues related to the adoption of IAS 41 in Thailand. The following sections explain how the researcher tried to obtain effective answers. The distribution of respondents and response rates is shown in Table 5-4.

Table 5-4: Respondent groups and Response rate

	<i>No. of firms</i>		<i>No. of Distribution</i>	<i>No. of Responses</i>	<i>Response rate</i>
	<i>Population</i>	<i>Sample</i>			
Financial Analysts Firms	37	5	30	15	50%
Agricultural Companies	20	20	20	8	40%
Other Listed Companies*	300*	30	30	7	23.3%
Big Five Accounting Firms	5	5	30	17	56.7%
Total	474	60	110	47	42.7%

* Excluding 62 companies in the banking, financial services and insurance sectors.

5.5.3.2 Sample selection

As indicated previously, there were four groups of respondents. Each group is discussed, in turn, below. Having respondents who are highly qualified and experienced is more likely to lead to reliable and relevant responses.

- **Financial Analysts**

Analysts were selected, rather than the chief executives of analyst firms, because analysts were most involved as regular users of financial information. Analysts are an established user group of accounting information, and one that is more likely to be familiar with accounting than other groups (Harding and Mckinnon, 1997). Thus, the questionnaire to users was sent to financial analysts working with investment consultant companies.

From 37 investment consultant firms⁷, only 5 were selected to distribute the questionnaire to their employees. In order to obtain a high response rate, the researcher contacted the companies' chief executives by phone and asked them for permission to distribute the questionnaire. Only 5 companies were willing to respond to the questionnaire within the given time. Other companies said it would be inconvenient. Therefore, each of the five companies was sent 6 copies of the questionnaire to distribute to their equity analysts in order to achieve a similar total number of respondents from each group. Companies were asked to select financial analysts experienced in using agricultural companies' financial reports, if possible.

- **Agricultural companies**

The listed companies on the Stock Exchange of Thailand were selected as the population of preparers. The total 382 listed companies⁸ were classified into two main groups, the agribusiness group (20) and the non-agribusiness group (300). All 20 listed companies in the agribusiness group were sent the questionnaire. However, two company directors of two agricultural businesses were interviewed prior to questionnaire. During interview sessions, the researcher discovered these interviewees had no idea what IAS 41 was and had to explain to them the main issues of this standard. Therefore, when interviewing them, the researcher could only focus on the main issue of IAS 41, namely, using "fair value" to determine the value of an agricultural asset, while questions in the questionnaire were more specific about accounting for agriculture.

⁷ Source: From the list of the Office of the Securities Exchange Commission of Thailand as at January 2002.

⁸ Source: From the list of the Stock Exchange of Thailand as at January 2002.

In order to identify what kind of agricultural business respondents were in, they were asked to identify the main products of their companies. One was a company trading in agricultural produce, four produced livestock meat, poultry and living animals, and three had plantation of trees producing oil and rubber.

- **Other listed companies**

Although other listed companies were not directly affected by the accounting standard for agriculture, they might provide further information from another perspective about issues related to current accounting practices and possible problems arising from the adoption of IASs in general. A sample of 30 only other listed companies was selected randomly from the non-agribusiness group (300), excluding banking (14), financial services (27), and insurance (21). With time constraints, only 30 of 300 companies were randomly chosen. Companies in those sectors were not included in this study because they have specific business transactions and are required to comply with specific accounting standards.

- **External auditors**

Questionnaire was also distributed to all Big Five accounting firms⁹. Each accounting firm was first contacted by telephone to ask for co-operation in distributed to auditors who were experienced in auditing the financial reports of agricultural companies.

5.5.3.3 Response rate

A self-addressed, stamped envelope was provided with each questionnaire. Questionnaires were mailed out on 15 March 2002 and respondents asked to reply before the end of April 2002. However, only 40 responses had been received by the end of April. In early May 2002, follow-up telephone calls were made to obtain more responses. Most companies contacted asked for more time to complete questionnaires because during the previous period they had been busy completing the auditing of financial statements of listed companies as required by the SET.

⁹ When the researcher distributed the questionnaire there were Big Five international accounting firms. One of which was facing difficulties at that time.

Subsequently, seven further questionnaires were received, five from listed companies and two from auditors. All responses were returned by post.

Table 5-4 shows the overall response rate for the study was ultimately 42.7%. Of the 110 questionnaires initially sent out during the fieldwork, 53 were returned (see also section 5.5.3.7). Six questionnaires returned from financial analysts were not usable because they had not completed any part of the questionnaire. Therefore, the analysis of results in this study is based on 47 responses.

There was a 50% response rate from financial analysts. Questionnaires returned from financial analysts were collected by their firms and returned by post. As previously stated, six of the 30 questionnaires distributed to them were returned uncompleted. Two respondents who returned blank questionnaires indicated they were unable to answer questions because they had had no experience in analysing the financial reports of agricultural companies, providing a possible explanation for the incompleteness of other questionnaires. Lack of experience made it difficult for respondents to answer questions.

All five financial analysts firms and the Big Five accounting firms returned at least one questionnaire each. The Big Five firms achieved the highest response rate, while the other listed companies had the lowest one. Big Five firms' high response rate may have been due to the auditors' work in both accounting and auditing. Therefore, accounting standard would be more relevant to their work. In addition, questionnaires' results revealed that, on average, those who worked for the Big Five firms had a higher level of education, in particular in the area of accounting (see Appendix 9C), perhaps explaining why they were more enthusiastic in their response than other groups. Other listed companies returned only seven of 30 distributed questionnaires, possibly because the questionnaire was too general and not particularly related to their work.

Surprisingly, although the questionnaire was directly related to their work, only 8 of 20 agricultural companies returned it, perhaps because they had a negative attitude towards the adoption of IAS 41 but they did not want to appear to be opposing the policy of the ICAAT. They may also have been reluctant to show they did not fully

understand it. When the researcher interviewed one company director of an agricultural company, he seemed to argue against the adoption of IAS 41 since he believed fair value accounting could not work effectively in the context of Thailand. After finishing the interview session with him, he and another company director were given a questionnaire each to complete, which elicited their views on issues related to IAS 41 not covered by interview questions. Their completed questionnaires were returned in a few days later. Analysis of questionnaire data revealed one company director considered IAS 41 differently from the view he had expressed during the interview. In the questionnaire, he was more supportive of the adoption of IAS 41 but he expressed some concerns about possible unreliability of fair value measurement and unavailability of fair value information. He was perhaps reluctant to express his disagreement with IAS 41 issues on paper. Another possible reason for his changed attitude may have been his careful study of the standard in the meantime and finding his own solutions to the problems he initially perceived. Another interviewee working on E65 steering committee commented that IAS 41 allows companies to value biological assets and agricultural produce at cost in cases where fair value information is unavailable. This solves the problem of unreliability and unavailability of fair value information.

Another reason for the low response rate may have been due to IAS 41's non-adoption in Thailand prior to and during the study period, thus respondents generally lack motivation to comment on it. External auditors were much more enthusiastic in their response due probably to their greater involvement in accounting standard setting, either directly or indirectly.

5.5.3.4 Questionnaire Design

In designing the questionnaire, previous literature related to IASs and the adoption of IASs in developing countries as well as the theoretical framework of standard setting were taken into consideration. In particular, factors mentioned in prior literature as influencing the adoption of IAS in developing countries and the extent of IAS adoption were considered relevant for inclusion in the questionnaire.

The Thai language was used in the survey questionnaire because although English is widely understood and presently used in international business in Thailand, using the Thai language would elicit higher responses from respondents. Most Thai universities teach in the Thai language so respondents may have found it difficult to respond to the questionnaire in its English version. Moreover, respondents might misinterpret the meaning of English words thus affecting the reliability of answers to questions. In order to avoid misunderstanding or ambiguity as a result of translating specific accounting terms from English into Thai, the researcher attached a note of terminology explanation to the questionnaire survey.

The questionnaire was divided into three sections. Section 1 contained general questions about TASs. All respondent groups answered this section. Section 2 (questions 26 to 51) asked specific questions about accounting for agriculture company directors, external auditors, and financial analysts. Questions 52 to 58 in section 2 asked other listed companies about fair value accounting. Section 3 elicited background details about respondents, for example, current profession and job description, level of education, professional qualifications and working experience.

The questionnaire contained both closed and open-ended questions. Closed questions give respondents a fixed number of choices while open-ended questions require respondents to provide answers in their own words. As far as possible, closed questions were utilised to ensure the questionnaire could be completed in a short time (Oppenheim, 1992). Respondents can perform with greater reliability the task of answering questions when response alternatives are given (Fowler, 1993). Moreover, closed questions are easy to process and analyse. However, disadvantages of closed questions were recognised, which include loss of spontaneous response and bias in answer categories. Thus, open-ended questions were included since they allowed an opportunity to probe, and obtain more detailed, unconstrained answers, and spontaneous answers (Oppenheim, 1992).

In order to obtain respondents' opinions on issues relating to factors influencing the adoption of IASs in Thailand, a 5-point Likert scale was used. The Likert scale allows participants to give more discriminating responses, and to state if they have no opinions, by providing them with a form of rating scale (Hussey and Hussey,

1997). Consistently throughout the questionnaire, the first rank score on the scale was set to mean a favourable attitude and a final rank score an unfavourable attitude. For example, a score of '1' represented for 'strongly agree' or 'very important' and '5' indicated 'strongly disagree' or 'of little importance'. Hussey and Hussey (1997) pointed to a further advantage of using a Likert scale in that a number of different statements can be provided in a list which does not take up much space, is simple for respondents to complete, and simple for the researcher to code and analyse.

5.5.3.5 Pilot testing

The purpose of a pilot test is to refine the questionnaire so that respondents will have no problems in answering the questions and there will be no problems in recording the data (Saunders *et al.*, 2000). According to Oppenheim (1992), "studies which have been inadequately piloted or not piloted at all, will find that a great deal of effort has been wasted on unintelligible questions producing unquantifiable responses and uninterpretable results" (p. 64). In addition, a pilot test will help to obtain some assessment of the questions' validity and the likely reliability of the data that will be collected (Saunders *et al.*, 2000). Hussey and Hussey (1997:163) suggested that, at the very least, the questionnaire should be tested among friends or colleagues, but as far as possible on people similar to those in the sample. Similarly, Babbie (2001) commented, "it is not usually essential that the pre-test subjects comprise a representative sample although you should use people to whom the questionnaire is at least relevant" (p. 250). The steps taken to test the questionnaire are described below.

As a lecturer in a university in Thailand, the researcher was allowed to pilot test the questionnaire among a class of Master degree students in professional accounting. The draft of the questionnaire was also sent to two lecturers in Accounting in the same university, and one professor in accounting in the UK to obtain their comments. The researcher received 15 responses, ranging from comments on wording and technical terms that required further explanation, to the sequencing of questions, greater clarification of some questions to avoid misunderstanding or ambiguity of meaning, and adjustments to others to make them more relevant to the research

objectives. After taking into consideration all comments and making necessary amendments and modifications, the questionnaire was finalised.

5.5.3.6 Rationale for the Questions

The main objective of a using questionnaire survey was to gain more insight into respondents' perceptions of and opinions on TASs, which are mainly based on IASs, as well as the adoption of IAS 41 in Thailand. Questions were divided into 3 sections (see a list of questions in Appendix 5A).

Section 1: Setting Thai Accounting Standards

Part 1 asked for general information about respondents' experience of preparing or using financial reports in accordance with TASs. These questions came from a review of academic journals or articles focusing on problems associated with setting TASs.

Part 2 asked about respondents' participation in the accounting standard-setting process to assist understanding of the development of Thai accounting. As interested parties in TASs, respondents were asked about their involvement in setting TASs.

Part 3 sought to identify factors influencing the setting of TASs. These factors were suggested from the review of literature in Chapter 2. The researcher also left space for respondents to identify other factors they considered influential but not previously mentioned.

In order to help evaluate the relevance and acceptability of TASs adapted from IASs, Part 4 first asked whether respondents were aware that TASs were based mainly on IASs and their opinions on the adoption of IASs. Respondents were asked whether they thought IASs helpful to Thailand to improve the quality of financial reporting. In order to identify whether the development of Thai accounting, in particular accounting education, affected the relevance and acceptability of IASs to Thailand, Question 16 asked respondents to indicate the extent identified factors affected the reliability of TASs incorporating IASs. Part 5 asked their opinions on accounting regulation and enforcement.

Section 2: Accounting for Agriculture

Part 1 focused on current accounting measurement and disclosure practice as regards accounting for agriculture in Thailand. Following the IASC's issuance of IAS 41, companies were allowed to apply IAS 41 voluntarily because there was no TAS yet for this issue. Respondents were asked their opinions on the relevance and acceptability of IAS 41 in Thailand. Part 2 concentrated on 14 issues discussed in IASC E65. The main principle of this standard is applying the 'fair value' method.

Section 3: Information about respondents

Part 1 elicited general information about respondents, including academic and professional qualifications. Part 2 asked for information about working experience.

5.5.3.7 Administration of the questionnaire survey

Suggestions from several authors (e.g. Hussey and Hussey, 1997; Oppenheim, 1992; Babbie, 2001) on how to maximise the response rate were followed. The response rate can be increased by keeping the questionnaire as short as possible and using closed questions. However, in this study the questionnaire contained a number of questions designed to help evaluate the perceptions of respondents towards issues relating to the adoption of IASs in setting TASs, in particular accounting for agriculture. Therefore, the questionnaire contained both general questions about TASs, since they are mainly based on IASs, and specific questions about accounting for agriculture. The researcher tried to probe respondents' perceptions and compare the consistency of answers to questions.

The questionnaire was mailed with a covering letter introducing the researcher and explaining the purpose of the questionnaire. To encourage a higher response, the researcher requested an interviewee who was working in the Office of the SECT to distribute the questionnaire to listed companies on the SET because a personal relationship may encourage more responses. As regards the questionnaire to financial analysts the researcher first contacted companies to assess their willingness to respond to the questionnaire. When they agreed to do so, the questionnaire was posted to them.

5.5.3.8 Statistical analysis of data from the questionnaire survey

Data collected from the questionnaire were coded and then analysed using SPSS for Windows. Descriptive analysis of the results was conducted to obtain the frequency, means, ranking, standard deviation and distribution of responses.

Data from the questionnaire survey was also tested for differences in responses based on four groups of respondents. It was hypothesised that different respondent groups would have different perceptions of issues relating to setting accounting standards and adopting IAS 41 in Thailand. Two alternative tests are available, parametric or non-parametric, to test statically for differences between respondent groups. The test employed depends on the distributional assumptions made regarding the population and the level of measurement of the variables, i.e., nominal, ordinal or interval (Diamantopoulos and Schlegelmilch, 1997). Silver (1997: 223) and Easton and McColl (2002) suggest that to test the differences between two populations, the Mann-Whitney test can be applied to quite small samples, where $n_1 > 10$ and $n_2 > 10$, with no assumption about normality, while a two sample t-test can also be used with the assumption that the underlying distributions are normal.

Since the study sample was small and the variables in the questionnaire were measured on ordinal (ranked) and nominal (classificatory) scales, a Mann-Whitney Test and a two-sample *t*-Test were utilised to determine whether differences between the groups were statistically significant. A 5% level of significance was used in this study as in studies in the social sciences (Silver, 1997). The results of the analysis are reported in chapter 9.

5.6 Ethical Implications

Possible ethical issues of this study may arise from data collection methods, the respondents, and the dissemination of research reports. In the present study, interview and questionnaire survey procedures were carefully considered beforehand to ensure ethical conduct was maintained throughout the study stages. In the negotiating process, the researcher had to ensure people were not deceived and coerced into participating in the surveys. The objectives and purpose of the research were clearly stated and any implications for the person and the organisation were

pointed out to enable them to give their informed consent to participation in the study (Oppenheim, 1992). Saunders *et al.* (2000) referred to the importance of not intruding on the participant's privacy; the researcher never asked respondents to participate in any action that intruded on their privacy and went beyond the scope of the access agreed.

During the data collection stage, the researcher strictly maintained confidentiality of the information given by interviewees and questionnaire respondents. In the analysis stage, the researcher avoided being selective about which data to report and where appropriate, avoided misrepresenting its statistical accuracy (Zikmund, 1997). In the dissemination of the results of this study, anonymity and confidentiality are maintained. Names and positions of respondents are not revealed; instead they are identified by a coding system using the alphabet (e.g. Financial analyst A/B/C, External auditor A/B/C etc.).

5.7 Summary and conclusions

This chapter first formulated a set of research hypotheses to help answer the research questions (5.2). A review of the literature relating to methodology in the area of international accounting research (5.3) was presented to assess the status of research in this area. The review revealed little evidence of empirical studies focusing on the adoption of IASs in developing countries. Moreover, a review of existing literature examining the relevance of IASs to developing countries indicated a lack of studies investigating the role of developing countries in setting IASs during the lobbying process of IASs, and developing countries' influence on the final IASs, in particular the accounting standard for agriculture. Such paucity highlights a gap in the literature and the need to examine the relevance of IASs to developing countries, in particular the adoption of IAS 41 in Thailand. The chapter also described and evaluated the research methods employed in this study (5.4). After discussing the methods employed and how each method was administered, this chapter explained how data would be analysed. Finally, as with other research in the social sciences, there was a need to reflect on the ethical implications of this study (5.6). This chapter has outlined the main techniques and procedures to collect and analyse data as well as to test research hypotheses. These will be empirically demonstrated in chapters 6 to 9.

Appendix 5A
The list of questions in the 4 sets of questionnaires

Numbers 1-4 at the top of the column on the right hand side of the table represent following.

1 = Financial analysts 3 = Other listed companies
2 = Agricultural companies 4 = External auditors

***Open-ended question**

Questions	(1)	(2)	(3)	(4)
<i>Section 1: Setting Thai accounting standards</i>				
<i>Part 1: General information</i>				
1. For what purposes do you use financial reports?	G1	-	-	-
2. Do you experience any difficulties in using/preparing financial reports in accordance with TASS?	G2	G1	G1	G1
3. Please tick any of the following you have considered as difficult when using/preparing financial reports				
• Comprehension of technical words or issues	G3.1	G2.1	G2.1	G2.1
• Lack of sufficient information to make decisions	G3.2	-	-	-
• Comparability of financial information	G3.3	-	-	-
• Availability of accounting standards in some issues	-	G2.2	G2.2	G2.2
• Too many accounting requirements	-	G2.3	G2.3	G2.3
4. How do you solve such a problem?				
• Ask companies for additional information	G4.1	-	-	G3*
• Consult the ICAAT	G4.2	G3.1	G3.1	-
• Consult the Office of the SECT	G4.3	-	-	-
• Consult the company's auditor	-	G3.2	G3.2	-
• Consult the academic professor	-	G3.3	G3.3	-
5. In general, how do you evaluate qualitative characteristics of financial reporting based on TASS?				
• Understandability	G5.1	-	-	-
• Relevance	G5.2	-	-	-
• Reliability	G5.3	-	-	-
• Comparability	G5.4	-	-	-
• Consistency	G5.5	-	-	-
• Timeliness	G5.6	-	-	-
6. Are there any differences in the quality of financial reporting of MNCs and local companies?	G6	-	-	-
7. Does your company apply global audit programme?	-	-	-	G4
8. If your company applies a global audit programme, please explain how you adjust this programme to confirm with TASS.	-	-	-	G5*
<i>Part 2: Participation in accounting standard setting</i>				
9. How are you aware of all new TASS?				
• Announcement of the ICAAT	-	G4.1	G4.1	G6.1
• Announcement or letter from the DBD	-	G4.2	G4.2	G6.2
• Announcement or letter from the SET	-	G4.3	G4.3	G6.3
10. Do you take part in the Thai accounting standard setting process directly?				
• No	G7.1	G5.1	G5.1	G7.1
• As a member of the working group on the ED	G7.2	G5.2	G5.2	G7.2
• As a member of the Thai accounting standard board	G7.3	G5.3	G5.3	G7.3
• As a consultant of the ICAAT	G7.4	G5.4	G5.4	G7.4

Questions	(1)	(2)	(3)	(4)
11. Indirectly, are you involved in any stage of the Thai accounting standard setting process?				
• No	G8.1	G6.1	G6.1	G8.1
• As a commentator on the ED	G8.2	G6.2	G6.2	G8.2
• As an attendant at public hearings	G8.3	G6.3	G6.3	G8.3
12. Are you satisfied with the responses by the ICAAT?	G9	G7	G7	G9
13. Are you satisfied with established TASS?	G10	G8	G8	G10
<i>Part 3: Influences on Thai accounting standards</i>				
14. Do you believe that international influences have played a major role in the development of TASS?				
15. If you believe in international influences please indicate your level of agreement/disagreement with the following	G11	G9	G9	G11
• Role of IASs in harmonisation of accounting standards	G12.1	G10.1	G10.1	G12.1
• Multinational corporations	G12.2	G10.2	G10.2	G12.2
• Acceptance of IASs by international lenders	G12.3	G10.3	G10.3	G12.3
• Acceptance of IASs by global capital markets	G12.4	G10.4	G10.4	G12.4
• Financial assistance by international organisations	G12.5	G10.5	G10.5	G12.5
• Transferred accounting technology and education	G12.6	G10.6	G10.6	G12.6
16. Which of the following, internal influences do you think has influenced the development of TASS?				
• Local companies' influence	G13.1	G11.1	G11.1	G13.1
• Local users' needs	G13.2	G11.2	G11.2	G13.2
<i>Part 4: Relevance and acceptability of TASS: adaptation from IASs</i>				
17. Are you aware that TASS are based mainly on IASs?	G14	G12	G12	G14
18. In general, do you agree with Thai accounting standard setting policy based mainly on IASs?	G15	G13	G13	G15
19. Should Thailand adopt all the IASs?	G16	G14	G14	G16
20. Which of the following do you think may affect the reliability of TASS adapted from IASs?				
• Translation language problems	G17.1	G15.1	G15.1	G17.1
• Comprehension of technical terms	G17.2	G15.2	G15.2	G17.2
• Time constraints	G17.3	G15.3	G15.3	G17.3
• Lack of expertise	G17.4	G15.4	G15.4	G17.4
21. To what extent do you agree with the following statements?				
• In general, IASs are helpful to Thailand to improve the quality of financial reporting.	G18.1	G16.1	G16.1	G18.1
• The use of TASS based on IASs in preparing financial reporting could help you to better use financial reports	G18.2	G16.2	G16.2	G18.2
22. If there were no TASS, which accounting standard would you consider following?				
• IASs	-	G17.1	G17.1	G19.1
• US GAAP	-	G17.2	G17.2	G19.2
<i>Part 5: Accounting regulation and enforcement</i>				
23. Under the new Accounting Act (2000) indicating serious penalties for companies who do not comply with the requirements of TASS, do you think it would force companies to follow those requirements?	G19	G18	G18	G20
24. To what extent do you agree with the following statements?				
• The Office of the SECT has strictly monitored listed companies' compliance with TASS	G20.1	G19.1	G19.1	G21.1
• Rigorous penal provisions of the SECT Act induce companies to comply with the standards	G20.2	G19.2	G19.2	G21.2
• The quality of the financial reporting of listed companies is higher than that of non-listed companies	G20.3	G19.3	G19.3	G21.3

	(1)	(2)	(3)	(4)
25. Do you agree that good corporate governance would help to improve the quality of financial reporting?	G21	G20	G20	-
<i>Section 2: Accounting for agriculture</i>				
<i>Part 1: Current measurement and disclosure requirements of BAS?</i>				
26. Are you satisfied with the current accounting disclosure requirements?	A1	-	-	-
27. Are you satisfied with current accounting disclosure requirements?	A2	-	-	-
28. If you have experienced any difficulties using/auditing the financial reports of agricultural companies, please explain these difficulties.	A3*	-	-	A6*
29. If you use information about fair value of BAs and AP in making decisions, please explain how you obtain such information if a company does not apply FV or disclose in notes	A4*	-	-	-
30. Which of the following methods does your company/client use for measuring BAs and AP?				
• Cost	-	A1.1a	-	A1.1a
• Fair value	-	A1.1b	-	A1.1b
31. Please specify what is the main product of your company	-	A1.2*	F1*	A1.2*
32. Which accounting methods do you consider the most relevant for measurement of BAs and AP?	-	-	-	A2*
33. Do you think incurring cost of BAs can be reasonably and reliably allocated?	-	-	-	A3
34. If an asset is reported at cost, what is the basis for determining cost and cost allocation?	-	A2.1*	-	-
35. Do you agree that information about FV of BAs and AP is necessary for making business management decisions?	A4*	A2.2	-	A4
36. Please provide a definition of FV and explain how to obtain	-	A3*	-	A5*
37. How often do you value BAs and AP?				
• Once a year	-	A4.1	-	-
• Every quarter	-	A4.2	-	-
• Every month	-	A4.3	-	-
38. If your company applies FV but FV of assets is measured at another date apart from 31 December, do you experience any difficulties in obtaining FV information?				
• None	-	A5.1	-	-
• A few problems	-	A5.2	-	-
• Many problems	-	A5.3	-	-
39. How do you account for land attached to BAs?				
• Based on TAS: Property, plant, and equipment	-	A6.1	-	-
• Based on TAS: Investment property	-	A6.2	-	-
• Fair value on the balance sheet date	-	A6.3	-	-
40. How do you account for subsequent expenditure related to BAs?				
• Charge to expense in net profit and loss for the period	-	A7.1	F9.1	-
• Capitalise the carrying amount of BAs and amortise	-	A7.2	F9.2	-
41. How do you account for government grants without condition?	-	A8	-	-
42. How do you account for government grants with condition?	-	A9	-	-
43. What kinds of information do you currently disclose in the notes?				
• Accounting valuation methods as part of accounting policies	-	A10.1	-	-
• Details of BA, e.g. type, quantity, duration of life, nature	-	A10.2	-	-
• Depreciation method used	-	A10.3	-	-
• The useful life or depreciation rate used	-	A10.4	-	-
• The gross carrying amount and accumulated depreciation of BAs at the beginning and end of the period	-	A10.5	-	-
• The existence and carrying amounts of BA whose title is restricted, and carrying amounts of BAs pledged as securities for facilities	-	A10.6	-	-

	(1)	(2)	(3)	(4)
<i>Questions</i>				
• The amounts of commitments for the development or acquisition of BAs.	-	A10.7	-	-
• Forward contracts to sell or buy AP and BAs based on the future or other financial risk management related to agricultural activity	-	A10.8	-	-
• Risks related to the nature of BAs and AP	-	A10.9	-	-
• Agricultural land valuation method	-	A10.10	-	-
44. How do you manage price risks and other risks?				
• Using commodity contracts to hedge price risks	-	A11.1	-	-
• Other risk management	-	A11.2	-	-
45. How do you report the risk management transactions in FS?				
• Price risks	-	A12.1	-	-
• Other risks	-	A12.2	-	-
46. Regarding the definition of FV used in IAS 41, do you believe that such an asset can be valued reliably on a consistent basis?	A5	A13	-	A7
47. What extent do you agree with following statements? All of these are based on the content of IAS 41, E65 and CLs on E65 (Table 9-7F).	A6	A14	-	A8
48. If Thailand applies FV measurement, what level of importance do you feel the following items have in companies' financial statements?	A7	A15	-	A9
49. Do you expect any problems with accounting measurement and disclosure or other issues if Thailand adopts IAS 41 using FV?	-	A16*	-	-
50. Do you think an accounting standard for agriculture should include accounting for commodity contracts?	-	A17	-	A10
51. In general, do you agree that for investors and creditors, all BAs should be measured at fair value and that, at the point of harvest, all AP should be measured at its fair value?	A8	A18	-	A11
52. How do you define 'fair value'?	-	-	F2*	-
53. If you apply fair value, how do you obtain information about FV?	-	-	F3*	-
54. Please explain any difficulties in measuring the FV of assets	-	-	F4*	-
55. For what purposes do you use FV measurement to account for?				
• For compliance with TAs	-	-	F5.1	-
• For management decisions	-	-	F5.2	-
• For providing additional information for investors, creditors or other users	-	-	F5.3	-
56. Do you believe using fair value measurement can provide more useful information to users than historical cost?	-	-	F6	-
57. Do you believe FV can be measured reliably on a consistent basis?	-	-	F7	-
58. In general, do you agree with fair value measurement?	-	-	F8	-
<i>Section 3: Information about respondents</i>				
<i>Part 1: General information</i>				
59. What is your nationality?	11	11	11	11
60. Please indicate your current profession and job description briefly.	12	12	12	12
61. Please indicate the level of education you have obtained and please specify subject and country of study.	13	13	13	13
62. Are you a member of the ICAAT?	14	14	14	14
63. What professional qualifications have you obtained?				
• None	15.1	15.1	15.1	15.1
• CPA of Thailand	15.2	15.2	15.2	15.2
• CPA of another country	15.3	15.3	15.3	15.3
• Certified Internal Auditor of Thailand	15.4	15.4	15.4	15.4
<i>Part 2: Working experience</i>				
64. How many years have you worked in your current profession?	16	16	16	16
65. How many years have you worked in area of accounting?	17	17	17	17
66. Do you have any experience of working with international organisations related to accounting and auditing issues?	18	18	18	18

CHAPTER 6

6. Lobbying on IASC E65

6.1 Introduction

This chapter aims to contribute to the research objectives by analysing the standard setting process of IAS 41 and comment letters on IASC E65. In particular, the chapter reports the perceptions of respondents towards E65 and issues relating to the adoption of IAS 41 from different countries' views as well as the potential roles of developing countries in setting IAS 41. This chapter also links changes between E65 and IAS 41 to the strength of respondents' views to assist evaluation of the relevance of IAS 41 to developing countries and also provide some evidence of how participating countries have influenced the standard-setting process. This study permits conclusions on areas which have not previously been studied but which are significant for a better understanding of the relevance of IAS 41 to developing countries. It also evidentially identifies problems mentioned in the comment letters.

This chapter is organised as follows. Section 6.2 outlines the objectives of this chapter, while section 6.3 briefly discusses preparation of the standard for agricultural activity and participants in the standard setting process, in particular members of the Steering committee and commentators on E65. Comment letters on IASC E65 are analysed by respondent groups and by type of respondent in sections 6.4 and 6.5, respectively. Section 6.5 compares changes between IASC E65 and the final version of IAS 41, and discusses these changes. Section 6.6 provides some indication of a polarisation of opinions on fair value. Finally, a summary of the chapter's content and conclusions drawn are presented in section 6.7. Theoretical explanations are discussed in chapter 10.

6.2 Objectives of this chapter

This chapter reports the perceptions of respondents towards E65 and issues relating to IAS 41 from the views of commentators across a range of countries as well as the potential role of developing countries in setting IAS 41. Table 6-1 outlines the objectives in relation to the research questions and sections located in this chapter.

Table 6-1: General objectives and chapter sections

<i>Objectives</i>	<i>Questions</i>	<i>Chapter Sections</i>
GO ₁	GQ _{1a} , GQ _{1b}	6.3, 6.4, 6.5, 6.6

To help answer the research questions, research hypotheses where prior expectations are stated, are set out in Table 6-2. The links between testing hypotheses and theoretical perspectives are discussed in chapter 10 where different findings are brought together.

Table 6-2: Testing hypotheses where prior expectations have been stated

<i>RQ</i>	<i>Testing hypotheses</i>	<i>Section covered</i>
GQ _{1a}	H ₁ : The parties interested in the accounting standard will lobby based on their self-interests.	6.5.15
GQ _{1a}	H ₂ : IAS 41 will incorporate the comments from as many respondents as possible.	6.5.15
GQ _{1a}	H ₃ : Anglo-American countries, particularly the UK and the US have exerted a strong influence on the final version of the international standard.	6.6
GQ _{1b}	H _{4a} : Developing countries will have different attitudes to IAS 41 from those of developed countries.	6.4.15
GQ _{1b}	H _{4b} : Developing countries are more likely to lobby IAS 41 than developed countries.	6.4.15

6.3 Discussion of participants in the standard setting process

Sixty-two comment letters on E65 received were from various international organisations and from 28 individual countries. Appendix 6B presents the issues relating to IASC E65 and Appendix 6C shows the list of respondents to IASC E65. In order to gain insights into the views of respondents from developed and developing countries on the proposed standard for agriculture, the comment letters on E65 are used for analytical purposes in this chapter. Comment letters were provided on the public record at www.iasb.org.uk.

The comment letters were categorised into 3 groups: from developed countries, developing countries, and international organisations. Table 6-3 presents the number of respondents in each group. The analysis in this chapter is carried out based on 14 specific questions in E65. Fifty-three comments were statistically analysed by each specific question. Although the remaining nine gave general answers and did not provide answers to each specific question, they were nevertheless included in this analysis where possible. Five of them supported and four of them strongly opposed

the use of fair value measurement. E65 and conclusions drawn from the comment letters are then compared with a final version of the standard, IAS 41.

Table 6-3: Analysis of respondents by developed countries, developing countries and international organisations

<i>From^a</i>	<i>No. of respondents^b</i>	<i>Percentage of total</i>
Developed countries	39 (31)	62.9% (58.5%)
Developing countries	15 (14)	24.2% (26.4%)
International organisations	8 (8)	12.9% (15.1%)
Total	62 (53)	100.0% (100%)

^a Grouping respondents from developed or developing countries is based on the definition given by the World Bank (2002).
^b Numbers in brackets mean the number of countries included in the statistical analysis.

Table 6-4: Analysis of respondent groups' comment letters on IASC E65

<i>Nature</i>	<i>Group</i>	<i>No. of respondents*</i>	<i>Percentage of total</i>
1. Professional accountancy bodies and Standard Setting bodies, Accounting Regulators, and Public Sectors on Accounting	Developed countries	21 (16)	56.5% (54.7%)
	Developing countries	12 (11)	
	International Organisations	2 (2)	
	Total	35 (29)	
2. Academics	Developed countries	4 (3)	8.1% (7.5%)
	Developing countries	1 (1)	
	Total	5 (4)	
3. Committee working on Agricultural accounting	Developed countries	2 (2)	3.2% (3.8%)
	Total	2 (2)	
4. Agricultural companies	Developed countries	5 (4)	11.3% (11.3%)
	Developing countries	2 (2)	
	Total	7 (6)	
5. Investment Associations/ Financial Analyst Groups	Developed countries	3 (3)	8.1% (9.4%)
	International Organisations	2 (2)	
	Total	5 (5)	
6. International Accounting Firms	International Organisations	4 (4)	6.5% (7.5%)
	Total	4 (4)	
7. General multinationals	Developed countries	4 (3)	6.5% (5.7%)
	Total	4 (3)	
Total		62 (53)	100.0%

* Numbers in brackets mean the number of countries included in the statistical analysis.

6.4 Analysis of comment letters on IASC E65 by respondent groups

The purpose of this section is to test the hypothesis of the relationship of answers between developed and developing countries. This is carried out by using the chi-square test where possible (see Appendix 6A). Further discussion on respondents' comments will be presented in section in 6.5. Of the 62 published responses, only 53 are included in the statistical analysis because the remaining did not provide comments to each specific issue.

Sub-sections report findings on the fourteen questions. Each heading indicates each question asked in E65 and the wording in brackets shows where it is located in E65.

6.4.1 Question 1-Scope: further processing after harvest (paragraphs 4-7&36)

This section reports the analysis of responses to E65 concerning the scope of the Standard whether it should address further processing of agricultural produce after harvest or not.

Table 6-5: Scope and respondent categories

<i>Scope</i>	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	1			1	1.9%
a) Should not address	28	14	5	47	88.7%
b) Should address	2			2	3.8%
Other views			3	3	5.6%
Total	31	14	8	53	100.0%

Table 6-5 shows the proportion of respondents who agreed that the Standard should not address further processing (88.7%) was much greater than those who agreed that the standard should address further processing (3.8%). A small percentage (5.6%) did not agree with any of the options given. The overall result indicates the majority of both developed and developing countries agreed with option a). Because of small cells, χ^2 was not used.

6.4.2 Question 2-Biological assets: measure at fair value (paragraphs 21 and 36)

This section reports the analysis of responses to E65 concerning the question of whether all biological assets should be measured at each balance sheet date at fair value, and agricultural produce should be measured at fair value at the point of harvest.

Table 6-6 shows the distribution of answers to this question. Just over half of respondents (54.7%) agreed that all biological assets should be measured at each balance sheet date at fair value, and agricultural produce should be measured at fair value at the point of harvest. Eight of the nine who did not agree with fair value measurement (17%) were from developed countries. Some viewed fair value

measurement as impractical and questionable. Four developing countries believed all biological assets and agricultural produce should be measured at cost (c) but they did not indicate they disagreed with fair value measurement.

Table 6-6: Measurement of biological assets and agricultural produce and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
Agree with a)	16	7	6	29	54.7%
Agree with b)	1	2		3	5.7%
Agree with c)	5	4	1	10	18.9%
Disagree with fair value	8	0	1	9	17.0%
Cost should be an alternative	1	1		2	3.8%
Total	31	14	8	53	100.0%

A chi-square test showed that the proportion of those who agreed with a) and those who held other views was not significantly different between developed and developing countries.

6.4.3 Question 3 - Reliability of fair value measurement (paragraphs 21-31)

This section reports the analysis of responses to E65 concerning the question of whether a reliable estimate of fair value can be determined for biological assets and agricultural produce at point of harvest.

Table 6-7: Reliability of fair value and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	1		1	2	3.8%
a) Fair value can be determined	6	3	3	12	22.6%
b) Fair value can usually be determined	6	2	1	9	17.0%
c) Fair value cannot be determined reliably	9	8	2	19	35.8%
Other views	9	1	1	11	20.8%
Total	31	14	8	53	100.0%

Table 6-7 shows that 35.8% of respondents believed fair value sometimes cannot be determined reliably, and cost basis should be used. "Other views" means those respondents who did not state a preference, but required the Standard to provide additional guidance or viewed fair value as unreliable measurement method. Some of these mentioned that a reliable estimate of fair value only exists if there is an active market. Some had major concerns about the reliability of fair value measurement and

difficulties implementing the requirements, and recommended that comprehensive field-testing be undertaken to understand the practicality of the proposals and the nature of additional guidance that would be necessary if implementation took place. A very small percentage of respondents (3.8%) made no comments on this issue because one did not consider fair value to be reliable and the other was not in the agricultural industry. Eight of fourteen responses from developing countries thought fair value could not be determined reliably and 9 of 31 from developed countries chose this option (c) too. Nine of 31 responses from developed countries held other views. Findings indicate both developed and developing countries were concerned about the reliability of fair value measurement.

A chi-square test revealed no significant difference between developed and developing countries' attitudes to determining fair value.

6.4.4 Question 4-Reporting fair value change in net profit or loss (Paragraph 22)

This section reports the analysis of responses to E65 regarding reporting change in fair value of biological assets.

Table 6-8: Reporting of change in fair value of biological assets and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	1			1	1.9%
Agree with a)	11	8	3	22	41.5%
Agree with b)	12	3	3	18	34.0%
Agree with c)	2	2	1	5	9.4%
Agree with d)	3			3	5.7%
Agree with e)		1		1	1.9%
Other views	2		1	3	5.7%
Total	31	14	8	53	100.0%

Table 6-8 shows most respondents selected either a) or b). The number of respondents from developed countries who agreed with option a) was similar to those who agreed with b). Most developing countries agreed with a) that change in fair value should be reported entirely in net profit or loss for the period. Only a few from both developed and developing countries chose other options. Three respondents did not agree with any of the given options. "Other views" means some respondents did

not agree with fair value measurement and others suggested that change in fair value should be reported in comprehensive income or should be consistent with the final standard of E64.

Table 6-8 shows the number of respondents from developed countries who agreed with b) was slightly more than those who agreed with a) (12 and 11, respectively). In contrast, the number of respondents from developing countries who agreed with a) was more than those agreed with b) (8 and 3, respectively). Of the twelve developed countries who agreed with b), two were from Australian agricultural companies, one is from the Australian Business Association (G100), and three were from multinational firms based in Switzerland. Thus, comments from developed countries supporting b) were mainly from company respondents in Australia and Switzerland. A chi-square test revealed no significant difference between developed and developing countries' attitudes to change in fair value reporting.

6.4.5 Question 5-Definition of fair value (paragraph 24)

This section reports the analysis of responses to E65 concerning the best measure of fair value if an active market exists for biological assets at the reporting date in the location in which the asset is intended to be sold or used.

Table 6-9: Definition of fair value and respondent categories

	Category			Total	Percentage of total
	Developed Countries	Developing Countries	International Organisations		
No comment	2		1	3	5.7%
Agree with a)	20	8	7	35	66.0%
Agree with b)	7	4		11	20.8%
No active market	2	1		3	5.7%
Other views	0	1		1	1.9%
Total	31	14	8	53	100.0%

Table 6-9 shows that most commentators, both from developed and developing countries, agreed with (a) that if an active market exists, then the asset's intended location of sale or use is always the best measure of fair value. They opposed any adjustment in determining fair value because it would be arbitrary. Those who agreed with b) indicated that market prices of biological assets have cyclical patterns with high volatility so adjustment to the market price is necessary. Some suggested that if there are any pre-disposal costs, such as brokerage or auctioning costs and point-of-

sale costs, net market value should be used to determine fair value of the asset. Three respondents two from developed and one from a developing country claimed no active market exists. One respondent from a developing country did not agree with any of the given options. A chi-square statistical test was not completed due to small cells.

6.4.6 Question 6-Treatment for agricultural land: follow IAS 16 (paragraph 38)

This section reports the analysis of responses to E65 as regards the recognition and measurement of agricultural land and whether IAS 16 should be applied.

Table 6-10: Measurement of agricultural land and respondent categories

	Category			Total	Percentage of total
	Developed Countries	Developing Countries	International Organisations		
No comment	3			3	5.7%
a) IAS 16 should apply	22	9	4	35	66.0%
b) all agricultural land at fair value.	1	2	2	5	9.4%
c) only as part of a combined group of biological asset and agricultural produce	3	1		4	7.5%
d) encouraged not required at fair	1		2	3	5.7%
e) all at cost		1		1	1.9%
Other views	1	1		2	3.8%
Total	31	14	8	53	100.0%

Table 6-10 shows the majority of respondents (66%) chose (a), agreeing that IAS 16 should apply to agricultural land. Because of small cells, χ^2 was not calculated.

6.4.7 Question 7-Government grants (paragraphs 41-44)

This section reports the analysis of responses to E65 concerning the issue of accounting for government grants.

Table 6-11: The recognition of government grants related to biological assets and respondent categories

	Category			Total	Percent
	Developed Countries	Developing Countries	International Organisation		
No comment	3			3	5.7%
a) Income immediately	20	6	3	29	54.7%
b) Income over the life IAS 20	7	7	5	19	35.8%
c) Reduce the carry amount of the asset		1		1	1.9%
Other views	1			1	1.9%
Total	31	14	8	53	100.0%

Table 6-11 shows that the number of respondents who supported the recognition of unconditional government grants as income immediately (a) was more than those who believed grants should be amortised into income over the life of biological assets.

The number of respondents from developing countries who agreed with b) was slightly more than those who agreed with a) (7 and 6, respectively). In contrast, far more respondents from developed countries agreed with a) more than b) (20 and 7, respectively). Because of small cell, χ^2 was not completed.

6.4.8 Question 8-Components of biological assets (Paragraphs 46-47)

This section reports the analysis of responses to E65 concerning the issue of the quantified measurement of components of carrying amount of biological assets.

Table 6-12: The description of components of biological assets and respondent categories

	Category			Total	Percentage of total
	Developed Countries	Developing Countries	International Organisations		
No comment	2		2	4	7.5%
Agree with a)	18	10	6	34	64.1%
Agree with b)	4			4	7.5%
Agree with c)	5			5	9.4%
Agree with a)-c)		2		2	3.8%
Other views	2	2		4	7.5%
Total	31	14	8	53	100.0%

Table 6-12 shows that 64.1% of respondents agreed that the proposal set out in this ED is the appropriate way to accomplish the objective of providing information about the nature, and stage of production of biological assets. The majority of respondents from developing countries and over half of respondents from developed countries agreed with a). Four and five respondents from developed countries agreed with b) or c), respectively, while none of respondents from developing countries agreed with them.

6.4.9 Question 9-Components of change in fair value (Paragraphs 52-58)

This section reports the analysis of responses to E65 as regards the question of whether enterprises should be encouraged or required to report the amount of physical and price changes separately if the production cycle is longer than one year.

Table 6-13: The description of components of change in fair value and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	4			4	7.5%
Agree with a)	9	2	1	12	22.6%
Agree with b)	9	10	7	26	49.1%
Agree with c)	2	1		3	5.7%
Fair value is unable to reliably measure	1	1		2	3.8%
Other views	6			6	11.3%
Total	31	14	8	53	100.0%

Table 6-13 shows that 49.1% of respondents believed that an enterprise should be encouraged, but not required, to disclose separately the physical and price components of change in fair value of its biological assets. “Other views” represent those who did not agree with any of the given options. Five from developed countries did not believe that an enterprise should be required to disclose separately the components of change in fair value; disclosure should be optional at the discretion of management. The other also from a developed country argued that the split could be misleading and is not required for any other type of asset in current accounting standards.

Respondents from developing countries seemed to prefer b) that the description should be encouraged but not required, while an equal number of respondent from developed countries supported a) and b). One possible interpretation is that developing countries preferred the Standard to indicate encouragement not requirement because they were concerned the practical problem arising from separating the physical and price components in their countries. If the Standard indicated as encouragement, it would be better for the standard setter or the preparer of accounts when incorporating or implementing the standard. A chi-square statistical test was not completed due to small cells.

6.4.10 Question 10-Guidance on components of change in fair value (Paragraphs 56-58)

This section reports the analysis of responses to E65 on the question of whether the guidance for making the split in paragraphs 56-58 is adequate.

Table 6-14: Guidance on components of change in fair value and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	8		1	9	17.0%
a) Adequate	17	12	5	34	64.1%
b) Inadequate	2	1	2	5	9.4%
No guidance	4			4	7.5%
Not applicable		1		1	1.9%
Total	31	14	8	53	100.0%

Table 6-14 shows that 64.1% of respondents believed guidance for making the split was adequate, whereas 9.4% believed it to be inadequate, and 17% had no comments to make on this issue. Based on answer to question 9, 7.5% indicated guidance should depend on the discretion of management and should be thoroughly evaluated through field-testing before being incorporated into a final standard. The majority of developing countries agreed with a), while more than half of developed countries also agreed with a) and a few felt there was no need for guidance.

6.4.11 Question 11-Analysis of expenses (Paragraphs 59-60)

This section reports the analysis of responses to the question of whether an enterprise with significant agricultural activities should be required or encouraged to present an analysis of expenses classified by nature of expenses or by function.

Table 6-15: Analysis of expenses and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	2			2	3.8%
a) require classification by nature	2	2		4	7.5%
b) encourage but not require classification by a)	11	3	2	16	30.2%
c) allow each enterprise to decide whether to classify	15	8	6	29	54.7%
Other views	1	1		2	3.8%
Total	31	14	8	53	100.0%

Table 6-15 shows that 54.7% of respondents thought each enterprise should be allowed to decide whether to classify by nature or function, 30.2% agreed with b), that an enterprise should be encouraged but not required to classify by nature of expense. Only a small percentage (7.5%) of respondents agreed that an enterprise should be required to classify by nature of expenses (a).

A chi-square test of the major view (c) against the rest indicated no significant difference between developed and developing countries' attitudes to the analysis of expenses.

6.4.12 Question 12-Disclosures in general (Paragraphs 44-67)

This section reports the analysis of responses to the question of whether the disclosures proposed in paragraphs 44-67 were about right.

Table 6-16: Disclosure in general and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	3		1	4	7.5%
a) About Right	17	7	3	27	50.9%
b) Excessive	8	6	4	18	34.0%
c) Insufficient	1			1	1.9%
Both excessive and insufficient	2	1		3	5.7%
Total	31	14	8	53	100.0%

Table 6-16 shows that more than half of developed countries agreed that the proposed disclosures were about right (a). A similar number of respondents from developing countries thought were just about right (7) and excessive (6). A chi-square statistical test was not completed due to small cells.

6.4.13 Question 13-Present value sensitivity disclosure (Paragraph 64(c))

This section reports the analysis of responses to the question of whether sensitivity disclosure should be required if net present values have been used to determine the fair value of biological assets or agricultural produce.

Table 6-17: Present value sensitivity disclosure and respondent categories

	<i>Category</i>			<i>Total</i>	<i>Percentage of total</i>
	<i>Developed Countries</i>	<i>Developing Countries</i>	<i>International Organisations</i>		
No comment	5			5	9.4%
a) Should be required	7	3		10	18.9%
b) Should not be required	19	11	8	38	71.7%
Total	31	14	8	53	100.0%

Table 6-17 shows the majority of respondents from both developed and developing countries agreed that sensitivity disclosure should not be required (b). A chi-square statistical test was not completed due to small cells.

6.4.14 Question 14-Transition: follow IAS 8 (paragraph 69)

This section reports the analysis of responses to the question of whether the benchmark treatment and the allowed alternative treatments under IAS 8 should be allowed when an enterprise adopts this standard.

Table 6-18: Transition: follow IAS 8 and respondent categories

	Category			Total	Percent
	Developed Countries	Developing Countries	International Organisations		
No comment	5			5	9.4%
a) Both Benchmark and allowed alternative treatment	18	9	4	31	58.5%
b) Only Benchmark should be allowed	3	1	3	7	13.2%
c) Only allowed alternative should be allowed	1	1		2	3.8%
e) Proposed method	4	1	1	6	11.3%
Other views		2		2	3.8%
Total	31	14	8	53	100.0%

Table 6-18 shows that 58.5% of respondents believed that both the benchmark and the allowed alternative treatment under IAS 8 should be permitted. Respondents who chose e) proposed a method different from that under IAS 8. Two of them indicated that transition should be consistent with IAS 40 and one believed there was a need for specific transitional provisions, such as those in IAS 39. Two respondents did not agree with any of the given options. One thought this ED should never be adopted while the other stated that the transitional provision should be as flexible as possible.

6.4.15 Summary

Overall, the results of statistical analysis by chi-square test revealed no significant differences between developed and developing countries' attitudes. However, due to the small numbers in some response categories, the test could not be applied in full. This, based on statistical results, there is *no evidence to support H_{4a} that developing countries will have different attitudes to IAS 41 from those of developed countries*. The null hypothesis cannot therefore be supported.

The number of comment letters from developing countries was fewer than from developed countries¹⁰. Only twelve of 77 developing countries (15.6%) provided 15 comments, while 17 of 27 developed countries (63%) gave 39 comments on E65 (see

details in chapter 6, appendix 6F). Both developed and developing countries provided more than one response but from different organisations. Some countries gave more than one response but from different organisations. This finding contradicts the assumption that *developing countries are more likely to lobby IAS 41 than developed countries are* (H_{4b}). This is because this accounting standard was considered by the IASC to be relatively more relevant for developing countries (section 4.4). With relatively low participation from developing countries, IASB may be asked about the effectiveness of its policy for distributing the exposure draft to developed countries and developing countries and encouraging them to reply. The discussion in this section will take forward for further discussion in section 10.2.2.1.

6.5 Analysis by type of respondent

The purpose of this section is to evaluate respondents' perceptions towards IASC E65 and to analyse the pattern of comments on specific questions by type of respondent. It also seeks to explore the reasons why respondents may have had similar or different views on particular issues. This section includes the researcher's analysis of changes from E65 to the final version of the standard. The comparative study of E65 and IAS 41 is presented in Appendix 6D.

6.5.1 Question 1-Scope: further processing after harvest

Table 6-19 presents the analysis of responses to E65 concerning the scope of the standard.

The majority of respondents agreed with a), that the Standard should not address further processing after harvest. One academic from Japan did not agree with a) in the particular case of wine. Other respondents who did not agree with the scope of E65 included respondents from IAA, Ernst & Young, and European Commission. They argued there were logical inconsistencies. One Australian agricultural company did not comment on this issue because it was not involved in further processing after harvest.

¹⁰ Developing and developed countries in this context mean the countries having GDP contribution from agriculture sector and being a member of the IASC at that time.

Comparing IASC E65 and IAS 41: The final Standard confirmed the proposed scope of the Standard and met the majority of respondents' demand that it should not address further processing after harvest.

Table 6-19: Scope of the standard by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Scope</i>				<i>Total</i>
		<i>No Comment</i>	<i>a)</i>	<i>b)</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting	Developed Countries		16			16
Bodies, and Accounting Regulators and Public	Developing Countries		11			11
	International Organisations		1		1	2
	Total		28		1	29
Accounting academics	Developed Countries		2	1		3
	Developing Countries		1			1
	Total		3	1		4
Committee working on Agricultural accounting	Developed Countries		2			2
	Total		2			2
Agricultural companies	Developed Countries	1	3			4
	Developing Countries		2			2
	Total	1	5			6
Investment Associations	Developed Countries		3			3
	International Organisation		1		1	2
	Total		4		1	5
International Accounting Firms	International Organisation		3		1	4
	Total		3		1	4
General multinationals	Developed Countries		3			3
	Total		3			3
	Grand total	1	48	1	3	53

6.5.2 Question 2-Biological assets: measure at fair value

Table 6-20 presents the analysis of responses to E65 concerning the measurement of biological assets.

Table 6-20 shows that respondents can be classified into four groups. The first group agreed with fair value measurement (a). The second group agreed with the historical cost approach (c) or disagreed with fair value measurement. The third group suggested that cost measurement should be an alternative treatment in the Standard. The final group supported using fair value in measuring agricultural produce at point of harvest and measuring biological assets at cost until harvested (b).

The different types of respondents tended to have different views on this issue. All five investment associations and financial analyst groups and three of the four international accounting firms supported using fair value measurement to value

biological assets. While two of the six agricultural companies agreed with fair value measurement, two disagreed, and the remaining two believed that all biological assets and agricultural produce should be measured at cost. Two committees working on accounting for agriculture did not agree with fair value. Even general multinationals did not support using fair value measurement. The majority of professional accountancy bodies and standard setting bodies agreed with fair value.

Table 6-20 shows there were two respondents who believed that a cost measure should be an alternative treatment. One was the South African Institute of Chartered Accountants indicating problems in using fair value and the need to be consistent with IAS 2, Inventories. The other was the Netherlands Council for Annual Reporting which believed that the character differences between the various categories of biological assets might have been insufficiently explored to require measurement at fair value for all categories.

Table 6-20: The measurement of biological assets and agricultural produce by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Fair value measurement</i>					<i>Total</i>
		<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>Disagree with fair value</i>	<i>Cost as alternative</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	12		2	1	1	16
	Developing Countries	5	2	3	0	1	11
	International Organisations	1			1		2
	Total	18	2	5	2	2	29
Accounting academics	Developed Countries	1			2		3
	Developing Countries	1					1
	Total	2			2		4
Committee working on Agricultural accounting	Developed Countries			1	1		2
	Total			1	1		2
Agricultural companies	Developed Countries	1		1	2		4
	Developing Countries	1		1			2
	Total	2		2	2		6
Investment Associations Financial Analysts	Developed Countries	2	1				3
	International Organisations	2					2
	Total	4	1				5
International Accounting Firms	International Organisations	3		1			4
	Total	3		1			4
General multinationals	Developed Countries			1	2		3
	Total			1	2		3
	Grand total	29	3	10	9	2	53

Comparing IASC E65 and IAS 41: The final Standard recognised a major concern of respondents regarding the lack of availability of fair value (see further discussion in 6.6). Therefore, it allows enterprises to have an alternative in the case that fair

value cannot be measured reliably. However, IAS 41 confirmed fair value as the measurement method to be applied.

6.5.3 Question 3-Reliability of fair value measurement

Table 6-21 presents the analysis of responses to E65 concerning the issue of reliability of fair value measurement.

Table 6-21: Reliability of fair value measurement by type of respondent

<i>Type of Organisation</i>	<i>Category</i>	<i>Reliability of fair value</i>					<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	5	4	4	2	16
	Developing Countries		3	1	6	1	11
	International Organisations		2				2
	Total	1	10	5	10	3	29
Accounting academics	Developed Countries				1	2	3
	Developing Countries			1			1
	Total			1	1	2	4
Committee working on Agricultural accounting	Developed Countries				1	1	2
	Total				1	1	2
Agricultural companies	Developed Countries			1	1	2	4
	Developing Countries				2		2
	Total			1	3	2	6
Investment Associations	Developed Countries		1	1	1		3
Financial Analysts	International Organisations	1	1				2
	Total	1	2	1	1		5
International Accounting Firms	International Organisations			1	2	1	4
	Total			1	2	1	4
General multinationals	Developed Countries				1	2	3
	Total				1	2	3
	Grand total	2	12	9	19	11	53

Agricultural companies, general multinationals, committees working on accounting for agriculture, international accounting firms, and academics showed much concern about a reliable of fair value. Professional accountancy bodies and standard setting bodies took various views on the reliability of fair value estimate. Table 6-21 shows that although 20 of 29 professional accountancy and standard setting bodies agreed with the measurement of biological assets at fair value, only 10 of 29 believed that a reliable estimate of fair value could be determined for biological assets and agricultural produce at point of harvest and 10 of 29 believed that sometimes fair value could not be determined reliably, and the cost basis should be used. This may be because they agreed in principle with IASC E65 but were also concerned about the problems in practice if fair value were applied. In particular, six of eleven

professional accountancy and standard setting bodies in developing countries mentioned that when fair value cannot be determined reliably, the cost basis should be used, while only three believed that a reliable estimate of fair value could be determined. Those who agreed with cost measurement frequently referred to the lack of an active market for biological assets to support their arguments.

Comparing IASC E65 and IAS 41: The IASC Board admitted that disagreement related to reliability of fair value measurement was valid. The final Standard allows for the case of inability to measure fair value reliably. But, the Board did not accept the cost approach as an alternative treatment.

6.5.4 Question 4-Fair value change in net profit or loss

Table 6-22 presents the analysis of responses to E65 regarding reporting fair value change in net profit or loss.

Table 6-22: Fair value change in net profit or loss by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Reporting fair value change</i>						<i>Total</i>	
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>d)</i>	<i>e) Others</i>		
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	9	3	2	1		16	
	Developing Countries		7	2	1		1	11	
	International Organisations		2					2	
	Total	1	18	5	3	1	1	29	
Accounting academics	Developed Countries			2		1		3	
	Developing Countries				1			1	
	Total			2	1	1		4	
Committee working on Agricultural accounting	Developed Countries			1			1	2	
	Total			1			1	2	
Agricultural companies	Developed Countries			2		1	1	4	
	Developing Countries		1	1				2	
	Total		1	3		1	1	6	
Investment Associations/ Financial Analysts	Developed Countries		2	1				3	
	International Organisations		1	1				2	
	Total		3	2				5	
International Accounting Firms	International Organisations			2	1		1	4	
	Total			2	1		1	4	
General multinationals	Developed Countries			3				3	
	Total			3				3	
	Grand total	1	22	18	5	3	1	3	53

It shows that 18 of 29 professional accountancy bodies and standard setting bodies agreed with a), that a change in fair value should be reported in net profit or loss for the period. No accounting academics, committees working on accounting for agriculture, international accounting firms, or general multinationals agreed with a).

Comparatively, the proportion of respondents who agreed with a) (22/53) and b) (18/53) was not significantly different. However, most respondents who chose option a) were from professional accountancy and standard setting bodies, while those who selected b) were from a mixture of respondent types.

The findings show evidence of different views between professional accountancy bodies and standard setting bodies and other types of respondents. In some particular cases, the findings revealed different views among different types of respondents in a country. Appendix 6E/2 presents a list of countries responding to E65 and the number of comment letters received by the IASC. For example, in the case of Australia, comments from industry differed from those of the professional accountancy body. They strongly opposed to reporting changes in the fair value of biological assets in net profit or loss because this would create a presumption on the part of many equity holders that the gains were available for distribution as dividends. The comment from an academic in Japan differed from comments from the Japanese Security Analyst Association and the professional accountancy body. In the case of Malaysia, the comment from professional accountancy body differed from that of the standard setting body.

Comparing IASC E65 and IAS 41: The Standard reinforced IASC E65's proposal to report changes in fair value in net profit or loss. IAS 41 ignored the substantial number of comments that recommended the Standard to report fair value changes in equity until the asset is sold or consumed. The final outcome provides evidence that in the case where other groups of respondents expressed different opinions, the views of the professional accountancy bodies and standard setting bodies prevailed.

6.5.5 Question 5-Definition of fair value

Table 6-23 presents the analysis of responses to E65 regarding definition of fair value. The comments to this question among the different types of respondents were quite similar. Thirty-five of 53 respondents agreed with the definition of fair value (a). Two of six agricultural companies still insisted there was no active market for biological assets. Of eleven respondents who indicated that sometimes price in such a

market should be adjusted (b), eight were from the professional accounting bodies and standard setting bodies.

Table 6-23: Definition of fair value by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Definition of Fair value</i>					<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>No active Market</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	9	5	1		16
	Developing Countries		7	3		1	11
	International Organisations		2				2
	Total	1	18	8	1	1	29
Accounting academics	Developed Countries		2	1			3
	Developing Countries		1				1
	Total		3	1			4
Committee working on Agricultural accounting	Developed Countries	1	1				2
	Total	1	1				2
Agricultural companies	Developed Countries		2	1	1		4
	Developing Countries			1	1		2
	Total		2	2	2		6
Investment Associations/ Financial Analysts	Developed Countries		3				3
	International Organisations	1	1				2
	Total	1	4				5
International Accounting Firms	International Organisations		4				4
	Total		4				4
General multinationals	Developed Countries		3				3
	Total		3				3
	Grand total	3	35	11	3	1	53

Comparing IASC E65 and IAS 41: The final Standard provided further explanation on the definition of fair value if an active market exists. Also, it recognised that sometimes price should be adjusted to reflect the differences in quality of asset and the material risk in the case of no active market. This recognition reflected the IASC's acknowledgment of the concern expressed by those who answered (b).

6.5.6 Question 6-Treatment of Agricultural land: follow IAS 16

Table 6-24 presents the analysis of responses to E65 concerning the issue of agricultural land. Professional accountancy bodies and standard setting bodies, committees working on accounting for agriculture, and general multinationals agreed with a) that IAS 16 should apply to agricultural land.

Comparing IASC E65 and IAS 41: The final Standard reinforced IASC E65's proposal that no special accounting principle for agricultural land should be established. However, the final standard proposed agricultural land should be

accounted for not only under IAS 16 but also under IAS 40, depending which standard is appropriate in the circumstances.

Table 6-24: Agricultural land by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Agricultural land</i>							<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>d)</i>	<i>e)</i>	<i>others</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	12	1	2				16
	Developing Countries		8	1	1		1		11
	International Organisations		1			1			2
	Total	1	21	2	3	1	1		29
Accounting academics	Developed Countries	1	1			1			3
	Developing Countries							1	1
	Total	1	1			1		1	4
Committee working on Agricultural accounting	Developed Countries		2						2
	Total		2						2
Agricultural companies	Developed Countries	1	1		1			1	4
	Developing Countries		1	1					2
	Total	1	2	1	1			1	6
Investment Associations/ Financial Analyst Groups	Developed Countries		3						3
	International Organisations		1	1					2
	Total		4	1					5
International accounting Firms	International Organisations		2	1		1			4
	Total		2	1		1			4
General multinationals	Developed Countries		3						3
	Total		3						3
	Grand total	3	35	5	4	3	1	2	53

6.5.7 Question 7-government grants

Table 6-25 presents the analysis of responses regarding the issue of government grants. There were two main groups of comments. The first group supported IASC E65's proposal that the grant should be recognised as income immediately if it is unconditional (a). The others believed that the grant should be amortised into income over the life of the biological assets in accordance with IAS 20 (b). Four of six agricultural companies, all three general multinationals, and 18 of 29 professional accountancy bodies and standard setting bodies agreed with a). One committee working on accounting for agriculture also supported a) while the other committee agreed with a) and c). On the other hand, all four international accounting firms, three of five investment associations, and two of four academics agreed with b), thus supporting IAS 20.

Comparing IASC E65 and IAS 41: The IASC Board reinforced the E65's proposal that agricultural land required a different treatment from IAS 20 (a) and also

acknowledged respondents' views that the grants should be amortised into income over the life of the biological asset (b) in accordance with IAS 20. It specified the circumstances where IAS 20 is applied. In addition, the IASC Board acknowledged that the proposed method in E65 might be a more appropriate approach than IAS 20, but concluded that a review of IAS 20 would be beyond the scope of the project on agriculture.

Table 6-25: Government grants by type of respondent

Type of organisation	Category	Government grants					Total
		No comment	a)	b)	a) or b)	a) or c)	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	11	4			16
	Developing Countries		5	5	1		11
	International Organisations		2				2
	Total	1	18	9	1		29
Accounting academics	Developed Countries	1	1	1			3
	Developing Countries			1			1
	Total	1	1	2			4
Committee working on Agricultural accounting	Developed Countries		1			1	2
	Total		1			1	2
Agricultural companies	Developed Countries	1	3				4
	Developing Countries		1	1			2
	Total	1	4	1			6
Investment Associations	Developed Countries		1	2			3
Financial Analysts	International Organisations		1	1			2
	Total		2	3			5
International Accounting Firms	International Organisations			4			4
	Total			4			4
General multinationals	Developed Countries		3				3
	Total		3				3
	Grand total	3	29	19	1	1	53

6.5.8 Question 8-Components of biological assets

Table 6-26 presents the analysis of responses regarding the issue of components of biological assets. Table 6-26 shows that 22 of 29 professional accountancy bodies and standard setting bodies, two of four academics, and three of four international accounting firms agreed with a). Other types of respondents took various views.

Comparing IASC E65 and IAS 41: The final Standard affirms but is not so strict as the ED. The IASC Board also acknowledged respondents' comments by encouraging enterprises to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature or immature biological assets, as appropriate but not requiring.

Table 6-26: Components of biological assets by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Components of Biological Assets</i>						<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>a)-c)</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	1	12	3				16
	Developing Countries		8			2	1	11
	International Organisations		2					2
	Total	1	22	3		2	1	29
Accounting academics	Developed Countries		1		2			3
	Developing Countries		1					1
	Total		2		2			4
Committee working on Agricultural accounting	Developed Countries				1		1	2
	Total				1		1	2
Agricultural companies	Developed Countries	1	1		1		1	4
	Developing Countries		1				1	2
	Total	1	2		1		2	6
Investment Associations/ Financial Analyst	Developed Countries		1	1	1			3
	International Organisations	1	1					2
	Total	1	2	1	1			5
International Accounting Firms	International Organisations	1	3					4
	Total	1	3					4
General multinationals	Developed Countries		3					3
	Total		3					3
	Grand total	4	34	4	5	2	4	53

6.5.9 Question 9-Components of change in fair value

Table 6-27 presents the analysis of responses to E65 regarding the issue of components of change in fair value.

Table 6-27 shows that 18 of 29 professional accountancy bodies and standard setting bodies and all four International accounting firms agreed with b), that an enterprise should be encouraged but not required to disclose separately the physical and price components. However, 11 of 29 professional accountancy bodies and standard setting bodies who did not agree with b), so the IASC may seek to persuade them to increase support for this option. Nine of eleven professional accountancy and standard setting bodies from developing countries agreed with ‘encouraging not requiring’. However, two of four academics, three of five Investment associations and financial analyst groups believed that an enterprise should be required to disclose separately the components of change in fair value.

Comparing IASC E65 and IAS 41: The final Standard retained the wording of the ED to ‘encourage but not require’ separate disclosure of physical and price changes

in fair value, particularly when there is a production cycle of more than one year, reflecting the views of the majority comments.

Table 6-27: Components of change in fair value by type of respondent

Type of organisation	Category	Components of fair value change						Total
		No comment	a)	b)	c)	fair value is unable to measure reliably	Others	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	2	5	7	1		1	16
	Developing Countries		1	9	1			11
	International Organisations			2				2
	Total	2	6	18	2		1	29
Accounting Academics	Developed Countries		1	1			1	3
	Developing Countries		1					1
	Total		2	1			1	4
Committee working on Agricultural accounting	Developed Countries	1					1	2
	Total	1					1	2
Agricultural companies	Developed Countries	1	1			1	1	4
	Developing Countries			1		1		2
	Total	1	1	1		2	1	6
Investment Associations	Developed Countries		2	1				3
Financial Analysts	International Organisations		1	1				2
	Total		3	2				5
International Accounting Firms	International Organisations			4				4
	Total			4				4
General multinationals	Developed Countries				1		2	3
	Total				1		2	3
	Grand total	4	12	26	3	2	6	53

6.5.10 Question 10-Guidance on components of change in fair value

Table 6-28 presents the analysis of responses to E65 concerning the issue of guidance on components of change in fair value. Table 6-28 shows that 23 of 29 professional accountancy bodies and standard setting bodies and four of five investment associations and financial analyst groups agreed with a), that the guidance for making the split is adequate.

Those who believed that disclosure of the components of change in fair value should be left to the enterprises (question 9) indicated that the standard should include no guidance thereon.

Comparing IASC E65 and IAS 41: The final Standard did not require separate disclosure of components of change in fair value so it did not provide guidance in the Standard thereon.

Table 6-28: Guidance on components of change in fair value by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Guidance on components of change</i>					<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>No guidance</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting	Developed Countries	5	11				16
Bodies, and accounting Regulators and Public	Developing Countries		10	1			11
	International Organisations		2				2
	Total	5	23	1			29
Accounting Academics	Developed Countries		1	2			3
	Developing Countries		1				1
	Total		2	2			4
Committee working on Agricultural accounting	Developed Countries	1			1		2
	Total	1			1		2
Agricultural companies	Developed Countries	1	2		1		4
	Developing Countries		1			1	2
	Total	1	3		1	1	6
Investment Associations/ Financial Analysts	Developed Countries		3				3
	International Organisations		1	1			2
	Total		4	1			5
International Accounting Firms	International Organisations	1	2	1			4
	Total	1	2	1			4
General multinationals	Developed Countries	1			2		3
	Total	1			2		3
	Grand total	9	34	5	4	1	53

6.5.11 Question 11-Analysis of expenses

Table 6-29 presents the analysis of responses to E65 concerning the issue of analysis of expenses.

Table 6-29 shows that committees working on accounting for agriculture, international accounting firms, general multinationals, three of five investment associations and financial analyst groups agreed with c) that the Standard should allow each enterprise to decide whether to classify by nature or function. Seven of eleven professional accountancy and standard setting bodies from developing countries also supported c). The group of professional accountancy and standard setting bodies supported two main options, either b) or c). Three of six agricultural companies agreed with encouraging but not requiring a classification by nature of expense (b).

Comparing IASC E65 and IAS 41: The IASC decided not to mention analysis of expenses in IAS 41 because it was covered by IAS 1 (Paragraph 77). IAS 1 stated that an enterprise should present, either on the face of the income statement or in the notes to the income statement, an analysis of expenses using a classification based on

either the nature of expenses or their function within the enterprise (IASC, 1999g). This decision reflected comments from the majority of respondents, although commentators did not say this issue should follow IAS 1.

Table 6-29: Analysis of expenses by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Analysis of expenses</i>					<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting	Developed Countries	1	1	7	6	1	16
Bodies, and accounting Regulators and Public	Developing Countries		1	2	7	1	11
	International Organisations			1	1		2
	Total	1	2	10	14	2	29
Accounting Academics	Developed Countries		1	1	1		3
	Developing Countries		1				1
	Total		2	1	1		4
Committee working on Agricultural accounting	Developed Countries				2		2
	Total				2		2
Agricultural companies	Developed Countries	1		2	1		4
	Developing Countries			1	1		2
	Total	1		3	2		6
Investment Associations/ Financial Analysts	Developed Countries			1	2		3
	International Organisations			1	1		2
	Total			2	3		5
International Accounting Firms	International Organisations				4		4
	Total				4		4
General multinationals	Developed Countries				3		3
	Total				3		3
	Grand total	2	4	16	29	2	53

6.5.12 Question 12-Disclosures in general

Table 6-30 presents the analysis of responses regarding the issue of disclosures in general. Table 6-30 shows that 18 of 29 professional accountancy and standard setting bodies agreed with a) that the disclosures proposed were about right. Two of six agricultural companies believed they were about right, while three believed that the proposed disclosures were excessive (b). Three general multinationals also indicated they thought the disclosures were excessive.

Comparing IASC E65 and IAS 41: The final Standard eliminated some disclosure requirements and specified additional disclosures for biological assets where fair value cannot be measured reliably. Comparatively, IAS 41 is written more concisely and gives more examples or guidance than E65. These changes reflected respondents' comments, in particular concerning inconsistencies in disclosure requirements across industries. The elimination was also due to the revision of earlier issues.

Table 6-30: Disclosures in general by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Disclosures in general</i>					<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>b) and c)</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries Developing Countries International Organisations Total	1	11 6 1 18	2 4 1 7	1 1	1 1 2	16 11 2 29
Accounting Academics	Developed Countries Developing Countries Total		2 1 3			1 1	3 1 4
Committee working on Agricultural accounting	Developed Countries Total	1 1		1 1			2 2
Agricultural companies	Developed Countries Developing Countries Total	1 1	2 2 3	1 2 3			4 2 6
Investment Associations/ Financial Analysts	Developed Countries International Organisations Total		2 1 1	1 1 2			3 2 5
International Accounting Firms	International Organisations Total		2 2	2 2			4 4
General multinationals	Developed Countries Total			3 3			3 3
	Grand total	4	27	18	1	3	53

6.5.13 Question 13-Present value sensitivity disclosure

Table 6-31 presents the analysis of responses to E65 concerning the issue of present value sensitivity disclosure.

Table 6-31: Present value sensitivity disclosure by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Present value sensitivity disclosure</i>			<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries Developing Countries International Organisations Total	3	2 2 4	11 9 22	16 11 2 29
Accounting Academics	Developed Countries Developing Countries Total		2 1 3	1 1	3 1 4
Committee working on Agricultural accounting	Developed Countries Total	1 1		1 1	2 2
Agricultural companies	Developed Countries Developing Countries Total	1 1	1 1	2 2 4	4 2 6
Investment Associations/ Financial Analysts	Developed Countries International Organisations Total		2 2	1 2 3	3 2 5
International Accounting Firms	International Organisations Total			4 4	4 4
General multinationals	Developed Countries Total			3 3	3 3
	Grand total	5	10	38	53

Table 6-31 shows that 22 of 29 professional accountancy and standard setting bodies, four of six agricultural companies, three of five investment associations and financial analyst groups, all four international accounting firms, and all three general multinationals agreed with b) that sensitivity disclosure should not be required. Three of four academics believed that such sensitivity disclosure should be required.

Comparing IASC E65 and IAS 41: The IASC decided not to require present value sensitivity disclosure. This result is consistent with the majority of respondents' comments.

6.5.14 Question 14-Treatment for Transition: follow IAS 8

Table 6-32 presents the analysis of responses to the issue of reporting transition.

Table 6-32: Transition: follow IAS 8 by type of respondent

<i>Type of organisation</i>	<i>Category</i>	<i>Transition: Follow IAS 8</i>						<i>Total</i>
		<i>No comment</i>	<i>a)</i>	<i>b)</i>	<i>c)</i>	<i>e)</i>	<i>Others</i>	
Professional accountancy Bodies, Standard Setting Bodies, and accounting Regulators and Public	Developed Countries	2	10	2		2		16
	Developing Countries		8		1	1	1	11
	International Organisations		1			1		2
	Total	2	19	2	1	4	1	29
Accounting Academics	Developed Countries	2	1					3
	Developing Countries		1					1
	Total	2	2					4
Committee working on Agricultural accounting	Developed Countries			1		1		2
	Total			1		1		2
Agricultural companies	Developed Countries	1	2			1		4
	Developing Countries			1			1	2
	Total	1	2	1		1	1	6
Investment Associations/ Financial Analysts	Developed Countries		2		1			3
	International Organisations		1	1				2
	Total		3	1	1			5
International Accounting Firms	International Organisations		2	2				4
	Total		2	2				4
General multinationals	Developed Countries		3					3
	Total		3					3
	Grand total	5	31	7	2	6	2	53

Table 6-32 shows that 19 of 29 professional accountancy and standard setting bodies and all three general Multinationals agreed with a) that both treatments under IAS 8 should be allowed. They believed the treatments under IAS 8 were adequate and there was no need to provide any other option.

Comparing IASC E65 and IAS 41: The final Standard reaffirmed IASC E65's proposal that there should be no specific transitional provision. Therefore, in the case of transition, IAS 8 should be followed.

6.5.15 Summary

The analysis by type of respondent aims to contribute to GQ_{1a} and GQ_{1b}. Sections 6.5.1 to 6.5.14 have discussed comments from respondents by type. Sections 6.5.2 and 6.5.4 provided evidence that the different groups of respondents had different perspectives on particular issues. The discussion in this section will be continued in chapter 10, section 10.2.1.

The group of Investment Associations and Financial Analysts frequently supported the ED, possibly because the ED is likely to require the enterprise to provide more information.

The preparers of accounts, such as agricultural companies and general multinationals, preferred the Standard to 'encourage but not require the provision of information, since they claimed that some information might give competitors or customers an unfair advantage, and it would not be cost effective to provide such information.

The group of academics expressed various views on each issue. Three of four international accounting firms supported the fair value measurement, while only one argued that the ED was inconsistent with current accounting practices in Canada and the US. However, in some cases, international accounting firms did not support the ED if it was inconsistent with existing IASs. They would prefer to comply with the existing IASs on specific issues. They were likely to go for the options that proposed more conservative accounting principles. For example, responding to question 7, *government grants*, all of them agreed that the grant should be amortised into income over the life of the biological assets (6.5.7).

Committees working on agricultural accounting seldom supported the ED. These committees consisted of preparers of accounts and management of agricultural companies. It is possible they may have studied agricultural accounting issues

thoroughly or experienced difficulties in various aspects. One possible interpretation is they grouped together to put pressure on the standard setter because they did not want to have to change their current accounting practices. IASC E65 required more disclosure items and completely changed the measurement method. This may be considered another way to lobby on the accounting standard. Interestingly, the Australian companies submitted comment letters themselves with supporting the comment from the G100. They were against the Australian standard for agriculture, in which fair value is required to measure agricultural produce and biological assets. They may have held the view that if they lobbied successfully on the international level, they would be exempted from applying fair value measurement. This is because Australia agreed to fully adopt IASs. These findings provide some evidence to support *H₁: that the parties interested in the accounting standard will lobby based on their self-interests.*

Overall findings show the final standard reflected the majority of views on IASC E65. However, within the supported views, those of the professional accountancy bodies and standard setting bodies were most strongly supported. In particular, IAS 41 allowed cost measurement in the case where fair value could not be measured reliably. Possibly, the Board wanted to satisfy the remaining professional accountancy bodies and standard setting bodies. Findings therefore support *H₂: that IAS 41 will incorporate comments from as many respondents as possible.*

It is also evident that comments from the group comprising the professional accountancy bodies and standard setting bodies matched the revision of the ED. In the case where other groups of respondents had different opinions, the views of the professional accountancy bodies and standard setting bodies prevailed (see sections 6.5.2 and 6.5.4). It is possible that this group may have exerted stronger influence on the final Standard. The reason for this group's importance may be because accounting member bodies represent members of professional accountants in the country as stated by MacArthur (1999):

'Comments from accounting member bodies are examined because they represent member professional accountants in various organisational settings throughout the world who would be directly affected by the implementation of the ED proposals. Therefore, member bodies are an

important subset of the lobbyist on IASC exposure drafts, and their influence could increase in the near future.'

6.6 Polarisation of opinions on fair value (Question 2)

Question 2 is considered a key question for this ED because this question suggested the measurement method. Based on professional accountancy and national standard setting bodies' answers to question 2, respondents can be classified into four groups of countries who had similar views on the measurement method of biological assets and agricultural produce (see Figure 6-1). The first group comprises those who completely supported fair value measurement. The second group includes those who supported biological assets measured at cost until harvested and agricultural produce at fair value at point of harvest. The third group agreed with cost measurement or disagreed with fair value measurement. The last group proposed cost measurement as an alternative treatment. This classification is based on the assumption that the comments from professional accountancy bodies represented those of professional accountants in the country (MacArthur, 1999).

6.6.1 Conflict within countries

However, there were some countries whose respondents held significantly different views. These countries were Australia, Japan, the Netherlands, South Africa, Switzerland, and the US. Comments from professional accountancy bodies and national standard setting bodies in these countries differed from those of preparers of accounts. Section 6.5 showed that different types of respondents could hold different perspectives. It seems that the national accounting bodies in these countries may not have represented or recognised comments from all groups of parties interested in the accounting standard.

In some cases, professional accountancy and standard setting bodies agreed with the ED but practitioners commented adversely. This problem was observed in the case of comments from Australia. Australian business enterprises had formed an association of Australia's senior Financial Executives called the "Group of 100" or "G100". The comment from the G100 represented comments from its members, who are the preparers of accounts in Australia. The G100 and Australian agricultural companies would address the problems in practice if the Standard were applied. Their comments

reflected the experience of their members in preparing to implement the Australian Standard AASB 1037, *Self-Generating and Regenerating Assets*, which contains similar requirements to those proposed in E65. In drafting E65, the IASC drew heavily on the Australian accounting standard for self-generating and regenerating assets (AASB and PSASB Media Release, 1999). This may also explain why the accounting bodies of Australia and New Zealand supported the ED.

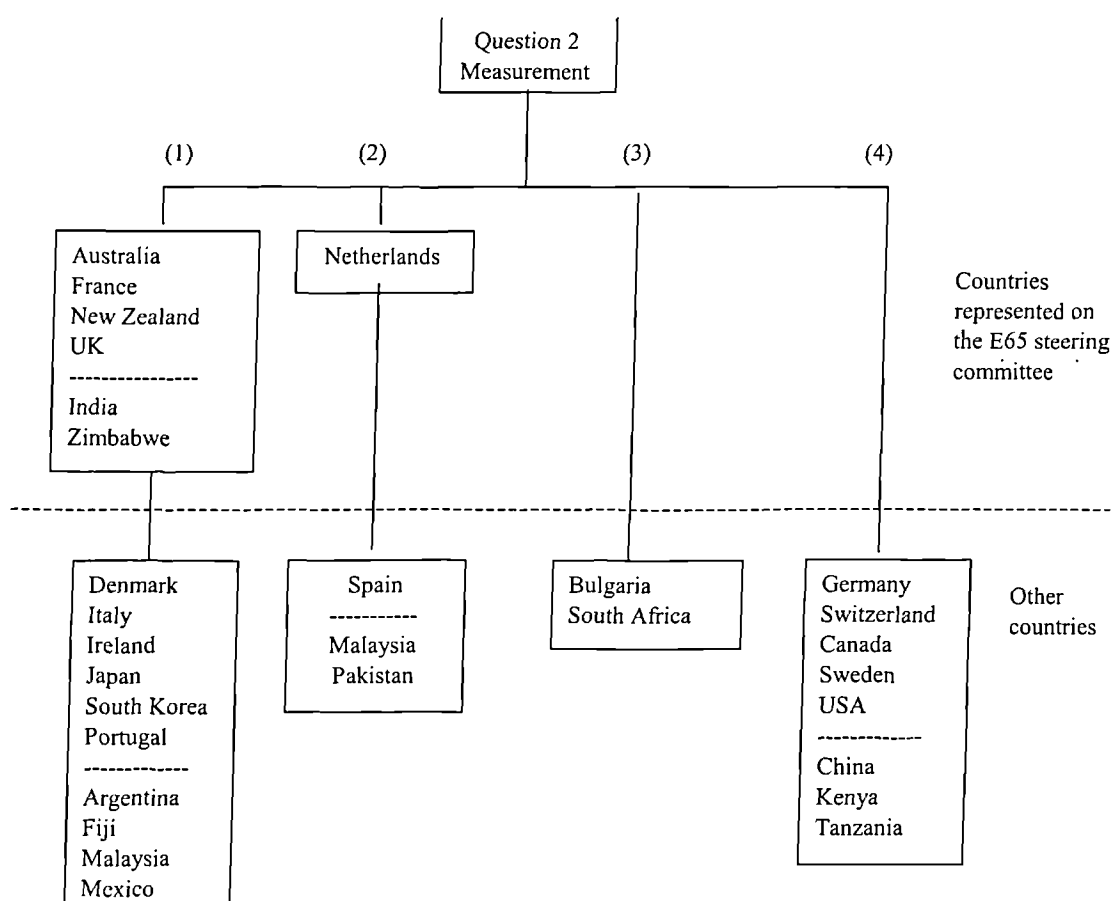
6.6.2 Alliances among national standard setters

A comparative analysis of the answers to questions on E65 and IAS 41 in Appendix 6C, revealed IFAC answers were most similar to 13 of 14 results in the final Standard. The comment letter from IFAC was prepared by a sub-committee of the Public Sector Committee. This committee was chaired by a person who had a strong accounting background in New Zealand and subsequently became the Chief Executive of the New York-based IFAC. The Federation of Swiss Industrial Holding Companies, the Institute of Chartered Accountants of Zimbabwe, the Joint International Committee of CNDC and CNR gave 12 of 14 responses similar to the result of the Standard. The AASB and PSASB for the AASF (Australia), the ICANZ, and the Institute of Chartered Accountants in Australia gave 11 of 14 answers. The PSASB for the AARF was chaired by a person, who later became a chairman of the Public Sector Committee, IFAC. These facts provide some evidence of the influence from Australia and New Zealand on this Standard. Moreover, the South African Institute of Chartered Accountants, the Fiji Institute of Accountants, the International Association of Financial Executives Institutes, PricewaterhouseCoopers, and the National Board of Accountants and Auditors of Tanzania also gave 11 of 14 answers similar to the final Standard. The Australasian Council of Auditor-Generals, the ICAEW, the Federation Argentina, the Security Analysts Association of Japan, Arthur Andersen, one South African agricultural company, and one Swiss general multinational gave 10 of 14 answers similar to the final Standard.

The above comparative results provide some tentative indication that New Zealand and Australia may have had a strong influence on setting IAS 41. In addition, these countries had a further influence by way of their working as representatives in international organisations. This may also be circumstantial evidence of their

influence on the final Standard. Comments from professional accountancy bodies, such as those in France, India, New Zealand, the UK, and Zimbabwe, indicated they supported fair value measurement as proposed in E65. This is not surprising because they worked on the steering committee on E65. It is more interesting that the Netherlands' accounting body also represented on the steering committee on E65 proposed cost measurement as an alternative treatment to fair value measurement. The forgoing discussion therefore does not show any evidence to *support H₃: that UK and US have a strong influence on the final standard* whereas circumstantial evidence suggests strong influence from Australia and New Zealand.

Figure 6-1: Country classification according to professional accountancy and national standard setting bodies' responses on the measurement method issue



- (1) Fully support fair value measurement
- (2) Biological assets measured at cost until harvested and agricultural produce at fair value at the point of harvest.
- (3) Cost should be an alternative treatment.
- (4) Cost measurement or disagreed with fair value measurement

6.7 Summary and Conclusions

Findings in section 6.4 show no significant differences between developed and developing countries' comments.

The opinions of respondents were shown to vary (6.5). Different groups may have different perspective towards financial reports or different purposes for using the financial information (see Appendix 6E/1). Overall findings show that the IASC Board attempted to acknowledge comments in the final Standard. IAS 41 reflected the majority views of respondents. However, most comments received (see Table 6-3) came from professional accountancy bodies and standard setting bodies. Therefore, comments from this group would have a very strong influence on the overall result. Other groups of respondents, such as academics, financial analysts and companies, submitted comments but the number of these responses was relatively low. Therefore, it is possible that the Board did not pay much attention to comments from these groups.

Section 6.6 showed professional accountancy bodies and standard setting bodies could be classified into four groups of countries with regard to their thinking about the measurement method for biological assets and agricultural produce because there are different accounting systems across countries (Figure 6-1) and these affected their attitudes towards a particular issue of measurement and disclosure for agricultural industry. This finding also suggests alliances among national standard setters.

Availability of fair value was a major concern of respondents, particularly from developing countries. Fair value should provide more relevant information. However, if fair value cannot be reliably determined, applying fair value may reduce the quality of financial reports. The reaction to fair value shows the Board paid particular concern to problematic issues. One possible conclusion is that by allowing the enterprise to apply cost measurement in the case of inability to measure fair value reliably, a solution is found for developing countries where an active market seldom exists. It is also possible that the IASC wanted to satisfy the other respondent groups (groups 2, 3, 4 in Figure 6-1) who supported cost measurement. Notably, member

countries in group four in Figure 6-1, include Canada and the US, Germany, Sweden, and South Africa (see 4.4.2) who were members of the IASC Board at that time. This finding suggests possible political pressure on setting the accounting standard.

The ultimate Standard also reduced the disclosure requirements in IASC E65 and was revised to be consistent with other existing IASs for other industries. It is possible that in order to gain support from the relevant interest groups, the Standard compromised by only 'encouraging but not requiring' the enterprise to comply with the Standard in many issues.

The subsequent chapter reports the outcomes of interviews with standard setters, external auditors, regulators, company directors and academics eliciting their views on the adoption of IASs and practical issues regarding their implementation.

Appendix 6A

χ^2 Test

Table 6-5 adjusted: Scope of the standard and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Should not address further processing	21	15	36
Should address further processing	2	1	3
Other views	1	0	1
Total	24	16	40

From Table 6-5 adjusted, 4 of 6 or 66.7% of cells have an expected frequency of less than 5 and one cell contains an expected frequency less than one so χ^2 is not calculated.¹

Table 6-6 adjusted: The measurement of biological assets and agricultural produce and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a)	16	7	23
Other views	15	7	22
Total	31	14	45

The respondents who did not agree with a) were grouped as 'other views'.

$$\chi^2 = 0.010; df = 1; p > 0.05$$

Table 6-7 adjusted: Reliability of fair value measurement and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a) and b)	12	5	17
Agree with c)	9	8	17
Other views	9	1	10
Total	30	14	44

¹ Bryman and Cramer (1997) suggest that the chi-square test can be used to compare the frequency of cases found in one variable in two or more unrelated samples or categories of another variable. The minimum expected frequency is useful when the degree of freedom is larger than one, it will be used for evaluating the appropriateness of using the chi-square test. There are limitations in the use of the chi-square test. The test should not be used if any cell has an expected frequency of less than 1 or if 20 per cent or more of the cells have an expected frequency of less than 5.

The respondents who agreed with a) and b) were grouped together since they had supportive attitudes towards the reliability of fair value. Meanwhile, respondents who agreed with c) had negative attitudes.

$$\chi^2 = 4.060; df = 2; p > 0.05$$

Table 6-8 adjusted: Fair value change in net profit or loss and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a)	11	8	19
Other views	19	6	25
Total	30	14	44

Respondents can be reclassified into two groups. The first group comprises those who agreed with the reporting of change in fair value in net profit or loss for the period by choosing a). 'Other views' include those who agreed with the reporting of change in fair value in equity which will be removed and reported in net profit or loss when the asset is sold, consumed or harvested; never reported; or other views.

$$\chi^2 = 1.631; df = 1; p > 0.05$$

Table 6-9 adjusted: Definition of fair value and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a)	20	8	28
Other views	9	6	15
Total	29	14	43

The respondents are classified into two groups. One group supported the view that best price in an active market is always the best measure of fair value (option a). The other group comprises those who did not agree with a). Respondents who had no comments on this issue are not included in this test. There is a small cell size. χ^2 is not calculated.

Table 6-10 adjusted: Agricultural land and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
IAS 16	22	9	31
Other views	6	5	11
Total	28	14	42

The respondents are categorised into two groups. The first group comprises respondents who believed E65 should follow IAS 16 and not establish any special accounting standards. 'Other views' mean those respondents who disagreed with IAS 16. However, there is one small cell size. χ^2 is not calculated.

Table 6-11 adjusted: Government grants and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
a) Income immediately	20	6	26
Other views	8	8	16
Total	28	14	42

Respondents are reclassified into two groups. The first group comprises those who believed that the grant should be recognised as income immediately if it is unconditional. The other group consists of those who thought otherwise.

$$\chi^2 = 3.321; df = 1; p > 0.05$$

Table 6-12 adjusted: Components of biological assets and by the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a)	18	10	28
Other views	11	4	15
Total	29	14	43

Respondents are classified into two groups. The first group supported a). The second group is defined as "other views" meaning they thought more separate disclosure of components of biological assets should be required or might provide better information, or agreed with all options. There is one small cell size so no χ^2 is calculated.

Table 6-13 adjusted: Components of change in fair value and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
b) Should be encouraged but not required	9	10	19
Other views	18	4	3
Total	27	14	41

Respondents are categorised into two groups: those who agreed with 'encouraged but not required' (option b) and those who held other views. There is one small cell size so no χ^2 is calculated.

Table 6-14 adjusted: Guidance on components of change in FV and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
a) The guidance is adequate.	17	12	29
b) The guidance is inadequate.	2	1	3
Other views	4	1	5
Total	23	14	37

Respondents are categorised into two groups; those who agreed that the guidance is adequate (option a) and those who held other views. There is one small cell size so no χ^2 is calculated.

Table 6-15 adjusted: Analysis of expenses and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a), b) and others	14	6	20
Agree with c)	15	8	23
Total	28	13	43

Respondents are categorised into two groups, the major view (c) and the rest.

$$\chi^2 = 0.111; df = 1; p > 0.05$$

Table 6-16 adjusted: Disclosures in general and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a): Right	17	7	24
Other views	11	7	18
Total	28	14	42

Respondents are reclassified into two groups; those who agreed with a) that proposed disclosures in general are about right and those who held other views. Due to small samples, no χ^2 calculated.

Table 6-17 adjusted: Present value sensitivity disclosure and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a)	7	3	10
Agree with b)	19	11	30
Total	26	14	40

There is one small cell size so no χ^2 is calculated

Table 6-18 adjusted: Transition: follow IAS 8 and the degree of development of the respondent's home country

	Degree of development		Total
	Developed Countries	Developing Countries	
Agree with a): both benchmark and allowed	18	9	27
Other views	8	5	13
Total	26	14	40

Respondents are reclassified into two groups: those who supported a) that both treatments under IAS 8 should be allowed and those who held other views. Other views included those who did not agree that any transition provisions in IAS 8 should be applied in this standard. There is one small cell size. Therefore, no χ^2 is calculated.

Appendix 6B Issues on IASC E65, Agriculture

No	Issue
1.	<p>Scope: Further processing after harvest (paragraph 4-7 and 36)</p> <p>Do you:</p> <p>a) agree that the final Standard should not address the further processing? If so, do you believe that the guidance in paragraphs 4-7 for distinguishing between agricultural activity and further processing is adequate; or</p> <p>b) believe that the final Standard should address further processing? If so, what method of accounting do you propose?</p> <p>Biological assets: measure at fair value (paragraphs 21 and 36)</p> <p>Do you believe:</p> <p>a) all biological assets should be measured at each balance sheet date at fair value and agricultural produce should be measured at fair value at the point of harvest;</p> <p>b) biological assets should be measured at cost until harvested, and then agricultural produce should be measured at fair value at the point of harvest; or</p> <p>c) all biological assets and agricultural produce should be measured at cost? Reliability of fair value measurement (paragraphs 21-31)</p> <p>Do you believe:</p> <p>a) a reliable estimate of fair value can be determined for (i) biological assets and (ii) agricultural produce at the point of harvest;</p> <p>b) a reliable estimate of fair value can usually be determined, and even if, at times, fair value cannot be determined to a very high degree of precision, neither can cost, and on balance an estimate of fair value should be required; or</p> <p>c) fair value sometimes cannot be determined reliably, and the cost basis should be used? If this is your view, please identify circumstances in which fair value cannot be determined reliably and explain, in such cases, (i) how cost could be determined reliably and (ii) how cost of biological assets and agricultural produce is relevant to the user of the financial statements of an enterprise engaged in agricultural activity.</p> <p>Fair value change in net profit or loss (paragraphs 22)</p> <p>If biological assets are measured at fair value, do you believe that the change in fair value should be:</p> <p>a) Reported entirely in net profit or loss for the period;</p> <p>b) Reported entirely in equity until the asset is sold or consumed, at which time it should be removed from equity and reported in net profit or loss for the period;</p> <p>c) Reported entirely in equity until harvest, at which time it should be removed from equity and reported in net profit or loss for the period;</p> <p>d) Reported in profit or loss only to the extent of the physical change component; the price change component should be reported directly in equity until the asset is sold or consumed (or possibly until harvest); or</p> <p>e) Reported entirely in equity and, thereafter, never reported in net profit or loss for any period?</p>

Appendix 6B (Cont'd)
Issues on IASC E65, Agriculture

Appendix 6B (Cont'd)
Issues on IASC E65, Agriculture

No	Issue
5.	<p>Definition of fair value (paragraph 24) Do you believe that:</p> <ul style="list-style-type: none"> a) Price in an active market in the asset's intended location of sale or use is always the best measure of fair value; or b) Sometimes price in such a market should be adjusted to determine fair value? If so, under what circumstances and how should such market price be adjusted? <p>6. Agricultural land: follow IAS 16 (paragraph 38) Do you believe that:</p> <ul style="list-style-type: none"> a) IAS 16 should apply to agricultural land. b) All agricultural land should be measured at fair value, either separately or as part of a combined group that includes the land and related bearer biological assets; c) Only agricultural land that is part of a combined group that includes the land and related bearer biological assets should be measured at fair value; enterprises should be permitted or encouraged to measure agricultural land at fair value, but not required; or e) all agricultural land should always be carried at cost, that is, the revaluation alternative of IAS 16 should be prohibited? <p>7. Government grants (paragraph 41-44) Do you:</p> <ul style="list-style-type: none"> a) agree that the grant should be recognised as income immediately if it is unconditional; b) believe that the grant should be amortised into income over the life of the biological asset (if this Exposure Draft were silent on this matter, amortisation would automatically become the requirement under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance); or c) believe that the grant should reduce the carrying amount of the asset so that the carrying amount is below the fair value of the biological asset? If so, would that reduction continue as long as the asset is held? Would it be amortised? <p>8. Components of biological assets (paragraph 46-47) Do you believe that:</p> <ul style="list-style-type: none"> a) the proposal set out in this Exposure Draft is the appropriate way to accomplish the objective of providing information about the nature and stage of production of biological assets; b) separate disclosure of the quantified consumable and bearer components of the carrying amounts of each group of biological assets should be required; c) separate disclosure of the quantified mature and immature components of each group of consumable and each group of bearer biological assets should be required; or

No	Issue
9.	<p>d) subdivisions of biological assets other than a consumable-bearer split and a mature-immature split might provide better information about an enterprise's biological assets in some or all cases and, if so, which type of subdivision(s) and in which case(s)? Components of change in fair value (paragraphs 52-58) Do you believe if the production cycle is longer than one year:</p> <ul style="list-style-type: none"> a) an enterprise should be required to disclose separately the components of the change in fair value of its biological assets due to physical changes and price changes; b) an enterprise should be encouraged, but not required, to disclose separately the physical and price components of the change in fair value of its biological assets; or c) separate reporting of the physical and price change components should be prohibited because they usually cannot be measured reliably? <p>10. Guidance on components of change in fair value (paragraphs 56-58) Do you believe that:</p> <ul style="list-style-type: none"> a) the guidance for making the split in paragraphs 56-58 is adequate; or b) the guidance for making the split in paragraphs 56-58 is inadequate and, if so, how would you modify it? <p>11. Analysis of expenses (paragraphs 59-60) This Exposure Draft encourages classification by nature. Would you:</p> <ul style="list-style-type: none"> a) require classification by nature of expense; b) encourage but not require classification by nature of expense; or c) allow each enterprise to decide whether to classify by nature or function? <p>12. Disclosures in general (paragraphs 44-67) Do you believe that the disclosures proposed in those paragraphs:</p> <ul style="list-style-type: none"> a) are about right. b) are excessive (please indicate which one(s) you would eliminate and reasoning); or c) are insufficient (please indicate your proposed addition (s) and reasoning)? <p>13. Present value sensitivity disclosure (paragraphs 64 c) If net present value have been used to determine the fair value of biological assets or agricultural produce, paragraph 64 c) requires disclosures of the discount rate and number of years over which future cash flows have been estimated. Some have suggested that if present value are used the Standard should also require disclosure of an indication of the sensitivity of the present value measurement to changes in assumptions. Do you believe that:</p> <ul style="list-style-type: none"> a) Such sensitivity disclosure should be required (and if so, please indicate what type of disclosure should be required); or b) Such sensitivity disclosure should not be required?

**Appendix 6B (Cont'd)
Issues on IASC E65, Agriculture**

No.	Issue
14.	<p>Transition: Follow IAS 8 (paragraph 69) Under the transition proposal in this Exposure Draft, on initial adoption of the Standard an enterprise will apply the transition provisions in IAS 8. Do you believe that:</p> <p>a) Both the benchmark and the allowed alternative treatments under IAS 8 should be permitted when an enterprise adopts this Standard; b) Only the benchmark of IAS 8 should be allowed by this Standard; c) Only an allowed alternative of IAS 8 should be allowed by this Standard. The adjustment to biological assets to adopt this Standard should be amortised over the estimated remaining life of the biological assets; or d) Some other transition is appropriate (please specify)?</p>
15.	Matters not covered by a specific question

**Appendix 6C
Respondents to IASC E65**

The coding of the table in next page is presented below.

- N = Nature of respondents
- 1 Accounting and Auditing Associations, Standard Setting Bodies, Accounting regulators, and Public Sectors in Accounting
 - 2 Academics
 - 3 Committee working on Agricultural Accounting
 - 4 Agricultural Companies
 - 5 Investment Associations/ Financial Analyst Groups
 - 6 International Accounting Firms
 - 7 General Multinationals
- D = Group of Countries
- 1 Developed Countries
 - 2 Developing Countries
 - 3 International Organisations based in developed countries

- Question 1-14
- 0 = No comment
- Question 1
- 1 = Alternative a)
 - 2 = Alternative b)
 - 3 = Alternative c)
 - 4 = Others
- Question 2
- 1 = Alternative a)
 - 2 = Alternative b)
 - 3 = Alternative c)
 - 4 = Alternative d)
 - 5 = Disagree with fair value measurement
 - 6 = Cost should be an alternative treatment
- Question 3
- 1 = Alternative a)
 - 2 = Alternative b)
 - 3 = Alternative c)
 - 4 = Others
- Question 4
- 1 = Alternative a)
 - 2 = Alternative b)
 - 3 = Alternative c)
 - 4 = Alternative d)
 - 5 = Alternative e)
 - 6 = Others

Question	reliably measure	5	Others
Question 5			
1 = Alternative a)			
2 = Alternative b)			
3 = No active market			
4 = Others			
Question 6			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Alternative d)			
5 = Alternative e)			
6 = Others			
Question 7			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Alternative a) and b)			
5 = Alternative a) and c)			
Question 8			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Alternative a) and b)			
5 = Alternative a) and c)			
Question 9			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Fair value is unable to			
Question 10			
1 = Alternative a)			
2 = Alternative b)			
3 = No guidance/ up to an enterprise			
4 = Not applicable			
Question 11			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Others			
Question 12			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Others			
Question 13			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Both excessive and insufficient			
Question 14			
1 = Alternative a)			
2 = Alternative b)			
3 = Alternative c)			
4 = Alternative d)			
5 = Alternative a)-c)			
6 = Others			

Name	N	D	Country	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Australian Accounting Standard Board & Public Sector Accounting Standard Board for the Australian Accounting Research Foundation	1	1	Australia	1	1	1	1	2	1	2	1	5	0	3	2	2	1
2. Institute of Cost and Management Accountants of Pakistan	1	2	Pakistan	1	2	1	1	2	1	4	1	2	1	1	1	2	1
3. Canadian Farm Business Management Council	3	1	Canada	1	3	3	6	0	1	5	3	0	0	3	0	0	2
4. University of New England, D L Roberts	2	1	Australia	1	1	3	4	1	0	0	1	1	2	1	4	1	0
5. F. Hoffmann-La Roche Ltd	7	1	Switzerland	Prefer cost measurement													
6. The Swedish Institute of Authorised Public Accountants (FAR)	1	1	Sweden	1	3	3	1	1	1	1	2	2	1	3	1	1	1
7. Federation of Swiss Industrial Holding Companies	5	1	Switzerland	1	2	3	2	1	1	1	1	2	1	3	2	2	1
8. Institute of Certified Public Accountants in Bulgaria	1	2	Bulgaria	Agree with fair but cost measurement should be an alternative method.													
9. The Security Analysts Association of Japan	5	1	Japan	1	1	1	1	1	1	2	3	1	1	3	1	1	1
10. Institute of Chartered Accountants of Zimbabwe	1	2	Zimbabwe	1	1	1	1	1	1	1	1	1	1	3	1	2	1
11. Ordem Dos Revisores Oficiais De Contas, Member of the International Federation of Accountants	1	1	Portugal	1	1	2	1	2	1	2	1	3	0	3	1	0	2
12. The Joint International Committee of CNDC and CNR	1	1	Italy	1	1	1	1	2	1	1	1	1	1	3	1	2	1
13. University of Berne, Dr. Matthias Amen	2	1	Switzerland	1	4	2	1	1	2	3	5	2	3	1	2	1	1
14. Deloitte Touche Tohmatsu	6	3	International	1	1	3	3	1	1	2	1	2	1	3	1	2	2
15. University of Kyoto, Ryoji Abe	2	1	Japan	2	4	2	2	4	1	3	2	1	2	1	1	0	0

* F. Hoffmann-La Roche Ltd. is one of the world's leading healthcare companies and one of the most important in Europe.

Name	N	D	Country	1	2	3	4	5	6	7	8	9	10	11	12	13	14
16. Accounting Principles Committee, Instituto Mexicano de Contadores Públicos (IMCP)	1	2	Mexico	1	1	2	1	1	2	1	1	2	1	2	1	2	3
17. Financial Reporting Committee, Institute of Management Accountants	1	1	USA	Unconvinced to apply fair value													
18. Nestle S.A.	7	1	Switzerland	1	4	4	2	1	1	1	1	1	5	3	3	2	2
19. Department of Bio-Business Management and Information, Tokyo University of Agriculture	2	1	Japan	All biological assets should be measured at their original cost.													
20. South African Institute of Chartered Accountants	1	2	South Africa	1	5	3	1	2	1	2	1	2	1	3	2	2	1
21. Nutreco	4	1	Netherlands	1	3	4	6	2	0	0	0	0	0	0	0	0	0
22. Financial Reporting Committee, The Association of Chartered Certified Accountants (ACCA)	1	1	UK	Support the basic fair value approach for biological assets to be applied by larger companies with more developed market but not convinced should be applied for small enterprises in developing economies.													
23. Illovo Sugar Limited	4	2	South Africa	1	1	3	1	2	1	2	1	2	1	2	2	2	2
24. Japanese Institute of Certified Public Accountants	1	1	Japan	1	1	2	3	1	3	1	1	2	1	2	1	2	1
25. Raad voor de Jaarverslaggeving, The Netherlands Council for Annual Reporting (CAR)	1	1	Netherlands	1	5	4	3	2	1	1	2	1	1	2	1	2	1
26. Coillte Teoranta, Irish Forestry Board	4	1	Ireland	1	1	2	4	3	3	1	1	1	1	2	1	2	1
27. Fiji Institute of Accountants	1	2	Fiji	1	1	3	1	4	1	2	1	2	1	3	2	2	6
28. Institute of Public Auditors of Germany (IDW)	1	1	Germany	1	3	0	0	0	1	2	1	0	0	3	4	2	5
29. Institute of Chartered Accountants of New Zealand	1	1	New Zealand	1	1	1	1	1	1	1	1	1	1	1	2	1	2
30. Korean Institute of Certified Public Accountants	1	1	Korea	1	1	1	1	1	0	0	0	2	1	2	1	2	1
31. Arthur Andersen Certified	6	3	International	1	1	2	2	1	2	2	1	2	2	3	1	2	1
33. Swiss Institute of Certified	1	1	Switzerland	1	1	2	2	1	1	1	1	2	1	2	1	2	5

Name	N	D	Country	1	2	3	4	5	6	7	8	9	10	11	12	13	14
34. International Actuarial Association (IAA)	5	3	International	3	1	0	1	0	2	1	0	1	2	3	0	2	2
35. The Institute of Chartered Accountants in England and Wales (ICAEW)	1	1	UK	1	1	3	2	1	1	1	2	2	1	2	3	2	1
36. The Instituto de Auditores-Censores Jurados de Cuentas de Espana	1	1	Spain	The valuation of finished goods should be at fair value but biological assets. If there is no active market, the biological assets have to be valued at the historical cost.													
37. Federation Argentina de	1	2	Argentina	1	1	1	1	1	5	1	1	2	2	4	4	2	1
38. Australasian Council of Auditors-General	1	1	Australia & New Zealand	1	1	1	1	2	1	1	1	1	1	1	1	2	1
39. CIMA Accounting Practices Group	1	1	UK	Lower of cost or net realisable value													
40. CNCC & CNC & CSOEC	1	1	France	1	1	2	4	1	3	1	1	0	0	0	0	0	0
41. International Association of Financial Executives Institutes (IAFEI)	5	3	International	1	1	1	2	1	1	2	1	2	1	2	2	2	1
42. Institute of Chartered Accountants	1	1	Australia	1	1	4	1	1	1	1	1	1	2	1	4	2	1
43. Malaysian Institute of Accountants	1	2	Malaysia	1	2	3	1	1	3	2	5	2	1	2	2	1	1
44. Department of Accounting, Ministry of Finance	1	2	China	1	3	3	5	1	1	2	5	3	1	3	1	1	1
45. Southcorp Limited ¹	4	1	Australia	1	4	4	2	1	1	1	6	5	3	3	2	2	5
46. PricewaterhouseCoopers	6	3	International	1	1	4	6	1	1	2	1	2	1	3	2	2	1
47. Sulzer Technology Corporation ²	7	1	Switzerland	1	3	3	2	1	1	1	1	1	3	0	3	2	2
48. East African Coffee Plantation Limited ³	4	1	Australia	0	4	3	2	1	6	1	3	4	1	2	1	1	1
49. North Limited ⁴	4	1	Australia	Support GI00													

¹ Southcorp Limited, a public listed company, is Australia's largest producer of wine, one of the world's top ten wine companies and Australia's largest vineyard operator. It has a significant number of brands including major global brands such as Penfolds and Lindemans.

² Sulzer is a purely industrial corporation founded on the core businesses of Sulzer Metco (coating technology and services), Sulzer Turbomachinery Services, Sulzer Pumps (including services) and Sulzer Chemtech (process components and services), together with the Sulzer Hexis fuel cell venture division.

³ East African Coffee Plantations Limited is a major Australian citrus grower, packer and exporter. The EACP group also grows wine grapes, avocados, and persimmons.

⁴ North is an international diversified mining and resources company listed on the Australian Stock Exchange. North owns and operates the North Forest Products group of companies, which has the largest estate of native and plantation trees in Australia. The North Forest Products Business has operated for over 70 years, and North has over 10 years experience valuing forestry assets using a fair value type approach. It is a member of the Group of 100 and supported the Group's submission on E65.

Name	N	D	Country	1	2	3	4	5	6	7	8	9	10	11	12	13	14
50. The Accounting Standards Executive Committee (AcSEC) of the AICPA	1	1	USA														
51. Ascorm Management ⁷	7	1	Switzerland	1	4	4	2	1	1	1	1	5	3	3	2	2	1
52. Institute of Certified Public Accountants of Kenya	1	2	Kenya	1	3	3	2	2	1	2	1	2	1	3	2	2	1
54. Canadian Institute of Chartered Accountants	1	1	Canada	1	4	3	1	3	1	2	1	2	1	2	1	1	1
55. International Federation of Accountants (IFAC)	1	3	International	1	1	1	1	1	1	1	1	2	1	3	1	2	1
56. Malaystan Accounting Standard Board	1	2	Malaysia	1	1	4	2	1	1	1	6	2	1	3	1	2	5
57. Eastern Produce Kenya Limited	4	2	Kenya	1	3	3	2	3	2	1	6	4	4	3	2	2	6
58. Internal Market DG, Financial Information and Company Law unit, European Commission ⁸	1	3	European Commission	3	4	1	1	1	4	1	1	2	1	2	2	2	5
59. Indian Institute of Management Calcutta	2	2	India	1	1	2	3	1	6	2	1	1	1	1	1	1	1
60. The Accounting Standards Committee of FSR ⁹	1	1	Denmark	2	1	3	2	1	2	1	1	1	0	3	1	0	0
61. Group of 100 ¹⁰	3	1	Australia	1	4	4	2	1	1	1	6	5	3	3	2	2	5
62. Financial Accounting Policy Committee of the Association for Investment Management and Research (AIMR)	5	1	USA	1	1	2	1	1	1	2	2	1	1	2	1	1	3
63. ERNST & YOUNG	6	3	International	3	3	3	2	1	4	2	0	2	0	3	2	2	2
64. The National Board of Accountants and Auditors (NBAA)	1	2	Tanzania	1	3	3	3	1	1	1	1	2	1	3	1	2	1

⁷ Ascorm Management is an independent general contractor. Ascorm offers custom-made solutions to police, fire brigade, ambulance as well as other government services. It offers the advantage of years of experience in the manufacture of alarm and mobilisation systems in Switzerland and abroad.

⁸ The response to E65 was made by representatives of the Member States of the EU on the Technical Sub-Committee of the Contact Committee on Accounting Directives.

⁹ The Accounting Standards Committee of FSR asked the Danish Agricultural Advisory Centre to review the Exposure Draft E65.

¹⁰ The Group of 100 (G100) is an association of Australia's senior Financial Executives from the nation's business enterprises.

Appendix 6D Comparative Table of IASC E65 and IAS 41

Normal type = IAS 41 essentially unchanged from E65
 Underline type = New materials introduced in IAS 41
br/>
 Italic type = Items appear in E65 but do not appear in IAS 41

Issues (Appendix 6B)	E65 Par.	Description of Changes	IAS41 Par.	Chapter sections
1. Scope	a) 4-7, 36	This standard is applied to agricultural produce, which is the harvested product of the enterprise's biological assets, only at the point of harvest. Thereafter, IAS 2, Inventories, or another applicable International Accounting Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest. - IAS 41 only changed the wording to be more concise and specific on scope of the Standard. In general, these materials were not changed.	3-4	6.4.1 6.5.1
2. Biological assets: measure at fair value	b) a) 21	<ul style="list-style-type: none"> A biological asset should be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale, except for the case describe in paragraph 30 where the fair value cannot be measure reliably. Agricultural produce harvested from an enterprise's biological assets should be measured at its fair value less point-of-sale costs at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories, or another applicable IAS. 	12	6.4.2 6.5.2
3. Reliability of fair value measurement	b)-c) a) 21-31 b) c)	<p>IAS confirmed that cost basis was not used. In general, IAS 41 confirmed fair value concept except paragraph 27 (e)</p> <p><i>- Net realisable value was deleted in the final standard.</i></p> <p>Add Paragraphs 30-33: Inability to measure fair value reliably</p> <p>30. There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset should be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an enterprise should measure it at its fair value less point-of-sale costs.</p>	30-33	6.4.3 6.5.3

Issues (Appendix 6B)	E65 Par.	Description of Changes	IAS41 Par.	chapter sections
4. Fair value change in net profit or loss	22	Paragraph 22 of E65 was revised. 22. The change in fair value of biological assets during a period should be recognised in net profit or loss for the period as part of profit or loss from operating activities. Add Paragraphs 26-29 26. A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset should be included in net profit or loss for the period in which it arises. 28. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs should be included in net profit or loss for the period in which it arises. IAS 41 confirmed that profit and loss basis would be used.	26-29	6.4.4 6.5.4
5. Definition of fair value	24	Paragraph 24 of E65 was revised. 24. If an active market exists for a biological asset in its location at the reporting date and the asset will be sold in that market, the market price in that market is the most reliable measure of the fair value of that asset. 17. If an active market exists for a biological asset and agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an enterprise has access to different active markets, the enterprise uses the most relevant one.	17	6.4.5 6.5.5
6. Agricultural land	38	Paragraph 38 of E65 was revised. 38. This standard does not establish any special accounting standards for agricultural land. Rather, agricultural land is accounted for under IAS 16. The final standard indicated about agricultural land under Scope section. Paragraph 2a) This standard does not apply to land related to agricultural activity (see IAS 16, Property, Plant, and Equipment, and IAS 40, Investment Property).	2 (a)	6.4.6 6.5.6

Issues (Appendix 6B)	E65 Par.	Description of Changes	IAS41 Par.	chapter sections
7. Government Grants	41-43	41. If an enterprise receives a government grant in respect of a biological asset that is measured at fair value and the grant is unconditional, the enterprise should recognise the grant as income when the grant becomes receivable. If the grant is conditional, the enterprise should recognise it as income when there is reasonable assurance that the conditions are met; if the grant is received before the conditions are met, it should be recognised as a liability. 42-43 referred to IAS 20 but the Standard has shorter and much clearer paragraphs. 34. An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs should be recognised as income when, and only when, the government grant becomes receivable. 35. If a government grant related to a biological asset measured at its fair value less estimated point-of-sale is conditional, including where a government grant requires an enterprise not to engage in specified agricultural activity, an enterprise should recognise the government grant as income when, and only when, the conditions attaching to the government grants are met. 37. If a government grant relates to a biological asset measured at its cost less any accumulated depreciated depreciation and any accumulated losses, IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, is applied.	34-38	6.4.7 6.5.7
	b)			
	c)			
		Others		
		Paragraph 2d) This standard does not deal with government grants covered by IAS 41.		
8. Components of biological assets	a) b)-d)	46. An enterprise should describe the nature and stage of production of each group of biological assets. 47 gave the details in supporting of paragraph 46. 41. An enterprise should provide a description of each group of biological assets. 42. The disclosure required by paragraph 41 may take the form of a narrative or quantified description. 43. An enterprise is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate.	ED-IAS 46-41 47-42, 43	6.4.8 6.5.8

Issues (Appendix 6B)	E65 Par.	Description of Changes	IAS41 Par.	chapter sections
9. Components of change in fair value	52-58	IAS 41 did not take up this option. 55. If the physical and prices changes can be separately and reliably measured for a group of biological assets in agricultural activities that have a production cycle of more than one year, enterprises are encouraged, but not required, to disclose, either on the face of the income statement or in the notes... 58. Separating the change in carrying amount does not impart relevant information if biological transformation is predominantly directed toward current period production. Under such circumstances, the contribution toward sustaining future production capability will be minimal and the focus will be on current period performance. Therefore, this Standard neither requires nor encourages such a separation for agricultural systems that have a production cycle of one year or less. 51. The fair value less estimated point-of-sale of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an enterprise is encouraged to disclose, by group or otherwise, the amount of change in fair value less estimated point-of-sale costs included in net profit or loss due to physical changes and price changes. This information is generally less useful when the production cycle is less than one year.	ED-IAS 55 – 51 58 – 51	6.4.9 6.5.9
10. Guidance on components of change in fair value	56-58	IAS 41 did not take up this option. There is no guidance in the final standard.		6.4.10 6.5.10
11. Analysis of expenses				
	a)			6.4.11
	b)			6.5.11
	c)	Not mentioned in IAS 41. It was covered by IAS 1.		
12 Disclosures in general		IAS 41 specifies additional disclosures for biological assets where fair value cannot be measured reliably.	54-56	6.4.12 6.5.13

Issues (Appendix 6B)	E65 Par.	Description of Changes	IAS41 Par.	chapter sections
13. Present value sensitivity disclosure	64 (c)	64 An enterprise should disclose the following for each group of biological assets: c) If net present values have been used to determine fair value, an indication of the methodology and assumptions used including: i) the discount rate; and ii) the number of years over which future cash flows have been estimated. 47. An enterprise should disclose the methods and significant assumptions. Applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological asset.	47	6.4.13 6.5.13
14. Transition	69	IAS 41 did not take this option. 69. At the beginning of the financial year in which this Standard is initially applied, an enterprise should apply the criteria in this Standard to identify those biological assets and agricultural produce that should be measured at fair value, and it should remeasure those assets as appropriate. A change in accounting policy that is made to apply this Standard should be accounted for in accordance with paragraph 46 of IAS 8. 59. This standard does not establish any specific transitional provisions. The adoption of this standard is accounted for in accordance with IAS 8.	59	6.4.14 6.5.14
	b)-e)	IAS 41 did not take these options.		

Appendix 6E/1
Respondents grouped by answer to Question 2

Shaded names of countries indicate responses from professional accountancy bodies and standard setting bodies.

Group	Developed Countries	Developing countries	International Organisation
Support fair value measurement	<ul style="list-style-type: none"> • Australia (Accounting body, Academics) • Denmark • France • Ireland • Italy • Japan • Korea • New Zealand • Pofugal • UK (Accounting body) • USA • Australasian Council of Auditors-General 	<ul style="list-style-type: none"> • Argentina • Fiji • India • Malaysia (Standard setter) • Mexico • South Africa (Agricultural Company) • Zimbabwe 	<ul style="list-style-type: none"> • Arthur Andersen • Deloitte ToucheTohmatsu • IAFEI • IAA • IFAC • PWC
Biological assets measured at cost until harvested and agricultural produce at fair value at the point of harvest.	<ul style="list-style-type: none"> • Spain • Switzerland (Investment Association) 	<ul style="list-style-type: none"> • Malaysia (Accounting body) • Pakistan 	
Disagree with fair value measurement	<ul style="list-style-type: none"> • Australia (Companies and G100) • Canada • Germany • Japan (2 academics) • The Netherlands (Accounting body) • Sweden • Switzerland (Accounting body, General Multinationals) • UK (CIMA Accounting Practices Group) • USA (Accounting body) 	<ul style="list-style-type: none"> • China • Kenya • Tanzania 	<ul style="list-style-type: none"> • European Commission • EY
Cost measurement should be alternative treatment	<ul style="list-style-type: none"> • The Netherlands (Agricultural company) 	<ul style="list-style-type: none"> • Bulgaria • South Africa (Accounting body) 	

Appendix 6E/2
A list of respondents by country or organisation and the number of letters¹¹

Country	No. of comment letters
Argentina	1
Australia	7
Australia & New Zealand	1
Bulgaria	1
Canada	2
China	1
Denmark	1
European Commission	1
Fiji	1
France	1
Germany	1
India	1
International organisation	7
Ireland	1
Italy	1
Japan	4
Kenya	2
Korea	1
Malaysia	2
Mexico	1
Netherlands	2
New Zealand	1
Pakistan	1
Portugal	1
South Africa	2
Spain	1
Sweden	1
Switzerland	7
Tanzania	1
UK	3
US	3
Zimbabwe	1
Total	62

¹¹ Each comment letter was answered by a different organisation.

Appendix 6F Ranking GDP composition from agriculture sector

Source from the CIA World Factbook (2003), available from
<http://www.cia.gov/cia/publications/factbook/index.html>

Rank	Country	% GDP from agriculture sector on E65	Comment on E65
1	Somalia	65	N
2	Afghanistan	60	N
	Liberia	60	N
4	Central African Republic	55	N
5	Congo, Democratic Republic of the	54	N
	Guinea-Bissau	54	N
7	Laos	53	N
8	Ethiopia	52	N
9	Burundi	50	N
	Cambodia	50	N
	Micronesia, Federated States of	50	N
12	Albania	49	N
13	Tanzania	48	N
14	Rwanda	46	N
15	Bhutan	45	N
	Mali	45	N
17	Cameroon	44	N
	Uganda	44	N
19	Sierra Leone	43	N
	Sudan	43	N
21	Burma	42	N
	Solomon Islands	42	N
	Togo	42	N
24	Nepal	41	N
	Niger	41	N
26	Comoros	40	N
	Malawi	40	N
28	Nigeria	39	N
29	Chad	38	N
	Kyrgyzstan	38	N
31	Benin	36	N
	Ghana	36	N
	Guyana	36	N
34	Madagascar	34	N
35	Mozambique	33	N
	Nicaragua	33	N
	Uzbekistan	33	N
38	Mongolia	32	N
39	Burkina Faso	31	N
40	Bangladesh	30	N
	Haiti	30	N
	Kiribati	30	N
	Korea, North	30	N
	Papua New Guinea	30	N
	Tonga	30	N

Rank	Country	% GDP from agriculture sector on E65	Comment on E65
46	Armenia	29	N
	Paraguay	29	N
48	Cote d'Ivoire	28	N
	Moldova	28	N
50	Syria	27	N
	Turkmenistan	27	N
52	Pakistan	26	Y
	Serbia and Montenegro	26	N
	Vanuatu	26	N
55	East Timor	25	N
	India	25	Y
	Mauritania	25	N
	Sao Tome and Principe	25	N
	Vietnam	25	N
60	Guinea	24	N
	Kenya	24	Y
	Zambia	24	N
63	Guatemala	23	N
64	Gambia, The	21	N
	Sri Lanka	21	N
66	Azerbaijan	20	N
	Equatorial Guinea	20	N
	Georgia	20	N
	Maldives	20	N
70	Colombia	19	N
	Iran	19	N
	Senegal	19	N
	Tajikistan	19	N
74	Belize	18	N
	China	18	Y
	Dominica	18	N
	Honduras	18	N
	Lesotho	18	N
79	Algeria	17	N
	Eritrea	17	N
	Fiji	17	Y
	Indonesia	17	N
	Philippines	17	N
	Yemen	17	N
85	Bosnia and Herzegovina	16	N
	Samoa	16	N
87	Morocco	15	N
	Romania	15	N
89	Bolivia	14	N
	Bulgaria	14	Y
	Egypt	14	N
	Iceland	14	N
	Marshall Islands	14	N
94	Belarus	13	N
	Suriname	13	N
	Tunisia	13	N
	Turkey	13	N

Rank	Country	% GDP from agriculture sector	Comment on E65
99	Ukraine	13	N
	Lebanon	12	N
	Malaysia	12	Y
101	Cape Verde	11	N
	Costa Rica	11	N
	Dominican Republic	11	N
	Ecuador	11	N
	Macedonia, The Former Yugoslav Republic of	11	N
	Namibia	11	N
	Thailand	11	N
	Zimbabwe	11	Y
109	Congo, Republic of the	10	N
	El Salvador	10	N
	Gabon	10	N
	Kazakhstan	10	N
	Peru	10	N
	Saint Vincent and the Grenadines	10	N
	Swaziland	10	N
116	Brazil	9	N
	Croatia	9	N
	Greece	9	N
119	Chile	8	N
	Cuba	8	N
	Grenada	8	N
	Lithuania	8	N
	New Zealand	8	Y
	Saint Lucia	8	N
125	Jamaica	7	N
	Libya	7	N
	Panama	7	N
	Russia	7	N
	Saudi Arabia	7	N
130	Angola	6	N
	Barbados	6	N
	Estonia	6	N
	French Polynesia	6	N
	Iraq	6	N
	Mauritius	6	N
	Uruguay	6	N
137	Argentina	5	Y
	Brunei	5	N
	Latvia	5	N
	Mexico	5	Y
	New Caledonia	5	N
	Slovakia	5	N
144	Venezuela	4.6	N
145	Cyprus	4	N
	Anguilla	4	N
	Antigua and Barbuda	4	N
	Botswana	4	N
	Czech Republic	4	N
	Finland	4	Y
	Hungary	4	Y
	Ireland	4	N
	Jordan	4	N
	Korea, South	4	Y
	Poland	4	N
	Portugal	4	Y
	Saint Kitts and Nevis	4	Y
	Spain	4	Y
158	Australia	3	Y
	Bahamas, The	3	N
	Denmark	3	Y
	Djibouti	3	N
	France	3	Y
	Israel	3	N
	Malta	3	N
	Netherlands	3	Y
	Oman	3	N
	Seychelles	3	N
	Slovenia	3	N
	South Africa	3	Y
	United Arab Emirates	3	N
171	Austria	2	N
	British Virgin Islands	2	N
	Canada	2	Y
	Italy	2	Y
	Norway	2	N
	Sweden	2	Y
	Switzerland	2	Y
	Taiwan	2	N
	Trinidad and Tobago	2	N
	United States	2	Y
181	Bahrain	1	N
	Belgium	1	N
	Bermuda	1	N
	Cayman Islands	1	N
	Germany	1	Y
	Japan	1	Y
	Luxembourg	1	N
	Macau	1	N
	Netherlands Antilles	1	N
	Puerto Rico	1	N
	Qatar	1	N
	United Kingdom	1	Y
193	Hong Kong	0	N
	Kuwait	0	N
	Total	Member of IASC*	%
	(1)	(2)	(3)/(2)
	28	17	63.0%
	166	12	15.6%
	194	29	27.9%
	Developed countries**	77	84.4%
	Developing countries***	104	72.1%

* IASC Annual Review 1999
** Including industrialised countries
*** Including 28 countries in transition

CHAPTER 7

7. Interviews: IASs and TASs

7.1 Introduction

This chapter aims to contribute to the objectives of the research project by reporting the outcomes of interviews and analysing them in terms of the research questions. In particular, the chapter reports the perceptions of all respondent groups on adopting IASs in setting national accounting standards, the practical issues involved in implementing the adapted IASs, and the relevance of IASs in Thailand. The experience of Thailand may provide a broader picture of IAS adoption in developing countries. As explained in chapter 5, a semi-structured interview study was planned in order to gather insights into significant issues related to adopting IASs. This study permits conclusions on areas previously considered but which are significant for a better understanding of the application of IASs in Thailand. It also presents additional issues and situations in contexts offered by the interviewees.

This chapter is organised as follows. Section 7.2 outlines the main objectives of the interview research. It is followed in 7.3 by a discussion of respondents' perceptions of factors influencing the adoption of IASs. Their perceptions of the relevance of IASs are presented in section 7.4. Issues associated with incorporating IASs and implementing TASs adapted from IASs are outlined in section 7.5. Finally, a summary of the chapter's contents is presented in section 7.6.

7.2 Objectives of Interviews

Interviews were conducted to explore issues related to the adoption of IASs, particularly in Thailand. It was expected that standard setters would provide an explanation of why IASs were chosen in setting TASs and describe their experience of the impact of adopting IASs on accounting practices. Other respondents would also reveal their personal experience in different contexts. It was expected the interviews would provide some indications of the relative potential to generalise the research findings. The interviews were built upon the general objectives and specific

Thailand objectives of this research. Table 7-1 outlines the chapter objectives in relation to research questions and sections located in this chapter.

Table 7-1: General/ Thailand objectives, questions and chapter sections

Objectives	Questions	Chapter Sections
TO ₁	TQ ₁ , TQ ₂ , TQ ₃	7.3, 7.4
TO ₂	TQ ₂ , TQ ₃ , TQ ₄	7.3, 7.4, 7.5

To help answer the research questions, the research hypotheses, where prior expectations have been stated, are presented in Table 7-2. Testing the hypotheses will lead to further discussion of theoretical perspectives. This discussion is undertaken in chapter 10 where different findings are brought together.

Table 7-2: Testing hypotheses where prior expectations have been stated

<i>RQ</i>	<i>Testing hypotheses</i>	<i>Section covered</i>
TQ ₁	H ₅ : IASs help Thailand to improve the quality of financial reporting.	7.4.1.7 7.4.3.3
TQ ₁	H ₆ : The parties interested in TASs will lobby based on their self-interests.	7.5.1.4
TQ ₂	H ₇ : TASs should be based mainly on IASs with some modifications as a result of: a) level of economic development b) level of capital market development c) level of education d) culture	7.4.1.7 7.5.2.6
TQ ₂	H ₈ : a) current accounting practice and b) economic factors influence the extent of adopting IASs in Thailand.	7.5.2.6
TQ ₃	H _{9a} : Thailand moves towards IASs because of a) moving towards global capital markets b) increase in the credibility of financial reporting c) facilitating foreign investment d) influence from international organisations and multinational corporations	7.3.6
TQ ₃	H _{9b} : Thailand moves towards IASs rather than US GAAP because an IAS is: a) more flexible b) more neutral c) an internationally accepted accounting principle	7.3.6 7.4.1.7 7.4.2.2
TQ ₄	H ₁₀ : The development of a) the accounting profession b) accounting education c) accounting regulation and enforcement d) cultural factors are obstacles to incorporating and implementing modified IASs in Thailand.	7.5.1.4 7.5.2.6 7.5.4 7.5.5

Table 7-3 presents a list of interviewees, their general background details and date of interviews.

Table 7-3: A list of interviewees, general background and date of interviews

<i>Interviewees</i>	<i>General background</i>	<i>Date of interviews</i>
1. Standard setter A	A Thai representative on the steering committee on E65	16/12/01
2. Standard setter B	A Thai representative on the steering committee on E65	23/12/01
3. Standard setter C	Work experience in the US	25/01/02
4. External auditor A	Work experience in an international accounting firm in Thailand	12/02/02
5. External auditor B		03/02/02
6. External auditor C		05/02/02
7. External auditor D		10/02/02
8. Regulator A	Stock market regulator	25/02/02
9. Regulator B	Bank and financial institutions regulator	22/02/02
10. Regulator C	Company regulator	23/02/02
11. Company director A	Work experience in a listed agricultural company	07/03/02
12. Company director B	Work experience in a listed agricultural company	15/02/02
13. Company director C	Work experience in a Commercial Bank listed on the SET	04/03/02
14. Academic user A	Associate Professor in a state university	28/02/02
15. Academic user B	Assistant Professor in a state university	21/02/02

7.3 Factors influencing adopting IASs

After interviewees were asked what factors influenced the adoption of IASs in Thailand. Factors included the need for internationally accepted accounting principles; internal influence from the Thai government and regulators; cross-border listing; and the need for comparability of financial reports (see Table 7-4). Interviewees' views on each factor's influence are presented below. Each line of the table will be discussed in turn.

Table 7-4: Perception of factors influencing adopting IASs

<i>Factors</i>	<i>Setters</i> (3)	<i>Auditors</i> (4)	<i>Regulators</i> (3)	<i>Directors</i> (3)	<i>Users</i> (2)	<i>Total</i> (15)
7.3.1 Need for internationally accepted accounting standards	2	4	3	3	2	14
7.3.2 Internal influence from the Thai government and regulators	3	-	2	-	-	5
7.3.3 External influence from international organisations	-	4	3	3	2	12
7.3.4 Cross-border listings	3	3	3	-	1	10
7.3.5 Need for comparability of financial reports	3	4	3	2	2	14

7.3.1 Need for internationally accepted accounting standards

The need for internationally accepted accounting standards was most frequently mentioned as an influential factor (14 out of 15 interviewees). In addition, all interviewees indicated that IASs were the most appropriate accounting standards to

adopt. External Auditor A explained this was because IASs would help TAs to become globally accepted accounting principles. He said:

'...We cannot avoid that we are now in a global economy so it is necessary for Thailand as a whole to adopt or base its accounting standard system mainly on one of the internationally accepted systems like IASs. There can be variation from what these international standards require to accommodate the different environment in Thailand. But, I do not agree with all choices in some IASs since this will create an opportunity for management to manipulate financial reporting and reporting inconsistency among the same industry...'

One standard setter preferred US GAAP, but believed they would be too difficult for Thailand to adapt. This person did not mention the need for internationally accepted accounting principles.

7.3.2 Internal influence from the Thai government and regulators

All accounting standard setters viewed the internal influence from the Thai government and regulators for adopting IASs as the most important factor influencing the adoption of IASs. The national accounting standard setting policy is established in relation to the National Economic and Social Development Plan. To develop the Thai capital market in line with the National Plan, the quality of financial reporting by companies has to be improved. Regulators explained that the government emphasised the importance of developing the capital market to become the driving force in revitalising the Thai economy. Moreover, the Securities Exchange of Thailand (SET) is a member of IOSCO. Thus, IASs were viewed as the most appropriate to Thailand when developing the national accounting standard. Standard setter C commented:

'...Raising Thailand's accounting standards and implementing the new legislation will play a key role in boosting investor sentiment, and ultimately, the country's economic stability...'

Standard setter C who preferred US GAAP also stated that the need of the Thai government and regulators was the most significant influence in adopting IASs in Thailand. She said:

'...international organisations, though providing some funding, do not interfere or have any influence on the local policy concerning what set of standards should be adopted. Adopting IASs had been in place long before the crisis and continued after the crisis. Actually at the time, the

World Bank preferred an adoption of US GAAP, but the ICAAT refused to follow. As a matter of fact, the statements of policy from the ICAAT indicate that Thailand chooses not to FULLY ADOPT IASs. We will merely issue our TASs based on IASs, but have the flexibility of modifying them as appropriate. Though IASs will be ranked as first priority, we also have a choice of modifying IASs or adopting US GAAP if the IASs are lacking or silent on an issue.

The pressure for fully adopting IASs originated from the SET, the authoritative body back then, before switching to the SECT, requiring the ICAAT to fully adopt IASs, rather than merely adapt them. If not, the SET would bypass TASs and require listed companies to adopt IASs. The SET called for a meeting, the ICAAT, trying to save its status, promised to issue TASs comparable with IASs on a timely basis. Three years appeared to be the time span quoted in the meeting. Though the standards setting policy may have been unofficially modified, the statements of policy announced from the ICAAT have not been diverted.

My conclusion is that a local organisation, such as the SET, has a stronger influence on standards setting policy than international organisations...'

However, other interviewees did not mention that Thai government and regulators' requirements played an important role in the adoption of IASs, possibly because they had not realised the significant influence of this factor. Moreover, the standard setting policy was announced after Thailand faced a financial crisis and received financial assistance from the international organisations. A further explanation may be that people not directly dealing with the standard setting process may not have perceived the significant role of this factor but were aware of the influence from international organisations, as will discussed in 7.3.3 below.

7.3.3 External influence from international organisations

Almost all interviewees, in particular company directors, believed external forces were an influential factor. Important examples given were the international organisations, such as the World Bank and the IMF, who gave financial assistance to Thailand after the financial crisis in 1997. It can be seen in the Fourth Letter of Intent, that these organisations had not forced the Thai government to adopt IASs. To overcome the economic problem, the government promised the IMF, under the financial assistance programme, that the accounting principles and practices would be developed in line with international best practices to assist Thailand's economic recovery.

External auditor C indicated that the World Bank had encouraged every country to develop its own accounting standards through its financial loan programme in order to improve the quality of financial reporting and strengthen the professional institutes. He stated:

'...Over fifty per cent of factors influential to adopting IASs in Thailand came from external forces, which were from the World Bank and IMF. The World Bank has influenced the standard setting policy of countries in this region, especially after the economic crisis. The IMF can influence only those countries receiving financial assistance, such as Thailand, Korea, Indonesia, etc. In addition, to be listed in the foreign capital market, a company must apply accepted accounting principles in that country and IASs tend to be allowed because they provide a link among countries like a neutral standard...' (External Auditor C)

However, the accounting standard setters did not specifically mention international organisations as an influential factor. They pointed out that Thailand had received financial support from the World Bank in order to develop or update TASs without interference in the local standard setting policy.

7.3.4 Cross-border listing

Cross-border listing was viewed as being influential by all regulators, all standard setters, and three external auditors working with Big Five audit firms. Surprisingly, it was not indicated by the listed company interviewees. One standard setter indicated that the international capital flow through cross-border listing and financial liberalisation had been increasing and was considered to be influential. One regulator pointed out that in order to stimulate cross-border listing, the adoption of internationally accepted accounting standards was encouraged to help investors reduce cost in comparing information when making investment decisions and to make it easier for companies to prepare financial reports. Listed companies wanting to raise money in foreign financial markets would be able to mobilise funds more easily at lower costs, otherwise, they would have the additional cost of providing accounting information.

7.3.5 Need for comparability of financial reports

The comparability of financial reports across countries was considered as another influential factor through facilitating foreign investors, investment in company stocks

traded in different capital markets. Some respondents did not realise the importance of cross-border listing but believed that adopting IASs would help increase the comparability of financial information and help investors, particularly foreign investors who use financial reports of companies in Thailand. Regulators stated that, regarding development of the SET, accounting information should be prepared to assist investors, both local and foreign, in making investment decisions based on comparable financial information. Increasing the comparability and quality of financial reports is set as one of the key issues to be achieved by Thai stock market regulators. The best way to achieve this target could be adopting IASs.

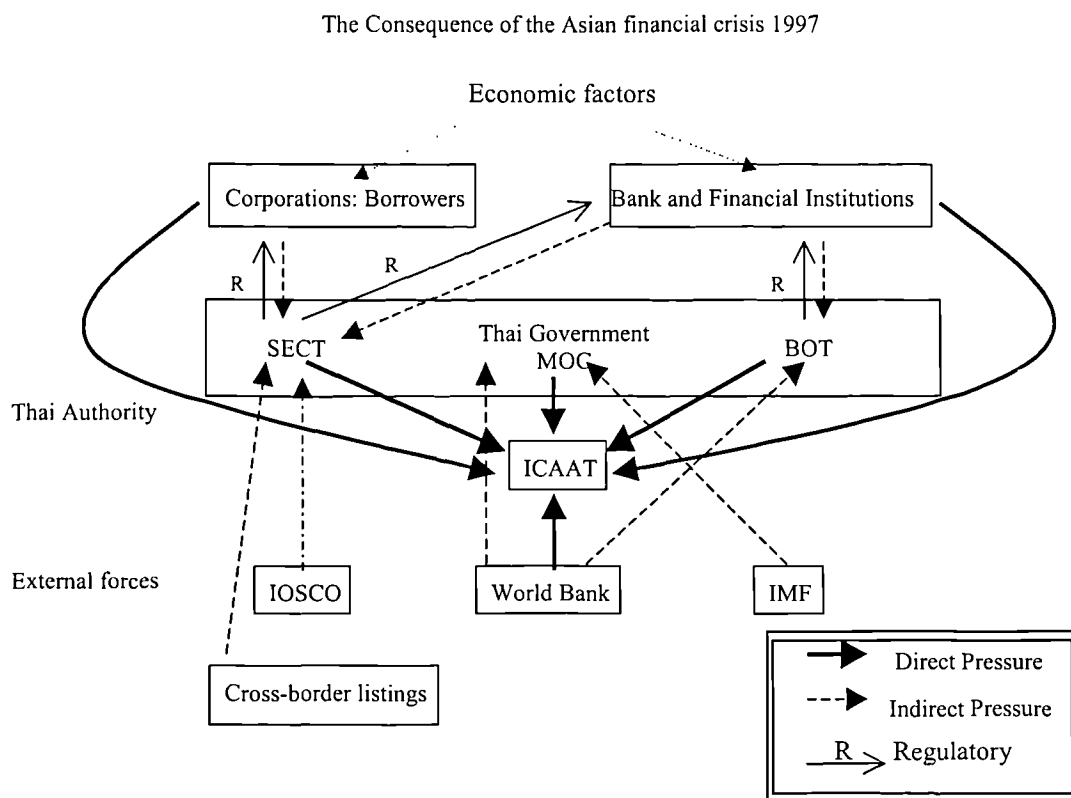
7.3.6 Comments

Interviewees considered a set of factors influential in adopting IASs operated in Thailand. This helps to answer *TQ*₃. Apparently, all influential factors were driven by the aftermath of the Asian financial crisis, as mentioned by almost all interviewees. One academic concluded that policy makers had realised the consequences of the crisis for national economic stability. There had been great emphasis on the need to improve national accounting standards to be consistent with international best practices. As indicated by regulators, the BOT and SECT governing the banks and financial institutions and listed companies, respectively, had urged the ICAAT to establish required accounting standards, such as accounting for trouble and restructured debts, in order to provide practical guidelines for corporations and themselves in regulating. The standard setter suggested that the ICAAT had discussed which set of accounting standards represented “International Best Practices” and had come up with the IASs.

Explanation for why the directors did not show much interest in any factors influencing the adoption of IASs may be sufficient TASs as a framework in practice and the standards have not negatively affected the company’s financial performance. Director C, from a bank industry which had been directly affected by the newly adapted accounting standards had a negative attitude towards the influences of external forces on the adoption of IASs. However, director C accepted the necessity of adopting IASs and acknowledged external forces had been influential in Thailand’s adoption of them.

Some factors co-existed with others and influenced indirectly the adoption of IASs. Cross-border listings and external factors, such as the IOSCO had indirectly influenced governmental authority policy, such as the SECT, in determining the appropriate set of accounting standards for Thailand. Figure 7-1 summarises the linkages which emerged from interviews, although not all interviewees mentioned all linkages. This shows direct and indirect pressure on ICAAT leading to the Thai standard setting policy to be based mainly on IASs.

Figure 7-1: The consequences of the 1997 financial crisis and the adoption of IASs (with some modifications) in Thailand



Overall, interviewees pointed to several factors that had directly and indirectly influenced the adoption of IASs. The need for internationally accepted accounting principles in the country and other countries around the world was mentioned by almost all. This factor had driven Thailand to move towards IASs along with internal influences from the governmental authorities and external forces from influential international organisations. Cross-border listing was ranked low, as an influential factor by interviewees when compared with other factors, implying some respondents did not expect their companies to have cross-border listing. Finally, the

need for comparability of companies' financial reports was also perceived as highly influential. These findings support H_{9a} : *that Thailand moves towards IASs because of moving towards a global capital market, an increase in credibility of financial reporting, facilitating foreign investment and influence from international organisations*. The findings also partly support H_{9b} : *that Thailand moves towards IASs rather than US GAAP because the IAS is perceived to be an internationally accepted accounting principle*.

7.4 Relevance of IASs

The relevance of IASs in developing countries has been questioned by some previous studies as explained in chapter 2. This study seeks the opinions of respondents on the relevance of IASs in the context of Thailand.

Although the above discussion (7.3) provided insight into the factors that crucially influencing the adoption of IASs in Thailand, it did not provide an indication of the relevance of IASs in the context of Thailand. It is important to investigate and clarify how IASs have been considered relevant to needs of parties interested in IASs. Such investigation may also provide some explanation of why IASs have been adopted rather than US GAAP, which have significantly influenced the current Thai accounting system and accounting education (see chapter 3).

This section helps to evaluate the relevance of IASs through discussion of perceptions of IASs (7.4.1), perceptions of US GAAP relative to IASs (7.4.2), and perceived benefits of adopting IASs (7.4.3).

7.4.1 Perceptions of IASs

This section aims to provide a better understanding of perceptions of the relevance of IASs in Thailand (see Table 7-5 below).

Table 7-5: Perceptions of IASs

<i>Reasons</i>	<i>Settlers (3)</i>	<i>Auditors (4)</i>	<i>Regulators (3)</i>	<i>Directors (3)</i>	<i>Users (2)</i>	<i>Total (15)</i>
7.4.1.1 IASs represent globally accepted accounting standards	3	4	3	3	2	15
7.4.1.2 IASs help Thailand to increase the quality of financial reporting	2	3	3	3	2	13
7.4.1.3 The need for more interpretation and illustrative examples.	3	3	3	3	2	14
7.4.1.4 The flexibility of IASs	2	4	3	-	2	11
7.4.1.5 IASs have not covered every aspect critically demanded by developing countries	3	4	3	3	2	15
7.4.1.6 Other reasons	-	-	-	1	-	1

7.4.1.1 Globally accepted accounting standards

All standard setters indicated that IASs represent globally accepted accounting principles and therefore viewed as most suitable when setting TAs, because they would help to improve the quality of financial reporting from the perspective of investors, in line with governmental policy of developing the Thai capital market and moving towards a global capital market. Their adoption would also help facilitate foreign investment. One external auditor mentioned that adopting IASs would benefit users' understanding of financial statements. Another external auditor supported the standard setter's view in evaluating IASs as most appropriate and commented that IASs are easily accepted since they were developed internationally.

7.4.1.2 Increase the quality of financial reporting

Almost all respondents except one standard setter and one external auditor suggested that IASs would help to improve the quality and increase the credibility of financial reporting. Although some respondents mentioned IASs made their work more difficult and complicated, they agreed with the application of IASs, because they would help financial reporting become more reliable and comparable. Companies would provide more informative and much clearer disclosures.

However, standard setter C pointed out that, in the past, financial statements had not been so reliable because of the flexibility of TAs. Thus, stricter rules were needed, whether from IASs or US GAAP. It would not be fair to conclude that the quality of financial reporting had increased but the financial reporting system in Thailand

needed to be tightened up in order to improve the quality of financial reporting. One external auditor stated, *It is not IASs themselves that help to improve the quality of financial reporting but people's behaviour in accepting what is perceived to be transparent and fair from the financial reporting perspective.*'

7.4.1.3 Need for more interpretation and illustrative examples

Interviewees, except for one auditor, made reference to supplementary materials to the standards, such as interpretation and examples. These should be provided in more detail and with more interpretation, as provided by the US GAAP. Moreover, all regulators pointed to need for more interpretation in order to reduce conflicts among the parties interested in the accounting standards. The more certain the accounting standards and interpretation, the less problematic would be the issues in practice. The need for more interpretation and illustrative examples was expressed by interviewees who applied the accounting standards directly for various purposes. For example, regulators used accounting standards for the purposes of regulation and supervision, three auditors used them for examining company accounts to achieve conformity with accounting standards, and companies' purposes were to implement the accounting standards. Academic user A provided a user's view of IASs based on personal experience. He stated:

'...Some IASs are very difficult to understand. I sometimes read from the first page to the end without learning anything. Therefore, I believe that more interpretation and given examples are very important to help people gain a better understanding of the accounting standards...'

However, one external auditor contended that at present IASs were good enough in terms of stating accounting principles on particular issues. They allowed accounting practitioners to use their own judgement to comply with the accounting principles. Moreover, providing too many details could create limitations in practice.

7.4.1.4 Flexibility of IASs

External auditor A stated that IASs were considered relevant to Thailand because they could be adapted easily to the local accounting environment. He said:

'...Personally, I think IASs are the most relevant to Thailand since they are not too strict which means there is a certain flexibility for us to amend or localise within the boundary of the standards... IASs are used

and accepted by a lot of countries not just within a particular country like US GAAP which are far too stringent...'

The other three external auditors viewed IASs as relevant to Thailand with for similar reasons to those given by Auditor A. External auditor B commented:

'...In general, IASs are the most appropriate to Thailand because they establish the accounting principle as an accounting framework. This allows accountants to judge the way to comply with the standard in light of the national accounting environment. Comparatively, the US GAAP is complicated and specific for a certain accounting environment. Criteria are set in the accounting standard for reporting financial information. However, it is easy for a firm to manipulate the set criteria and distort the real economic substance as has occurred many times in the US...'

However, all directors said IASs made their work more complicated and difficult. They complained that TASs modified from IASs contained too many requirements and were sometimes very difficult to apply in reporting accounting information. While standards setters, external auditors, and regulators were concerned about the international comparison, company directors looked at the impact on their work. All interviewees except for two company directors had worked as members of the TASB, and tended to agree IASs were relatively more flexible than US GAAP. Two company directors indicated IASs were not frequently used in their work. They were unfamiliar with IASs but realised they were used as a basis for setting TASs.

Company directors' attitudes towards IASs may have been influenced by the external auditors and regulators who encouraged them to use IASs. One standard setter, who preferred US GAAP, did not comment on the flexibility of IASs but accepted that IASs could be fully adopted. This person also commented, *'Accurate information and education is much needed if we really want to follow IASs.'*

7.4.1.5 Inadequacy of IASs in meeting developing countries' needs

Director C indicated that IASs did not cover some aspects of financial activities, particularly important in developing countries, such as accounting for troubled and restructured debts, most necessary for reporting financial performance after the Asian crisis. Standard setters acknowledged such limitations of IASs in Thailand and pointed to some TASs adapted from US GAAP, such as accounting for financial

assets and impairment of assets. Those standards were critically needed because IAS had not been finalised at the time. Regulators, external auditors, company directors and academic users also referred to IASs' limitations in that they did not reflect current economic events and were not relevant to developing countries. Standard setter C described her personal experience of IASs' limitations and pointed to their future direction as follows.

'...In the past, IASs were silent on many issues. Therefore, US GAAP were used to fill the gaps. However, less and less is needed since the IASs have been filling in the holes very quickly in recent years...In some cases, when there was no international accounting standard which was critically needed, the requirements from US GAAP would be adopted...' (Standard Setter C)

The other two standard setters agreed with standard setter C that currently IASs were providing the standards needed by developing countries.

7.4.1.6 Other reasons

Director A indicated that the external auditor had an impact on the attitude towards IASs, because the external auditor was the one who first introduced the IASs or the newly adapted accounting standards to the company. Therefore, attitude to IASs would depend on how the external auditor viewed and proposed the standard to the company. Director A also stated that generally IASs were considered good examples but would not be accounting models to follow. If IASs were incorporated in TASs it would be very necessary for them to be adapted with consideration for the Thai accounting environment.

7.4.1.7 Comments

Overall, the interviewees' perceptions of IASs help to answer TQ_1 and TQ_3 . Interviewees perceived IASs as helping to *improve the quality of financial reporting, making it more reliable and comparable* (H_5). The most important factors that made people willing to accept IASs were their establishment by international cooperation and acceptance as globally accepted accounting principles. Interviewees also perceived IASs to be more flexible than US GAAP. These finding partly support H_{9b} : *that Thailand moves towards IASs because IASs are more flexible and represent internationally accepted accounting principles.*

The findings also provided some insight into the extent of the adoption of IASs in Thailand (TQ₂). There was a perception that IASs did not cover every aspect of financial activity needed by developing countries and they needed more interpretation and illustrative examples. It was questionable whether the IASC considers the needs of developing countries when it formulates accounting standards. Several interviewees indicated the level of country's economic development and accounting education or training should be taken into consideration when considering the adoption of IASs in Thailand. Interviewees' responses therefore tend to partly support *H₇: that TASs should be based on IASs with some modification as a result of level of economic development and accounting education.*

The perception of IASs discussed here may cast some light on the relevance of IASs in other countries and indicate why they have been criticised among developing countries, as pointed out in chapter 2. Overall, however, findings in this section suggest IASs were favoured by interviewees.

7.4.2 Perceptions of US GAAP relative to IASs

As explained in chapter 3, US GAAP have had a long and significant influence on the current Thai accounting system and accounting education. This section aims to contribute a better understanding of the perceptions of US GAAP in relative to IASs and why US GAAP have not been used as a basis in setting TASs. The findings may also help to evaluate the relevance of IASs in Thailand.

7.4.2.1 Perception of US GAAP relative to IASs

Interviewees gave their opinions of US GAAP in comparison to IASs. All respondents, except for standard setter C, suggested that although US GAAP, do not differ very much from IASs, IASs are more widely accepted as internationally accepted accounting standards by many countries and represent global accounting principles. US GAAP are recognised in particular countries. That is why they preferred Thailand to adopt IASs rather than US GAAP. Two standard setters indicated that at the present the most important issues in developing national accounting standards were increasing the comparability of financial reports in order

to facilitate foreign investors' investment decisions and decreasing information costs for companies and investors. These aims could be achieved by adopting IASs.

The reason why US GAAP have influenced the Thai accounting system, mentioned by all academic users, is the lack of accounting textbooks about IASs. Thus, US GAAP and other learning materials supporting US GAAP are used as learning tools for studying accounting in Thailand. All company directors also confirmed that learning materials to help improve understanding of IASs are very limited. In contrast, US GAAP provide a lot of materials and produce a wide range of accounting textbooks from time to time. One company director stated:

'...Most US GAAP have developed from the historical cost concept. In contrast, IASs introduce the fair value concept that will help investors and the company itself to obtain more relevant accounting information. People now think about the usefulness of adopting IASs. There is no problem at all in adopting IASs although we have learned accounting using US materials and textbooks. There are no big differences between the two so it is not difficult to reconcile from US GAAP to IASs...'

Two external auditors considered US GAAP complicated and difficult to understand. One commented, *'...US GAAP provides too many details and may create limitations in practices.'* Another external auditor remarked:

'...US GAAP are relevant to just one country. The accounting standards were developed for a local accounting environment that differs from that of Thailand. IASs tend to be more neutral because they came from international cooperation. However, I appreciate US GAAP that provide more information, such as accounting standard interpretation and guidelines. Therefore, when people cannot understand some issues in IASs, support materials from US GAAP may help to achieve a better understanding...'

In contrast, standard setter C who preferred US GAAP said:

'...It is a surprise to me that TASs are not mainly based on US GAAP, since Thailand has long received a strong influence from the US...I personally prefer US GAAP. However, if I had to guess, the reason is the language and knowledge barriers. US GAAP are very difficult to read, understand, or even search for. The body of knowledge is vast and related to their complicated local financial and capital markets. They are difficult for Thais to adopt...'

7.4.2.2 Comments

Overall, interviewees helped to answer *TQ3: What factors move Thailand towards adopting IASs (rather than US GAAP)?* Although interviewees acknowledged the US has had a long and significant influence on the Thai accounting system and education, all except one standard setter, pointed out that US GAAP are relevant to only one country, while IASs represent internationally accepted accounting principles. While interviewees appreciated the advantages of US GAAP, they considered IASs to be more relevant to Thailand. IASs are also more flexible because they provide the main principles, and are not too specific for a particular environment, allowing flexibility to localise to country accounting standards. The findings therefore supported *H9b: Thailand moves towards IASs rather than US GAAP because the IAS is a more neutral, flexible and internationally accepted accounting principle.*

7.4.3 Perceived benefits of adopting IASs

Although the above discussion of interviewees' perceptions of IASs has provided insights into significant aspects of IASs, it has not highlighted specifically the benefits of adopting IASs in Thailand. Thus, an exploration of what people perceived as the benefits of IASs when practising in conformity with TAs adapted from IASs was undertaken, providing further conclusions about the relevance of IASs to Thailand. Thus, this section reports the particular benefits of IASs in Thailand.

Table 7-6: Perceived benefits of IASs

<i>Benefits</i>	<i>Setters</i> (3)	<i>Auditors</i> (4)	<i>Regulators</i> (3)	<i>Directors</i> (3)	<i>Users</i> (2)	<i>Total</i> (15)
7.4.3.1 Improve the quality of financial reporting	2	3	3	3	2	13
7.4.3.2 Increase competitiveness in international capital markets and transfer of technical know-how	3	4	3	-	2	12

7.4.3.1 Improve the quality of financial reporting

The majority of interviewees (13/15) considered the main benefit of IASs as helping Thailand to improve the quality of financial reporting. They gave different explanations for their views. One standard setter indicated that modified IASs would give accounting practitioners practical guidelines and increase the comparability and

reliability of financial statements. Several respondents agreed that modified IAS would give financial reporting in Thailand more credibility among international investors. Academic users said companies were increasingly disclosing relevant information as a result of adopting IASs. Another standard setter expressed the view that modified IASs led to greater transparency and more accurate financial reporting. External auditor A mentioned that adopting IASs could be helpful for improving the quality of financial reporting from the perspective of investors, especially from international capital markets. He said:

'... It is not the IAS itself that is helping to improve the quality of financial reporting but people's attitudes and willing to accept what is perceived to be transparent and fair from financial reporting perspective...'

In addition, one academic user suggested that not only did modified IASs help to improve the quality of financial reporting; management attitude, the stringency of regulatory bodies, and adequate accounting knowledge of accounting practitioners also played a role.

7.4.3.2 Increase competitiveness in international capital markets

All regulators suggested that adopting IASs would help companies raise funds in international capital markets and reduce cost and time in preparing financial reports. For international investors, this would help to facilitate their investment decisions, reduce cost and time, and increase competitiveness in international capital markets. Moreover, all standard setters and all external auditors would benefit through the transfer of technical know-how and competitiveness in world capital markets. Standard setter C pointed out the importance of IASs to the Thai economy in terms of the competitiveness of capital markets in the region.

'...If Thailand had not adopted IASs, the Thai capital market might not be as competitive as Korea's or Vietnam's. It has become evident that the Korean capital market has taken off recently...' (Standard Setter C)

However, none of the company directors mentioned this issue as a benefit of IASs.

7.4.3.3 Comments

Overall, interviewees suggested that the major benefit of adopting IASs was to improve the improved quality of financial reporting, creating more reliability and

comparability in the eyes of investors and users, and building investors' confidence in the Thai financial reporting system. Moreover, greater transparency and accuracy of financial reporting were also considered results of adopting IASs. Competitiveness in international capital markets was also mentioned as a benefit because adopting IASs can help investors and companies reduce costs and time in preparing financial information. Finally, the adopted IASs were viewed by several respondents as making their work much easier by providing definite practical and regulatory guidelines. Interviewees' responses reveal the slow development of TASs before the 1997 financial crisis. The new TASs adapted from IASs provide accounting practitioners with a basis for financial reporting. The findings supported *H₅: that IASs help Thailand to improve the quality of financial reporting.*

7.4.4 Comments

Interview questions focusing on the relevance of IASs to Thailand aimed to provide answer to TQ₁ and TQ₃. Sections 7.4.1 to 7.4.3 investigated interviewees' perceptions of IASs, perceptions of US GAAP, and the perceived benefits of adopting IASs, respectively, in order to accomplish TO₁. Section 7.4.1.7 also suggested factors influencing the extent of adopting IASs in Thailand (TQ₂).

All interviewees were unanimous that IASs represent globally accepted accounting principles. One of the problems of developing countries is lack of time, knowledge and resources to develop their own accounting standards. IASs may be the best tool for setting TASs because something which is internationally accepted tends to be more favoured by the Thai people. Moreover, IASs were thought to help increase the quality of financial reporting and viewed as easily adapted to the local accounting environment. They enable accounting practitioners to work on the same standard and financial reports can be easily compared. Those interviewees who had had no experience of working as members of the TASB could not distinguish between IASs and US GAAP, possibly because people's perceptions of IASs or US GAAP depended on how the standard setters and regulators introduced the accounting standards and the reasons given. All interviewees, including one standard setter who preferred US GAAP, suggested that US GAAP may have been considered too difficult for Thais to adopt because of the US's complicated local financial and

capital market. This did not appear to be an entirely convincing reason for rejecting US GAAP which have had a strong influence on the Thai accounting education and accounting system. It is possible that the regulators and the standard setters were mainly concerned about international acceptance as explained in section 7.3.2 more than other factors. However, respondents felt IASs did not cover all the aspects critically needed by developing countries and had inadequate interpretations and examples to accompany the standards. This may be particularly true because all respondents commented based on their own experience and these problems are similar to those of other developing countries as discussed in chapter 2. However, the standard setters claimed that IASs had been filling the loopholes very quickly in recent years.

Interviewees realised the benefits of adopting IASs so were supportive of adopting IASs in Thailand. The findings in this section lead to the conclusion that IASs were perceived of to be of high relevance in the context of Thailand.

7.5 Issues associated with incorporating IASs and implementing adapted standards

This section aims to gather further insight into issues associated with incorporating IASs and implementing the adapted IASs in Thailand. In contributing to these issues, interviews were planned so as to discuss the standard setting process of TAsSs, implementing the standards, and their enforcement. It was hoped they would also highlight issues that should be addressed by standard setters when further adopting IASs.

7.5.1 Standard setting process of TAsSs

As mentioned in chapter 3 (section 3.10.2), Thai Accounting standard setting policy is based mainly on IASs. The previous section provided insight into interviewees' perceptions of IASs and the benefits of adopting IASs in Thailand. It seems IASs were generally accepted by respondents. However, adopting IASs should not only be examined as an aspect of the perception of IASs themselves, the perception of the process of incorporating IASs in TAsSs should also be investigated. Although interviewees generally favoured IASs, this does not mean modified IASs would be perceived in the same way as the original IASs. Thus, this section attempts to gain

more understanding interviewees' perceptions of the adapted IASs¹¹ with consideration of the standard setting process.

Table 7-7: Issues associated with the standard setting process

<i>Issues</i>	<i>Setters (3)</i>	<i>Auditors (4)</i>	<i>Regulators (3)</i>	<i>Directors (3)</i>	<i>Users (2)</i>	<i>Total (15)</i>
7.5.1.1 Standard setting process with transparency	N/A	4	3	3	2	12
7.5.1.2 Political intervention in the standard setting process	3	-	3	-	-	6
7.5.1.3 Timing to announce the new accounting standards	3	4	1	3	2	13

7.5.1.1 Standard setting process with transparency

All respondents, except standard setters¹², disagreed with the Thai accounting standard setting process. Respondents were particularly dissatisfied with the Thai accounting standard setting process after the Asian financial crisis. The former TASB had been opposed by groups interested in particular accounting standards (see chapter 3, section 3.10.4). The standard setting process had not been undertaken transparently.

One regulator described his personal experience in dealing with listed companies and representatives from the Federation of Thai Industries when they complained seriously about TASs newly adapted from IASs after the crisis. They argued that these standards would be unacceptable if they were not adapted properly to the local accounting environment. Company director C also explained why these standards were opposed by accounting practitioners.

'...There was a major issue about the standard setting process. The people affected directly by the standard were not allowed to participate in any process of setting the standard. We required the ICAAT to carry out the standard setting process with transparency... From my experience, the standard setter sometimes did not understand the standard deliberately and had never had any experience and proficiency in specific issues in the standard. How could the accounting standard be established with acceptance by the interested parties?...I personally think a sound accounting standard can only be established under certain principles with transparency. TASs originated from a

¹¹ The adapted IAS means the IAS which is adopted and modified in setting the Thai Accounting Standard.

¹² Standard setters were not asked their opinions about the standard setting process because their work is related directly to the standard setting process and they may have felt uncomfortable or awkward commenting on their work.

*combination of more than one standard, such as US GAAP and IASs.
That is another reason why people feel negative...'*

Directors A and B agreed with director C that interest groups had not been allowed to take part in the standard setting process. Although the ICAAT had arranged public hearings, it seemed they were arranged merely announcing the new accounting standard to be established. Academic user A who had been a member of the former TASB described its limitation as follows:

'...In general, drafts of accounting standard would be distributed to limited groups, such as academics and audit firms otherwise the process would be costly to the ICAAT. Public hearings were arranged to introduce the new accounting standard to the public. Only a few written comments were received from respondents and all of them were considered in developing the final accounting standards. However, because of time constraints, related parties might not be invited to participate in the stage of drafting the accounting standard. This is because after the crisis, we, the accounting standard setting committee, were committed to the ICAAT's board's decision to issue TASs comparable with IASs. Accounting standards required by other governmental organisations, such as the BOT also had to be done on a timely basis...'

The above comments reveal another problem associated with the standard setting process in Thailand. As in other developing countries mentioned by previous studies, the limited financial resources of Thailand's professional accountancy body impede the development of accounting in the country.

One external auditor suggested there should be more active involvement of practitioners in the stage of drafting the standards, and more importantly when the standards are introduced at public hearings.

Two company directors pointed to mistake in translating from English to the Thai language. The meaning of accounting standard in the Thai version appeared different from that in original IASs or US GAAP. However, the standard setter explained that in setting TASs, more often than not, IASs had been modified and re-written in the Thai language, not directly translated, in order to fill loopholes experienced in Thailand. The difference in view suggested a communication problem between the standard setter and interested parties because accounting practitioners seemed not to realise that TASs had been adapted to the Thai accounting environment.

7.5.1.2 Political intervention

Standard setter B referred to a political intervention in the standard setting process, particularly in the standard for troubled and restructured debts. He stated:

The government believed this accounting standard could help Thai businesses to recover after the crisis. However, the standard setter developed this standard by adapting US SFAS No. 114. Companies reported huge losses from troubled and restructured debts and many businesses in Thailand could not carry this loss and were in danger of going bankrupt. That standard would have caused many corporations to report huge losses in financial statements. This could have put these companies at risk because their creditors might force them to make repayment. The government was concerned about this problem and asked the standard setter to revise the accounting standard. Under the Thai Accounting Act (2000), the accounting standard issued by the ICAAT has to be approved by the Ministry of Commerce (MOC). The standard setter was asked by the MOC to revise the standard and make changes in some of its content in order that the problems of business could be solved.

One regulator indicated there had been political intervention and pressure from business associations and industry groups. They had attempted to request some changes. As a result, the final version of the standard for troubled and restructured debts provides four alternatives, which seem to favour each of these groups.

Company accountants perceived government influence in terms of regulating and monitoring. For example, the accounting standard must be approved by the BSAP of the MOC before the announcement as a national accounting standard. In addition, in the case of listed companies, the SECT monitors both the company management and auditors. The SECT has full power to suspend the approval of external auditors to audit the listed companies and impose punishment. This may put pressure on external auditors with the result that auditors may become too strict with companies.

7.5.1.3 Timing to announce the new established accounting standards

Almost all respondents, except two regulators, indicated that most newly adapted standards were announced and effective in the coming year and some were enforced retrospectively. This was too fast and because the content of standards was very new and they often appeared very complicated to accounting practitioners. The problem became worse when people had different interpretations. Standard setter C accepted

that these problems existed but said it was because most accountants did not have enough education and assistance to help them clarify practical problems, and had inadequate time to study the newly issued TASs.

However, two of the three regulators took the opposite view. They supported standard setters' establishment of the newly adapted accounting standards and the need to report the current financial situation after the 1997 crisis. The third regulator, who dealt with every size of company, maintained that the problem of timing to announce the new accounting standards existed because of the limited accounting knowledge of accountants, in particular those in small to medium size firms.

Regulator A pointed out that other countries had also experienced difficulties when introducing new accounting standards, in particular when they were adopted and modified from IASs. In such cases, a period of gradual acclimatisation to the changes was necessary. He said:

'...I have discussed accounting standards adopted from IASs with standard setters of other countries in this region, such as Hong Kong. I have found businesses in HK also against them, but the degree of disagreement lower than that in Thailand, possibly because accounting standards have been developed step by step and not suddenly enforced, giving enterprises a certain time to study and familiarise themselves with the new standards...'

External auditor C indicated that many countries had successfully adopted IASs because they had addressed the timing of the announcement of new accounting standards and spent time on the preparation stage. In the preparation stage, the accounting infrastructure, such as providing accounting education and establishing a body of literature, was prepared. Companies were allowed to time to learn the new accounting standards and early application was permitted.

7.5.1.4 Comments

Overall, the impression from interviews was of a strong desire for the ICAAT to conduct the national standard setting process with transparency and allow interest groups to become involved in the setting process.

The findings supported H_6 : *The parties interested in TASs will lobby based on their self-interest.* As mentioned earlier, there was evidence of lobbying efforts by the

industry groups to postpone the effective date of new TASs. Other evidence was the pressure from industry groups affected by the new standard for troubled and restructured debts to gain more alternatives. Each alternative satisfied a group of interested parties (debtors and creditors). Thus, the theory of the political nature of standard setting and the theory of economic consequences and financial consequences are relevant in explaining these findings.

As mentioned by interviewees, problems associated with the standard setting process may result from the limited financial resources of the Thai professional accountancy body. Public hearings of the proposed standards were carried out in limited small groups because the ICAAT could not afford large-scale consultation. A weak accounting profession was perceived as an impediment to the development of Thai accounting. The timing of the announcement of new accounting standards was also perceived as a problem by the interviewees. The aforementioned problems may partly have arisen from the failure to develop accounting education in developing countries as indicated by prior researchers thus partly supporting *H₁₀: that the development of the accounting profession and accounting education are obstacles to incorporating and implementing modified IASs in Thailand.*

In addition, the standards should be localised to reflect different environment. Standard setters should pay attention to the timing of the announcement and provision of relevant training to accounting practitioners. The ICAAT would gain more acceptance from business if practitioners were allowed to get involved in the process.

7.5.2 Problems of implementing TASs adapted from IASs

The discussion in 7.5.1 revealed many problems in the standard setting process. Moreover, interviewees indicated they faced difficulties in implementing the adapted IASs. This section discusses the problems mentioned by respondents. Standard setters or government agencies who take responsibility for the development of accounting standards in Thailand should address the particular problems highlighted before further adopting IASs.

Table 7-8: Perceived problems of TASs adapted from IASs

Problems	Settlers	Auditors	Regulators	Directors	Users	Total
	(3)	(4)	(3)	(3)	(2)	(15)
7.5.2.1 Limited accounting knowledge of accountants	3	4	3	2	2	14
7.5.2.2 Understandability of TASs	N/A	4	3	3	2	12
7.5.2.3 The resistance to change of management and accountants	3	4	3	1	2	13
7.5.2.4 Practical problems in providing reliable information	3	4	3	3	2	15
7.5.2.5 The impact of the standards on the stability of the national economic and financial system	2	-	3	1	-	6

7.5.2.1 Limited accounting knowledge of accountants

Limited accounting knowledge of accountants was regarded as the major limitation when applying TASs modified from IASs. Most respondents, except for one company director, indicated that the accounting educational programme for accountants and management was very important and should be provided in line with the development of new issues of accounting standards. They suggested that the ICAAT should provide an accounting training programme for accountants because Thailand is growing quickly and, for some companies, new practices and instruments are adapted on a timely basis. Companies must update their accounting knowledge in order to apply the standards effectively. Standard setter C viewed the limitations of implementation as follows.

'...The major limitation is due mainly to the infrastructure of accounting education in Thailand, such as the educational background of Thai accountants; unqualified and inadequate accounting instructors; lack of competent professionals and educators; and lack of accurate and updated textbooks in the Thai language. Time is also a limitation. Accountants seem not to have time for advanced learning. Another limitation involves the learning environment. Accounting in Thailand seems to have stood still for approximately twenty years. Not much has been added to the body of knowledge, even when the capital market was booming. Once it collapsed, due partly to the financial reporting system, and accounting reform began, accountants were not prepared for change or accepting new developments...'

Standard setter B similarly commented:

'...Thai accounting education has never focused on the concept of present value. How therefore can accountants understand and suddenly comply with the new standards? Even the accounting curriculum in the university does not concentrate on the measurement of assets or

liabilities based on the present value or fair value concept. In the last few IASs the present value is often used in asset valuation...'

Academic users suggested that in setting national accounting standards, research in accounting should be carried out to support and ensure the accounting standards to be adopted would be appropriate to the local accounting environment. Currently, there is a lack of accounting research related to standard setting issues in Thailand.

Director A suggested that the problem of implementing the new accounting standards might be solved if they were introduced with clear wording and more explanations.

External auditor B pointed out that the proficiency of accountants and level of accounting development were regarded as factors influencing the adoption of IASs in countries in the Asian Pacific region. He said:

'...I have contacted our firms in the Asian Pacific region and found most of them have experienced different degrees of difficulties when adopting IASs. For example, Singapore, Hong Kong and Malaysia have had only a few problems because the proficiency of accountants and the level of accounting development in these countries are higher than in our country. In Japan, there have been similar problems to those in Thailand...'

7.5.2.2 Understandability of Thai Accounting Standards

All respondents, except the standard setters,¹³ mentioned that the Thai accounting standards were ambiguous and had inadequate interpretation and examples. The wording in TASs is vague. Therefore, different interpretations amongst the participants are unavoidable. This also conflicts between company accountants and their external auditors. Company directors and regulators indicated they felt auditors overreacted to the standards. Company director A gave an example of this as follows:

'...We faced the problem of accounting for impairment of assets. My company had constructed the largest shopping mall project in Shanghai, China. The construction project was started before the Asian economic crisis. As a result of the crisis, the bank stopped granting loans temporarily to our business. However, we strongly believed that we could continue the construction project. Although our chairperson confirmed to the auditor that the project would continue, our auditor

¹³ Standard setters were not asked to comment on this matter because it was related directly to their work.

disagreed and asked us to write-off the project in accordance with the accounting standard for impairment of assets. Finally, the project was written-off. Next year we are going to open that shopping mall in Shanghai. This means we have a hidden asset, which has not been shown on the balance sheet. The auditor did not attempt to understand or consider our explanation and claimed that we must comply with the accounting standard...'

This may have happened because as standard setter C indicated, external auditors tend to try to protect themselves from sanctions by the SECT. This may explain the external auditors appear to overreact to the accounting standards. The SECT has the authority to control audit practices. However, auditors maintained they did not overreact to the accounting standards but a problem might arise due to the company's and the auditor's different interpretation of the new issue. In addition, one auditor claimed that generally auditors were more conservative than company accountants because they must assure users that the financial statements were properly prepared in accordance with the accounting standard.

Company director C stated:

'...Most recent accounting issues are related to financial matters, with which Thai accountants are unfamiliar. Moreover, the fair value concept and discounted cash flow, developed from financial theory, are introduced as a basic principle in the measurement of financial transactions in the IASs. The problem is that the accounting standards were established too fast and people had inadequate time to learn and understand the new unfamiliar standard. It is believed that if people have time for preparation, the problem in practice will be likely decrease...'

External auditor D agreed with company director C that accountants were not familiar with what was required. Companies appeared to be required to prepare more disclosure items. In fact, this kind of information has never been used by company management, which differs from developed countries where the information may be prepared routinely so the company does not need to put much effort into gathering or providing required information.

Regulator C also referred to unfamiliarity with some new accounting standards. He commented:

'...Generally, only some accounting standards were strongly resisted, for example, accounting for debt restructuring and accounting for

impairment of assets, they were viewed as very difficult and very new for Thai accountants. In addition, the most recent IASs are related to the fair value measurement not often applicable in developing economies...'

All respondents requested the standard setter to provide more interpretation and illustrative examples in the context of Thailand to help people gain better understanding of the standards. Standard setters claimed they also faced the problems of comprehension in some contexts in IASs, in particular those concerning financial instruments not existing in Thailand, implying IASs are sometimes too complicated in countries with developing capital markets.

7.5.2.3 Resistance to change by management and accountants

Resistance to change was mentioned by almost all interviewees, except for two company directors. One external auditor saw the problem as management not having sufficient understanding of accounting. The resistance to change was perceived as a barrier in applying the standards. External auditor A said:

'...Management do not have sufficient understanding of accounting especially GAAPs which they perceive to be a obstacle for commerce... Most management and accountants are not keeping themselves updated on new issues and the implementation of new accounting pronouncements. They are resistant to change as they believe changes create more work, and more investment is needed to amend the IT system to serve the new requirements, i.e. marked-to-market versus cost...'

Two external auditors suggested that the introduction of the new accounting standards brought an increase in unavoidable cost in order to provide accounting information to meet the requirements of the accounting standard. Another auditor pointed out that, psychologically, people tended to have negative feelings towards a new issue that might be different from current accounting practice, including the impact on the accounting figures and more disclosure requirements.

Standard setter C was aware of the problem but took the view that:

'...Most of the disagreement and opposition came from the fact that too many rigorous TAs were issued too fast, too soon, making it difficult for financial institutions, and some giant companies, to keep their financial statements attractive. For most accountants, adverse feeling came from having inadequate time to study the newly issued TAs, and

not enough education and assistance to help them clarify practical problems. Pressure was added when the new stricter accounting law was announced and supervision authority was switched from the SET to the SECT. In addition, part of the pressure came from auditors, who overly applied newly issues and not-fully-understood TASs beyond what was required, in an attempt to protect themselves from being sanctioned by the SECT...'

Responses from standard setters to the comments from interest groups also created acceptance of, or resistance to, the accounting standards as pointed out by regulators and external auditors. If the standard setters ignored their comments or issued standards without any explanation, people would oppose the accounting standards to be introduced. Academic B suggested that the resistance may also have been because the former TASB was very strict and practitioners requested a compromise and more relaxed accounting standards. Their request was not heeded.

Overall, the above findings suggest that management and accountants were resistant to any issues that changed their current accounting practice. They wanted to avoid more investment cost required to apply the new accounting standards and thought the new standards would have negative effects on accounting figures and necessitate more disclosure items in financial statements. These concerns were based on their self-interest. These findings support H_8 : *that current accounting practice and economic factors influence the extent of adopting IASs in Thailand.*

7.5.2.4 Practical problems in providing reliable information

Standard setter C mentioned the problem of practical issues and gave an example of limitations when adopting IASs. He said:

'...As a consequence of adopting something we were not ready for more than ten years ago, such as allowing companies to inflate the value of their assets, we faced a worse issue of how to deflate them. The claim is that valuation methods are not accurate. How could companies have appreciated their assets for more than ten years without having accurate valuation methods? ...'

Moreover, it was also pointed out by standard setters A and B that there were serious problems in complying with the new standards dealing with accounting for impairment of assets and accounting for financial assets restructuring. There had been a general discussion about which interest rate should be most reasonably used

in measuring the present or fair value of assets and the accuracy of the method for obtaining the discounted interest rate. When accounting knowledge is very limited the accuracy of financial reporting may be questioned.

Director C referred to a particular practical problem in the case of financial institutions, when the accounting standards affected their financial reporting directly. Other directors did not comment on such problems, possibly because they were not significantly affected by these accounting standards.

7.5.2.5 Impact of the standards on the stability of the national economic and financial system

Another problem that was considered by regulators, like the BOT and the SECT, was the negatively intense impact of applying new accounting standards on the stability of the economic and financial system (e.g. the standard for troubled and restructured debts). Company director C pointed out that if this standard were effective, many corporations, in particular commercial banks and financial institutions that must adopt the new accounting standards, would face severe financial difficulties. Representatives from various associations called for help from the regulators. Regulators foresaw the trouble for the financial institutions and the impact of the standard on the stability of the financial system. Thus, the standard for troubled and restructured debts was not approved by the BSAP of MOC. Standard setter B expressed the view that it was very difficult to determine the proper way of solving this problem, how an accounting standard could serve both local needs and international needs. Company director C suggested that although there was a problematic issue, IASs should be adopted with regard to the local requirements. TASs should be based on IASs on the condition that they would be applied after the financial problem had abated or within a given period of time.

7.5.2.6 Comments

Sections 7.5.2.1 and 7.5.2.2 provide some evidence of the problem of accounting education in Thailand and understandability of TASs. There is a need for clearer explanation, more examples, and interpretation. This may be because Thai people are familiar with rule-based or detailed instructions. Thai accountants have been trained

mainly in the US system using American textbooks. The majority of lecturers graduate of US universities (see chapter 3, section 3.8.3). US textbooks also provide a lot of materials for understanding accounting principles. Thai accountants may not be accustomed to applying professional judgement. These findings partly support *H₁₀: that the development of accounting education is an obstacle to incorporating and implementing modified IASs in Thailand.*

In addition, section 7.5.2.3 provides particular evidence to support *H₈: that current accounting practice and economic factors influence the extent of adopting IASs in Thailand.* Interviewees expressed their concerns based on their self-interest.

Overall, interviews indicated there were various problems influencing the extent of adopting IASs. The major problems came from accounting education and professional training. These problems reflect limited accounting knowledge of accountants and insufficient understanding by management. These include understandability of TAs, resistance to change, as well as practical problems in providing reliable accounting information. Moreover, the impact of the standards on the stability of the national economic and financial system was also considered as a problem in adopting IASs. The findings imply that accounting knowledge or accounting education are the main problems and should be considered in the development of Thai accounting.

The level of country economic development was also perceived as an obstacle to adopting IASs. Interviewees perceived IASs as sometimes too complicated for countries with developing capital markets and an underdeveloped accounting profession. Thailand has also been in a period of economic recovery after the 1997 financial crisis so the government has intervened in setting accounting standards in order to strengthen the stability of the economic and financial system. The above findings partly support *H₇: that TAs should be based on IASs with some modifications as a result of (1) level of economic development and (2) level of education.*

The findings may also be used as guidelines for standard setters considering an effective way to set accounting standards to satisfy all interested parties. Further issues associated with IAS 41 will be discussed in chapter 8.

7.5.3 Role of the accounting profession in developing TASs

The standard setter indicated that the current TASB had attempted to make the setting process more transparent to encourage parties interested in the standards, and accounting practitioners, to become more involved in the standard setting process. The TASB had arranged public hearings free of charge.

Moreover, the latest TASs adapted from IASs had not been effective immediately to allow companies to develop an understanding of them. The standard setter encouraged companies to early adopt the draft of an accounting standard before the announcement introducing it as an official accounting standard. Some accounting standards, criticised by practitioners as being different from IASs, had been revised. In the meantime, an accounting educational programme would be provided to help accounting practitioners understand the new standards. Standard setter A commented as follows:

'...I think the new standards should not be established too early but we should require companies to use IASs as a practical guideline in the case of no TAS. In the meantime, we will study profoundly to develop our standard based on IASs in the Thai context. Then it will be drafted as a TAS so if the companies cannot apply it or have any problems in practice, it will be considered and solved by the standard setter before finalising the standard...'

External auditors interviewed explained they also arranged free seminars for their customers in order to provide information about newly established accounting standards and to explain how the standards affected current accounting practices to help companies comply more easily with the accounting standards. Where problems occurred, companies could consult with their auditors.

All regulators indicated their organisations were supportive of accounting educational programmes and seminars organised by the ICAAT. Regulator A said:

'The SECT has arranged a meeting with listed companies in order to update new accounting issues and has invited representatives from the ICAAT and the tax authority to provide more explanation and answer

questions. In addition, the SECT has established a new division in order to help listed companies to solve practical problems. In the case where there is an unsettled accounting disagreement between external auditors and companies, this division will provide a suggestion to solve such problems...'

Standard setters also mentioned that the ICAAT had a consultative unit to help accounting practitioners solve accounting problems. Moreover, problems most frequently raised by accounting practitioners were discussed in the *Journal of Accountants*, Thailand, in order to provide better understanding for those concerned.

Overall, interviewees pointed to many efforts on the part of people involved in accounting standards, in particular standard setters, regulators and external auditors, to assist effective adoption of the new standards. Moreover, as evidenced from other countries, standard setter C pointed out that positive publicity affected the perceptions of people. Co-operation from the public and the government tended to facilitate successful adoption of IASs. He said:

'...The Korean capital market has taken off recently. Though slower than Thailand in accounting reform, Korea has repeatedly publicised that it will fully adopt IASs by the year 2005. Positive publicity gives confidence to international investors. At the same time, negative publicity has been spread out from Thailand that we will soften our accounting standards, rather than strengthen them. As time goes by, we will further be losing out on our capital market, especially when Vietnam is concentrating on the effort in coming up...In Korea, once the public accepts that is the way to do things, everybody joins force. In Vietnam, the government leads the reform...'

7.5.4 Enforcement of Thai Accounting Standards

Although accounting standards have been developed to be consistent with domestic and international needs, the enforcement of accounting regulation is another important consideration. The best accounting standards are only as good as the effectiveness of the regulatory process (Saudagaran, 2001). This is because although the standard is good, poor enforcement may allow poor quality of financial reporting. Generally, the quality of financial reporting is used for evaluating national accounting standards from the international viewpoint. Thus, it is crucial to examine perceptions of accounting enforcement in Thailand to gain insight into how effectively TAS adapted from IASs had been enforced.

All standard setters emphasised that the main problem of the Thai financial reporting system was the lack of effective accounting enforcement because no regulatory body was responsible for monitoring and supervising corporations in conformity with TASs, except for listed companies strictly regulated by the SECT. Regulators supported the view that only listed companies were complying with TASs under the strict supervision of the SECT. However, three auditors suggested that the problems of enforcing the new accounting standards came from inadequate understanding of the requirements.

Two company directors pointed to the issue of the equality of enforcement of accounting standards because accounting standards are rigorously enforced for listed companies but not for non-listed companies. Non-listed companies merely provide financial reports with the minimum requirements. Regulator A argued that this was unfair for listed companies who must provide and disclose more information to the public since they might lose competitive advantages. He stated:

'...Some non-listed companies such as Unilever, P&G, Colgate-Palmolive have large business operations. They do not need to conform strictly with the standards because they are not public companies. The SECT merely regulates rigorously listed companies. It seems unfair that listed companies are governed strictly while non-listed companies are not regulated by any particular organisation. Thus, companies may have no incentive to list their stock on the SET and find they lose competitive advantage with too much disclosure under the requirements of the accounting standards and SECT regulation. We are encouraging the government to enforce non-listed companies in conformity with the accounting standards. The MOC and Tax authority should pay more attention to financial reporting by non-listed companies...'

Previously, there had been no serious penalty for anyone who did not comply with the accounting standards. Standard setter B was concerned that the Thai capital market had been developing, and a heavy penalty would deter companies from listing in the SET, thus create an impediment to development of the capital market. It was argued by standard setter C that accounting enforcement needed to be tightened up and stricter rules needed in order to achieve more reliability of financial statements. Academic users suggested that governmental organisations related to accounting should collaborate in monitoring and supervising companies in compliance with the accounting standards, particularly necessary in developing markets where the

regulatory system may lack stringency of supervision or clarity in regulatory supervisions.

Overall, interviewees suggested that the enforcement of TASs should be tightened up and a regulatory body responsible for regulating conformity with TAS should be assigned. However, if enforcement were too strict then companies might no longer want to list in the SET, particularly likely in a developing capital market like Thailand. The number and quality of staff in regulatory unit is also important for enforcement effectiveness. The problem of accounting regulation and enforcement may be considered a weakness of the Thai financial reporting system that needs to be addressed in line with the development of sound accounting standards. These findings partly support H_{10} : *that the development of accounting regulation and enforcement is an obstacle to incorporating and implementing modified IASs in Thailand.*

7.5.5 Comments

The issues investigated in this section aimed to answer TQ_1 , TQ_2 and TQ_4 . Section 7.5.1 discussed the setting process of TASs adapted and modified from IASs to also help evaluate the relevance of IASs to Thailand. Sections 7.5.2, 7.5.3 and 7.5.4 investigated the problems of implementing TASs adapted from IASs, and the role of the accounting profession and enforcement of TASs, respectively.

The discussion of issues relating to the standard setting process (7.5.1), indicated the relevance of IASs to Thailand (TQ_1) and factors influencing adopting or incorporating IASs (TQ_2). The problems of implementing TASs also reflected partly the problems of incorporating IASs in Thailand. Discussion of these issues helps to answer TQ_2 and TQ_4 . The problems were considered in two stages. First, the problem of IASs themselves and the other problems associated with the standard setting process and implementation. Problems of IASs were revealed as the lack of adequate interpretation and illustrative guidelines as well as the lack of some specific areas of accounting (7.4.1.5) critically needed by developing countries. There were some problems of comprehensiveness in some contexts of IASs, especially in

relation to some specific issues not existing in Thailand. Another problem came from the process of incorporating IASs as discussed in 7.5.2.

The discussion in 7.5.2 helps to answer TQ₂. Like other developing countries, one of the problems of implementing TASs is limited accounting knowledge of accounting practitioners and management. As explained in chapter 3, previous studies have indicated the problems of accounting education in Thailand. Although there have been many efforts to develop new accounting standards, if accounting education is not developed in line with the accounting standards the problems of implementation will continue to exist. Another problem, related directly to accountants and management, is the resistance to change. These two problems might be overcome by improving the accounting educational programme. Other technical problems, such as understandability of the accounting standards and practical problems in providing reliable information, should be addressed when incorporating IASs in TASs. The final problem mentioned was the negative impact of some TASs adapted from IASs on the stability of the national economic and financial system, suggesting some IASs are inappropriate for the local environment in Thailand. IASs should be localised to reflect different environments. Although adapting IASs provides great benefits to Thailand in terms of promoting the development of the capital market, the impact of their adoption on the stability of national economic and financial system should also be carefully considered.

The findings in this section partly support H_{10} : *the development of the (a) accounting profession (7.5.1.4), (b) accounting education (7.5.2.6) and (c) accounting regulation and enforcement (7.5.4) are obstacles to incorporating and implementing IASs in Thailand, while there is no evidence of perceived cultural factors as an obstacle*. The discussion of issues related to the standard setting process will be developed further in chapter 8 where the opinions of interviewees specifically on IAS 41 will be reported.

7.6 Conclusions

Interviewees were asked what factors influenced adopting IASs in Thailand. The results were summarised in section 7.3.6. Interviews revealed that in the case of

Thailand, as a result of the Asian financial crisis the Thai government had focused attention on the quality of financial reporting. Previous studies (Chamisa, 2000; Rahman, 2000) indicated that the financial help received from international organisations influenced recipients' adoption of IASs. This may be particularly true in the case of Thailand, although standard setters did not accept that international organisations had influenced the standard setting policy, possibly because although TAsSs are adapted from IASs, standard setters preferred to claim they chose to adopt IASs they considered relevant to Thailand, rather than admit to having done so under pressure from international organisations. The acceptance of external influences may have been perceived by standard setters as a forfeiture of their intellectual ability. Moreover, it is not surprising that all company directors did not mention cross-border listings as an influential factor. An explanation may be that many companies, both listed in the SET and non-listed, are family-owned or controlled by a relatively small number of shareholders, so they tend to pay little attention to listing in foreign capital markets.

The summaries in sections 7.3.6, 7.4.1.7, 7.4.2.2, and 7.4.4 help to answer TQ₁, TQ₂ and TQ₃. A previous study (Saudagaran, 2001) indicated that IASs offer credible accounting standards for countries that do not have the resources to develop their own standards or that desire the benefits associated with possessing globally accepted accounting standards. This may help to explain the current situation of adapting IASs in Thailand, although one standard setter preferred to adopt US GAAP and suggested language and knowledge barriers as reasons for rejecting US GAAP despite their long influence on the Thai accounting system. It may be partly true that there are barriers of language and knowledge but they are not a convincing reason for adopting IASs. Although US GAAP may help improve the quality of financial reporting, they do not represent global accounting principles.

Although IASs were considered relevant to Thailand, there were many problems highlighted when IASs were incorporated in TAsSs. An explanation may be that Thai accountants have been trained in accounting based on the US accounting method. US GAAP provide detailed guidelines and interpretation. US textbooks have been widely used in the Thai accounting educational programme in universities.

Accounting students learn how to record accounting transactions or which account to debit or credit based on the explanation in US textbooks. Thai accountants are used to receiving detailed instructions, that is why they are not familiar with using judgement to identify ways of reporting financial information. Thai accounting students studying in the Thai accounting educational system may lack the skill of applicability. Interviewees perceived problems in implementing TASs adapted from IASs. They demanded more interpretation and examples.

Further, most problems emerge from opposition to the standard setting process rather than theoretical opposition. Accounting practitioners, particularly industry groups opposed the way the former standard setter introduced the new accounting standards since they were not allowed to participate in the standard setting process. Although the former standard setter followed the ICAAT's policy, by which TASs incorporated IASs with modification, there was criticism that they were not adapted or modified to the local accounting environment. This may have been because the practitioners were not invited to work in the setting process to share their personal experience in related issues. The resistance may also have been due to the former TASB's strictness. The practitioners requested a compromise and more relaxed accounting standards but their request was not heeded. The situation became worse when the regulators urged the standard setter to establish TASs on a timely basis. However, practitioners should be given sufficient time to learn about and familiarise themselves with new accounting standard before they are formally introduced. In the meantime, the accounting profession should provide accounting training to practitioners.

Finally, adopting IASs in other developing countries was also discussed based on respondents' experience. The problems in other countries are similar to those in Thailand. Most countries relatively more successful in dealing with problems allow companies sufficient time for preparation to comply with the new accounting standards that have been established. The stage of preparation is provided for by developing the accounting infrastructure, such as the accounting educational programme and a body of accounting literature. This is particularly necessary in developing countries with emerging capital markets. However, interviewees'

comments on adopting IASs in other developing countries were limited because of their lack of knowledge about this issue, which needs to be further explored by research in other developing countries.

Overall findings in this chapter can be explained by the theory of the political nature of standard setting. The parties interested in accounting standards in Thailand have a strong desire for transparency in the standard setting process and request more involvement in due process. With open due process interest groups could actively lobby for or against a proposed accounting standard. In general, questions about TASs, pressure or lobbying efforts from management or company accountants were mentioned by interviewees. These efforts were driven by the particular concern for their self-interest. Specific questions on accounting for agriculture in chapter 8 may provide further evidence of the lobbying efforts of interested parties.

CHAPTER 8

8. Interviews: IAS 41

8.1 Introduction

The purpose of this chapter is to contribute to the research objectives related to accounting for agriculture by reporting the outcomes of interviews, focusing specifically on IAS 41 and associated issues, generating ideas from them and analysing them in relation to the research questions. The opinions of interviewees regarding the adoption of IAS 41 in the case of Thailand were explored, providing insight into how developing countries, such as Thailand, played a role in setting IAS 41. Notably, two Thai representatives on the steering committee working on IASC E65 were interviewed to determine their role on the committee and to elicit their comments on the final accounting standard. Comments from Thailand were not investigated in chapter 6 because Thailand did not respond in writing to IASC E65, therefore interviews will help to derive information about Thailand's views. IAS 41 was claimed by the IASC to be relevant to developing countries whose economies are based mainly on agriculture. This study permits conclusions on the particular area of accounting for agriculture, not previously studied.

This chapter is organised as follows. Section 8.2 outlines the specific objectives related to accounting for agriculture. Section 8.3 focuses on issues in setting IAS 41 based on discussions with the two Thai representatives on the steering committee of IASC E65. Perceptions of IAS 41 are presented in section 8.4. Current accounting practices for agriculture in Thailand are outlined in 8.5. Finally, a summary and conclusion of interview findings are presented in section 8.6.

8.2 Objectives of Interviews

This chapter will specifically examine interviewees' perceptions of adopting a particular international accounting standard. IAS 41 is a relevant subject for investigation because it was claimed by the IASC that it is important to developing countries. Exploration of a specific issue may encourage interviewees to provide more in-depth information than they might provide when discussing general issues.

Table 8-1 outlines the objectives of this chapter in relation to the research questions and relevant sections located in this chapter.

Table 8-1: Research objectives, research questions and chapter sections

Objectives	Questions	Chapter Sections
GO ₁	GQ _{1a} , GQ _{1b}	8.3
TO ₁	TQ ₁	8.4
TO ₂	TQ ₂ , TQ ₄	8.4, 8.5
AO ₁	AQ ₁ , AQ ₂	8.3, 8.4
AO ₂	AQ ₂ , AQ ₃	8.4, 8.5

To help answer the research questions, research hypotheses where prior expectations have been stated are presented in Table 8-2. Hypotheses for testing were developed by theoretical perspectives as described in chapter 5, section 5.2. Conclusions on theoretical implications are discussed in chapter 10, where the findings of the various chapters are brought together.

Table 8-2: Testing hypotheses where prior expectations have been stated

<i>RQ</i>	<i>Testing hypotheses</i>	<i>Section covered</i>
GQ _{1a} , GQ _{1b}	H ₂ : IAS 41 will incorporate comments from as many respondents as possible.	8.3.3
GQ _{1a}	H ₃ : Anglo-American countries, particularly the UK and the US have a strong influence on the final version of the international standard.	8.3.3
GQ _{1b}	H _{4a} : Developing countries will have different attitudes to IAS 41 from those of developed countries.	8.3.3
GQ _{1b}	H _{4b} : Developing countries are more likely to lobby on IAS 41 than developed countries to express their views.	8.3.3
TQ ₁	H ₅ : IASs help Thailand to improve the quality of financial reporting.	8.4.3
TQ ₂	H ₆ : The parties interested in TASs will lobby based on their self-interests.	8.5.3
TQ ₂	H ₇ : TASs should be based on IASs with some modifications as a result of: a) level of economic development b) level of capital market development c) level of education d) culture	8.4.3
TQ ₂	H ₈ : a) current accounting practice and b) economic factors influence the extent of adopting IASs in Thailand.	8.5.3
TQ ₄	H ₁₀ : The development of the a) accounting profession b) accounting education c) accounting regulation and enforcement d) cultural factors are obstacles to incorporating and implementing modified IASs in Thailand.	8.5.3

Table 8-3: Research questions with no prior expectations

<i>RQ</i>	<i>Question</i>	<i>Section covered</i>
AQ ₁	How relevant is IAS 41 to Thailand?	8.3.3, 8.4.3
AQ ₂	What is the attitude to changing current accounting practice in agriculture in Thailand?	8.5.3
AQ ₃	What factors influence the extent of adopting IAS 41 in Thailand?	8.4.3, 8.5.3

8.3 Issues in setting IAS 41

The purpose of this section is to report the role of Thailand in setting IAS 41 and how relevant IAS 41 is perceived to be to Thailand and other developing countries. In order to provide some insight into the role of Thailand in setting IAS 41, two Thai representatives on the steering committee on working IASC E65 were interviewed and asked whether comments from developing countries were considered by the IASC.

8.3.1 Role of Thailand in Setting IAS 41

As discussed in chapter 4, developing countries are involved in the international standard setting process. In particular, where a given accounting standard is strongly associated with the country's economy, these countries are invited to join in the standard setting process as in the case of IAS 41. Two Thai representatives on the steering committee working on IASC E65, who were also working as Thai accounting standard setters, were interviewed to provide some insight into how IAS 41 was developed with international cooperation from developed and developing countries, and whether IAS 41 has been considered as relevant to Thailand. Since there was no response from Thailand on IASC E65, the two Thai representatives commented on the process of setting IAS 41 and their comments were viewed as those of Thai standard setters.

Both standard setters indicated there were many efforts made by countries during the working stage of the steering committee to put forward their own current accounting practices as the internationally accepted accounting standard. Initially, the proposed accounting standard was considered too difficult for application by developing countries. For example, a complicated mathematical model was proposed for calculating fair value of assets. Standard setter B took the view that each country had

different information available so there could be problems of availability of fair value in some particular accounting environments. He said:

'...I felt that in the working process of IASC E65, there was an attempt to establish one current accounting practice in accounting for agriculture as an internationally accepted accounting principle. This would make the accounting standard too complicated for use as an international accounting standard. I believed that the international accounting standard should be a neutral and simple one that every country could apply and should not be too complicated to understand. Each country has a different level of development in the accounting profession and information availability...'

Standard setter A commented as follows:

'...During the process of setting, one particular accounting principle was introduced in order to provide fair value information and there was an attempt to get support from members of the committee. However, the other Thai representative and I did not agree with this...Moreover initially, the scope of the proposed accounting standard included the processing of agricultural produce after harvest with an example of the processing of grapes into wine. The standard would be much too difficult because the recognition method of the processing of wine is too complicated to understand and is too specific for the wine industry. It should not be included in the international standard. I think that an international accounting standard should be based on general concepts that can be applied in any country. In addition, the process after harvest should be considered beyond the scope of this standard. One standard should not contain too many subjects otherwise it may make people more confused than it is useful. With the definition of agriculture itself, the process after harvest should be similar to other products so there is no need to have a specific accounting principle'

Standard setter A also suggested that allowing developing countries to participate in setting international accounting standards would make it easier for them to accept and adopt the standards. He stated:

'...Participation in the process of setting accounting standards may give people more active involvement. I think that in the case where no Thai participants are working on the steering committee, no one will pay special attention to the questionnaires. A weak point of setting standards is lack of good cooperation between related groups. Thus, I strongly believe that if people become involved in setting accounting standards, it will be easier to accept their adoption...'

Both standard setters also indicated that as a result of a broad discussion during a committee meeting, the final accounting standard decreased in complexity. However, Standard setter A added that the draft of this standard had been rejected at several

IASC meetings previously so that the scope of the standard could be revised. In particular, the measurement method was too complicated to be an international accounting standard. He said:

'...During the working process, I supported the application of fair value measurement. I agreed with the theoretical concept but was concerned about practical problems. I tried to explain to the committee that if the standard were too complicated to understand, it would generate problems for developing countries to comply. This is because during the process, there were many efforts to introduce a mathematical model to measure fair value of agricultural assets. It seemed too difficult for developing countries where there may be a limitation of information availability. The accounting standard should be the simplest one. In practice, each country should be able to apply a particular way to measure their assets depending on the type of biological assets or agricultural produce...I found that many members on the steering committee, although, they were originally from different countries, had similar educational backgrounds and working experiences. I think that these factors may have influenced their attitudes towards the accounting standard, while we were there as representatives from the Thai professional accountancy body...In addition, there were not many comments from committee members as long as the standard did not have much effect on current financial reporting practices or create problems. For example, in the case of France, only the issues of Taxation for revenue recognition were of special concern. For Thailand, since we do not have measurement tools as advanced as those in developed countries we encouraged the committee to apply the basic or simple tool...'

Standard setter B added:

'...There were some concerns from committee members about the fair value measurement, particularly problems in practice but finally everyone agreed with the final version of the standard, which allows the measurement at cost in the case where fair value cannot be measured reliably...'

8.3.2 Other issues arising during the working process of the steering committee

Standard setter B stated that general comments acknowledged by the steering committee could be classified into two groups. The first group included those who proposed the measurement based on the historical cost while the second group proposed the fair value measurement.

8.3.3 Comments

The two Thai representatives provided insight into the role of Thailand and other developing countries in setting IAS 41, enabling the researcher to gain a better understanding of how developing countries and developed countries were influential in setting the final IAS 41. They also suggested the researcher look at information in the public domain to help answer *AQ₁: How relevant is IAS 41 to Thailand?*, which would also provide answers to GQ_{1a} and GQ_{1b}. Developing countries' participation in the setting process, such as Thailand, resulted in greater relevance to developing countries because problems or limitations of each country were addressed and considered by the IASC. The Thai representatives were satisfied with the IASC's decision to approve the final accounting standard because they believed that comments from developing countries had been considered. It seems that IAS 41 incorporated comments from the Thai representatives and the comments on IASC E65 from various countries. The final accounting standard was less complicated than when it was being drafted.

In the case of IAS 41, there was active involvement from Thailand because there were two Thai representatives on the steering committee working on IASC E65. If there had been no representative from Thailand, no one would have paid particular attention to questionnaires on the DSOP or ED. Therefore, the IASC should pay more attention to developing countries in order to encourage their active involvement in the standard setting process. At the same time, Thai accounting standard setters should encourage parties interested in the standard, or at least the Thai professional accountancy body, to participate in the international accounting standard setting process where possible. Comments on the DSOP or ED should provide the views from Thailand in public.

These findings provide some evidence to support *H₂: that IAS 41 will incorporate the comments from as many respondents as possible*. In an institutional context, the IASC incorporates comments from its respondents in order to maintain its legitimacy or remain acceptable. The two representatives gave the researcher a hint to search for more information in the public domain to indicate *whether Anglo-American countries, particularly the UK and US have a strong influence on the final*

international standard (H₃). This issue is taken forward to discuss in chapter 10 where different findings or other evidence are brought together. However, it is possible that these two countries may have had a strong influence during the final stage of setting standard because they were represented on the IASC main Board. This is a limitation of the present study because the researcher could not gain access to the minutes of IASC Board meetings to examine the evidence at this stage. Based on the accessible information, there is no evidence to support *H_{4b}: that developing countries are more likely to lobby on IAS 41 than developed countries*, although agriculture is a significant part of many developing countries' economy.

The findings showed that from Thailand's view on the measurement method based on fair value, as represented by the two Thai representatives, did not differ from that of other member countries on the steering committee. They both agreed with the theoretical concept but the main argument concerned on the method arriving at fair value. However, Thailand's view was that of only one country so it is difficult to indicate at this stage whether *developing countries will have different attitudes to IAS 41 from those of developed countries (H_{4a})*.

8.4 Perception of IAS 41

In order to evaluate the applicability of IAS 41 to Thailand, interviewees were asked for their opinions on the relevance of IAS 41 and problems if it were adopted in Thailand. This section examines how Thai interviewees including the two standard setters in 8.3, perceived the relevance of IAS 41 to Thailand.

8.4.1 Relevance of IAS 41 to Thailand

All interviewees, except for company director A, indicated that IAS 41 was helpful for improving the quality of financial reporting of agricultural companies in terms of providing more useful accounting information, in particular from the perspectives of investors. Company director A commented:

'...I believe that using fair value measurement as required by IAS 41 is impossible to apply. The accounting information should be prepared consistently with the objective of the business. If the enterprise does not intend to sell the biological assets during the process of growth, like work in process in the case of the construction industry, fair value

measurement is not useful and not appropriate to be applied when preparing financial reports...

Company director B indicated that current accounting measurement practices were based on cost measurement which reported agricultural assets (fruit trees) in the balance sheet and profit and loss for the period of harvesting reasonably. However, he did not argue against fair value measurement. Company director C, supporting fair value measurement, suggested that the effects of changes from biological transformation were best reflected by reference to changes in fair value of biological assets. He said:

'...Any entrepreneur who wants to borrow money from the bank, will prefer to apply this standard because it will report better financial performance than before. However, the main principle of this standard is applying financial theory in reporting accounting information of agricultural companies in order to reflect current company performance (because the nature of the agricultural product is highly volatile) and make it easier for making investment decisions. The banker and investors want to see accounting information marked-to-market...'

However, the reliability of, and ability to measure fair value in Thailand was questioned by all respondents, except the two standard setters who were representatives on the steering committee on IASC E65. These standard setters believed that fair value measurement would provide more relevant information. External auditor D said:

'...If fair value can be measured regularly and reliably, it would be considered as relevant to Thailand...'

External auditor A supported applying fair value measurement but had a particular concern about the difficulties of finding a good measurement as a result of the limitations of the information system, in particular when an active market does not exist. Auditor C agreed with auditor A, that in many cases fair value of assets cannot be measured reliably because the Thai information system is not good enough and sometimes an active market does not exist. External auditor A remarked:

'...If IAS 41 is the standard accepted and adopted as the international accounting practice, it will help us prepare financial reports on the same basis as other countries. This will definitely boost our country's credibility for international trading ... The fair value concept better reflects the true value of biological assets than the historical cost concept but in Thailand it is still difficult to find a good measurement

when compared to those measurements used in other countries. This may come from the limitation of the information system as well...'

Regulator B suggested that an independent appraiser might be necessary to help evaluate fair value of assets. He said:

'...I agree with applying fair value accounting but the problem is how to obtain the most reliable fair value of assets. Currently, there is no reference market price. An independent appraiser may be necessary to help evaluate fair value of assets. However, no organisation works on this issue at the moment...'

All standard setters, two of the three regulators, two company directors, and academic users suggested that most businesses in Thailand involved in agricultural activity were small, family-operated business units, often perceived as not being required to produce general purpose financial statements. Regulator A indicated that IAS 41 might better reflect the company's performance, in particular the kinds of agricultural business which require longer than one year to complete the period of biological transformation. However, applying fair value measurement of some businesses that take less than one year may make them more difficult and complicated in practice. Thus, he concluded that different accounting principles might be applied to each type of agricultural activity with regard to a short or a long production cycle. He pointed out that only a few listed companies have operated in agricultural activities as follows.

'...Generally, most Thai agricultural companies are involved in processing agricultural produce. Only a few listed companies have operated agricultural activities that fall under the scope of IAS 41... The main concept of this standard is similar to the accounting standard for construction. Investors may be satisfied with using the fair value concept in preparing accounting information, which may better reflect real company performance. Revenue can be recognised in accordance with the biological transformation of biological assets. Notably, agricultural business takes a long time, over one year in agricultural activities such as an orange orchard, which takes about 5 years to produce fruits... In the prawn farming business the life cycle of a prawn is about 3-4 months so applying fair value measurement may make companies more difficult to follow. The business that has a life cycle longer than one year might have an incentive to comply with the new standard because the company can properly recognise the revenue according to the biological growth of assets. Overall, I think that different accounting principles may be applied to each type of agricultural activity with regard to short or long production cycles...'

It is true there have been only few agricultural companies listed on the SET. Many agricultural companies are not listed on the SET because most are small-scale operations (see 3.5.3.1). However, the Thai government has promoted contract farming whereby small-scale companies or farmers are hired by a large company for farming on their own land. IAS 41 is very important since it supports this initiative.

Overall, interviewees agreed IAS 41 is relevant to Thailand, apart from company director A who did not support applying fair value measurement. Generally, findings indicate that IAS 41 is perceived to be relevant to Thailand *because it will help Thailand to improve the quality of financial reporting (H₅)*. Respondents were supportive of using IAS 41 but they expressed concern about the issue of fair value measurement. However, standard setter B pointed out that if fair value cannot be reliably measured, cost measurement can be used in that situation as permitted by IAS 41. Regulator A suggested that each type of agricultural activity, with a short or long life cycle might require a different accounting principle.

8.4.2 Problems in adopting IAS 41

In order to evaluate the applicability of IAS 41 in Thailand, problems in adopting it were explored. Interviewees were asked their opinions on adopting IAS 41 in Thailand. This section casts some light on other factors influencing the extent of adopting IAS 41 in Thailand.

8.4.2.1 Use of fair value accounting

All interviewees were concerned about fair value measurement of biological assets. Company Director A indicated that in the agricultural business only agricultural produce can be reliably measured at fair value since during biological transformation biological assets have not been traded regularly are not capable of being measured at fair value. In addition, he argued that fair value of biological assets should be the accumulated costs of biological assets rather than market price and should be consistent with the company's objectives. If the company does not intend to sell biological assets during the period of growth, fair value measurement at market price is not considered relevant. Standard setter A suggested that the fair value of the end product of each agricultural activity could be used as a basis for calculating fair value

of biological assets. However, director A argued that it would be unreasonable and unacceptable to do this. He stated:

' ... the commodity price is highly volatile. If fair market price is applied by estimating the end product price, it will affect the reliability and accuracy of financial reporting... '

Standard setter A, commenting on fair value measurement, said:

'...Based on the fair value definition in this standard, it will certainly create problems to obtain fair value because an active market seldom exists. In the case of Thailand, I believe that fair value may be reasonably determined by using market prices for similar assets with adjustment to reflect differences. A calculation method can be easily applied...Short-life biological assets are not very difficult to measure at fair value. The market price of the end product can be used to systematically estimate fair value of the product at that period of time. However, I am worried about the availability of fair value of biological assets, which have a longer process of biological transformation than one year... '

Company director A commented as follows:

'...Our company can only measure the fair market value of finished goods we cannot determine the fair value of the animal in the process of growth. However, I believe that fair value of the animal in the process of growth is its accumulated cost. Because in this kind of business raised animals, (e.g. broiler chickens) which are not large enough, have never been traded. There is no market price for pre-matured animals. Fair value measurement calculated by estimating the price of the end product is unacceptable and not reasonable at all. In addition, we cannot physically check the exact number of animals because physical contact with animals, particularly chickens, affects their feelings and emotions. In the case of agriculture, the person's expertise might be an animal husbandry and s(he) can estimate the number of chickens in proportion to the farming area. In chicken feeding, we cannot raise a lot of chickens in a limited area because the survival rate of the animal will decrease...I believe that our current accounting measurement for agricultural produce and biological assets is reported at fair value. We record finished goods at market price. It is not difficult to obtain the market price of commodity products. For biological assets, the accumulated cost best represents their fair value. The parent stockbreeder is reported at cost less accumulated depreciation which is the most reasonable value because basically the stockbreeder has never traded until the end of the estimated productive period. The depreciation method of the parent breeder is calculated by using the double-declining method...'

In order to apply IAS 41, three of the four auditors suggested that the standard setter should provide proper guidelines for fair value measurement of biological assets. Otherwise, there might be problems of understandability of the accounting standard amongst participants, as had happened in the adoption of other IASs in the past.

Company director C expressed some concerns about the reliability of fair value, although he supported fair value measurement. He said:

'...At the present time, financial reporting tends to present the accounting information at fair value in order to reflect the current company performance. The problems are how we can obtain fair value, in particular fair value of work in process or biological assets and how we can ensure the reliability of fair value. If fair value is wrongly estimated, the bank might make a wrong decision in granting bank loans and will face a high default risk. Therefore, the company should provide more information, in particular the assumption of when and how fair value is measured in order to provide information to make reasonable decisions. As a banker I do not want to intervene in the company's financial report but if it can supply the required information this will make the decision-making process easier and reasonable decisions will be made. I believe that if this standard is applied the company might be required to disclose much more information...'

The academic users indicated that although they agreed with adopting IAS 41 in Thailand, some issues relating to fair value measurement needed to be considered in order for it to apply to the Thai accounting environment. Academic user A stated:

'...IAS 41 may be adopted in Thailand but some issues need to be considered, in particular fair value measurement. I am not sure whether it is possible to apply it in the context of Thailand. Therefore, some issues in IAS 41 may need to be adapted to the Thai accounting environment...'

Company director B, commenting on fair value measurement, remarked:

'...The particular problem is that an active market of biological assets seldom exists and some products have no market price on a daily basis. In the case of agricultural activity that has a long biological transformation period, such as planting trees in a plantation forest, it may be quite difficult to apply fair value measurement... I believe that fair value accounting can provide relevant accounting information to accounting users. But, if fair value cannot be measured reliably, cost measurement should be applied...In the case of our company, we plant fruit trees and the life cycle for harvesting the fruits is shorter than a year so I think it would not have much effects on our financial statements if we have to follow IAS 41. IAS 41 also allows for the fact that cost may sometimes approximate fair value when little biological

transformation has taken place. This applies to our company. The major difference between our company's current practice and IAS 41 is that we record the cost of planting and maintaining trees accumulated and cost is allocated by using the expected productive units as a basis for cost allocation...

Further comments on fair value came from External auditor A who said:

'...Although fair value will provide investors with more useful and relevant information, it is more difficult to obtain. Moreover, in order to apply fair value, it may sometimes be based on people's assumption...'

and Regulator A who remarked:

'...I think it is quite difficult to determine fair value of assets in Thailand because I do not expect that anyone can estimate fair value of assets under the Thai market environment. The active market may sometimes not exist for some biological assets. In such cases, fair market value cannot be reliably measured especially during the period of growth in the case of a biological asset that has a long growth period. Even the external independent valuation is doubtful. The different assumptions used in estimating fair value can produce a different estimated value. This standard deals with the accounting estimates. However, the nature of agricultural activity is uncertain and prices of agricultural produce are highly volatile. It is difficult to ensure the reliability of fair value of assets...'

Overall, interviewees expressed significant concerns about the reliability of fair value measurement for some biological assets, in particular for those with a long growth period. In addition, it may not be appropriate to apply accounting estimates because market prices of agricultural produce are volatile and cyclical. Based on people's assumptions, information about fair value can take a range of different numbers in financial statements. Company director A pointed out that fair value of biological assets is the accumulated cost of biological assets. According to the definition of fair value in IAS 41, it is not appropriate to measure biological assets of agricultural companies which do not intend to sell them during the process of growth. Moreover, external auditors and regulators indicated that due to the lack of specific concrete guidelines on fair value measurement, companies might apply their own subjective or arbitrary rules to determine how these items should be accounted for.

8.4.2.2 Disclosure Requirements

Besides, the issues related to fair value measurement discussed in the previous section, the interviewees commented on the disclosure requirements of IAS 41. Company director A expressed a particular concern about disclosure requirements because this standard requires agricultural companies to disclose more information than they have ever done before, and many more details, although some items are encouraged but not required. Standard setter A pointed out that there might be problems for companies in meeting disclosure requirements. He also mentioned that agricultural companies in Thailand seldom keep records during agricultural activity. In addition, company director B argued that '*...some disclosure requirements may affect the competitive advantages of the company...*' Although external auditor C indicated that disclosure requirements were appropriate for listed and public companies to follow, he thought disclosure requirements might be too many for small companies who were not listed on the SET and did not have many stakeholders. Standard setter A similarly commented:

'...IAS 41 requires too many disclosure requirements. Some required disclosures might be difficult to provide, for example, the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. It was suggested by a member of the steering committee that a computer program might be helpful in providing this kind of information. However, I think that it is very difficult to reconcile because there are too many events occurring during the period, such as births and deaths. Ages, sex and other factors affect the valuation of assets. If you have been involved in the agricultural business, you will know that this transaction happens on a daily basis. In addition, separate disclosure of physical and price changes is encouraged, in particular when there is a production cycle of more than one year. In the case of Thailand, we may use physical observation to classify biological assets and identify the carrying amount of biological assets at the end of the period...However, we have tried to find the best solution for Thailand...'

8.4.2.3 Issues of Tax Accounting

Applying fair value measurement of biological assets and agricultural produce results in revenue recognition during the period of growth. Some interviewees referred to the issues of tax accounting. Company director B indicated that tax accounting disallowed fair value measurement as a basis for revenue recognition. External auditor A was concerned with a similar problem when he stated '*...there would be a*

tax accounting issue because currently the Tax authority does not accept the fair value concept for components other than inventories...' Company director C indicated that revenue recognition based on fair value measurement would increase the tax burden for agricultural companies. The findings imply that companies may also use the disallowance by Tax accounting against applying fair value measurement. Partly they might be worried about the tax burden if the gain from change in fair value is reported and is required to treat it as taxable income.

8.4.2.4 Other possible problems and suggested solutions

Although almost all of the interviewees accepted that IAS 41 was relevant to Thailand, they realised that there might be problems if this standard was adopted. In particular, significant concerns about the availability of fair value and disclosure requirements were expressed. Table 8-4 summarises potential problems of adopting IAS 41 in Thailand mentioned by interviewees, including their suggested solutions. Some interviewees mentioned problems but did not suggest solutions.

Table 8-4: Problems and suggested solutions by interviewees

<i>Problems</i>	<i>Suggested solutions</i>
<ul style="list-style-type: none"> • Risk default 	<ul style="list-style-type: none"> • Providing more information in Notes to financial statements
<ul style="list-style-type: none"> • Reliability of fair value measurement 	<ul style="list-style-type: none"> • Applying cost measurement • Improving the information system • Proper guidelines on fair value measurement
<ul style="list-style-type: none"> • Market availability 	<ul style="list-style-type: none"> • Applying cost measurement • Independent Appraiser • Accounting estimates based on fair value of end-products

Risk default resulting from applying fair value measurement was mentioned by a company director working as a banker. He suggested that companies should disclose the assumption used in measuring fair value in Notes to financial statements. All respondents expressed significant concern about the reliability of fair value measurement, and suggested solutions for this problem included applying cost measurement in the case where fair value could not be reliably measured, improving the information system in order to provide relevant information representing fair value of assets, and the standard setter should provide proper guidelines on fair value measurement in order that every company uses the same basis for measuring fair value of assets.

Another problem highlighted was market availability. In many cases, an active market for some biological assets does not exist and the information system is not currently good enough. Interviewees suggested that cost measurement should be applied or an independent appraiser could help companies determine fair value of biological assets. One standard setter suggested that accounting estimates could be applied in determining fair value, in particular for some biological assets with a short period of growth. Other problems which need to be considered by standard setters when IAS 41 is adopted related to disclosure requirements and tax accounting issues.

8.4.3 Comments

This section discussed interviewees' perceptions on adopting IAS 41 in Thailand. Table 8-5 summarises how frequently each item was mentioned by interviewees. The findings in this section help to answer *AQ₁* and *AQ₃*.

Table 8-5: Interviewees' perceptions on adopting IAS 41 in Thailand

<i>Perceptions on IAS 41</i>	<i>Setters (2*)</i>	<i>Auditors (4)</i>	<i>Regulators (2*)</i>	<i>Directors (3)</i>	<i>Users (1*)</i>	<i>Total (12)</i>
• Reliability of fair value measurement	2	4	2	3	1	12
• Relevance of fair value measurement	2	4	2	2	1	11
• Market availability	2	2	2	3	1	10
• Too many disclosure requirements	2	1		2		5
• Lack of Information availability	2	2				4
• Problems related to tax accounting	1	1		1		3
• Short / long life of biological assets	1		1	1		3
• Independent valuation			2			2
• Cost measurement preference				1		1

* indicates that Standard setter C, Regulator B, and Academic user B refrained from commenting on the particular issue on the adoption of IAS 41 in Thailand.

Table 8-5 shows reliability of fair value measurement was most frequently mentioned by interviewees while the relevance of IAS 41 was mentioned by 11 respondents. This is because company director A did not support applying fair value measurement with regard to the definition of fair value in IAS 41. He claimed that fair value of biological assets is the accumulated cost of assets at the point of time. Moreover, prices of agricultural produce are volatile and cyclical so the accounting estimates may distort the accounting information. Therefore, cost measurement is the most relevant. Other interviewees indicated that IAS 41 would help to improve the quality of financial reporting of agricultural companies and provide more relevant information for making decisions. As discussed in 8.4.1, overall, respondents agreed

that IAS 41 is relevant to Thailand because *it will help to improve the quality of financial reports (H₅)*. Other issues, namely, market availability and information availability, related to the reliability of fair value measurement, while others specific issues which should be considered by standard setters when IAS 41 is adopted, were disclosure requirements and tax problems. In addition, interviewees suggested that independent valuation could help ensure the reliability of fair value measurement. Another significant concern was different kinds of agricultural activity, since short or long period of growth may require different accounting principles.

The main factor influencing the extent of adopting IAS 41 according to interviewees was related to fair value measurement. Table 8-5 indicates that if a TAS is issued based on IAS 41, it is the most important to achieve a balance between the relevance and reliability of accounting information provided based on fair value measurement. Interviewees could perhaps accept a decrease in the reliability of financial reporting if more relevant information were prepared. One possible reason for this may be the perceived and acknowledged difficulties in adopting IAS 41 arising from the level of economic development and cultural factors. Thailand has no active market for every stage of biological asset and no reference market to help estimate fair value of assets reasonably, such as the agricultural futures market only recently established (see 3.5.3.5). Thus, the reliability of fair value may be doubtful. In addition, based on cultural factors, the results also show that interviewees thought more disclosure requirements would result in competitive disadvantage without showing any concern about providing relevant information for investors. One possible interpretation is that interviewees were reluctant to divulge company information in order to maintain secrecy rather than display transparency. These findings partly support *H₇: that TAS should be based on IASs with some modifications as a result of level of economic development and culture*. Other factors were not mentioned or implied by interviewees.

A study of IAS 41 provides further insight into the relevance of IASs and factors influencing the extent of adopting IASs in Thailand derived from the perception of one particular standard. This will help answer TQ₁ and TQ₂. A comparative study on the adoption of other IASs in Thailand could be useful to answer these questions but

would be too large to include in this study. However, this study provides a framework for studying other accounting standards for comparison of the results

8.5 Accounting for agriculture in Thailand

Although the discussion of interviewees' perceptions of adopting IAS 41 helps to evaluate the relevance and factors influencing the extent of adopting IAS 41 in Thailand, it does not provide insight into how respondents perceived current accounting practices for agriculture in Thailand, or suggestions for incorporating IAS 41 in a TAS to meet accounting needs in Thailand.

8.5.1 Perceptions of current accounting practices for agriculture

Although there is no specific accounting standard for agriculture in Thailand, all listed companies in the SET apply cost measurement for financial reporting purposes. Standard setter A stated that '*...Thai current accounting practice is based on the historical cost principle. The fair value concept is not currently applied in measuring biological transformation...*' Company director A preferred to apply cost measurement because of its greater objectivity and reasonableness. He commented as follows:

'...recording the cost of a biological asset at its absorbed cost or accumulated cost is the most reasonable. I believe that the market price should not be used for the valuation of biological assets during the process of growth. Using the market price of finished goods to estimate fair value of biological assets is not appropriate and might distort accounting information because agricultural produce has high price volatility. In particular, in Thailand when the market price of agricultural produce increases, most farmers will turn to cultivating that kind of product then the market price will move down as a result of the demand and supply mechanism...'

Although company director C, working as a banker, preferred companies to provide more relevant information in the form of the market price of their inventories or other assets, he did not have any problems with companies' current practices, basically because they will provide the required information or special reports for the bank. External auditor B considered the current accounting practices of agricultural companies reasonable and acceptable. Other respondents did not mention their attitudes towards current accounting practices, possibly because they did not have

direct experience of accounting for agriculture, they could only comment on applying IAS 41 in general. External auditor B said:

'...At the present time agricultural companies apply cost measurement in financial reporting. Cost incurred during biological transformation is capitalised and will be amortised as a cost of an agricultural product when it is harvested. However, accounting estimates are used as a basis for cost allocation. The number of total outputs or the period of production is estimated. Basically, I think that the current allocation method is reasonable and acceptable...'

8.5.2 Incorporating IAS 41 in a TAS

Standard setter A suggested that incorporating IAS 41 in a TAS was similar to incorporating other IASs. It was necessary to make it clearer and to provide more examples in the Thai context as well as give additional interpretation of the standard. Company director C indicated that market prices of biological assets and agricultural produce were considered important information for granting loans to companies. However, if the market price information were disclosed in the notes to financial statements this was also considered acceptable. He stated:

'...The most important information in the financial reporting of the agricultural business is stock details and costs of inventories. Basically, we ask companies about the current market price of their inventories. As a banker, I do not want to intervene in the company's financial reporting or any financial statement presentation. We can obtain relevant information without presentation on the balance sheet. It is acceptable if companies just disclose more information in the notes to financial statements. Sometimes information on the balance sheet does not give you as much as detail as you expect. You can just take it to calculate financial ratios...'

Regulator A said that the standard setter should consider that a different period of agricultural activity, such as a short or long period of growth, might need different accounting principles.

External auditor A was not sure about incorporating IAS 41 in a TAS. He required more information from people in the industry as to what would be the real problems of adopting the standard and whether there would be any way to remedy or amend the standard, if necessary. However, if IAS 41 were to be adopted, a mechanism to facilitate fair value measurement should be primarily considered.

Other interviewees did not give particular comments on the issue of incorporating IAS 41 in a TAS.

8.5.3 Comments

Interviews in this section aim to contribute to AQ₂ and AQ₃. Section 8.5.1 investigated the perception of current accounting practice for agriculture in Thailand in order to help to answer AQ₂: *What is the attitude to changing current accounting practice in agriculture in Thailand?* Only four interviewees gave comments on this issue. Others who may not have had direct experience of accounting for agriculture declined to comment on this particular issue. However, company director A had a strong desire to follow current accounting practice based on cost measurement, explaining why fair value measurement might not be appropriate for agricultural companies. As a banker, company director C accepted either current accounting practice or IAS 41 if companies could only provide information about fair value of inventories somewhere in the financial reports. These individuals gave reasons supporting their self-interests. Company director A did not want to change the current accounting practice to another measurement method that might make his work more difficult while company director C, a banker, expressed a particular concern about the reliability of applying fair value measurement. External auditor B viewed current accounting practice as reasonable and acceptable, possibly because he worked as an external auditor for several agricultural companies, and there seemed no problem for these companies to apply cost measurement from time to time. However, he indicated that fair value might provide more relevant information if it could be reliably measured.

In agency theory based on the audit client relationship (Puro, 1984), external auditors would be expected to lobby for rules which benefit their clients. It is difficult to identify this relationship from the results in this chapter because only one of four external auditors supported companies' comments. The overall results indicate that current accounting practice influenced the extent of adopting IAS 41. Company directors were satisfied with the current accounting practice based on cost measurement so did not agree with any issue in IAS 41 introducing fair value measurement. Standard setter A did not offer an opinion on current accounting

practice but pointed out that current accounting practices for agriculture in Thailand were based on cost accounting. These findings provide evidence to support *H₆: that the parties interested in TASs will lobby TASs based on their self-interest*. This was observed from the arguments provided by interviewees. Overall, the findings also supported *H₈: that current accounting practice and economic factor (self-interest) influence the extent of adopting IAS 41 in Thailand*. Findings from examining the case of IAS 41 helped to answer TQ₂.

Throughout the discussion on incorporating IAS 41 in a TAS (section 8.5.2), we see that the major concerns of interviewees were the appropriateness of IAS 41 to Thailand and the existence of a mechanism to facilitate fair value measurement. Concern about the appropriateness of IAS 41 centered on the application of fair value measurement as less useful and more difficult, particularly a short period of agricultural activity as not be worthwhile. The findings suggested that costs should be compared with the benefits of applying fair value, and the question of whether different kinds of agricultural activity need different accounting principles should be addressed. Standard setter A considered general issues, like incorporating other IASs, making the standard clearer, and providing more examples in the Thai context and additional interpretation.

Discussion on the issues relating to problems of adopting IAS 41 (section 8.4.2) and incorporating IAS 41 in a TAS (section 8.5.2) help to answer AQ₃ *What factors influence the extent of adopting IAS 41 in Thailand?* When IAS 41 is adopted, the problems mentioned by interviewees would be important factors influencing the extent of its adoption. These factors include the reliability of fair value, market availability, information availability, disclosure requirements, problems related to tax accounting, and the short or long period of growth of agricultural activity. The main factor which has to be considered is the reliability of fair value.

The foregoing discussion implied that cultural factors were obstacles to adopting IAS 41 in Thailand, particularly the issue of disclosure requirements. There were requests for more examples and more interpretation. Allowing the use of professional judgment may lead to conflicts among accountants, external auditors, and regulators as discussed in chapter 7. These findings are consistent with Gray's cultural study

indicating Thailand as high in secrecy and strong statutory control, providing evidence to *partly support H₁₀: that cultural factors are obstacles to incorporating IASs in Thailand*. This helps answer TQ₄ about the extent of incorporating IAS in Thailand. The problem of information availability may be solved by fully establishing the agricultural futures market. This development will depend on the country's economic development. Interviewees emphasised that if IAS 41 is adopted, a mechanism to facilitate the measurement of fair value has to be provided.

8.6 Conclusions

An examination of how respondents perceived current accounting practices for agriculture in Thailand revealed another aspect of how they themselves evaluated IASs since interviews allowed them to comment on a specific accounting standard, IAS 41, which had not yet been adopted in Thailand. Thus, there had been prior formal discussions among parties interested in this standard. Moreover, interviews focusing on a particular standard, encouraged interviewees to express their ideas more fully than asking them to comment on general issues.

Sections 8.3.3 and 8.4.3 help to answer AQ₁ and these confirm the findings in chapter 7 that IASs are relevant to Thailand. Section 8.5.3 summarises the findings to answer AQ₂ and AQ₃. Although almost all interviewees supported the adoption of IAS 41, they indicated several factors that should be particularly considered. Although some respondents were satisfied with current accounting practices for agriculture, the introduction of a new accounting standard based on internationally accepted accounting principles was not considered too difficult for them to accept. Moreover, the presence of two Thai representatives working on the steering committee encouraged their acceptance of the proposed new standard. IAS 41 will totally change current accounting practice. To apply this standard effectively, the standard setter must provide a mechanism to facilitate the measurement of fair value. Factors mentioned in sections 8.4.3 and 8.5.3 may assist in the preparation stage of incorporating IAS 41 and promote acceptance from interest groups.

CHAPTER 9

9. Perceptions of Incorporating IASs in Thai Accounting Standards: Questionnaire Investigation

9.1 Introduction

The purpose of this chapter is to contribute to the research objectives by using a questionnaire survey to gain a better understanding of the adoption of IASs in Thailand. This chapter reports the perceptions of respondents on general issues of financial reports prepared in compliance with the current TASs and on particular issues of adopting IAS 41. This may help evaluate the relevance of IASs to Thailand, particularly IAS 41. This chapter also discusses the perceptions of respondents towards factors that may be influential in the development of TASs, problems associated with the implementation of TASs adopted from IASs and possible problems in adopting IAS 41 in Thailand. The questionnaire study mainly focuses on issues related to the adoption of fair value measurement and accounting disclosure because fair value is the main accounting concept of IAS 41.

This chapter is organised as follows. Section 9.2 outlines the objectives of this chapter, followed by 9.3 which provides background information on the questionnaire. Sections 9.4 to 9.7 present the results from the questionnaire survey and are organised according to the research questions to be answered in this chapter. Finally, a summary of the chapter's content and conclusion drawn are presented in section 9.8.

9.2 Objectives of this chapter

The questionnaire survey was conducted to explore issues related to respondents' perceptions of general issues related to the adoption of IASs in Thailand and particular issues associated with adopting IAS 41 in Thailand. Table 9-1 outlines the objectives of this chapter in relation to the research questions and sections located in this chapter.

Table 9-1: General objectives and chapter sections

Objectives	Questions	Chapter sections
TO ₁	TQ ₁ , TQ ₃	9.4, 9.5
TO ₂	TQ ₂ , TQ ₃ , TQ ₄	9.4, 9.6
AO ₁	AQ ₁	9.7
AO ₂	AQ ₂	9.7
AO ₃	AQ ₃	9.7

To help answer the research questions, research hypotheses where prior expectations have been stated are presented in Table 9-2. Hypotheses for testing were developed by theoretical perspectives as described in chapter 5. Theoretical implications are discussed in chapter 10 where the findings of the various chapters are brought together.

Table 9-2: Testing hypotheses where prior expectations have been stated

<i>RQ</i>	<i>Testing hypotheses</i>	<i>Section covered</i>
TQ ₁	H ₅ : IASs help Thailand to improve the quality of financial reporting.	9.5.3
TQ ₂	H ₆ : The parties interested in TASs will lobby based on their self-interest.	9.7.3.3
TQ ₂	H ₇ : TASs should be based on IASs with some modifications as a result of: a) level of economic development b) level of capital market development c) level of education d) culture	9.5.3 9.6.5
TQ ₂	H ₈ : a) current accounting practice and b) economic factors influence the extent of adopting IASs in Thailand.	9.7.2.4
TQ ₃	H _{9a} : Thailand moves towards IASs because of a) moving towards global capital markets b) increase in the credibility of financial reporting c) facilitating foreign investment d) influence from international organisations	9.4.4
TQ ₃	H _{9b} : Thailand moves towards IASs rather than US GAAP because an IAS is: a) more flexible b) more neutral c) an internationally accepted accounting principle	9.4.2
TQ ₄	H ₁₀ : The development of a) accounting profession b) accounting education c) accounting regulation and enforcement d) culture factors are obstacles to incorporating and implementing modified IASs in Thailand.	9.5.3 9.6.3 9.6.5

Table 9-3 details exploratory questions with no prior expectation that are explored in this chapter.

Table 9-3: Research questions with no prior expectations

<i>RQ</i>	<i>Question</i>	<i>Section covered</i>
AQ ₁	How relevant is IAS 41 to Thailand?	9.7.4
AQ ₂	What is the attitude to changing current accounting practice in agriculture in Thailand?	9.7.4
AQ ₃	What factors influence the extent of adopting IAS 41 in Thailand?	9.7.4

9.3 Background information on the questionnaire survey

As explained in chapter 5, section 5.4.3.1, there is one set of questions, modified to suit each group of respondents. The questions focus on issues associated with the adoption of IAS 41 in Thailand.

Appendix 9A shows respondents' answers to each question (see questions in Appendix 5A). This section reports the results of the questionnaire survey and is organised according to the research questions to be answered. The responses were collected and analysed statistically. Answers were grouped by type of respondent. The results were compared between groups of respondents. Appendix 9B shows the results of using a two-sample *t*-test and a Mann-Whitney test to determine whether differences between the groups were statistically significant at a 5% level of significance. Any significant differences are indicated in the final column of the tables and discussed. The discussion also focuses on observed differences in the distribution of responses even when statistical analysis did not indicate significant differences.

Appendix 9C provides information about respondents' characteristics. Appendix 9D shows respondents' answers, indicating their participation in the Thai accounting standard-setting process. These appendices are used for discussion of the findings in each section.

9.4 Factors influencing adopting IASs in Thailand

Tables 9-4A, 9-4B and 9-4C present answers to questions designed to help investigate factors driving Thailand towards adopting IASs (TQ₃).

9.4.1 International factors

Table 9-4A shows that all groups of respondents strongly agreed on average that international influences have played a major role in the development of TASs. Individually, five out of 15 financial analysts, one of eight other listed companies, and one of 17 auditors who returned the questionnaire indicated they did not know whether international influences played a major role.

Respondents were also asked to evaluate their level of agreement with factors influencing the development of TASs (see Table 9-4B). Although eight out of 15 financial analysts believed there was an international influence on the development of TASs (Table 9-4A), only a few could indicate the extent of the influence but agreed that all factors mentioned had played a major role in the development. A possible explanation is that these financial analysts may not have had sufficient understanding of the development of TASs and IASs so could not identify the influential international factors or the extent of the influence, or else there were other factors not mentioned. Moreover, Appendix 9C shows that only two financial analysts had an educational background in accounting. All groups of respondents' answers to the questions (see Table 9-4B) were below 3.0 in mean score, indicating that all groups of respondents agreed on average that the role of IASs in harmonisation of financial reporting, multinational corporations, acceptance of IASs by global capital markets, pressures from international organisations, and accounting educational programme, had influenced the development of TASs. Table 9.4B shows the relative importance of different factors. Harmonisation has a relatively low mean score from all respondents. Influence of international organisation has a relatively high mean score.

9.4.2 Perceived relevance of IASs rather than US GAAP

Respondents were also asked which set of accounting standards they would prefer Thailand to adopt. All respondent groups preferred to adopt IASs, except eight financial analysts who did not give any answers. Thirty-five of 39 respondents indicated that IASs were considered internationally accepted accounting principles. Others indicated that IASs were more neutral and could be localised to any country's

accounting environment. Respondents added that although they preferred Thailand to adopt IASs, US GAAP were also considered to be very helpful, because US GAAP have provided some materials to assist understanding of accounting principles, such as guidelines, interpretation, and US textbooks. This finding supports *H_{9b}: that Thailand moves towards IASs rather than US GAAP because IASs are more neutral and perceived as internationally accepted accounting principles.*

Overall, responses show that the role of IASs in harmonisation of financial reporting was considered most influential. However, financial analysts evaluated multinational corporations as being the most influential, possibly because they had experienced using multinational companies' financial reports and found that accounting practices among countries were varied. An obstacle for multinational corporations is the different accounting principles across countries. Multinational corporations may therefore drive harmonisation of accounting standards. Multinational corporations seemed to be the most relevant factor with which financial analysts were familiar, perhaps explaining why financial analysts expressed a higher level of agreement with this factor than other factors.

9.4.3 Statistical analysis

A Mann-Whitney test and a two-sample *t*-test (see Table 9-4B) show the distribution of responses between agricultural companies and external auditors to be significantly different for the role of IASs in harmonisation of financial reporting (question 2.1). Whereas only one of eight agricultural companies (A2, G10.1) selected "strongly desirable" regarding the role of IASs in harmonisation, 11 of 16 (A4, G12.1) external auditors selected it. This may be because external auditors who had worked for Big Five firms understood the roles of harmonisation more than accountants who worked for local companies.

A two-sample *t*-test also shows that the distribution of responses between agricultural and other listed companies, and external auditors regarding influences of accounting programmes based on US textbooks and materials significantly differed (question 2.6). This indicates that agricultural and other listed companies considered the influences of US accounting stronger than did external auditors. All agricultural

companies and all other listed companies selected either 'desirable influence' or 'strongly desirable influence', while of 16 external auditors, 11 chose "desirable influence" (A4, G12.6), one selected "no influence", and the rest chose "undesirable influence". Four auditors believed that Thai accounting education influenced by the US accounting programme had a negative influence on TASs, which are adapted from IASs. Two of those who had a negative attitude towards US accounting influence were partners in Big Five firms, while the other two were senior managers with extensive work experience in accounting and auditing. As discussed in chapter 3, the Thai accounting programme is mainly based on US textbooks. US accounting practices affect people's attitudes towards adopting IASs, and may have led to difficulties in adopting IASs in the past which introduced a different concept, such as fair value accounting.

9.4.4 Comments

Overall, international factors were perceived as influential by all groups of respondents although some financial analysts could not answer more detailed questions focusing on identifying international influential factors. Particularly, respondents perceived that the most important factor driving Thailand towards adopting IASs was the role of IASs in promoting harmonisation of financial reporting. Acceptance of IASs by global capital markets, multinational corporations, and pressures from international organisations also influenced the development of TASs and Thailand's move towards adopting IASs. These findings support H_{9a} : *that harmonisation of accounting standards, moving towards global capital market, and pressure from international organisations were perceived as moving Thailand towards adopting IASs*. Section 9.4.2 indicated that IASs were viewed as more neutral and representing internationally accepted accounting principles. In contrast, internal factors were seldom considered influential or even mentioned by financial analysts. Financial analysts, as users of financial statements, and agricultural companies and other listed companies as preparers, did not accept their needs might have influenced the development of TASs. These internal factors may affect the incorporation of IASs in TASs. Moreover, the US influence was perceived as

influential on adopting IASs in Thailand as a result of the Thai accounting educational programme based on US textbooks and training.

9.5 Relevance of IASs to Thailand

In order to help answer TQ₁ concerning the relevance of IASs to Thailand, all groups of respondents were asked questions as presented in Tables 9-5A and 9-5B.

9.5.1 Discussion of findings

Table 9-5A shows that all agricultural companies, all other listed companies, and 16 out of 17 external auditors were aware that TASs incorporated IASs, while only seven of 15 financial analysts were aware of this. This may be because accounting standards did not affect their work directly.

Moreover, seven of eight agricultural companies, all other listed companies, and 10 of 12 external auditors (see Table 9-5A) were dissatisfied with current TASs, while only six of 15 financial analysts were dissatisfied. The majority of financial analysts disagreed with opinions of other groups of respondents. This may be because financial analysts' work did not need to comply with the rules of TASs so they had different views on this issue. As long as they have no difficulties in using accounting information, despite their limited accounting knowledge, they will maintain a positive attitude towards TASs. It is possible that financial analysts obtain a lot of information not only from companies' financial reports but also from form 56-1, the disclosure required by the SET (chapter 3). As discussed in chapter 3, this government agency has attempted to help investors obtain information for making investment decisions because this will help develop the Thai capital market. This possibly explains why financial analysts were generally satisfied with current TASs and their development. Some respondents explained why they were satisfied or dissatisfied with current TASs. These reasons are presented in Table 9-5C.

Table 9-5A: Relevance of TASs adapted from IASs (1)

Question	Overall responses		Financial Analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)		
	N	Yes	Q	N	Yes	Q	N	Yes	Q	N	Yes	Q	N	Yes
1. Are you aware that Thai accounting standards incorporate IASs?	47	9	G14	15	8	G12	8	0	G12	7	0	G14	17	1
2. Are you satisfied with current TASs?	42	30	G10	15	6	G8	8	7	G8	7	7	G10	12	10
3. Should Thailand adopt all IASs?	44	27	G16	12	3	G14	8	7	G14	7	7	G16	17	10

N = number of respondents, (1) = yes, (2) = no

Table 9-5B: Relevance of TASs adapted from IASs (2)

Question	Overall responses			Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)			Sig.									
	N	X	Med.	SD	Q	N	X	Med.	SD	Q	N	X	Med.	SD	Q		N	X	Med.	SD					
(*) indicates distribution of responses between groups of the respondents is statistically different at the 5% level (either a Two-Sample t-test or a Mann-Whitney test)																									
4. Do you agree with Thai accounting standard-setting policy based mainly on IASs?	43	2.05	2	.575	G15	11	2.45	3	.688	G13	8	2.00	2	.535	G13	7	2.00	2	.577	G15	17	1.82	2	.529	(1,4) *
5. In general, IASs are helpful to Thailand to improve the quality of financial reporting.	44	2.00	2	.528	G18a	12	2.00	2	.603	G16a	8	2.13	2	.354	G16a	7	1.86	2	.690	G18a	17	1.94	2	.659	-
6. Adopted IASs could help use financial reports easier since companies would have with the formal guidance and increase the comparability.	44	2.20	2	.668	G18b	12	2.17	2	.577	G16b	8	2.13	2	.354	G16b	7	1.86	2	.690	G18b	17	2.35	2	.931	-
1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree																									
7. To evaluate qualitative characteristics of financial reports compiled with TASs.	Not applicable																								
7.1 Understandability	14	2.29	2	.726	G5.1	14	2.29	2	.726											n/a					
7.2 Relevance	14	2.07	2	.616	G5.2	14	2.07	2	.616											n/a					
7.3 Reliability	14	2.79	3	.699	G5.3	14	2.79	3	.699											n/a					
7.4 Comparability	13	2.54	2	.877	G5.4	13	2.54	2	.877											n/a					
7.5 Consistency	14	2.57	2.5	.852	G5.5	14	2.57	2.5	.852											n/a					
7.6 Timeliness	14	2.62	3	.768	G5.6	14	2.62	3	.768											n/a					

Scale 1-5: High to Low

Table 9-5C: Reasons for satisfaction/dissatisfaction with TASs

<i>Reasons</i>	<i>Number of responses</i>
<i>Reasons for satisfaction</i>	
• Based on IASs, TASs are internationally accepted accounting standards.	3
• Companies' financial reports are more informative.	2
<i>Reasons for dissatisfaction</i>	
• Difficulties in understanding or implementing TASs	12
• Need more explanations and examples	6
• Problems in interpretation	5
• Existing TASs do not cover all accounting transactions	3

On the question of whether Thailand should adopt all IASs, seven agricultural companies, all other listed companies, and nine of 12 financial analysts preferred not to adopt all IASs, while seven of 17 external auditors believed that Thailand should adopt all IASs. Some respondents provided reasons for their agreement or disagreement with the adoption of all IASs. Their responses are shown in Table 9-5D.

Table 9-5D: Reasons for agreement/ disagreement with the adoption of all IASs

<i>Reasons</i>	<i>Number of responses</i>
<i>Reasons for agreeing</i>	
• Improve the quality of financial reporting	12
• Harmonisation of accounting standards	8
• Increase comparability	6
<i>Reasons for disagreeing</i>	
• Their irrelevance to Thai economic condition	15
• Limitation of knowledge of Thai accountants	5
• Difficulties in practice	3

Financial analysts and external auditors believed that adopting IASs would help improve the quality of financial reporting, in particular increase comparability of financial reports across countries. One external auditor pointed out that the adoption of IASs would help companies which invest in other countries or are subsidiaries of foreign companies, to prepare financial reports. Two of the three financial analysts who did not agree with adopting all IASs had an educational background in accounting. They were probably aware of the difficulties in adopting some IASs and evaluated the effect on the reliability of financial reports. Some external auditors who agreed with the adoption of all IASs claimed they supported harmonisation of accounting standards.

Fifteen of 27 respondents who disagreed with the adoption of all IASs, pointed out that some IASs were not relevant to Thai economic conditions. Six of those were external auditors and the rest were accounting directors of agricultural and other listed companies. They mentioned that this issue had been a broad subject of discussion among people, particularly those who had experienced some difficulties after the Asian financial crisis. The Thai accounting standard setter adopted IASs relatively quickly. Many people complained that new TASSs seemed like IASs in a Thai version but more rigorous. Some TASSs had presented so many problems as discussed in chapter 3 that later most of them had been revised. Respondents believed that some IASs should not be adopted, such as accounting for change in price, and some other standards needed to be applied to Thai economic conditions. Standards should not be just translated from English into the Thai language but should also be localised to the Thai accounting environment. These findings were also found during interviews when some interviewees commented on TASSs adapted from IASs. Other auditors mentioned limited accounting knowledge, whereas companies did not mention this reason. One agricultural and two other listed companies pointed to the difficulties in practice.

Towards the global economy and due to the growth in cross-border listings, the ICAAT announced Thai standard-setting policy based on IASs (ICAAT, 1999). Respondents were asked to indicate their level of satisfaction with Thai accounting standard-setting policy. As shown in Table 9-5B, financial analysts were neutral in their views of the standard-setting policy, while preparers and external auditors were satisfied. One possible interpretation for this is that financial analysts did not want to comment on the standard-setting policy. However, when asked the question from a different perspective, such as whether IASs were helpful to Thailand to improve the quality of financial reporting and whether adopting IASs could facilitate the use of financial reports and increase comparability, financial analysts group responded with a higher level of agreement. Other groups of respondents were on average satisfied with these issues. This suggests that generally all groups of respondents were aware of the relevance of IASs to Thailand. To question 5 (Table 9-5B) which asked respondents whether they thought IASs were helpful to Thailand to improve the quality of financial reporting, agricultural companies indicated the lowest level of

agreement. This was not a surprising result. If they had supported the helpfulness of IASs to Thailand they would, in turn, have been supporting the adoption of IAS 41 which would necessitate fundamental changes in current agricultural accounting practices. Thus, they withheld their support for the adoption of IASs.

To help assess the perception of users of the quality of financial reports prepared in compliance with TASs, financial analysts were asked to evaluate the qualitative characteristics of financial reports based on TASs (question 7, 9-5B). Other groups of respondents were not asked to answer items under question 7 because they were directly involved in preparing financial reports. Results shown in Table 9-5B suggested that on average financial analysts were satisfied that the quality of financial reports complied with TASs.

9.5.2 Statistical analysis

A Mann-Whitney test and a two-sample t -test show that the difference in the distribution of responses between financial analysts and external auditors is statistically significant with regard to Thai Standard setting policy based on IASs (see question 4, Table 9-5B). External auditors indicated more support than financial analysts. Six financial analysts selected “indifferent” while four did not reply. One possible interpretation is that because this question focused on Thai accounting standard setting policy financial analysts may not have wanted to criticise government policy. External auditors who worked for the Big Five firms seemed to follow their firms’ policy to support the adoption of IASs.

9.5.3 Comments

Although respondents agreed that IASs helped to improve the quality of financial reporting, they pointed to some problems associated with current accounting standards, in particular related to understanding the accounting standards. The results suggest that users, preparers, and external auditors acknowledged the usefulness of IASs to Thailand but were aware of the difficulties. Although financial analysts showed that they were not all aware that TASs had incorporated IASs, they believed that IASs were helpful to Thailand to improve the quality of financial reporting. This finding supports H_5 : *that IASs help Thailand to improve the quality of financial*

reporting. Moreover, respondents perceived the role of IASs in promoting harmonisation of accounting standards and increasing comparability of financial reports across countries. However, they indicated difficulties in adopting IASs and applying TAsSs modified from IASs. Some IASs were perceived as irrelevant to Thai economic conditions. Other IASs needed to be modified to the Thai accounting environment. These issues may be an impediment to the harmonisation of accounting standards. The limited accounting knowledge of Thai accountants and difficulties in practice were also perceived to be factors influencing the extent of adopting IASs in Thailand. These findings pointed to problems of Thai accounting education and therefore partly support *H₇: that TAsSs should be based on IASs with some modifications as a result of the level of education.* These findings also support *H₁₀: that the development of the accounting profession and education is one of the obstacles to incorporating and implementing modified IASs in Thailand.*

9.6 Factors influencing the extent of adopting IASs in Thailand

The previous section addressed some concerns about current TAsSs. The literature review and the results of interviews highlighted difficulties in implementing IASs in both developed and developing countries. The findings from interviews in chapter 7 revealed problems of incorporating IASs existed in Thailand. Perera (1989a) provided an indication of problems that harmonisation efforts are likely to encounter, particularly in developing countries. In order to investigate whether these problems were perceived to be difficulties in Thailand when TAsSs incorporated IASs, respondents were asked to evaluate factors influencing the extent of adopting IASs in Thailand (TQ₂).

9.6.1 Difficulties in using or preparing financial reports based on TAsSs

When asked about their experience of any difficulties in using or preparing accounting information based on TAsSs, 43 out of 47 respondents indicated “yes” and four of them responded “no” (see Table 9-6A). Subsequently, they were asked to indicate what difficulties there were. The majority of respondents (32/43) believed that lack of comprehension of technical words or technical issues in accounting standards made it difficult to prepare financial reports. The reason why some financial analysts agreed with this problem was they found it difficult sometimes to

understand what external auditors wrote in auditor reports. They were not familiar with accounting terms and sometimes they were too complicated to understand. Other groups of respondents suggested accounting standards needed more explanation or interpretation, otherwise they were very difficult to follow and people might interpret accounting statements in differently.

Lack of sufficient information also seemed to be a problem for financial analysts. Twelve out of 15 financial analysts indicated they found financial reports did not provide enough information for making financial decisions. However, they believed that the Office of the Securities Exchange of Thailand and the standard setter had made an effort to solve this problem. Four of 15 financial analysts referred to comparability of financial information as a difficulty in their work. Although companies were required to provide financial reports in line with TASs and the disclosure requirements of the SECT, problems of lack of sufficient information for making financial decisions were mentioned by respondents. Although all disclosure requirements might be met, the information provided seemed inadequate.

In addition, agricultural companies, other listed companies, and external auditors pointed to a lack of accounting standards on some issues. However, from Table 9-6A, six out of seven other listed companies did not consider lack of accounting standards on some issues presented them with a problem. This may be because they were not in a specific industry and existing accounting standards were adequate for financial reporting purposes, while there was no accounting standard covering accounting for the agricultural industry. External auditors may look at problems from a wider perspective due to their diverse groups of clients and therefore be more likely to find a lack of some accounting principle for a specific industry or other context.

Too many accounting requirements were considered as difficulties in preparing financial reports. All responding agricultural companies and other listed companies agreed there were too many accounting requirements, while eight of 13 external auditors also agreed. Some external auditors explained that sometimes too many items in financial reports confuse the readers of financial reports.

Table 9-6A: Problems of financial reports prepared in accordance with TASs

Questions	Overall responses		Financial Analysts (1)		Agricultural companies (2)		Other listed companies (3)		External Auditors (4)										
	N	Yes	Q	N	Yes	Q	N	No	Yes	Q	N	No	Yes						
1. Do you experience any difficulties in using /preparing accounting information for purposes?	47	4	43	G2	15	0	15	G1	8	0	8	G1	7	0	7	G1	17	4	13
N = number of respondents, (1) = yes, (2) = no																			
2. Difficulties in using or preparing financial reports.	47	15	32	G3.1	15	7	8	G2.1	8	3	5	G2.1	7	0	7	G2.1	17	5	12
2.1 Comprehension of technical words or issues	15	3	12	G3.2	15	3	12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2.2 Lack of enough information to make decision	15	11	4	G3.3	15	11	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2.3 Comparability of financial information	32	17	15	n/a	n/a	n/a	n/a	G2.2	8	2	6	G2.2	7	6	1	G2.2	17	9	8
2.4 Availability of accounting standards in some issues	32	5	23	n/a	n/a	n/a	n/a	G2.3	8	0	8	G2.3	7	0	7	G2.3	17	9	8
2.5 Too many accounting requirements	32	5	23	n/a	n/a	n/a	n/a	G2.3	8	0	8	G2.3	7	0	7	G2.3	17	9	8
3. To solve such problems.																			
3.1 Ask companies for additional information	15	8	7	G4.1	15	8	7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.2 Consult the ICAAT	10	15	15	G4.2	15	15	0	G3.1	8	6	2	G3.1	7	6	1	G3.1	17	5	12
3.3 Consult the Office of SECT	15	8	7	G4.3	15	8	7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.4 Consult the company's auditor	15	0	15	n/a	n/a	n/a	n/a	G3.2	8	0	8	G3.2	7	0	7	G3.2	17	9	8
3.5 Consult the academic professor	15	11	4	n/a	n/a	n/a	n/a	G3.3	8	7	1	G3.3	7	4	3	G3.3	17	9	8
N = number of respondents, (1) = yes, (2) = no response																			

Table 9-6B: Problems of TASs adapted from IASs

Question	Overall responses			Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)			Sig.									
	N	X	Med.	SD	Q	N	X	Med.	SD	Q	N	X	Med.	SD	Q		N	X	Med.	SD					
4. Factors affect the reliability of Thai standards that have adapted IASs.	45	1.67	1	.879	G17.1	13	2.54	2	.877	G15.1	8	1.38	1	.518	G15.1	7	1.14	1	.378	G17.1	17	1.35	1	.702	(1,2) (1,3) (1,4) *
4.1 Translation problems	45	2.18	2	.684	G17.2	13	2.00	2	.408	G15.2	8	2.63	3	.518	G15.2	7	2.71	3	.488	G17.2	17	1.88	2	.781	(1,2) (1,3) (2,4) (3,4) *
4.2 Comprehension of technical terms	45	2.09	2	.733	G17.3	13	2.62	3	.650	G15.3	8	1.63	2	.744	G15.3	7	2.00	2	.577	G17.3	17	1.94	2	.659	-
4.3 Time constraints	45	2.36	2	.857	G17.4	13	2.54	2	1.050	G15.4	8	2.25	2	.707	G15.4	7	2.71	3	.488	G17.4	17	2.12	2	.857	(3,4) *

1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree
N = number of respondents, X = mean, Med = median, and SD = standard deviation
(*) indicates mean/median distribution of responses between respondent groups is statistically significant at the 5% level (either a two-sample t-test or a Mann-Whitney test)

Table 9-6C: Perceived accounting regulation and enforcement

Questions	Overall responses			Financial Analysts (1)			Agricultural Companies (2)			Other listed Companies (3)			External Auditors (4)						
	N	No	Yes	Q	N	No	Yes	Q	N	No	Yes	Q	N	No	Yes				
1. Enforcement under the Accounting Act 2000	44	7	37	G19	12	3	9	G18	8	0	8	G18	7	0	7	G20	17	4	13

N = number of respondents, (1) = yes, (2) = no

Questions	Overall responses			Financial Analysts (1)			Agricultural Companies (2)			Other listed Companies (3)			External Auditors (4)											
	N	X	Med	SD	Q	N	X	Med	SD	Q	N	X	Med	SD	Q	N	X	Med	SD					
2. Level of Agreement 2.1 The Office of Securities Exchange Commission of Thailand has strictly monitored listed companies for compliance with accounting standards.	41	1.93	2	.787	G20.1	9	2.56	2	1.014	G19.1	8	1.88	2	.354	G19.1	7	1.29	1	.488	G21.1	17	1.88	2	.697
2.2 Rigorous penal provisions of the SECT Act induce companies to comply with accounting standards.	41	3.17	3	.919	G20.2	9	2.44	2	.527	G19.2	8	3.25	3	.707	G19.2	7	4.29	4	.756	G21.2	17	3.06	3	.827
2.3 Imposition of reporting requirements according to the SECT Act is significantly heavier than that of Ministry of Commerce. Therefore, the quality of financial reporting of listed companies is higher than that of non-listing companies.	42	1.93	2	.778	G20.3	10	1.90	2	.876	G19.3	8	2.00	2	.756	G19.3	7	1.43	1	.535	G21.3	17	2.12	2	.781

1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree
N = number of respondents, X = mean, Med = median, and SD = standard deviation

To solve these problems, financial analysts preferred to ask companies for more additional information or to consult the Office of the Securities Exchange of Thailand. From Table 9-6A, all responding agricultural companies and other listed companies chose to consult their auditors or consult the ICAAT. External auditors were asked the same question in open-ended form. They explained that their firms provided a training session for their customers for all new accounting standards or new accounting issues. These responses suggest external auditors play a major role in the implementation of accounting standards in Thailand because they work closely with companies. The external auditors could help communicate the accounting standards effectively to company accountants, while the Office of the Securities Exchange of Thailand could help financial analysts in terms of control over listed companies to ensure they comply with accounting standards and provide the disclosure requirements. Although the ICAAT was also mentioned as helping solve such problems, it did not work as closely with companies as the company auditor. The ICAAT may be asked for help in a case where there is an unresolved issue between the external auditor and the company accountants.

9.6.2 Factors affecting the reliability of TASs modified from IASs.

Table 9-6B presents the results of asking respondents to evaluate factors affecting the reliability of TASs modified from IASs. Overall results indicate that translation language problems were perceived to be the main difficulty with a mean rank of 1.67, followed by “time constraints”, suggesting the ICAAT tried to issue the new accounting standards too soon, and “comprehension of technical terms in IASs”. “Lack of expertise” was perceived to be the least important problem. However, there were some differences in the results between groups. A Mann-Whitney test and a two-sample *t*-test indicate significant differences between financial analysts and other groups of respondents with regard to translation problems, and between financial analysts and both groups of companies concerning the comprehension of technical terms. The major concern for agricultural companies, other listed companies, and external auditors was translation language problems, which affected understanding of the meaning of IASs. Some respondents explained that translation problems made TASs impose even stronger requirements than IASs. Financial

analysts considered comprehension of technical terms or technical issues as significant factors influencing reliability, while agricultural companies and other listed companies were almost neutral in their opinions on this issue, possibly because financial analysts' unfamiliarity.

9.6.3 Perceived accounting regulation and enforcement

The overall result shows respondents agreed the SECT strictly monitored listed companies for compliance with accounting standards (question 2, Table 9-6C). However, the financial analysts group was close to indifferent on this issue, possibly because the regulation did not apply to them and they were not satisfied with the quality of companies' financial reports. When asked whether the rigorous penalty provision by the SECT resulted in improved compliance with TASs, agricultural and other listed companies showed overall disagreement (q. 2.2, 9-6C). These companies were all listed companies so probably disagreed with the different treatment required for listed and non-listed companies. These companies wanted to be treated the same as non-listed companies. The stricter regulation may result in competitive disadvantage between listed and non-listed companies.

All respondent groups agreed that the imposition of reporting requirements by the SECT, which is heavier than that of the Ministry of Commerce, resulted in a higher quality of financial reporting by listed than non-listed companies (q. 2.3, 9-6C). This suggests the stock market regulator has played a major role in improving the quality of financial reporting of listed companies. However, this finding did not provide evidence that the accounting regulations required by the SECT were enforced effectively. As mentioned in 9.6.1, the financial analysts felt that financial reports did not provide sufficient information. External auditors indicated that companies provided less detailed information than expected by the user or regulator. This implied that an accounting enforcement problem might exist. Thus, this finding suggests that it is possible *that accounting regulation and enforcement is one of the obstacles to implementing TASs modified from IASs (H₁₀)*.

9.6.4 Statistical analysis

A Mann-Whitney test showed the significant differences between other listed companies and external auditors regarding the effect of lack of expertise on the reliability of TASs (Table 9-6B). Five of seven other listed companies were neutral towards this issue while the other two expressed agreement with it (A3, G15.4). Seven of 17 external auditors were neutral and 10 agreed (A4, G17.4). Because external auditors were more active participants in setting TASs than other listed companies (see Appendix 9D), it is possible they were more aware this factor affected the reliability of TASs. On the other hand, other listed companies were not engaged in a specific industry, therefore did not need a specific accounting standard nor expertise to participate in the standard setting process, thus this did not consider lack of expertise important.

9.6.5 Comments

Overall, respondents agreed there were difficulties in using or preparing financial reports. They did not mention any other difficulties or factors affecting the reliability of TASs modified from IASs. Agricultural companies and other listed companies as preparers agreed that TASs included too many accounting requirements, while financial analysts indicated there was a lack of sufficient information for making decisions. One possible interpretation is that companies may be concerned about competitive disadvantage if they provide more information. These findings provide evidence to support H_7 : *that cultural factors may affect the extent of adopting IASs and to support H_{10} : that cultural factors may be obstacles to incorporating and implementing modified IASs in Thailand.* The findings also showed external auditors played a main role in solving problems of implementing TASs adapted from IASs. There were some significant differences in responses between groups concerning factors affecting the reliability of TASs. However, overall results indicated that all groups of respondents agreed that factors asked in the questionnaire affected the reliability of TASs adapted from IASs. These findings imply that these problems arose from the slow development of Thai accounting education. They may help Thai standard setters find an effective way to deal with each group of respondents' concerns since problems associated with accounting regulation and enforcement

(9.6.3) were perceived as obstacle impeding development of Thai accounting. These findings help to answer TQ₄.

9.7 Relevance of IAS 41 and factors influencing the extent of adopting IAS 41 in Thailand

In order to help evaluate the relevance of IAS 41 to Thailand and investigate the factors to be considered in adopting IAS 41, this section reports respondents' perceptions of current accounting practice for agriculture in Thailand in 9.7.1 and attitudes towards changing accounting practice in 9.7.2. It also examines the perceived importance of having accounting disclosure items required in IAS 41 or IASC E65 in 9.7.3. However, first of all, it is necessary to understand respondents' perceptions of current accounting practices for agriculture as reported in section 9.7.1. The results will help answer the research questions AQ₁, AQ₂ and AQ₃.

9.7.1 Views on current accounting practice for agriculture in Thailand

Each group of respondents was asked to indicate their views on current accounting practice for agriculture.

9.7.1.1 Financial Analysts

Table 9-7A: Questions to financial analysts about current accounting practice

Questions	Financial Analysts				
	Q	N	Mean	Med.	S.D.
1. Are you satisfied with the current accounting measurement of biological assets and agricultural produce?	A1	12	2.92	3	.289
2. Are you satisfied with current accounting disclosure practice?	A2	12	2.75	3	.452
3. Please explain the difficulties in using financial reports (if any).	A3	Open-ended question			
4. Please explain how you obtain fair value information if the company does not apply fair value measurement or provide more information in the notes.	A4				
1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree					

Firstly, the financial analysts were asked to indicate whether they were satisfied with the current accounting measurement of biological assets and agricultural produce (A₁) as well as whether they were satisfied with current accounting disclosure practice (A₂). Financial analysts were close to being indifferent on average to current accounting measurement and disclosure. The open-ended question (A₃) asked

respondents to explain any difficulties in using financial reports. An financial analyst stated, “*Although, the company provided all required accounting information in line with the SECT requirements and accounting standards, information disclosed did not provide enough information. It seems that companies just disclose as required but in fact, the information is not informative.*” Six financial analysts claimed they never used agricultural companies’ financial reports for conducting financial analysis because the agricultural company stocks were seldom of interest to investors and there was not a high volume of trading like that of other industries. The rest gave no answers.

In the last question (A₄), financial analysts were asked to explain how they obtained fair value information if the company did not apply fair value measurement or provide more information in the notes. Only one of them explained “*the market price is available in the central agriculture market but it might need to be adjusted to the quality of each agricultural product. However, of course, we cannot find the market value of biological assets.*” The rest of them did not answer this question, possibly because they may never have used market value information or they were not interested in the financial reports of agricultural companies. This may be because the agricultural sector in the SET has low liquidity and has only 2% share of total market capitalisation (see chapter 3, Figure 3-2).

9.7.1.2 Agricultural Companies

Seven of eight agricultural companies indicated they applied the cost method to measure biological assets and agricultural produce (A.2, A1.1). One respondent did not respond in section 2, *accounting for agriculture* because his company was a trading company not covered by the scope of the standard for agriculture.

To evaluate current accounting practice for agriculture as perceived by company accountants, respondents were asked to indicate the basis used for determining the cost of an asset. They explained that the actual cost incurred is accumulated to give the cost of agricultural produce until it is harvested. The cost incurred included the allocation of cost, such as cost of animal parents or trees in plantation. The cost is

allocated on the basis of expected productive life for trees or expected number of offspring for breeding animals.

When presented with an open-ended question about the use of fair value information, five respondents indicated they could obtain the market price of agricultural produce from the central trading agriculture market but not for all kinds or stages of biological assets. The other two companies indicated they did not use fair value information for any purposes.

Table 9-7B: Questions to agricultural companies on current accounting practice

<i>Questions</i>	<i>Q</i>	<i>N</i>	<i>Answered by respondents</i>
1. Accounting practice for land attached to biological assets related to agricultural activity.	A6	7	- Based on TAS 32: PPE and/or - Based on Accounting standard for Investment in Property
2. Accounting for subsequent expenditure.	A7	7	- Charge to expense in P&L - Capitalise as the cost of an asset
3.1 Accounting for government grants without condition related to biological assets or agricultural produce.	A8	7	- None
3.2 Accounting for government grants with condition related to biological assets or agricultural produce.	A9	7	- None
4.1 How do you manage price risk or other risks?	A11	7	- Use commodity contracts to hedge risks from price volatility
4.2 How do you report risk management transactions?	A12	7	- Disclosure in the notes - Not at all
Q = question number in the questionnaire N = number of respondents			

All seven responding agricultural companies accounted for land related to agricultural activity based on TAS 32, *Accounting for Property, Plant, and Equipment*. Two indicated they might consider the accounting standard for investment in property if applicable.

Currently, all seven responding companies capitalised subsequent expenditure related to biological assets and amortised (A2, A7.2). Regarding accounting for government grants, respondents did not give any answers but four indicated they had never received any government grants.

Table 9-7C: Current accounting disclosure items

<i>Current accounting disclosure items</i>	<i>No. of respondents</i>
• Accounting valuation methods (A10.1)	7
• Details of biological assets e.g. type, quantity, duration of life, nature of agricultural activity (A10.2)	7
• Depreciation method used (A10.3)	5
• The useful lives or the depreciation rates used (A10.4)	5
• The gross carrying amount and the accumulated depreciation of biological assets at the beginning and the end of the period. (A10.5)	4
• The existence and carrying amounts of biological assets whose title is restricted, and carrying amounts of biological assets pledged as securities for liabilities. (A10.6)	2

To manage price risk, five of seven respondents indicated they used commodity contracts to hedge risks from price volatility. However, they did not present or disclose these transactions in financial statements. A possible explanation is that they viewed this kind of information as sensitive information and kept it confidential, otherwise, they might lose competitive advantage.

For current accounting disclosure, all companies disclosed the accounting policy on valuation method (A2, A10.1). Of seven, one respondent indicated that his company only disclosed type of agricultural assets but did not disclose the quantity, duration of life, or nature of agricultural activity (A2, A10.2). Five of them revealed the depreciation method used and useful lives or the depreciation rates used (A2, A10.3). Four disclosed the gross amount and the accumulated depreciation of biological assets at the beginning and the end of the period (A2, A10.5). Only two companies indicated they disclosed the existence and carrying amounts of biological assets whose title is restricted, and carrying amounts of biological assets pledged as securities for liabilities (A2, A10.6). For other disclosure items such as commitments, forward contracts, risks, or agricultural land valuation method, there was no indication of disclosure by any company.

When asked about problems in practice if IAS 41 is adopted in Thailand (A2, A16), one respondent thought fair value more difficult to understand than the cost method. Other respondents strongly believed there would be problems in practice using fair value measurement. One company respondent stated, *'biological assets have a wide range of age and quality and it is very difficult to determine fair value. In particular, there is no selling or buying in some stages of growth.'*

9.7.1.3 External auditors

Fifteen external auditors indicated that all of their clients used the cost method to value biological assets and agricultural produce, while two indicated the measurement at lower of cost or net realisable value (A4, A.1). This was followed by an open-ended question asking which accounting method they perceived as most relevant to Thailand (A4, A.2). Ten out of 17 believed fair value to be the most relevant measurement method because it best reflected the real value of the asset at the point of time. Four respondents favoured the cost method because fair value was difficult to find and the cost method was more objective. The other three respondents did not answer.

Table 9-7D: Questions to external auditors about current accounting practice

Questions	External auditors				
	Q	N	Mean	Med	SD
1. Cost incurred on biological assets can be reasonably and reliably allocated.	A3	14	2.57	2	.852
2. Information about fair value of biological assets and agricultural produce is necessary to make business decisions.	A4	16	1.88	2	.500
3. Please explain the difficulties in auditing financial reports (if any).	A6	Open-ended question			
1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree Q = question number in the questionnaire N = number of respondents, X = mean, Med = median, and SD = standard deviation					

Table 9-7D shows the answers concerning current accounting practice. Three respondents disagreed that cost incurred on biological assets could be reasonably and reliably allocated and two selected 'indifferent'. These findings suggest auditors questioned the cost allocation method, while all external auditors agreed that fair value of biological assets and agricultural produce was necessary to make business management decisions. Subsequently, external auditors were asked to explain their difficulties in auditing the financial reports of agricultural companies (if any). Table 9-7E presents the list of difficulties mentioned by external auditors.

Table 9-7E: Difficulties in auditing financial reports of agricultural companies according to external auditors

<i>Difficulties</i>	<i>Number of responses</i>
• Cost allocation	8
• Fair value information	4
• Limited disclosure	3

The cost allocation problem was most frequently mentioned by external auditors. Eight mentioned the issue of the reliability of the cost allocation method. Although companies were currently allowed to use the cost method, they had to present the asset at cost less any impairment. Fair value information was considered important and as helping to evaluate the impairment losses of assets. But, in Thailand, fair value information is not easy to obtain, particularly for biological assets. Moreover, three external auditors indicated that companies avoided disclosure of some relevant information. One auditor gave an example of a company that did not disclose the amount of forward contracts and contract prices in the notes. When asked to disclose additionally, the company only disclosed the percentage of company sales carried out by forward contract. It did not provide as much information as expected.

9.7.1.4 Comments

The findings show that current accounting measurement for biological assets and agricultural produce was based on cost measurement. However, respondents, except agricultural companies, considered fair value measurement could provide more useful information. Although respondents showed awareness of the usefulness of fair value, they showed some concerns about the lack of fair value information in Thailand. Moreover, the reliability of fair value was questioned. For current accounting disclosure, companies did not provide as much information as was required by IAS 41. Companies believed some information should be kept confidential, while external auditors tried to encourage companies to disclose more information. Companies had concerns about competitive disadvantage. Financial analysts were neutral to current accounting measurement and disclosure because financial reports of agricultural companies were infrequently used by them.

9.7.2 Attitudes towards changing from current accounting practice

Respondents were asked to indicate their level of agreement on issues related to adopting IAS 41 in Thailand and accounting principles for agriculture based on the content of IASC E65 and IAS 41. Respondents in other listed companies were not asked to answer these questions because they were not in the agricultural business and it was not considered useful to ask them about these issues. Instead, other listed companies were asked to indicate their comments on general issues relating to fair

value accounting. Table 9-7F presents the results. The discussion in this section includes the results of statistical tests of differences between groups of respondents.

9.7.2.1 Question 1: can an agricultural asset be valued reliably at fair value on a consistent basis at regular reporting dates?

Only seven of eight responding agricultural companies provided answers to questions in section 2: *accounting for agriculture* because one company, a company trading agricultural products, was not under the scope of this standard. The overall response to this question was virtually neutral (see Table 9-7F). A Mann-Whitney test and a two-sample *t*-test revealed significant differences in the distribution of responses between financial analysts and agricultural companies on this issue. The responses of agricultural companies showed they did not agree that an agricultural asset could be valued at fair value consistently, with a mean score of 3.57 and a median score of 4.0. Four of them disagreed, two were neutral, and one agreed. The majority of financial analysts were neutral because they could see the usefulness of fair valuation at the reporting date but they may be doubtful as to the reliability and availability of fair value. Although the statistical tests did not show a significant difference between the financial analysts group and the external auditors group, it was found that two external auditors disagreed with this issue, implying they were also aware of the problems.

9.7.2.2 Question 2: For financial reporting to investors and creditors, all biological assets and agricultural produce should be measured at fair value.

The overall result showed an average tendency towards 'agree' with a mean score of 2.41 and a median score of 2.0. A Mann-Whitney test and a two-sample *t*-test indicated the distribution of responses between the agricultural companies group and financial analysts as well as between agricultural companies and external auditors significantly differed. Agricultural companies disagreed with a mean score of 3.43 and a median score of 4.0. Four agricultural companies did not agree with using fair value measurement.

9.7.2.3 Question 3: Respondents' level of agreement on accounting principles based on the contents of IASC E65 and IAS 41

Financial analysts showed indifference or agreement with the proposed accounting principles except for issues relating to requirements for providing more useful information (question 3.10), to which they agreed with a higher mean score (1.83). Most of the financial analysts group's answers were "indifferent". One possible interpretation may be that most financial analysts had not majored in accounting so did not want to comment on accounting principles. They were likely to support a proposal that could lead to providing more relevant information for making investment decisions.

Although agricultural companies agreed with cost measurement (questions 3.1 and 3.2) with mean scores of 1.86 and 2.29, respectively and median scores of 2.0, 2.0, respectively, findings derived from other two questions (questions 3.3 and 3.4) focusing on the relevance of fair value measurement showed they did not disagree with fair value measurement. This suggests they acknowledged the relevance of fair value but did not want to accept it because, in answers to open-ended questions, they expressed concern about difficulties in providing financial reports in compliance with fair value measurement. In addition, they disagreed that measures of cost of biological assets were of questionable reliability and usefulness because of cost allocation problems.

A Mann-Whitney test and a two-sample *t*-test indicated that the distribution of responses between agricultural companies and external auditors significantly differed for question 3.5. Five agricultural companies disagreed and two were indifferent (A2, A14.5), whereas nine external auditors agreed, one was indifferent and six disagreed (A4, A8.5). The result suggests that current accounting practices of agricultural companies allowed them to recognise revenue as every stage of natural growth in the profit and loss. Therefore, it would be unacceptable to report the change in biological assets in equity until harvest since this would delay revenue recognition. However, some external auditors who agreed with reporting change in equity may have had concerns about the reliability of fair value measurement so thought it would be better to report the change in equity after harvest.

Table 9-7F: Relevance of IAS 41 to Thailand

Questions	Overall responses			Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)			Sig.				
	N	X	Med	Q	N	X	Med	Q	N	X	Med	Q	N	X	Med		SD			
1. Do you believe that such an asset can be valued reliably on a consistent basis at regular reporting dates?	34	2.91	3	.753	A5	11	2.73	3	.467	A13	7	3.57	4	.976	A7	16	2.75	3	.683	(1,2) *
2. For financial reporting purposes to investors and creditors, at the point of harvest, all biological assets and agricultural produce should be measured at its FV.	34	2.41	2	.892	A8	10	2.20	2	.789	A18	7	3.43	4	.787	A11	17	2.12	2	.697	(1,2)(2,4) *
3. Level of agreement based on the content of IAS 41																				
3.1	28	2.18	2	.772	A6.1	5	2.80	3	.837	A14.1	7	1.86	2	.378	A8.1	16	1.94	2	.680	-
3.2	29	2.38	2	.820	A6.2	6	2.67	2.5	.816	A14.2	7	2.29	2	.488	A8.2	16	2.31	2	.946	-
3.3	30	2.67	2	.922	A6.3	7	2.71	3	.756	A14.3	7	2.71	3	.756	A8.3	16	2.63	3	1.088	-
3.4	30	2.57	2	.728	A6.4	7	2.29	2	.756	A14.4	7	2.57	3	.535	A8.4	16	2.69	2.5	.793	-
3.5	29	2.97	2	1.180	A6.5	6	2.83	2.5	1.169	A14.5	7	3.86	4	.690	A8.5	16	2.63	2	1.204	(2,4) *
3.6	30	3.03	3	.964	A6.6	7	2.29	2	.488	A14.6	7	4.14	4	.378	A8.6	16	2.88	3	.885	(1,2)(1,4) *
3.7	31	2.26	2	.930	A6.7	8	2.25	2	1.035	A14.7	7	2.29	2	.951	A8.7	16	2.25	2	.931	-
3.8	31	2.03	2	.752	A6.8	8	2.25	2	.463	A14.8	7	1.57	2	.535	A8.8	16	2.13	2	.885	(1,2) *
3.9	27	2.67	2	.877	A6.9	4	3.00	3	.816	A14.9	7	2.57	3	.976	A8.9	16	2.63	2	.885	-
3.10	29	2.31	2	.806	A6.10	6	1.83	2	.753	A14.10	7	2.14	2	.690	A8.10	16	2.56	2	.814	-
3.11	31	2.45	2	.995	A6.11	8	2.38	2	.916	A14.11	7	2.43	2	1.134	A8.11	16	2.50	2	1.033	-
3.12a	25	2.04	2	.676	A6.12a	4	2.75	3	.500	A14.12a	6	2.17	2	.753	A8.12a	15	1.80	2	.561	(1,4) *
3.12b	25	2.12	2	.781	A6.12b	4	2.75	3	.500	A14.12b	6	2.17	2	.753	A8.12b	15	1.93	2	.799	(1,4) *

Scale 1-5: Level of agreement, 1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree

N = number of respondents, X = mean, Med = median, and SD = standard deviation

(*) indicates distribution of responses between groups of the respondents is statistically different at the 5% level (either a Two-Sample T-test or a Mann-Whitney test)

Using a Mann-Whitney test and a two-sample *t*-test, significant differences were found in the distribution of responses between financial analysts and agricultural companies and external auditors regarding the questionable reliability of measures of biological assets at cost (question 3.6). Two financial analysts were indifferent to the issue whereas five agreed that cost measurement of biological assets was not reliable. It is possible that financial analysts preferred fair value measurement so were not supportive of cost measurement. All agricultural companies disagreed that cost measurement of biological assets was of questionable reliability and usefulness because of cost allocation problems. Ten external auditors were neutral, three agreed and three disagreed. Comments from external auditors are varied, depending on their experience and how they evaluated cost measurement compared with fair value measurement.

On accounting for futures (question 3.8), results indicated that, overall, respondents agreed that enterprises should account for future contracts on contract prices. Although a Mann-Whitney test and a two-sample *t*-test showed the distribution of responses to be significantly different between financial analysts and agricultural companies, both groups of respondents agreed with this issue. Agricultural companies' mean score indicated they were more supportive of this issue than financial analysts. One external auditor indicated companies did not disclose details of futures contracts, only disclosed there would be a future contract for selling the agricultural produce in the future.

The overall results showed that respondents agreed it was not necessary to capitalise subsequent expenditure (question 3.9). Respondents also agreed, in questions 3.10 and 3.11, that the enterprise should be required to provide separate disclosure of physical and price changes, and land related to agricultural activity should be measured at fair value.

For accounting for government grants (questions 3.12a and 3.12b), respondents agreed that unconditional grants should be recognised as income over the periods they are intended to compensate for on a systematic basis. The conditional government grant should be recognised as income when the enterprise met the conditions attached to the government grant. However, a Mann-Whitney test and

two-sample *t*-test indicated that the distribution of responses between financial analysts and external auditors was significantly different. As mentioned previously, financial analysts may not have wanted to criticise issues associated with accounting principles because they did not have an educational background in accounting. Eleven financial analysts gave no answer, three selected indifferent and only one agreed (A1, A6.12a), while 14 of 15 external auditors agreed and one indicated indifference on this issue (A4, A8.12a).

9.7.2.4 Comments

Agricultural companies seemed to agree with all propositions if they considered them acceptable, but disagreed if the proposed accounting principles were difficult to follow and had an effect on the accounting figures in the balance sheet or profit and loss. Agricultural companies seemed to find unacceptable change in the valuation method and reporting the change in fair value of biological asset in equity until harvest. They expressed concern about the effect of change in the balance sheet and profit and loss because the prices of agricultural products are highly volatile. All pointed out that fair value of biological assets at some stage of natural growth might not exist. Agricultural companies preferred current accounting practice. The findings would appear to *support H₈: that current accounting practice influences the extent of adopting IASs in Thailand*, particularly from the responses of company accountants. Most financial analysts did not provide answers to the question in this section, possibly because it was a specific issue related to accounting principles for agriculture. The majority of external auditors agreed with fair value measurement, while some expressed concern about the reliability and the availability of fair value based on their own experience in auditing agricultural companies.

9.7.3 Perceived importance of having accounting disclosure items

More specifically, based on the content of E65 and IAS 41, respondents were asked to indicate the level of importance of having accounting disclosure items in the company's financial statement. Their responses are presented in Table 9-8.

9.7.3.1 Discussion of findings

Overall results revealed all groups of respondents agreed that all disclosure items were very important with mean responses of 1.35 to 2.47 and median scores of 1.0 and 2.0. Financial analysts indicated a high level of importance for all disclosure items, while agricultural companies evaluated the level of importance lower than that indicated by financial analysts and external auditors. To question 6 in Table 9-7F, agricultural companies achieved a mean score of 3.14 and a median score of 3.0. Two of three agricultural companies whose main products came from trees in plantations indicated that separate disclosure of physical and price change of fair value less estimated point-of-sale costs of biological assets was less important, while others considered it very important. The main products of other responding agricultural companies were animal meats and living animals. The latter kinds of companies were aware of the importance of separate disclosure.

9.7.3.2 Statistical analysis

A Mann-Whitney test and a two-sample *t*-test showed the distribution of responses between external auditors and other groups of respondents significantly differed on some disclosure items. One possible interpretation is that agricultural companies sought to avoid according some items with a high level of importance if they considered them difficult and costly to prepare, and were perhaps also unwilling to provide too much information about their business. Financial analysts indicated a higher level of importance. They wanted companies to disclose as much information as possible because this would make their job much easier. External auditors attached different levels of importance to each disclosure item and were between agreement and indifference.

9.7.3.3 Comments

From the results it would appear each group of respondents, particularly financial analysts and company accountants, commented on issues related to accounting disclosure based on their self-interest. Although external auditors indicated their concerns based on the benefits of users, they also were concerned about their firms' benefits. More disclosure requirements may require more activity by auditors. The

findings therefore *support H₆: that parties interested in TASs will lobby based on their self-interest.*

9.7.4 Comments

The issues investigated in this section aim to answer AQ₁ and AQ₂. Section 9.7.1 explored perceived current accounting practices for agriculture in Thailand. Sections 9.7.2 and 9.7.3 examined how IAS 41 is relevant to Thailand (AQ₂) and also helped to evaluate what factors influence the extent of adopting IAS 41 in Thailand (AQ₃).

Section 9.7.1 reported the perception of respondents on current accounting practices. Financial analysts indicated that financial reports were not particularly informative, a surprising finding because companies are required not only to comply with the accounting standards but also to provide more disclosure as required by the Office of the Securities Exchange of Thailand. This suggests problems of accounting enforcement. It is also possible that the regulated information itself was not very informative. Agricultural companies indicated cost measurement as their current accounting practice. Current disclosure requirements were relatively few when compared with those of IAS 41, therefore these companies showed some concern and pointed to problems in using fair value measurement. Although external auditors allowed companies to use cost measurement, they pointed to cost allocation problems. The availability of fair value information was also mentioned as a problem. External auditors agreed with financial analysts that disclosures by companies were limited.

Section 9.7.2 discussed the relevance of IAS 41 to Thailand. All groups of respondents considered the main principle of IAS 41, fair value measurement, helpful in providing useful information. Even though, the agricultural companies did not disagree with fair value measurement, they thought it would present the company's performance in a better light. However, all groups of respondents, in particular agricultural companies, expressed concerns about the availability and reliability of fair value of biological assets in Thailand. This is because an active market does not exist for every stage of natural growth of biological assets.

Table 9-8: Level of importance of having accounting disclosure items based on IASC E65 and IAS 41

Questions	Overall responses			Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)			Sig.				
	N	X	SD	Q	N	X	Med	SD	Q	N	X	Med	SD	Q	N		X	Med	SD	
1. Provide a description of each group of biological assets.	34	1.35	1	.485	A7.1	10	1.50	1.5	.527	A15.1	7	1.57	2	.535	A9.1	17	1.18	1	.393	-
2. Aggregate gain and loss arising during the current period on initial recognition of BAs and AP and from the change in fair value less estimated point-of-sale costs of BAs.	34	1.47	1	0.563	A7.2	10	1.40	1	.516	A15.2	7	1.71	2	.756	A9.2	17	1.41	1	.507	-
3. Basis for making distinctions between consumable and bearer biological assets or mature or immature biological assets and, when an enterprise provides a quantified description of each group of biological assets.	34	1.50	1.5	.508	A7.3	10	1.30	1	.483	A15.3	7	1.86	2	.378	A9.3	17	1.47	1	.514	(1,2) *
4. Describe the nature of agricultural activities and non-financial measures or estimates physical quantities of BAs output of AP during the period.	34	2.18	2	.758	A7.4	10	1.60	2	.516	A15.4	7	2.71	3	.488	A9.4	17	2.29	2	.772	(1,2)(1,4) *
5. Reconciliation of changes in the carrying amounts of BA between the beginning and the end of the current period.	34	1.35	1	.544	A7.5	10	1.40	1	.516	A15.5	7	1.86	2	.690	A9.5	17	1.24	1	.437	(1,2)(2,4) *
6. Separate disclosure of physical and price changes of fair value less estimated point-of-sale costs of a BA.	34	2.47	2	.992	A7.6	10	1.50	2	.516	A15.6	7	3.14	3	.690	A9.6	17	2.71	3	.985	(1,2)(1,4) *

Scale 1-5: Level of agreement, 1 = strongly agree, 2 = agree, 3 = indifferent, 4 = disagree, and 5 = strongly disagree
N = number of respondents, X = mean, Med = median, and SD = standard deviation
(*) indicates mean/median distribution of responses between groups is statistically significant at the 5% level (either a two-Sample t-test and a Mann-Whitney test)

Table 9-8 (Cont'd): Level of importance of having accounting disclosure items based on IASC E65 and IAS 41

Questions	Overall responses				Financial analysts (1)				Agricultural companies (2)				Other listed companies (3)				External Auditors (4)				Sig.
	N	X	Med	SD	Q	N	X	Med	SD	Q	N	X	Med	SD	Q	N	X	Med	SD		
7. The existence and carrying amounts of biological assets whose title is restricted and the carrying amounts of biological assets pledged as security for liabilities.	34	1.24	1	.431	A7.7	10	1.70	2	.675	A15.7	7	1.29	1	.488	A9.7	17	1.24	1	.437	-	
8. The amounts of commitments for development or acquisition of BAs.	34	1.47	1	.507	A7.8	10	1.80	2	.632	A15.8	7	1.71	2	.488	A9.8	17	1.47	1	.514	-	
9. Financial risk management strategies related to agricultural activity.	34	1.77	2	.606	A7.9	10	1.80	2	.632	A15.9	7	2.43	2	.535	A9.9	17	1.65	2	.493	(1,2)(2,4) *	
10. Other risks related to the nature of agricultural produce.	34	1.97	2	.577	A7.10	10	2.10	2	.876	A15.10	7	2.57	3	.535	A9.10	17	1.94	2	.429	(1,2)(2,4) *	
11. Methods and significant assumptions applied in determining the fair value of each group of AP at the point of harvest.	34	1.29	1	.462	A7.11	10	1.70	2	.675	A15.11	7	1.29	1	.488	A9.11	17	1.29	1	.470	-	
12. Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest.	34	1.74	2	.511	A7.12	10	1.70	2	.675	A15.12	7	2.00	2	.577	A9.12	17	1.71	2	.470	-	
13. Nature and extent of government grants recognised in the financial statements.	32	1.94	2	.564	A7.13	10	1.80	2	.632	A15.13	6	2.00	2	.632	A9.13	16	2.00	2	.516	-	
14. Unfulfilled conditions and other contingencies attaching to government grants.	32	1.78	2	.553	A7.14	10	1.80	2	.632	A15.14	6	1.83	2	.753	A9.14	16	1.75	2	.447	-	
15. Significant decreases expected in the level of government grants.	32	2.00	2	.622	A7.15	10	1.70	2	.675	A15.15	6	2.17	2	.408	A9.15	16	2.13	2	.619	-	
16. The valuation method of land related to agricultural activity.	33	1.64	2	.489	A7.16	10	1.70	1.5	.823	A15.16	6	1.67	2	.516	A9.16	17	1.71	2	.470	-	

Section 9.7.3 examined the perceived importance of having accounting disclosure items. Financial analysts were very supportive of having predetermined accounting disclosure items. Agricultural companies ranked the level of importance of some disclosure items differently. External auditors indicated that the standard should require relevant information in order to promote transparency of financial reporting. As discussed in section 9.7.1, companies disclosed only items as required but did not provide detailed information.

Overall, IAS 41 was considered relevant to Thailand. But, in adopting IAS 41, the standard setter should ensure there is an alternative solution for agricultural companies to comply with in the case where active market of a biological asset does not exist. As suggested by external auditors, in order to increase the transparency of financial reporting, relevant accounting disclosure items may need to be required by the standard. Respondents did not mention other factors that should be considered in adopting IAS 41.

9.8 Conclusions

Respondents thought international factors had driven Thailand to move towards adopting IASs. However, different groups of respondents ranked the level of influence of each factor differently. Working experience, knowledge in accounting, and the organisation they worked with appeared to influence their perception of the factors they considered influential in the adoption of IASs. As regards internal factors, financial analysts as users, and companies as preparers, did not accept they had an influence on the extent of adopting IASs in Thailand, while external auditors believed these two groups had an influence.

All respondents on average agreed IASs helped Thailand to improve the quality of financial reporting and IASs were considered relevant to Thailand (9.5). TASs based on IASs would be more widely accepted internationally. Financial reports prepared in accordance with TASs adopted from IASs would provide better quality accounting information. However, there were some concerns about problems of interpretation and understandability as well as the limited accounting knowledge of accountants in Thailand. These findings helped to answer TQ₁ and TQ₃. The findings provided

some evidence that the level of accounting education and cultural factors influenced the extent of adopting IASs in Thailand. The findings therefore suggest that TASs should be based on IASs with some modifications as a result of level of accounting education and cultural factors.

Section 9.6 investigated the issue of incorporating IASs and implementing TASs adapted from IASs. This section helped to answer TQ₂ and TQ₄. Respondents mentioned repeatedly their problems in using or preparing financial reports in accordance with TASs when the questionnaire provided space for additional comments. They agreed with the problems of comprehension of technical terms, lack of sufficient information for making decisions, lack of accounting standards on some issues, and too many accounting requirements. Some interviewees pointed out that although TASs were adapted from IASs, the standard setter required companies to provide more disclosure requirements and stricter rules. Section 9.6 also showed that respondents agreed with all factors affecting the reliability of TASs that had been modified from IASs. A translation language problem was the main factor affecting the reliability of TASs.

Section 9.7 reported respondents' perceptions regarding the relevance of IAS 41 and factors influencing the extent of its adoption. IAS 41 was considered to be relevant to Thailand. Current accounting practice and their attitudes to change influenced the respondents' perceptions towards adopting IAS 41 in Thailand, particularly company accountants.

Using the questionnaire survey, the researcher was able to gain access to various groups of people, making it easier to compare responses between groups of respondents using statistical analysis. This provided a better understanding of the perceptions of each group of respondents comparatively towards adopting IASs in Thailand.

This study seeks to investigate opinions ahead of adopting IAS 41. The findings may be helpful to the Thai standard setter when incorporating IAS 41 into a Thai accounting standard for agriculture in the future.

A1 Financial Analysis

Appendix 9A
Distribution of answers to questions in the questionnaires

Tables below show answers to each question in the questionnaires.

- A1 Financial analysts
- A2 Agricultural companies
- A3 Other listed companies
- A4 External auditors

The bottom line of each table indicates the 'code' bar matched each type of answer.

'N/R' in the second line of each table means 'no response'.

Coding of the tables in the following pages is shown below.

A 1 = Yes **D** 1 = Very important

2 = No **2** = Important

3 = Don't know **3** = Moderately important

B 1 = Strong desirable influence **4** = Of little importance

2 = Desirable influence **5** = Unimportant

3 = No influence **E** 1 = Very satisfied

4 = Undesirable influence **2** = Satisfied

5 = Strong undesirable influence **3** = Indifferent

C 1 = Strongly agree **4** = Dissatisfied

2 = Agree **5** = Very dissatisfied

3 = Indifferent **F** Scale 1-5 indicates High to low

4 = Disagree **G** 1 = Included as contingent assets

5 = Strongly disagree and liabilities

6 = Don't know **2** = Disclosed in Notes

3 = Not at all

	G1.1	G1.2	G1.3	G1.4	G1.5	G1.6	G2	G3.1	G3.2	G3.3	G4.1	G4.2
N/R	5	15	14	10	11	9	-	7	3	11	5	10
1	10	-	1	5	4	6	15	8	12	4	10	5
2	-	-	-	-	-	-	-	-	-	-	-	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	A											

	G4.3	G5.1	G5.2	G5.3	G5.4	G5.5	G5.6	G6	G7.1	G7.2	G7.3	G7.4
N/R	10	1	1	1	2	1	2	5	-	15	15	15
1	5	1	2	-	1	1	1	8	15	-	-	-
2	-	9	9	5	6	6	4	2	-	-	-	-
3	-	3	3	7	4	5	7	-	-	-	-	-
4	-	1	-	2	2	2	1	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	A											

	G8.1	G8.2	G8.3	G9	G10	G11	G12.1	G12.2	G12.3	G12.4	G12.5	G12.6
N/R	1	15	14	14	-	-	6	6	6	6	6	6
1	14	-	1	-	9	8	1	2	2	1	-	2
2	-	-	-	-	6	2	2	2	1	2	4	1
3	-	-	-	1	-	5	-	-	-	-	-	1
4	-	-	-	-	-	-	-	-	-	-	-	1
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	6	5	5	5	4	4	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	A											

	G13.1	G13.2	G14	G15	G16	G17.1	G17.2	G17.3	G17.4	G18.1	G18.2	G19
N/R	12	14	-	4	3	2	2	2	2	3	3	3
1	3	1	7	1	9	1	1	1	1	2	1	9
2	-	-	8	4	3	6	11	6	7	8	8	3
3	-	-	-	6	-	4	1	6	3	2	3	-
4	-	-	-	-	-	2	-	1	1	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	A											

	G20.1	G20.2	G20.3	G21	A1	A2	A5	A6.1	A6.2	A6.3	A6.4	A6.5
N/R	2	2	2	2	3	3	4	4	3	3	3	3
1	1	-	4	4	-	-	-	-	-	-	-	-
2	4	5	3	8	1	3	3	2	3	3	3	3
3	2	4	3	1	11	9	8	2	2	3	3	2
4	2	-	-	-	-	-	-	1	1	1	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	4	4	3	-	-	-	-	6	6	5	5	6
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	C											

	A6.6	A6.7	A6.8	A6.9	A6.10	A6.11	A6.12A	A6.12B	A7.1	A7.2	A7.3	A7.4
N/R	4	3	3	3	3	3	4	3	5	5	5	5
1	-	2	-	-	-	-	-	-	5	6	7	4
2	5	3	4	1	2	4	1	1	5	4	3	6
3	2	2	2	1	3	1	3	3	-	-	-	-
4	-	1	-	1	-	1	-	1	-	-	-	-
5	-	-	2	1	1	1	-	1	-	-	-	-
6	4	4	4	8	6	4	7	7	-	-	-	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	D											

	A7.5	A7.6	A7.7	A7.8	A7.9	A7.10	A7.11	A7.12	A7.13	A7.14	A7.15	A7.16
N/R	5	5	5	5	5	5	5	5	5	5	5	5
1	8	4	8	5	5	4	7	4	3	3	4	5
2	2	6	2	5	5	6	3	6	6	6	5	3
3	-	-	-	-	-	-	-	-	1	1	1	2
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	15	15	15	15	15	15	15	15	15	15	15	15
Code	D											

	A8	I1	I5	I5.1	I5.2	I5.3	I5.4	I8
N/R	5	1	2	2	2	2	2	2
1	2	14	-	-	13	-	-	2
2	4	-	13	13	0	13	13	11
3	4	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-
Total	15	15	15	15	15	15	15	15
Code	A							

A2 Agricultural companies

	G1	G2.1	G2.2	G2.3	G3.1	G3.2	G3.3	G4.1	G4.2	G4.3	G5.1
N/R	-	5	2	-	6	-	7	0	6	1	-
1	8	3	6	8	2	8	1	8	2	7	8
2	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8
Code	A										

	G5.2	G5.3	G5.4	G6.1	G6.2	G6.3	G7	G8	G9	G10.1	G10.2	G10.3
N/R	8	8	8	7	8	1	1	-	-	-	-	-
1	-	-	-	1	-	7	1	1	8	1	-	-
2	-	-	-	-	-	-	5	7	-	7	7	6
3	-	-	-	-	-	-	1	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	2
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	B											

	G10.4	G10.5	G10.6	G11.1	G11.2	G12	G13	G14	G15.1	G15.2	G15.3	G15.4
N/R	-	-	-	2	-	-	-	-	-	-	-	-
1	1	-	-	6	8	8	1	1	5	-	4	1
2	7	5	7	-	-	6	7	7	3	3	3	4
3	-	-	-	-	-	1	-	-	-	5	1	3
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	1	-	-	-	-	-	-	-	-	-	-
6	-	2	1	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	C											

	G16.1	G16.2	G17.1	G17.2	G18	G19.1	G19.2	G19.3	G20	A1.1	A1.2	A2.2
N/R	-	-	-	2	-	-	-	-	-	1	8	1
1	-	-	8	6	8	7	1	2	3	7	-	3
2	7	7	-	-	-	1	1	4	5	-	-	4
3	1	1	-	-	-	-	4	2	-	-	-	-
4	-	-	-	-	-	-	3	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	A											

	A4.1	A4.2	A4.3	A4.4	A5.1	A5.2	A5.3	A6.1	A6.2	A6.3	A7.1	A7.2
N/R	8	8	1	8	8	8	8	1	6	8	8	1
1	-	-	7	-	-	-	-	7	2	-	-	7
2	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	A											

	A8.1	A8.2	A8.3	A9.1	A9.2	A9.3	A9.4	A10.1	A10.2	A10.3	A10.4	A10.5
N/R	8	8	8	8	8	8	8	1	7	3	3	4
1	-	-	-	-	-	-	-	7	1	5	5	4
2	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	A											

	A10.6	A10.7	A10.8	A10.9	A10.10	A11.1	A11.2	A12.1	A12.2	A13	A14.1	A14.2
N/R	6	8	8	8	8	3	8	4	4	1	1	1
1	2	-	-	-	5	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	1	6	5
3	-	-	-	-	-	-	-	4	4	2	1	2
4	-	-	-	-	-	-	-	-	-	3	1	-
5	-	-	-	-	-	-	-	-	-	1	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	C											

	A14.3	A14.4	A14.5	A14.6	A14.7	A14.8	A14.9	A14.10	A14.11	A14.12.1	A14.12.2	A15.1
N/R	1	1	1	1	1	1	1	1	1	2	2	1
1	-	-	-	1	3	1	1	-	1	1	1	3
2	3	3	-	4	4	2	4	6	6	3	3	4
3	3	4	2	-	1	-	3	2	-	2	2	-
4	1	-	4	6	1	-	1	-	-	-	-	-
5	-	-	1	1	-	-	-	1	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	C											D

	A15.2	A15.3	A15.4	A15.5	A15.6	A15.7	A15.8	A15.9	A15.10	A15.11	A15.12	A15.13
N/R	1	1	1	1	1	1	1	1	1	1	1	2
1	3	1	-	2	-	5	2	4	3	5	1	1
2	3	6	2	4	1	2	5	3	4	2	5	4
3	1	-	5	1	4	-	-	-	-	-	-	1
4	-	-	-	-	2	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	D											

	A15.14	A15.15	A15.16	A17	A18	11	14	15.1	15.2	15.3	15.4	18
N/R	2	2	2	1	1	-	-	3	5	8	8	-
1	2	-	2	1	-	8	8	5	3	-	-	-
2	3	5	4	6	1	-	-	-	-	-	-	8
3	1	1	-	-	2	-	-	-	-	-	-	-
4	-	-	-	-	4	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	8	8	8	8	8	8	8	8	8	8	8
Code	D	A	C	A	1/Thai	A						

A3. Other listed companies

	G1	G2.1	G2.2	G2.3	G3.1	G3.2	G3.3	G4.1	G4.2	G4.3	G5.1	G5.2
N/R	-	-	6	-	6	-	4	-	5	1	-	7
1	7	7	1	7	1	3	7	2	6	7	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-
Total	7	7	7	7	7	7	7	7	7	7	7	7
Code	A											

	G5.3	G5.4	G6.1	G6.2	G6.3	G7	G8	G9	G10.1	G10.2	G10.3	G10.4
N/R	7	7	3	6	4	1	-	-	-	-	-	-
1	-	-	4	1	3	1	-	6	1	1	-	2
2	-	-	-	-	-	5	7	1	5	5	6	4
3	-	-	-	-	-	-	-	1	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	1	1	1	1
Total	7	7	7	7	7	7	7	7	7	7	7	7
Code	A											

	G10.5	G10.6	G11.1	G11.2	G12	G13	G14	G15.1	G15.2	G15.3	G15.4	G16.1
N/R	-	-	3	-	-	-	-	-	-	-	-	-
1	-	1	4	7	7	-	-	6	-	1	-	-
2	6	5	-	-	7	7	7	1	2	5	2	6
3	-	-	-	-	-	-	-	-	5	1	5	1
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	1	1	-	-	-	-	-	-	-	-	-	-
Total	7	7	7	7	7	7	7	7	7	7	7	7
Code	B											

	G16.2	G17.1	G17.2	G17.3	G18	G19.1	G19.2	G19.3	G20	F5.1	F5.2	F5.3
N/R	-	1	4	7	-	-	-	-	-	-	-	6
1	-	6	3	-	7	2	-	4	5	7	1	1
2	6	-	-	-	-	5	-	3	2	-	-	-
3	1	-	-	-	-	-	1	-	-	-	-	-
4	-	-	-	-	-	-	3	-	-	-	-	-
5	-	-	-	-	-	-	3	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	7	7	7	7	7	7	7	7	7	7	7	7
Code	C											

	F6	F7	F8	F9.1	F9.2	11	14	15.1	15.2	15.3	15.4	18
N/R	-	-	-	-	7	-	-	2	5	7	7	-
1	-	-	-	7	-	7	6	5	2	-	-	1
2	7	3	7	-	-	-	1	-	-	-	-	6
3	-	4	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	7	7	7	7	7	7	7	7	7	7	7	7
Code	C											

A4 External Auditors

	G1	G2.1	G2.2	G2.3	G4	G6.1	G6.2	G6.3	G7.1	G7.2	G7.3	G7.4
N/R	-	5	9	9	-	-	10	9	1	16	17	17
1	13	12	8	8	17	17	7	8	16	1	-	-
2	4	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	A											

	G8.1	G8.2	G8.3	G9	G10	G11	G12.1	G12.2	G12.3	G12.4	G12.5	G12.6
N/R	6	16	2	13	5	-	1	1	1	1	1	1
1	11	1	15	-	2	16	11	4	2	4	3	-
2	-	-	-	3	10	-	4	9	9	11	7	11
3	-	-	-	1	-	1	1	3	-	-	5	1
4	-	-	-	-	-	-	-	-	2	-	-	4
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	2	1	1	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	A											

Appendix 9B
(1) Two-Sample t test and (2) Mann-Whitney test

Tables below are created by applying two-sample t-test and Mann-Whitney test. Figure 'P' in the Tables gives the results of the significance test, with '1' representing the two-sample t-test and '2' the Mann-Whitney test. *Shaded entries* indicate the relationship of the opinion of the two involved is significantly different. This information is transferred to questions in Tables indicated in chapter 9.

	G13.1	G13.2	G14	G15	G16	G17.1	G17.2	G17.3	G17.4	G18.1	G18.2	G19.1
N/R	5	5	-	-	-	-	-	-	-	-	-	2
1	12	12	16	4	7	13	6	4	5	4	3	15
2	-	-	1	12	10	2	7	10	5	10	7	-
3	-	-	-	1	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	A			C			C			A		

	G19.2	G20	G21.1	G21.2	G21.3	A1.1	A1.2	A1.3	A3	A4	A7	A8.1
N/R	11	-	2	17	15	3	1	1	1	1	1	1
1	6	13	4	-	3	15	-	2	-	3	-	4
2	-	4	12	5	10	-	-	-	9	12	6	9
3	-	-	-	6	3	-	-	-	2	1	8	3
4	-	-	-	6	1	-	-	-	3	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	A			C			A			C		

	A8.2	A8.3	A8.4	A8.5	A8.6	A8.7	A8.8	A8.9	A8.10	A8.11	A8.12.1	A8.12.2
N/R	1	1	1	1	1	1	1	1	1	1	1	2
1	2	3	-	3	2	3	5	-	-	2	4	4
2	10	4	8	6	1	8	4	10	10	7	10	9
3	1	5	5	1	10	3	7	2	3	5	1	1
4	3	4	3	6	3	2	4	3	1	1	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	C											

	A9.1	A9.2	A9.3	A9.4	A9.5	A9.6	A9.7	A9.8	A9.9	A9.10	A9.11	A9.12
N/R	-	-	-	-	-	-	-	-	-	-	-	-
1	14	10	9	3	13	2	13	9	6	2	12	5
2	3	7	8	6	4	5	4	8	11	14	5	12
3	-	-	-	8	-	6	-	-	-	1	-	-
4	-	-	-	-	-	4	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	D											

	A9.13	A9.15	A9.16	A10	A11	I1	I4	I5.1	I5.2	I5.3	I5.4	I8
N/R	1	1	1	-	-	-	-	16	1	17	17	-
1	2	4	2	5	14	3	17	14	1	16	-	-
2	12	12	10	12	3	9	-	3	-	-	-	-
3	2	-	4	-	-	5	-	-	-	-	-	17
4	-	-	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-
Total	17	17	17	17	17	17	17	17	17	17	17	17
Code	D			A			C			I.Thai		

Question 2.1 (Table 9-3B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.618 2. P = 0.5428	1. P = 0.685 2. P = 0.7216	1. P = 0.511 2. P = 0.3558
Agricultural companies		n/a	1. P = 0.846 2. P = 0.9154	1. P = 0.02* 2. P = 0.05*
Other listed companies			n/a	1. P = 0.065 2. P = 0.0647
External auditors				n/a

Question 2.2 (Table 9-4B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.118 2. P = 0.0573	1. P = 0.363 2. P = 0.3496	1. P = 0.248 2. P = 0.2689
Agricultural companies		n/a	1. P = 0.195 2. P = 2037	1. P = 0.384 2. P = 0.4855
Other listed companies			n/a	1. P = 0.668 2. P = 0.7957
External auditors				n/a

Question 2.4 (Table 9-4B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.600 2. P = 0.8231	1. P = 0.444 2. P = 0.419	1. P = 0.479 2. P = 0.4994
Agricultural companies		n/a	1. P = 0.420 2. P = 0.4149	1. P = 0.422 2. P = 0.4702
Other listed companies			n/a	1. P = 0.790 2. P = 0.8038
External auditors				n/a

Question 2.5 (Table 9-4B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.880 2. P = 1.000	n/a**	1. P = 0.574 2. P = 0.7720
Agricultural companies		n/a	n/a**	1. P = 0.519 2. P = 0.8617
Other listed companies			n/a	n/a**
External auditors				n/a

**Indicating all answers of other listed companies are identical so a two-sample t-test and Mann-Whitney test cannot be applied.

Question 2.6 (Table 9-4B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.598 2. P = 0.8550	1. P = 0.578 2. P = 0.8405	1. P = 0.587 2. P = 0.4326
Agricultural companies		n/a	1. P = 0.916 2. P = 1.000	1. P = 0.015* 2. P = 0.0507
Other listed companies			n/a	1. P = 0.017* 2. P = 0.0591
External auditors				n/a

Question 4 (Table 9-5B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.125 2. P = 0.1178	n/a**	1. P = 0.019* 2. P = 0.0270*
Agricultural companies		n/a	n/a**	1. P = 0.453 2. P = 0.4591
Other listed companies			n/a	n/a**
External auditors				n/a

* - Indicating all answers of other listed companies are identical so a two-sample t-test and a Mann-Whitney test cannot be applied.

Question 5 (Table 9-5B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.567 2. P = 0.6471	1. P = 0.535 2. P = 0.6224	1. P = 0.805 2. P = 0.8178
Agricultural companies		n/a	1. P = 0.927 2. P = 1.000	1. P = 0.375 2. P = 0.4794
Other listed companies			n/a	1. P = 0.358 2. P = 0.4694
External auditors				n/a

Question 6 (Table 9-5B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.844 2. P = 0.8383	1. P = 0.915 2. P = 0.9125	1. P = 0.513 2. P = 0.6117
Agricultural companies		n/a	1. P = 0.927 2. P = 1.000	1. P = 0.387 2. P = 0.5385
Other listed companies			n/a	1. P = 0.441 2. P = 0.5998
External auditors				n/a

Question 4.1 (Table 9-6B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.001* 2. P = 0.0046*	1. P = 0.000* 2. P = 0.0016*	1. P = 0.001* 2. P = 0.0005*
Agricultural companies		n/a	1. P = 0.337 2. P = 0.3657	1. P = 0.931 2. P = 0.6569
Other listed companies			n/a	1. P = 0.356 2. P = 0.5908
External auditors				n/a

Question 4.2 (Table 9-6B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.013* 2. P = 0.0097*	1. P = 0.008* 2. P = 0.0052*	1. P = 0.599 2. P = 0.5827
Agricultural companies		n/a	1. P = 0.737 2. P = 0.0295*	1. P = 0.011* 2. P = 0.0295*
Other listed companies			n/a	1. P = 0.006* 2. P = 0.0214*
External auditors				n/a

Question 4.3 (Table 9-6B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.126 2. P = 0.1177	1. P = 0.604 2. P = 0.6187	1. P = 0.401 2. P = 0.3991
Agricultural companies		n/a	1. P = 0.294 2. P = 0.2751	1. P = 0.325 2. P = 0.2752
Other listed companies			n/a	1. P = 0.831 2. P = 0.8539
External auditors				n/a

Question 1.4 (Table 9-6B)	Financial Analysts	Agricultural companies	Other listed companies	External auditors
Financial analysts	n/a	1. P = 0.462 2. P = 0.7212	1. P = 0.617 2. P = 0.3658	1. P = 0.252 2. P = 0.4123
Agricultural companies		n/a	1. P = 0.161 2. P = 0.1922	1. P = 0.689 2. P = 0.7795
Other listed companies			n/a	1. P = 0.045* 2. P = 0.1195
External auditors				n/a

Question 1 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.070 2. P = 0.0398*	1. P = 0.919 2. P = 0.9774
Agricultural companies		n/a	1. P = 0.078 2. P = 0.0503
External auditors			n/a

Question 2 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.020* 2. P = 0.0292*	1. P = 0.788 2. P = 0.7640
Agricultural companies		n/a	1. P = 0.009* 2. P = 0.0072*
External auditors			n/a

Question 3.1 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.306 2. P = 0.2068	1. P = 0.090 2. P = 0.0758
Agricultural companies		n/a	1. P = 0.320 2. P = 0.4072
External auditors			n/a

Question 3.2 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.351 2. P = 0.4069	1. P = 0.407 2. P = 0.3184
Agricultural companies		n/a	1. P = 0.930 2. P = 0.7827
External auditors			n/a

Question 3.3 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 1.000 2. P = 1.000	1. P = 0.824 2. P = 0.9444
Agricultural companies		n/a	1. P = 0.824 2. P = 0.9444
External auditors			n/a

Question 3.4 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.433 2. P = 0.5203	1. P = 0.270 2. P = 0.3839
Agricultural companies		n/a	1. P = 0.687 2. P = 0.9124
External auditors			n/a

Question 3.5 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.102 2. P = 0.0757	1. P = 0.721 2. P = 0.7277
Agricultural companies		n/a	1. P = 0.006* 2. P = 0.0314*
External auditors			n/a

Question 3.6 (Table 9-7G)	Financial Analysts	Agricultural companies	External Auditors
Financial analysts	n/a	1. P = 0.000* 2. P = 0.0011*	1. P = 0.055 2. P = 0.0489*
Agricultural companies		n/a	1. P = 0.000* 2. P = 0.0008*
External auditors			n/a

Question 3.7 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.946 2. P = 1.000	1. P = 1.000 2. P = 1.000
Agricultural companies		n/a	1. P = 0.935 2. P = 0.9710
External auditors			n/a

Question 3.8 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.023* 2. P = 0.0316*	1. P = 0.654 2. P = 0.8694
Agricultural companies		n/a	1. P = 0.081 2. P = 0.1565
External auditors			n/a

Question 3.9 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.462 2. P = 0.5470	1. P = 0.465 2. P = 0.3728
Agricultural companies		n/a	1. P = 0.903 2. P = 0.9709
External auditors			n/a

Question 3.10 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.460 2. P = 0.4789	1. P = 0.079 2. P = 0.0808
Agricultural companies		n/a	1. P = 0.227 2. P = 0.3391
External auditors			n/a

Question 3.11 (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.922 2. P = 0.8360	1. P = 0.767 2. P = 0.8445
Agricultural companies		n/a	1. P = 0.889 2. P = 0.6031
External auditors			n/a

Question 3.12a (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.184 2. P = 0.2386	1. P = 0.022* 2. P = 0.0133*
Agricultural companies		n/a	1. P = 0.316 2. P = 0.2605
External auditors			n/a

Question 3.12b (Table 9-7G)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.184 2. P = 0.2386	1. P = 0.040* 2. P = 0.0433*
Agricultural companies		n/a	1. P = 0.544 2. P = 0.4330
External auditors			n/a

Question 1 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.790 2. P = 0.8217	1. P = 0.114 2. P = 0.0867
Agricultural companies		n/a	1. P = 0.115 2. P = 0.0638
External auditors			n/a

Question 2 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.365 2. P = 0.4085	1. P = 0.955 2. P = 0.9765
Agricultural companies		n/a	1. P = 0.359 2. P = 0.3656
External auditors			n/a

Question 3 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.019* 2. P = 0.0323*	1. P = 0.575 2. P = 0.5893
Agricultural companies		n/a	1. P = 0.032* 2. P = 0.0559
External auditors			n/a

Question 4 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.001* 2. P = 0.0027*	1. P = 0.010* 2. P = 0.0221*
Agricultural companies		n/a	1. P = 0.435 2. P = 0.5221
External auditors			n/a

Question 5 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.625 2. P = 0.7789	1. P = 0.000* 2. P = 0.0003*
Agricultural companies		n/a	1. P = 0.009* 2. P = 0.0085*
External auditors			n/a

Question 6 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.001* 2. P = 0.0012*	1. P = 0.001* 2. P = 0.0048*
Agricultural companies		n/a	1. P = 0.235 2. P = 0.3310
External auditors			n/a

Question 7 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.714 2. P = 0.7403	1. = 0.838 2. P = 0.8617
Agricultural companies		n/a	1. P = 0.817 2. P = 0.8325
External auditors			n/a

Question 8 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.109 2. P = 0.1147	1. P = 0.397 2. P = 0.4091
Agricultural companies		n/a	1. P = 0.297 2. P = 0.3033
External auditors			n/a

Question 9 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.004* 2. P = 0.0084*	1. P = 0.483 2. P = 0.4793
Agricultural companies		n/a	1. P = 0.008* 2. P = 0.0063*
External auditors			n/a

Question 10 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.0033* 2. P = 0.0063*	1. P = 0.097 2. P = 0.0815
Agricultural companies		n/a	1. P = 0.022* 2. P = 0.0086*
External auditors			n/a

Question 11 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.953 2. P = 1.000	1. P = 0.976 2. P = 1.000
Agricultural companies		n/a	1. P = 0.970 2. P = 1.000
External auditors			n/a

Question 12 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.168 2. P = 0.1816	1. P = 0.602 2. P = 0.6014
Agricultural companies		n/a	1. P = 0.263 2. P = 0.2460
External auditors			n/a

Question 13 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.554 2. P = 0.5708	1. P = 0.413 2. P = 0.3813
Agricultural companies		n/a	1. P = 1.000 2. P = 1.000
External auditors			n/a

Question 14 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.930 2. P = 1.000	1. P = 0.830 2. P = 0.9219
Agricultural companies		n/a	1. P = 0.807 2. P = 0.9641
External auditors			n/a

Appendix 9C
Characteristics of respondents

C.1 Educational background

Academic Qualification/major subject	Financial Analysts	Agricultural companies	Other listed companies	External Auditors
Bachelor	6/Finance 2/Accounting	5/Accounting	5/Accounting	
Diploma/Master	5/Finance	2/Accounting 1/Finance*	2/Finance*	13/Accounting 4/Finance*
Ph.D. or other doctorate	-	-	-	-
Not specified	2	-	-	-

* Master in Finance and Bachelor in Accounting

C.2 Country of study

Country of study	Financial Analysts*	Agricultural Companies**	Other listed Companies	External Auditors**
Thailand	11	8	7	17
US	5	1	-	1
Australia	2	-	-	-
Not specified	2	-	-	-

* Three had a Master degree from the US, two had a Master from Australia but had a Bachelor from Thailand
** One had Master degree from US.

C.3 Professional qualification

Professional qualification	Financial Analysts	Agricultural companies	Other listed companies	External Auditors
CPA	-	5	5	16
None	15	3	2	1

C.3 Working experience

Working experience	Financial Analysts	Agricultural companies	Other listed Companies	External Auditors
Years in the current profession	7.5	13.2	14.4	15.2
Years in work related to area of accounting	0.5	13.2	14.4	15.2

Question 15 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.109 2. P = 0.1474	1. P = 0.125 2. P = 0.1160
Agricultural companies		n/a	1. P = 0.857 2. P = 0.9641
External auditors			n/a

Question 16 (Table 9-8)	Financial Analysts	Agricultural companies	External auditors
Financial analysts	n/a	1. P = 0.549 2. P = 0.5708	1. P = 0.322 2. P = 0.3078
Agricultural companies		n/a	1. P = 0.874 2. P = 0.8943
External auditors			n/a

Appendix 9D Participation in the standard-setting process

Questions	Overall responses		Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)						
	N	Yes	Q	N	No	Yes	Q	N	No	Yes	Q	N	No	Yes	Q	N	No	Yes
1. Are you a member of the Institute of Certified Accountants of Thailand (ICAAAT)?	45	17	28	14	13	0	14	8	0	8	14	7	1	6	14	17	3	14
2. If you are not a member of the ICAAT, how do you ensure that you are aware of all new Thai accounting standards?																		
2.1 Announcement of the ICAAT	18	9	9	n/a	n/a	n/a	G4.1	8	0	8	G4.1	7	0	7	G6.1	17	1	16
2.2 Announcement or letters from the DBD, Ministry of Commerce	18	2	16	n/a	n/a	n/a	G4.2	8	6	2	G4.2	7	5	2	G6.2	17	10	7
2.3 Announcement or letters from the SET	18	8	10	n/a	n/a	n/a	G4.3	8	1	7	G4.3	7	1	6	G6.3	17	9	8
3. Do you take part in the current accounting standard-setting procedure directly?																		
3.1 None	47	1	46	G7.1	15	0	G5.1	8	0	8	G5.1	7	0	7	G7.1	17	1	16
3.2 As a member of working group on the ED	47	46	1	G7.2	15	15	0	G5.2	8	8	0	G5.2	7	7	0	G7.2	17	16
4. Indirectly, are you involved in the standard-setting procedure?																		
4.1 None	47	11	36	G8.1	15	1	G6.1	8	1	7	G6.1	7	3	4	G8.1	17	6	11
4.2 As a commentator on the exposure draft or adopted standards by the ICAAT	47	45	2	G8.2	15	15	0	G6.2	8	8	0	G6.2	7	6	1	G8.2	17	16
4.3 As an attendant at public hearing of drafts on accounting standards.	47	27	20	G8.3	15	14	1	G6.3	8	7	1	G6.3	7	4	3	G8.3	17	2

N = Total number of respondents, Q = Question

Questions	Overall responses		Financial analysts (1)			Agricultural companies (2)			Other listed companies (3)			External Auditors (4)							
	N	Med	SD	Q	N	X	Med	S.D	Q	N	X	Med.	SD	Q	N	X	Med	SD	
5. If you are involved in the standard-setting process, are you satisfied with the response of the ICAAT?	19	2.11	2	.567	G9	1	3.00	3	.000	G7	7	2.00	2	.577	G7	6	1.83	2	.408
Scale 1-5: Level of satisfaction, 1 = very satisfied, 2 = satisfied, 3 = indifferent, 4 = dissatisfied, and 5 = very dissatisfied																			
N = number of respondents, X = mean, Med = median, and SD = standard deviation																			

CHAPTER 10

10. Analysis and Discussion of Combined Results

10.1 Introduction

This chapter draws upon the combined results of three research studies (chapters 6 to 9) based on the study's research objectives and questions (chapter 1). This chapter discusses the explanatory power of the theories and identifies the practical issues for applicability of IASs in developing countries.

This chapter is organised as follows. Section 10.2 explains how the research results have been combined to answer the research questions and discusses how the evidence relates to the theories underpinning each hypothesis. Section 10.3 draws on the evidence in 10.2 to summarise the practical issues for applicability of IASs in developing countries. Section 10.4 evaluates the combined results of the research findings in terms of theoretical perspectives.

10.2 Theoretical explanation of combined results of the research findings

This section discusses the combined results of using each research method to apply theory in answering the research questions that have been investigated through hypothesis testing (see Table 10-1) and to explore the agriculture questions that have no prior expectation (see Table 10-2).

The combined results are discussed in the order of the research questions. The findings from each method have been discussed in separate chapters as shown in the 'key results' column in Table 10-1 presenting hypotheses testing based on the three different research methods. This section links the results from the three methods in order to provide further discussion where possible. However, GQ₂ is too broad to cover all developing countries in this study so this question will be answered by TQ₂ in the particular context of Thailand. The study will provide a framework for studying other countries for comparison of the results.

Table 10-1: Testing hypotheses where prior expectations have been stated: summary of research questions, key results and where covered in this chapter

RQ	Hypotheses (Chapter 5)	Key Results			Section
		Letters (Ch6)	Interviews (Ch7, 8)	Questionnaires (Ch9)	
GQ _{1a}	H ₁ : The parties interested in the accounting standard setting will lobby based on their self-interest.	✓ 6.5.15	-	-	10.2.1
GQ _{1a}	H ₂ : IAS 41 will incorporate the comments from as many respondents as possible.	✓ 6.5.15	✓ 8.3.3	-	
GQ _{1a}	H ₃ : Anglo-American countries, particularly the UK and the US, have exerted strong influence on the final version of the international accounting standard.	✓ 6.6.2	✓ 8.3.3	-	
GQ _{1b}	H _{4a} : Developing countries will have different attitudes to IAS 41 from those of developed countries.	✓ 6.4.15	✓ 8.3.3	-	10.2.2
GQ _{1b}	H _{4b} : Developing countries are more likely to lobby on IAS 41 than developed countries.	✓ 6.4.15	✓ 8.3.3	-	
TQ ₁	H ₅ : IASs help Thailand to improve the quality of financial reporting.	-	✓ 7.4.1.7 7.4.3.3 8.4.3	✓ 9.5.3	10.2.3
TQ ₂	H ₆ : The parties interested in TASs will lobby based on their self-interest.	-	✓ 7.5.1.4 8.5.3	✓ 9.7.3.3.	10.2.4
TQ ₂	H ₇ : TASs should be based on IASs with some modifications as a result of: a) level of economic development b) level of capital market development c) level of education d) culture	-	✓ 7.4.1.7 7.5.2.6 8.4.3	✓ 9.5.3 9.6.5	
TQ ₂	H ₈ : a) current accounting practice and b) economic factors influence the extent of adopting IASs in Thailand.	-	✓ 7.5.2.6 8.5.3	✓ 9.7.2.4	
TQ ₃	H _{9a} : Thailand moves towards IASs because of a) moving towards global capital markets b) increase in the credibility of financial reporting c) facilitating foreign investment d) influence from international organisations	-	✓ 7.3.6	✓ 9.4.4	10.2.5
TQ ₃	H _{9b} : Thailand moves towards IASs rather than US GAAP because an IAS is: a) more flexible b) more neutral c) an internationally accepted accounting principle	-	✓ 7.3.6 7.4.1.7 7.4.2.2	✓ 9.4.2	
TQ ₄	H ₁₀ : The development of a) the accounting profession b) accounting education c) accounting regulation and enforcement d) cultural factors are obstacles to incorporating and implementing modified IASs in Thailand.	-	✓ 7.5.1.4 7.5.2.6 7.5.4 7.5.5 8.5.3	✓ 9.5.3 9.6.3 9.6.5	10.2.6

Table 10-2: Research questions with no prior expectations

<i>RQ</i>	<i>Question</i>	<i>Key results</i>		<i>Theoretical interpretation</i>	<i>Section covered</i>
		<i>Interviews</i>	<i>Questionnaires</i>		
AQ ₁	How relevant is IAS 41 to Thailand?	8.3.3, 8.4.3	9.7.4	Benefits of IASs	10.2.7
AQ ₂	What is the attitude to changing current accounting practice in agriculture in Thailand?	8.5.3	9.7.4	Economic consequences and financial consequences Agency theory	10.2.8
AQ ₃	What factors influence the extent of adopting IAS 41 in Thailand?	8.4.3 8.5.3	9.7.4	Cultural factors Accounting education, accounting profession and accounting enforcement	10.2.9

10.2.1 GQ_{1a}: How relevant are IASs to developing countries, in particular the case of accounting for agriculture and the situation in Thailand?

To help answer GQ_{1a}, this section discusses the relevance of the findings to the theories relating to hypotheses H₁, H₂ and H₃ and links the research findings from chapters 6 and 8.

10.2.1.1 Different interests among respondents

The theory of the political nature of standard setting supports the findings from chapter 6. Chapter 6 showed there were several efforts by different groups of respondents writing comment letters on E65 to lobby on the international accounting standard. The type of respondent to E65 was found to be associated with the lobbying opinion but the country's degree of development (developed or developing country) was not associated with the comments on a particular issue related to IAS 41. When the responses were analysed by type of respondent, it was shown that the comments from the group comprising professional accountancy bodies and standard setting bodies most closely matched the essential revision of the proposed standard. In the case where other groups of respondents had different opinions, the views of professional accountancy bodies and standard setting bodies prevailed, such as the responses to questions about measurement of biological assets at fair value (see 6.5.2) and reporting change in fair value (see 6.5.4). Therefore, it is possible that this group exerted a stronger influence on the final standard. Looking forward to the IASB, this explanation is consistent with the IASB's objective to achieve convergence in accounting standards around the world so it needed to incorporate the

comments from its constituents, in particular the parties representing professional accountancy bodies or national accounting standard setting bodies, in order to increase acceptability from countries. Although the findings in chapter 6 indicated that the final standard resembled the majority of the vote, the majority of respondents to IASC E65 were from the professional accountancy bodies and standard setting bodies. The theory of the political nature of standard setting explains that accounting standards reflect a social decision whereby regulatory bodies attempt to manage conflict between competing constituencies by selecting the most socially acceptable solution. However, it may be difficult to identify whether the IASC had specifically considered other comments from other types of respondent in the international business community.

The findings from chapter 6 are supported by institutional legitimacy theory. In the case where the comments from the professional accountancy and standard setting bodies were mixed, the final standard was consistent with the majority of respondents. An example is the question about reliability of fair value measurement (see 6.5.3). In the case where fair value of biological assets and agricultural produce cannot be determined reliably, cost measurement is allowed to apply. At that time the IASC Board contained thirteen country members (chapter 4) and these countries aligned into two main groups: those which supported fair value and those which supported cost measurement (see Figure 6.1). The final standard satisfied one of these groups by recommending fair value measurement. It may be possible that in order to satisfy the other group, the final standard allowed the use of cost measurement in particular cases. In explaining the final compromise, it may be difficult to identify whether the IASC considered the comments from the lobbying respondents or whether it wanted to satisfy the other group members of the IASC Board who preferred cost measurement. In this circumstance, the outcome seems to support institutional legitimacy theory. The final version of the standard would appear to satisfy all respondents in respect of the measurement issue. However, as regards the issue of reporting change of fair value the IASC did not appear to recognise the objection from industry and other respondent groups since the final version of the standard resembled the major views of professional accounting bodies

and national standard setting bodies. This leads to the question whether the IASB sought to maintain the support of its member bodies and national standard setters.

10.2.1.2 Nature and structure of lobbying groups

The findings from chapter 8 and information from chapter 4 provide further support for the theory of political nature of standard setting and link to evidence in chapter 6.

Interviewees in chapter 8 directed the researcher to investigate the working stage of the steering committee and search for more information about how the IASC E65 was developed. Section 4.3 indicated the Australian accounting standard setter had exerted a strong influence on the proposed IASC E65. It may also be possible that the Australian standard setter exerted a significant influence in a later stage of setting this standard. This is because the Australian Accounting Standards Board (AASB) had an observer on the steering committee, as well as a member on the IASC Board and also sent a comment letter to the DSOP and IASC E65 supporting fair value measurement. The statement by the chairman of the AASB highlighted the ability of the Australian standard setter to play a leading role, pointing to his effort to promote his country's current accounting principle as an internationally accepted accounting principle. This finding is consistent with the study by Taylor and Turley (1986) indicating that those using a particular current accounting practice will seek to influence the standard setting process by introducing their current accounting practices. In this case, it is possible that the Australian standard setter influenced the international accounting standard in order to demonstrate to Australian companies that their accounting practice would be accepted in the international arena.

The results of chapter 6 section 6.6.2 suggested that the letter of comment from the International Federation of Accountants (IFAC) had the highest degree of correspondence to the final standard. The comment letter from the IFAC was prepared by a sub-committee of the Public Sector Committee. This committee was chaired by a person who had a strong accounting background in New Zealand (see section 6.6). New Zealand had a representative on the steering committee and was a member (in co-operation with Australia) of the IASC Board. The comment from the ICANZ also supported fair value. The foregoing discussion provides some

circumstantial evidence of the influence of Australia and New Zealand on setting IAS 41. It is reasonable that these two countries would seek to influence this standard because agriculture is a significant business of their economies¹⁴.

From prior literature, there is criticism that Anglo-American accounting has strongly affected IASs generally (see 2.4.1). In the case of IAS 41, based on the lobbying opinions on issues of accounting measurement, Canada and the US supported cost measurement, while Australia, New Zealand and UK supported fair value measurement. This may be the result from lobbying the IASC Board on which Canada and the US were also represented. Although no strong evidence suggests Canada and the US influenced the final standard, the IASC may be open to criticism on its policy in dealing with comments from its constituents. In future the IASB has to demonstrate transparency in the entire process of setting an accounting standard.

Chapter 6 also showed that some responses came from organisations or countries represented on the steering committee (chapter 4). If these comments were counted in finalising the standard, this may have affected the neutrality of the accounting standard because their views would have been counted twice. Also, it is not possible to know the views of all members of the steering group. The researcher interviewed two Thai members of the committee in order to obtain some information about the Thai position because they did not respond in writing to IASC E65. That leads to a concern that Thailand would not have been seen in the lobbying letters. In future, the IASB may be questioned about the transparency of its deliberation process if it does not reveal its policy.

10.2.1.3 Possible self-interest

The findings from chapters 6 and 8 are supported by the theory of self-serving interests. Chapter 6 provided some evidence that each group of respondents submitted letters to the IASC E65 containing reasons based on their self-interests.

¹⁴ Australia is a major exporter of agricultural products. Commodities account for 57% of the value of total exports, so a downturn in world commodity prices could have a big impact on the economy (World Factbook, 2003). New Zealand has a mixed economy which operates on free market principles. It has sizeable manufacturing and service sectors complementing a highly efficient agricultural sector (The Treasury's report, 2003).

Interviewees in chapter 8 commented on the possibility that on the steering committee, each country's representative supported only their major interest in the standard and opposed any issue that might affect their particular interest. If the standard proposed a desirable solution in the case of significant changes from their current practice, they would be agreeable. Minutes of the meetings would clarify such issues of transparency.

The results of chapter 6 indicated that self-interest motivation might drive those affected by the proposals to respond to the ED. In particular, the findings showed that Australian companies commented on IASC E65, arguing against the Australian standard setter (see 6.5.4). These findings provide evidence of the lobbying efforts moving from the national level to the international setting level. They could be said to show acceptance of the importance of IASs and national problems being transferred to an international arena.

Interviews provided further evidence of the reasons for argument against the ED. Interviewees indicated that a country, such as Thailand, using fair value measurement, needed more investment in improving the information systems. Moreover, the results of both interviews and questionnaires indicated that companies did not agree with disclosure requirements that required more items. Some of the requirements were considered to be sensitive information that would result in competitive disadvantage for the developing country.

The above findings are also supported by the theory of the political nature of standard setting. Parties interested in IASs and even members on the steering committee may use the political process of international standard setting to persuade the standard setter to write rules to their advantages based on their self-interest. In this case, some of them lobby in order to get their current accounting practices accepted, while others lobby only on a particular concern relating to a problem in the adoption of the standard in their countries.

10.2.1.4 Discussion of the alignment

The theory of political nature of standard setting explains the findings in chapter 6. Chapter 6 showed the alignment of countries in two groups, those which supported

fair value and those which supported cost measurement. Both groups included a mixture of developed and developing countries. However, the findings indicated that the member countries in the first group were represented on the steering committee while the second group had no representative. Comments from steering committee member countries supported fair value measurement, which may have resulted in the final standard being driven in the direction suggested by the first group. It is possible that during the working process of the steering committee, committee members were convinced to support fair value measurement. It is evident that almost all respondents from these member countries supported fair value. Only one country among steering committee member countries proposed cost as an alternative treatment but did not disagree with fair value. This suggests that Australia was successful in its lobbying efforts at this stage because IASC E65 was developed from the Australian accounting standard. Although the findings also pointed to the possibility that the final standard may have considered the comments both from other responses to IASC E65 and from the countries represented on the IASC Board, they suggest the stronger influence of the first group on the standard. This shows the importance of being part of the steering group and participating in the early stage of the setting process.

10.2.1.5 Pressures from the industry group with different business cultures

The findings from chapter 6 and 8 provided further evidence to support the theory of political nature of standard setting and self-serving interests. They revealed different attitudes to lobbying in the case of different nationalities. Australian companies lobbied IAS 41 but Thai companies did not. For example, Australian companies sent comments to IASC E65 to argue against the proposed accounting standard. Australian companies also grouped as an Association (G100) and gave another comment representing Australian business to the IASC.

In the case of Thailand, the lobbying efforts took place after the national standard setter finalised the standard, in order to delay an effective date or allow more alternatives. The companies grouped as an Association and submitted their collective comments to the national standard setter, regulators, and the government.

These findings support the political nature of standard setting theory both in setting the IAS and in setting a TAS, but this theory may be explained in different stages of setting a standard. A possible reason for this could be that setting a TAS might be less transparent and show lower involvement by its constituents in setting the IAS. The Thai interest groups of companies were not encouraged to get involved in setting a standard but they put some pressure on the Thai regulators.

The interviews in chapter 8 suggested they did not comment on E65 or any other exposure drafts of the IASC because they were not invited to do so. Another issue may be the issue of the language barrier. Most accounting programmes in Thailand are taught in English and IASC EDs are prepared in the English language. This may partly explain why Thai companies were reluctant to give any responses to the IASC. It also indicates a different business culture between Australia and Thailand. In future, the IASB should show more concern and work harder to get developing countries, such as Thailand, become more involved. The IASB should also consider the limitation for a country where English is not the first language. Another possible explanation of no response from Thailand is that the Thai accountants did not understand how important the proposed IAS was to Thailand and how this would affect them. If that is the case, they may not have realised that their comments could be heard by the international accounting standard setter, although their comments were ignored by the Thai standard setter. It is also possible that they were not sure whether comments from local companies in developing countries would be considered by the IASC, therefore, the time, cost and resources incurred in responding to the ED may have been viewed as a waste of effort. They would prefer to send their comments through their professional accountancy bodies that they believed would better represent their comments. It would also be easier to lobby at the national level because in many cases the government responded to what the companies requested. It is also possible that Thai companies may not have wanted their letters to be published on the IASC website, particularly if their comments argued against the Thai accounting standard setter. These issues may need to be addressed by the Thai standard setter and the international standard setter. The results from interviews and questionnaires showed that some companies did not even know

about the proposed IASs. This may be a language barrier problem. The implications of these issues will be discussed in chapter 11.

As a country with an emerging economy, the main purpose of doing business in Thailand is focused on business operations. Accountants work in routine jobs, such as providing financial statements as required by the Thai accounting regulations. Company management may not realise the important role of accounting for the business. Accountants do not reach high positions in local organisations. Companies may not realise the benefits of getting involved in international accounting standard setting, particularly local companies who do not expect to be listed on the foreign stock exchanges. The need for IASs in Thailand may only be for use as a basis for setting TAs and not for fully adopting all IASs as the national accounting standard. Therefore, involvement in international setting may not be considered worthwhile when costs and benefits are compared.

10.2.1.6 Legitimizing an accounting standard

The findings from chapters 6 and 8 support the legitimacy of the standards. Interviews in chapter 8 indicated that the major concern of people in Thailand and also those in other developing countries is fair value measurement. Chapter 6 showed that IAS 41 reflected the comments of those who supported fair value, namely, the professional accountancy and standard setting bodies. It seemed that it also considered other respondent groups by allowing cost measurement in the case where there is no active market. But, it is also possible that the IASC wanted to gain more support from professional accountancy and standard setting bodies who supported cost measurement. It is difficult to distinguish whether the IASC tried to legitimise the accounting standard for all respondent groups or whether it was specifically concerned about the group of professional accountancy and standard setting bodies.

Regarding the compromise by the IASC, interviews in chapter 8 suggested allowing cost measurement was possibly an excuse for companies in developing countries to continue using the cost method. They might be reluctant to apply fair value measurement. This also suggests IAS 41 would not have such a strong impact in developing countries and in some other developed countries where the current

accounting practices for agricultural assets are based on historical cost. Although interviewees accepted the benefits of fair value measurement, they would prefer not to have to change current accounting practices. Although apparent harmonisation could be seen by developing the IAS for agriculture, allowing the option for a case where fair value could not be measured might lead to questioning of the success of harmonisation of accounting standards.

10.2.1.7 Summary

The results supported the theory of self-serving interests (see 10.2.1.3 and 10.2.1.5) and the political nature of standard setting dominated by a particular interest group (see 10.2.1.1 to 10.2.1.5). The IASC showed its concern for legitimating the accounting standards, particularly among the professional accountancy and standard setting bodies and regulators, which supports legitimacy theory (see 10.2.1.1 and 10.2.1.6) among the IASC's main targeted constituents (Kenny and Larson, 1993). However, the findings questioned whether the IASC considered comments from other respondent groups. Moreover, harmonisation of the standard can be seen by developing IAS 41 but allowing the option of fair value measurement may lead to questioning of the success of harmonisation efforts (see 10.2.1.6). The findings showed no evidence of the existence of the agency relationship based on auditors and their clients.

10.2.2 GQ_{1b}: What is the extent of developing countries' influence on the international accounting standard setting process?

To help answer GQ_{1b}, research hypotheses H_{4a} and H_{4b} were formed. The findings in chapter 6 did not show any significant differences in the attitudes of developed and developing countries towards issues relating to IAS 41. Figure 6-1 in chapter 6 showed developed and developing countries aligned in two groups, one respondent group supporting fair value, and the other group supporting cost measurement. This section discusses relevant theories and links to evidence in chapter 8.

10.2.2.1 Relatively low participation from developing countries

The relative number of comment letters from developing countries was fewer than that of developed countries (see details in chapter 6, appendix 6F). Interviews in

chapter 8 suggested there was more involvement from developed countries to lobby the standard. This apparent dominance of developed countries may have affected the neutrality of the final standard. In particular, self-serving interests may have motivated developed countries where agriculture is a significant part of the economy to lobby this standard. Self-serving interests may also have driven developing countries to do the same. However, it is possible that developing countries perceived the cost of participation to outweigh the benefits, indicated in their lower participation.

10.2.2.2 Coincidence of interests

The findings from chapters 6 and 8 gave further support for the theory of the political nature of standard setting. There were practical issues for investigating the political influence. Interviews (chapter 8) confirmed the conclusion from chapter 6 that the IASC recognised the views of some particular developed countries in supporting fair value. It appeared to recognise the views of some developing countries on cost measurement. However, this recognition also satisfied other developed countries who preferred cost. It appears that the comments from developing countries supporting cost measurement were incorporated in the final standard for agriculture as approved by the IASC Board. However, it is also possible that some representative members on the IASC Board from those developed countries supporting cost measurement, such as Canada, Germany, and the US, were influential on the standard on account of their current accounting practices. In particular, it was evident that at the meeting in 1999 the IASC E65 was not approved by the IASC Board because of disagreement from the German member (See 4.4.1). Figure 6-1 showed the alignment of countries supporting fair value or cost measurement. Each of these groups consisted of both developed and developing countries. Therefore, it is difficult to estimate the relative influence of developed and developing countries.

10.2.2.3 Discussion of the funding issue

The findings in this section supported the theory of the political nature of standard setting. The IASC may have to listen to its contributors. According to Kenny and Larson's (1993) finding, there may have been other influences on the IASC coming from its source of funding. The agriculture project was funded by the World Bank

and there was a representative from the World Bank on the steering committee on E65 but this person's opinion was not revealed. Reviewing the responses to the DSOP, the World Bank's comment supported all issues proposed. In light of the funding details discussed in chapter 4, it would be hard to argue against Kenny and Larson (1993) that the source of the funding of the IASC might influence its decisions. Before the restructuring of the IASC, the primary sources of funding for the IASC were the International Federation of Accountants (IFAC), professional accounting bodies, and other organisations on its Board (Kenny and Larson, 1993). Of those known to take positions on E65 and contribute to the IASC (see 6.6.2), the final version of IAS 41 was similar to the concerns of main contributors to the IASC, such as the IFAC, the Federation of Swiss Industrial Holding Companies, IAFEL, professional accountancy bodies (e.g. Australia, New Zealand, Italy, South Africa, Fiji, Zimbabwe) and international accounting firms (e.g. PriceWaterhouse, Arthur Andersen). It is difficult to indicate how IASC considered comments from these organisations. Although some professional accountancy bodies from developing countries held similar views to the final version of IAS 41, their comments were aligned with those of developed countries. If IASC wanted to satisfy these developed countries, it would also satisfy developing countries holding the same views.

10.2.2.4 Summary

The results supported self-serving interests theory (see 10.2.2.1) and the theory of the political nature of standard setting dominated by a particular interest group (see 10.2.2.2 and 10.2.2.3). The discussion about the participation of developed and developing countries and the funding issue raises question about the neutrality of IASs (see 10.3). With the lack of transparency of the process of setting IASs, it is difficult to indicate whether the IASC's decision to legitimise the standards was an attempt to satisfy developed or developing countries or both groups.

10.2.3 TQ₁: How relevant are IASs to Thailand?

To help answer TQ₁, research hypothesis H₅ was formed. The findings from both interviews (chapters 7 and 8) and questionnaires (chapter 9) showed that IASs were perceived to be relevant to Thailand. The questionnaire results indicated that adopting IASs was thought to create more reliability and comparability in the eyes of

investors and users. This finding supports the study of Chamisa (2000) that IASs are relevant to developing countries, particularly those in which the private sector dominates the economy and a capital market exists. The Thai government has a policy of developing the stock market and has tried to facilitate foreign investment. The Thai government influences accounting standard setting in various ways in order to build up investors' confidence. Interviews in chapter 7 indicated that the government and regulators were the most important influential factors for adopting IASs in Thailand.

Harmonisation of accounting standards was perceived to be achieved by adopting IASs in Thailand. Both interviews and questionnaire respondents agreed about the benefits of IASs to Thailand but they also mentioned the problems in practice, in particular the limited knowledge of Thai accountants. Overall findings strongly supported the relevance of IASs to Thailand. Governmental policy developing the Thai capital market also indicated the relevance of IASs to Thailand in promoting its development. The modification of IASs is important to gain acceptance in setting TAs but may limit harmonisation of accounting standards.

10.2.4 TQ₂: What factors influence the extent of adopting IASs in Thailand?

To help answer TQ₂, research hypotheses H₅, H₇ and H₈ were formed. Prior studies have suggested a set of factors that may influence the adoption of IASs in developing countries. This section discusses influential factors in adopting IASs in Thailand.

10.2.4.1 Limited accounting knowledge

Interviews indicated that the main problem in adopting IASs in Thailand was limited accounting knowledge of Thai accountants, because Thai accountants are not familiar with some IASs introduced recently. Interviewees perceived that IASs were sometimes too complicated for countries like Thailand with developing capital markets and a weak accounting profession. Questionnaires supported the interview findings that indicated limited knowledge of accountants because of the lack of appropriate accounting education and training, which has led to the slow development of Thai accounting. Unfamiliarity needs to be rectified by improved learning and understanding. The findings reinforce the need for relevant training and

development of accounting education in order to respond rapid changes in the global accounting environment.

10.2.4.2 Need for detailed instruction

Interviewees agreed that Thai accountants were familiar with detailed instruction. This is because accounting programmes use learning materials from US textbooks, which provide detailed instruction to help better understand accounting standards. Thai accountants were unfamiliar with applying professional judgement in any situations. IASs were also perceived to lack accounting textbooks and interpretation. Therefore, these findings reinforce the need for more interpretation and examples if IASs are adopted.

10.2.4.3 Level of economic development and strong government influence

The level of the country's economic development was perceived to be influential on the extent of adopting IASs in Thailand. There was no reference market price for all agricultural produce or biological assets and the agricultural futures market is at an early stage of development. Interviewees indicated that the government had a strong influence on TASs through the Ministry of Commerce and the stock market regulator (see 7.5.1.2).

The government may consider the economic and financial consequences at the national level. This means that adopting IASs in Thailand will help facilitate foreign investors and create investors' confidence. More foreign investments will help promote the growth of the Thai stock market and achieve governmental economic policy. Moreover, government intervention has legitimised TASs in order to get the Thai standard setter accepted by parties interested in the accounting standards. At a global level, as a member of IOSCO, the SET has promoted the global capital market by putting pressure on the standard setter to issue TASs quickly (see 7.3.2). At the same time, the government has sought to compromise accounting standards to favour all groups of local participants. These further compromises on the standards, particularly those adopted from IASs, may be an impediment to harmonisation of accounting standards.

10.2.4.4 Resistance to change and pressure from industry groups

The political nature of standard setting allows industry groups to put pressure on the standard setter directly and indirectly through the governmental agencies. Interviews indicated that a problem in setting TASs was the lack of co-operation from the interested parties. When an accounting standard was issued, these parties were often reluctant to comply with the standard. In particular, these parties resisted accounting standard proposals, which proposed different accounting measurement and disclosure requirements from current accounting practice. Accounting practitioners suggested they were not invited to participate in setting TASs. They grouped as an Association, including the Thai Bankers' Association and the Thai Chamber of Commerce, and submitted their collective comments to the standard setter, regulators and the government. Therefore, when the final standard was introduced, they had put some pressure on the standard setter in order to postpone the effective date or request for changes in some issues.

This finding is partly consistent with Kenny and Larson's (1993) finding indicating there may be resistance to change or opposition to any standard that conflicts with a domestic standard. Interviews also suggested that more disclosures would result in competitive disadvantage rather than expressed concern about providing relevant information for investors. This can be explained by cultural factors in Thailand.

10.2.4.5 Incorporating IASs in TASs

Many observations from interviews and questionnaires showed that perceived problems in adopting IASs in Thailand were frequently linked to problems in the process of Thai accounting standard setting rather than the problem of IASs themselves. The lack of clear communication (7.5.1.1) between the Thai standard setter and accountants resulted in misunderstandings about IASs and resistance to any change (7.5.2.3). In the past, the former TASB Board incorporated IASs with some strict modifications, such as eliminating some alternative treatments provided by the IASs in order to improve the comparability of financial reports. Although this was described by the standard setter as efforts to harmonise accounting practice, it seemed to obtain less acceptance from accounting practitioners. That attempt seemed to be moving towards uniformity (Tay and Parker, 1990). Strict modification by

eliminating alternative treatments may reduce the comparability of financial statements (McLeay *et al.*, 1999). This finding indicated that it was possible that the attempt to move towards uniformity might result in resistance by interest groups, in particular the particular accounting method might not be appropriate to some nature of companies. However, currently these TASs were revised to consider the needs of interested parties and to be consistent with IASs.

In some cases, such as accounting for troubled and restructured debts (TAS 34), the TAS allowed more alternatives than given by IAS 39 (paragraphs 109-119). In fact, IASs are the result of harmonisation efforts on accounting standards. On the one hand, further compromise by the standard setter may make the accounting standard more compatible with the countries, like Thailand, on the other hand, this may be viewed as an obstacle to full harmonisation of accounting standards between Thailand and other countries. In future, it would be helpful if Thai companies revealed their comments on a proposed IFRS to the IASB, so that any problem can be considered by the IASB. This will not only help promote harmonisation of the accounting standard, but the standard may also be more relevant to the country's accounting environment. The implications of the finding will be discussed in chapter 11.

Another problem learned from TAS setting was accounting practitioners needed more involvement and standard setters should show more transparency in the setting process (7.5.1.2). The case of Thailand may differ from international standard setting because it shows strong government influence in the accounting standard setting process. As a consequence, companies may not want their comments published or heard by the government so may prefer their comments to remain confidential. Although published comment letters are good evidence of due process and indicate more transparency in the setting process, non-publication of the comments may encourage more comments by parties interested in the standard. Under this circumstance, to ensure more relevant accounting standards to the country specific context, the standard setter may have to go for less transparency with no evidence of due process but may gain more participation as a consequence.

10.2.4.6 Summary

The findings supported the theory of the political nature of standard setting and the theory of economic and financial consequences at the national level. The difference between lobbying on IASs and lobbying actions in Thailand is lobbying is performed at different stages of setting accounting standards. Pressure from industry groups indicated lobbying efforts.

In international accounting standard setting, lobbying has been seen during the stage of drafting and public hearings for accounting standards before they are finalised (chapter 6). In Thailand, interested parties who thought they would be disadvantaged, opposed TAs after they were issued by the ICAAT (chapter 7). This finding indicates that in the institutional context the standard setter incorporates comments from its constituents in order to legitimise the accounting standard and gains more acceptance from interest groups. However, in Thailand institutional legitimacy theory works better under government intervention.

Further compromise may be an obstacle to full harmonisation of standards. Government intervention suggests a weak accounting profession. Interviews and questionnaires also pointed to a strong concern about the problem of limited accounting knowledge of Thai accountants. The stage of the country's economic development, including the level of capital market development, was perceived to be influential on the extent of adopting IASs in Thailand. Cultural factors were also perceived as influential in the case of Thailand. Most problems with adopting IASs emerge from opposition to the standard setting process rather than theoretical opposition. No evidence indicated the agency relationship between auditors and their clients.

10.2.5 TQ₃: What factors move Thailand towards adopting IASs?

To help answer TQ₃, research hypotheses H_{9a} and H_{9b} were formed. Harmonisation of accounting standards and economic and financial consequences at the national level drive Thailand's move towards adopting IASs. Interviews suggested governmental authorities and forces from international organisations were also highly influential, although the standard setter did not acknowledge any pressure from international

organisations to adopt IASs in Thailand. The government influenced in various ways the setting of standards to facilitate investors. More foreign investments will help recovery of the Thai economy. Questionnaires indicated financial analysts most frequently mentioned multinational corporations as being the most influential, possibly because they considered different accounting principles across countries an obstacle for multinational corporations. Chapter 6 also provided evidence that multinationals supported harmonisation of accounting standard by actively responding to E65, although they claimed they were not affected by this standard.

10.2.6 TQ₄: What factors influence the extent of compliance with adopted accounting standards?

To help answer TQ₄, research hypothesis H₁₀ was formed. This section links the findings from interviews and questionnaires and shows the key findings.

10.2.6.1 Key findings

- **Unfamiliarity with new regulations**

The problem frequently mentioned by respondents in chapters 7 and 9 was that after facing the 1997 financial crisis the new accounting standards were introduced very quickly and were effective immediately or even retrospectively. Accountants had no time to learn new accounting principles that were unfamiliar. They were resistant to the changes. Interviews indicated accounting education had not been developed in line with the accounting standards so there had been an implementation problem.

- **Secrecy on established regulations**

During interviews, company directors expressed the view that TAsSs required too many disclosure items, and competitive disadvantage could result from additional disclosure requirements. Cultural factors may explain their viewpoint. Although Thai accountants agreed with the adoption of IASs, they still felt secrecy was important and certain information should remain confidential to maintain competitive advantage. Cultural values may take a long time to change.

- **Weak accounting enforcement**

Interviews and questionnaires indicated accounting enforcement was a problem in Thailand. Although in questionnaires financial analysts were indifferent to the

question about accounting enforcement, they nevertheless revealed they did not think financial reports provided enough information. That implied an accounting enforcement problem. Although each company was required to comply with TASs, listed companies had to provide additional disclosure reports.

- **Weak accounting profession and strong government intervention**

The government had intervened in the process of setting TASs. Government involvement in the process of setting accounting standards provides evidence of weak accounting profession.

10.2.6.2 Comments

Unfamiliarity with new accounting regulations suggests a problem in accounting education, confirming Akathaporn *et al.*'s (1993) comments on problems in Thai accounting education and Thai accountants' lack of sophistication. Respondents implied the problem might be due to weak accounting enforcement and weak accounting profession while there is strong government influence for the situation in Thailand. Weak enforcement and weak profession allowed secrecy (Gray, 1988). Slow development of accounting education, lack of understandability and compliance with accounting standards suggest an immature and poorly developed professional accounting identity.

10.2.7 AQ₁: How relevant is IAS 41 to Thailand?

10.2.7.1 Perceived relevance and irrelevance of fair value

Interviews in chapter 8 suggested that participating in the international accounting standard setting process resulted in greater relevance of IAS 41 to Thailand and other developing countries. Problems or limitations of the proposed standard were addressed and considered by the IASC when finalising the standard.

Respondents, both in interviews and questionnaires perceived IAS 41 as relevant to Thailand but were concerned about fair value measurement. However, interviews suggested fair value measurement might be appropriate for agricultural activity lasting longer than one year. For an activity shorter than one year, fair value might not be particularly useful because it required much effort and was difficult in

practice. They were also concerned about costs and benefits comparison. The interview findings were similar to comment letters' findings, particularly from agricultural companies, indicating that fair value might be more appropriate for agricultural activity lasting longer than one year. This issue did not seem to be acknowledged by the committee when finalising the standard. Lack of acknowledgement of concerns from the IASC may result in lower involvement from interest groups.

However, interviewees pointed out that only a few Thai companies were involved in agricultural activities under the scope of IAS 41. The majority of Thai agricultural businesses process agricultural produce after harvest. The people who perform the agricultural activity are small farmers and this activity is carried out as a family business. This may partly explain why there was a lack of participation by Thai companies. Questionnaires indicated that financial analysts paid little regard to this standard because agribusiness is low volume trading. To-date, IAS 41 does not appear to widely apply to agricultural companies in Thailand. Currently, the tax authority does not allow use of fair value measurement. However, the growth in this sector and the need to attract investors will make this standard more relevant to Thailand in the future.

10.2.7.2 Secrecy

Current accounting disclosure practice pointed to the secretive nature of company accountants. Interviewees believed disclosures were more important to foreign investors than to local investors because foreign investors might have more experience using financial statement analysis. Management was concerned about maintaining the secrets of the business. Company directors interviewed recognised disclosures were important for investors but were very selective in their choice of what needed to be disclosed so as not to reveal too many company secrets.

10.2.8 AQ₂: What is the attitude to changing current accounting practice in agriculture in Thailand?

The findings strongly supported the theory of self-serving interests. Findings from questionnaires on perceived importance of having accounting disclosure items

indicating external auditors's comments were significantly different from those of their clients, supported agency relationship in the particular view as suggested by Puro (1984). Each group of respondents had a different interest in the accounting standard so used their self-interest as a basis for lobbying on the accounting standard. Interviews in chapter 8 suggested the banker and regulators supported fair value measurement. Companies sought to maintain their present position and therefore supported the current accounting practice. They considered it difficult to change from the current accounting practice since this would necessitate investing in a new accounting system. Therefore, they did not support fair value. External auditors were satisfied with applying cost measurement but were also supportive of fair value that would provide more relevant accounting information. From the questionnaires (chapter 9), financial analysts strongly supported using fair value measurement.

The statistical analysis of questionnaire findings concerning the perceived importance of having accounting disclosure items showed that distribution of responses between company accountants and external auditors differed significantly. External auditors were more supportive of the disclosure requirements of IAS 41. The external auditors mentioned transparency of accounting information. A previous study (Puro, 1984) of self-serving interests suggested that when new disclosure rules are required, the aggregate demand for audit services is increased through new disclosure requirements. This will benefit audit firms.

10.2.9 AQ₃: What factors influence the extent of adopting IAS 41 in Thailand?

10.2.9.1 Lack of fair value information

Interviewees indicated that the major concern about adopting IAS 41 was the lack of fair value information in many cases, in particular fair value of biological assets during the process of growth. When interviewees were asked to suggest a way to solve the problems if IAS 41 were adopted in Thailand, they all proposed applying cost measurement, which is the current accounting practice for agricultural business in such cases. This finding implies the need for a reference market or improving the accounting information system for financial reporting at fair value. However, if companies have to invest more in the accounting information system this will cost money, so they may prefer not to change current accounting practice.

10.2.9.2 Unfamiliarity with using professional judgement

The application of standards adopted from IASs may require the exercise of professional judgement. Auditors suggested the standard setter should provide additional guidelines because of Thai accountants' unfamiliarity with principle-based standards. In Thailand, more detailed instruction may be required because the IAS is written only as the main principle and Thai accountants are familiar with the rules-based approach. It would be difficult to apply professional judgement in this situation. External auditors and regulators pointed out that due to the lack of specific concrete guidelines on fair value measurement, more examples and additional guidelines were required to help preparers work on the accounting standard. Overall findings suggested that problems in accounting education might also need to be addressed; in particular, respondents perceived that using fair value measurement would provide more relevant information so accountants should be trained to apply professional judgement.

10.2.9.3 Secrecy

IAS 41 requires more disclosure requirements and much more detail compared with current accounting practices. Interviews revealed the banker and regulators agreed with more disclosure while company directors were not convinced. They believed that more disclosure requirements would affect competitive advantage since information disclosed could be used by other parties to take advantage of the company. This implied companies were concerned more about secrecy than transparency, and suggested Thailand is high in secrecy and strong statutory control (weak professionalism), confirmed by the need for detailed instruction and specific concrete guidelines (Gray, 1988). The findings provided strong evidence of culture factors influencing the extent of adopting IAS in Thailand.

10.3 Evidence on the problems of IASs for developing countries

Table 10-3 summarises the research findings in terms of issues arising from the lobbying study, interviews, and questionnaires.

The findings suggested the benefits of IASs to Thailand. However, when adopting IASs in Thailand, they should be modified so as to be relevant to the local

accounting environment with particular considerations paid to the limitations in accounting education, the weak accounting profession and weak accounting enforcement. IASs are relevant to Thailand, since they will help to facilitate the country's economic policy which seeks to promote development of the capital market development. Practical problems may need to be addressed by the standard setter when adopting IASs.

Table 10-3: Summary of issues relating to IASs and developing countries

<i>Issues</i>	<i>Research findings</i>	<i>Section</i>
Benefits of IASs/ Relevance of IASs	Supported by TQ ₁ Supported by AQ ₁	10.2.3 10.2.7.1
Neutrality of IASs	Questioned in GQ _{1a} Questioned in GQ _{1b}	10.2.1.2 10.2.2.4
Anglo-American accounting influence	Not supported by GQ _{1a}	10.2.1.2
Cultural factor	Supported by TQ ₂ Supported by TQ ₄ Supported by AQ ₁ , Supported by AQ ₃	10.2.4.4 10.2.6.2 10.2.7.2 10.2.9.3
Problem of accounting education	Supported by TQ ₁ Supported by TQ ₂ Supported by TQ ₄ Supported by AQ ₃	10.2.3 10.2.4.1 10.2.6.2 10.2.9.2
Problem of Accounting profession	Supported by TQ ₂ , Supported by TQ ₄	10.2.4.6 10.2.6.2
Problem of Accounting enforcement	Supported by TQ ₄	10.2.6.2

The findings from chapter 6 questioned the neutrality of IASs. Interviewees suggested the need to revisit comment letters to clarify the standard setting process further to ascertain whether Australia and New Zealand, where agriculture is a significant business of the economy, influenced the international accounting standard setting which may have affected the neutrality of the final standard. However, interview and questionnaire results suggested IASs were more neutral than US GAAP. A possible interpretation for apparently conflicting results may be that although developing countries might have questioned the neutrality of IASs, they still considered them more neutral than US GAAP which are based on one country's accounting principle. In future the IASB has to be more transparent and also demonstrate its independence.

While the findings indicated strong influence from Australia and New Zealand, no other strong evidence indicated that other members in the Anglo-American accounting group, such as the US or Canada, influenced the standard. Moreover, the results showed they aligned into two groups, each supporting a different approach.

However, it is possible that Canada and the US influenced the final stage of setting because the final version of the standard allowed cost measurement where fair value could not be measured reliably. At this stage of the IASC's decision, these two countries had representatives on the IASC's main board. The ultimate version may have been a compromise by the IASC to satisfy both sides.

The findings in this study supported the suggestion by Brown and Tarca (2001) that a large number of countries with an interest in international standards and various coalitions and interest groups emerged within the IASC. Countries are aligned by their interest in the accounting standard, but economic and financial consequences vary by country. Greater involvement in the standard setting process leads to successful lobbying. Cultural factors, accounting education and professional training, as well as accounting enforcement were perceived to be strong explanatory factors influencing the extent of adopting IASs in Thailand. Cultural factors may take time to change.

10.4 Evaluation of Theories

Theories relating to standard setting were discussed and critically evaluated in chapter 2. Their applicability to developing countries was also discussed (2.6). These theories were employed to formalise hypotheses (chapter 5) tested by using three research methods (chapters 6 to 9). This section will help answer GQ₃.

Table 10-4 outlines the summary of theories that will be discussed in terms of the evidence of research findings provided in the earlier sections. The discussion will focus on general implications for all countries and for developing countries, with particular attention paid to Thailand.

10.4.1 Political nature of standard setting

The political nature of standard setting provides a strong explanation of setting both international accounting standards and TASs. The dominance of particular interest groups in setting IAS 41 showed the political aspect of accounting standard setting. With open due process the interest groups actively lobbied for or against the proposed accounting standard. The issues of concern to the majority of the

respondents were incorporated in the final standard. The findings suggested there were many lobbying efforts from respondents at different stage of the development of the standard. It is also evident that some respondents came together as a representative group in order to lobby against the proposed accounting standard. The nature and structure of the lobby groups, the balance of the committee and relative participation from developed and developing countries are all factors, which lead to doubt about the political neutrality of the process.

Table 10-4: Summary of theories and research findings

<i>Theories</i>	<i>Research findings</i>	<i>Section</i>
10.4.1 Political nature of standard setting	Strongly supported by GQ _{1a} Strongly supported by GQ _{1b} Strongly supported by TQ ₂	10.2.1.7 10.2.2.4 10.2.4.6
10.4.2 Financial consequences (self-serving interests and cost-benefit aspects)	Strongly supported by GQ _{1a} Strongly supported by GQ _{1b} Strongly supported by TQ ₂ Strongly supported by TQ ₃ Strongly supported by AQ ₂	10.2.1.7 10.2.2.4 10.2.4.6 10.2.5 10.2.8
10.4.3. Legitimacy theory	Moderately supported by GQ _{1a} Moderately supported by GQ _{1b} Strongly supported by TQ ₂	10.2.1.7 10.2.2.4 10.2.4.6
10.4.4 Agency theory	Not supported by GQ _{1a} Not supported by TQ ₂ Supported by AQ ₂	10.2.1.7 10.2.4.6 10.2.8
10.4.5 Harmonisation of accounting standards	Strongly supported by GQ _{1a} Moderately supported by TQ ₁ Moderately supported by TQ ₂ Moderately supported by TQ ₃	10.2.1.7 10.2.3 10.2.4.6 10.2.5
10.4.6 Government influence	Strongly supported by TQ ₁ Strongly supported by TQ ₂ , Strongly supported by TQ ₃ , Strongly supported by TQ ₄	10.2.3 10.2.4.6 10.2.5 10.3.6.5

10.4.2 Financial consequences in terms of self-serving interests and cost-benefit aspects

Research findings indicated that the theory of financial consequences had high explanatory power in setting accounting standards. In international accounting standard setting, it is evident that Australian companies did not agree with the Australian accounting standards and sent letters to the IASC in order to lobby the accounting standard at the international level against applying fair value measurement. This shows that when countries move towards the adoption of IASs, the lobby efforts from some interested parties also move towards the international setting level.

In Thailand, the cost of change from current accounting practice as the compliance cost is the financial consequences considered in cost-benefit analysis, most frequently mentioned by company accountants when opposing the proposed accounting standard. This also well explains the lobbying motivation of different lobby groups in setting accounting standards.

10.4.3 Legitimacy theory

The IASC showed a strong concern in promoting harmonisation. Comments from respondents, particularly from professional accountancy and standard setting bodies, were incorporated when finalising the standard. This showed the IASC's effort to legitimise the accounting standard among countries through wider acceptance from national professional accountancy and standard setting bodies. However, there was no evidence of any strong influence from developing countries and other groups of respondents in setting IAS 41. The lack of transparency in the process of setting IASs questions the explanatory power of legitimacy theory. Legitimacy theory provides a moderate explanatory power relative to other theories in setting IASs.

In the case of Thailand, the government played a major role in the standard-setting process to legitimise accounting standards to gain acceptance by interest parties in Thailand and in the global arena. The government helped to legitimise TASs by asking the standard setter to reconsider several accounting standards (see chapter 3, section 3.10.4) so as to gain acceptance from accounting practitioners.

At the international level, legitimacy theory provides a moderate explanatory power, while at a country level the theory can better explain the setting of TASs under government intervention. This suggests the theory provides a different level of explanation in relation to the institutional environment and how it works.

10.4.4 Agency theory

Agency theory appears to be moderately supported. Puro (1984; see 2.2.3) took a particular view of agency theory that indicated one relationship between auditor and client, the auditor's role as that of an agent and the client as the principals. Auditors are expected to lobby for rules, which benefit their clients and, in the process, benefit audit firms. According to evidence provided in chapter 6 for setting the international

accounting standard, there is no evidence of agency relationship. However, in setting TASs, the results from interviews also show no relationship of these two groups, companies and auditors, but questionnaires indicated agency theory could explain the relationship between external auditor and company. The findings from questionnaires showed external auditors' comments were significantly different from those of their clients, in particular the perceived importance of having disclosure items. This finding could also be explained by theory of self-serving interests that when new disclosure rules are required, the aggregate demand for audit services is increased through new disclosure requirements. This will benefit audit firms.

10.4.5 Harmonisation of accounting standards

IASs are the result of efforts to increase harmonisation of accounting standards. IASs are incorporated in TASs, with certain modifications to align with the Thai business environment. The results from the analysis of comment letters to IASC E65 compared to IAS 41 indicated that the final standard allowed the use of cost measurement in the case where fair value could not be reliably measured. The IASC attempted to legitimise or compromise the accounting standard at the international setting level in order to obtain agreement from the international business community, professional accountancy bodies, and standard setting bodies.

When the IAS was adopted in Thailand, it was further compromised in order to gain legitimacy from local participants. This local compromise may reduce harmonisation of accounting standards. However, if this compromise makes the accounting standard more reasonable and more understandable, it will be helpful for improving the quality of financial information.

At the global level, the IASB puts much effort into harmonisation of accounting standards. However, if the economic and financial consequences of standards vary by country, this may lead to limitation in the outcome for practical harmonisation.

10.4.6 Government influence

All discussions referred to government intervention. Strong government influence is correlated in legitimacy theory to explaining the process of setting accounting standards in the case of Thailand. The government has intervened in the process of

setting accounting standards. The importance of the government influence is also linked to the weak accounting profession. The results found in the case of Thailand are similar to results in prior studies (see 2.2.1.3) that in developing countries where a capital market exists, the involvement of government in setting accounting standards results from the weak accounting profession. The standard setting body was not independent from the government, which differs from the situation in developed countries, such as the UK, the US and Australia.

10.4.7 Evaluation

The theory of the political nature of standard setting and financial consequences (in terms of self-serving interests and cost-benefit aspects) are the most powerful theories for explaining evidence presented in this thesis on the process of setting IAS 41 and on setting accounting standards in Thailand. They occurred most frequently in the arguments and interpretation of findings. All findings are linked to politics in various forms. In the case of Thailand, the theory of the political nature of standard setting may better explain the standard setting process because political pressure seemed to be stronger than economic pressure. The findings showed the very strong influence of the government in setting Thai accounting standards leading to the conclusion that government influence was considered to be an aspect of 'political nature' with the close involvement of government in economic policy. Supporting institutional legitimacy theory, the strong government influence over procedures ensures Thai accounting standards gain wide acceptance by interested parties inside and outside Thailand. But, in international standard setting, it is difficult to indicate whether the IASC tried to legitimise the standard among its constituents or other respondent groups. Harmonisation of accounting standards is also defined as a political process. It is more powerful in explaining IASC's attempts to develop IASs. However, when IASs are adopted or adapted, further compromise by the national standard setters may be an obstacle for harmonisation. Finally, the evidence from questionnaires on issues of IAS 41 support that there is the agency relationship between auditors and their clients.

CHAPTER 11

11. Summary, Implications, Contribution, Limitations and Suggestions for Further Research

11.1 Introduction

The purpose of this chapter is to summarise the achievement of the general objectives (11.2) and to explain the main implications emanating from them (11.3). The presentation of the main contribution (11.4) implied by meeting the objectives of the research, in relation to the associated limitations (11.5), is intended to present an overall assessment of this study. Issues of particular interest raised by this study, are discussed as suggestions for further research (11.6).

11.2 Achievement of objectives

11.2.1 Relevance of IASs to developing countries

In relation to the general objective GO₁, the findings suggested that Australia and New Zealand as member countries of the so-called 'Anglo-American' group exerted strong influence during the process of setting IAS 41. However, with limited access to information about the IASC's decision on IAS 41, it is not possible to know whether other members of the Anglo-American group as members of the IASC Board had any influence on the final standard. As evidenced from this study, the single label 'Anglo-American' influence cannot be applied because Australia and New Zealand showed strong support for fair value measurement whereas the US and Canada supported cost measurement. The findings also revealed the alignment of two groups with each group, agreeing internally on issues relating to accounting measurement but both groups were split on some other issues. One group supported fair value measurement while the other supported cost measurement. Each group consisted of a mixture of developing and developed countries.

- **Participation of developing countries**

The findings related to the nature and structure of lobby groups and the balance of participation from developed and developing countries raise concerns about the

ability of the IASC in the past and the IASB in the future to remain politically neutral. If the IASB continues operating in this way, it could be open to criticism on its policy in dealing with comments from its constituents. Moreover, findings in this study (10.2.2.3) seemed to confirm Kenny and Larson's (1993) suggestion that the source of funding of the IASC may have influenced its decision. This would affect the confidence of developing countries because most of them are poor and lack the resources to contribute to the development of the IASC/IASB. This could result in a negative attitude towards the future relevance of IFRSs to developing countries.

The findings showed that the IASC gave developing countries opportunities for participation in the process of setting an international accounting standard. More than half of the members of the steering committee on ED 65 were from developing countries. Initially, a Draft Statement of Principles mainly asked questions about the scope of the standard and the definition of biological assets and it proposed the measurement of biological assets and agricultural produce at fair value for all circumstances. Developing countries expressed concerns about fair value for all circumstances. As a result, in E65 the IASC showed more concern for fair value measurement in the case where an active market does not exist and fair value cannot be measured reliably. Questions asked in ED 65 reflected concerns about these problems. It is possible that future due process may help make IFRSs even more relevant to developing countries.

Further evidence showed there was a lack of transparency in the process of IASC deliberation. In particular, the Board conducted a field test during the exposure period indicating its particular interest in testing by companies based in emerging market countries, in addition to more developed countries. During this stage, the responses to the field test questionnaire remained confidential. A major change took place from E65 to IAS 41 when the final version of the standard allowed the use of cost measurement where fair value could not be measured reliably. Concerning the basis for conclusions on IAS 41 (paragraph B19, IAS 41), the IASC indicated there was a balance mixture of arguments from responses to the questionnaire and responses to E65. However, because the researcher could not gain access to review the responses to the questionnaire a most important part of the process was not

disclosed in the public domain. In future, the IASB has to demonstrate transparency in the entire process of setting IFRSs.

There was low involvement from developing countries compared with developed countries in the various stages of setting IASs. Their main involvement was working on the committee. In future, the process of international standard setting should be planned so as to ensure full participation from both developed and developing countries and full disclosures.

- **Implications for developing countries**

The findings show the relative applicability of theories in explaining the relevance of IASs to developing countries. However, as warned by Peasnell (1993) the dangers of making generalised conclusions about accounting in developing countries, national environments and accounting needs differ greatly from country to country. Therefore, the findings of the particular country's study may not be developed as a generalisation but the research methodology which has been used in this study can be generalised for the study of other developing countries. More importantly, the research should first understand the particular country accounting environment before making the analysis in order to form the expectation and not be surprised if the results of the findings are different from the case of Thailand.

11.2.2 The case of Thailand

In relation to general objective GO₂, the case of IAS 41 in Thailand was chosen for study. The findings revealed government influence had high explanatory power in setting Thai accounting standards. The government intervened in the process of setting TAs. In Thailand pressures from the industry group existed although these were in a different form from those of Australian companies. Cultural factors in the form of high secrecy and high statutory control, and a weak accounting education were perceived to provide a good explanation for the extent of adopting IASs in Thailand, followed by a weak accounting profession and loose accounting enforcement. With its independent historical background Thailand feels it can choose the best standards to adopt or modify to fit the economic conditions of the country.

However, the compromise by the Thai standard setter on the standards may be an obstacle for harmonisation of accounting standards.

The findings showed lack of understanding of IASs and unfamiliarity with IASs by accounting practitioners in Thailand, although they supported the relevance of IASs. These problems came from language problem or the problem of understanding or interpreting the wording of the TASs translated from IASs. Even the words translated from English to Thai carried the same meaning. For example, the interviews suggested that there were misunderstanding of the meaning of fair value and market value. Some people interpret they are the same and this miscomprehension was also found in the comment letters on IASC E65. The commentators argued against E65 and gave the reason of no active market in such a country. Therefore, it is impossible to determine market value which is a proxy of fair value. That implied no market value would be a problem in arriving at fair value. The IASB and the national standard setter should be concerned about this problem in order to achieve in the higher quality of financial reporting. There are some examples of misunderstanding the TASs given in this study (i.e. the case of IAS 36: impairment of assets, p. 200 and understanding of 'fair value', p. 224)

The interviews also gave evidences of problems of unfamiliarity with using professional judgement. The application of standards adopted from IASs may require the exercise of professional judgement. In Thailand, more detailed instruction may be required because the IAS is written only as the main principle and Thai accountants are familiar with the rules-based approach. It would be difficult to apply professional judgement in this situation. This finding shows the problems of translation of standards to a different culture.

Other problems associated with adopting IAS emerged from opposition to the standard setting process rather than theoretical opposition. These findings reinforce the need for relevant training and development of accounting education to successfully respond to rapid changes in the global accounting environment. The government has to help the companies to provide accounting information in compliance with the standard if it wants the accounting standard to work effectively.

11.2.3 Discussion of theories

In relation to the general objective GO₃, the findings are as follows (see also 10.3). Standard setting theories were applied in an attempt to explain the process of setting international accounting standards and Thai accounting standards. Research findings indicated that the theory of the political nature of standard setting and the theory of financial consequences are the strongest explanations for lobbying on accounting standards (see 10.4.7).

The political nature of standard setting is a good explanation of setting both international accounting standards and Thai accounting standards. With the political nature of standard setting, groups of countries may be able to exert influence. The findings suggested an aspect of political pressure on the international standard setting process. The discussion of the DSOP was based on fair value measurement. IASC E65 contained similar requirements to those required in the Australian accounting standard, AASB 1037 (see 4.3). The project manager who first developed an international accounting standard for agriculture came from New Zealand. Comments from the Australian and New Zealand accounting standard setters showed their support for fair value measurement. Cost measurement was brought into consideration by the IASC main board, possibly because the IASC wanted to satisfy other members on its board. This also satisfied other respondents to E65 who questioned the reliability of fair value. These findings suggest the political nature of standard setting could allow a powerful country to exert pressure on the setting process. One interesting point here is that although the final version of a standard may satisfy all groups of respondents at some level, participation in the early stage, with consistency in each stage of setting, may allow a country to control the main direction of the standard.

The theory of financial consequences explains the motivation for lobbying based on respondents' self-interest. Changing the accounting measurement method from historical cost to fair value mentioned by respondents as requiring more investment in information systems, increasing the cost of compliance, and possibly resulting in increased tax burdens, were explained by cost-benefit aspects. The standard setting bodies and professional bodies, particularly from developing countries, indicated

their concerns that the reliability of fair value measurement would affect the quality of financial reporting of agricultural companies. Unreliability of fair value measurement could provide companies with the opportunity to manipulate accounting information. This would affect investors' confidence in companies' financial reports. These concerns appear to be supportive of the theory of self-serving interests. The findings showed that respondents to IASC E65, in interviews and questionnaires, used their concern for self-interest as reasons to support or reject the proposed standard. Economic and financial consequences well explain the lobbying motivation of different lobby groups in setting accounting standards. To the extent that economic and financial consequences of accounting practices vary by country and to the extent they are considered in the standard-setting process, they present an important obstacle to global harmonisation.

Legitimacy theory can moderately explain the process of setting accounting standards because there has been a lack of transparency in the international standard setting process, and in the case of Thailand, because government intervention has been observed.

Agency theory as suggested by Puro (1984), that takes a particular view of a possible relationship between auditors and stockholders, appears to be supported in this case because comments from auditors differed from those of their clients and that evidence indicated a possible relationship. This study took this particular view of agency theory because most businesses in Thailand are family-owned business and run by members of the family.

Overall, relevant theories may have to be modified or approached in a way relevant to particular institutional characteristics under research. For example, agency theory based on the relationship between management and stockholder may not be useful for understanding this case. It may need to be redefined to fit Thailand since most businesses in Thailand are family-owned. Agency theory based on the auditor and client relationship by Puro (1984) was expected to be more relevant for the case of Thailand because auditor and client work very closely. Legitimacy theory requires modification to fit and explains the case of Thailand where the government has

exerted a strong influence on the process of setting accounting standards and the Thai standard setter does not seem to be as independent as in developed countries.

11.3 Policy Implications of research findings

The results of this research study have implications for the IASB and for national standard setters/government in developing countries, in particular Thailand. They are discussed below.

11.3.1 Implications for the IASB

The examination of lobbying on IAS 41 was performed to assess the relevance of IASs to developing countries. Although this study provided indications that the IASB modified the draft of the agriculture standard in accordance with respondents' comments, there was lower involvement from developing countries in the international standard-setting process than from developed countries. The proportion of comment letters from developing countries was lower than the proportion from developed countries. If the comments from professional accountancy and standard setting bodies led to revision of the accounting standard, other developing countries should be encouraged to comment so that IASs will be based on internationally accepted accounting principles. In future developments of standards, the IASB should encourage responses or more involvement from developing countries.

There was evidence of strong influence from some developed countries on the IAS 41 setting process. The IASB must therefore find a balance between ensuring that the IASB is accepted among its members and parties interested in IASs and that its standards are not dominated by the demands of self-serving interest groups. Otherwise, developing countries may question the relevance and also the neutrality of IASs. The findings suggested that the IASB should demonstrate its independence and show more transparency in the standard-setting process. However, the restructuring of the International Accounting Standards Committee has shown more independence and transparency in the deliberation process.

Interviewees in chapter 8 questioned the criteria for selecting representatives, particularly representative from developing countries, because these representatives

may not fully understand the problem of developing countries. They may have had an educational background, working experience or professional training in developed countries. Moreover, some of them had worked for the major international accounting firms. It is therefore difficult to assess their views whether they were based on international or local perspectives. If that is the case, they may not fully understand the problem in their own countries. Moreover, some of them worked for the major international accounting firms. It is difficult to indicate their thinking of international or local perspectives. Moreover, relevant information, such as minutes of meeting, is not available to help investigate this issue. Lack of transparency of the IASC may be open for criticism. These findings lead to a question about how the IASC selected the representatives working on the committee and what qualifications they were expected to have.

This study also recommends developing countries takes a more active role in the international standard setting process in order to get their voices heard by the IASB and viewed in the public domain.

11.3.2 Implications for national standard setters

The relevance of IASs to a developing country depends on the needs which they are expected to serve and the specific national environment in which the standards are to be applied. In the case of IAS 41, findings showed that degree of country economic development, particularly a developing or immature market for agriculture, cultural factors, slow development of accounting education and the accounting profession may be obstacles to fully implementing IAS 41 at once. At a national level, the standard setter may need to provide more detailed guidelines and illustrative examples in the Thai context and should work more closely with IASs. In particular, the findings from interviews and questionnaires showed particular concern about these issues.

In terms of the needs of the country, Thai economic policy is to develop the Thai capital market. In particular, after the 1997 economic crisis investors questioned the quality of financial reporting. The government has played a main role in adopting IASs, exerting significant influence on the standard-setting process. Although IASs

were perceived to have benefits, there was also mention of problems. The main problems were from slow development of accounting, a weak accounting profession with strong government influence, and loose accounting enforcement. This study also indicated that the preparers preferred an accounting standard less demanding in terms of measurement and disclosure than standards. This was explained by strong secrecy as a result of cultural factors. Therefore, the regulator needs stricter rules and more serious accounting enforcement. These factors were considered influential on the extent of adopting IASs in Thailand. As discussed in chapter 3, Thailand has not fully adopted IASs. Most TASs adapted from IASs are much stricter than IASs by eliminating some optional treatment allowed by IASs in order to increase comparability among companies. But, in some other cases, the Thai standard setter has allowed more alternatives than IASs by incorporating US GAAP or other appropriate methods in order to help companies. This has resulted from companies' opposition and the government has asked the standard setter to reconsider. However, further compromise by the standard setter may be obstacle to harmonisation. The users of financial reports may question the quality of companies' financial reports prepared in accordance with TASs.

Local companies should be encouraged to become more involved in the international standard-setting process because IASs are mainly used in setting Thai accounting standards. Active involvement by local companies may result in more relevance of IASs to their needs and ensure their comments or problems are heard by the IASB and publicly recorded. Users of financial reports should also be educated to pay more attention to TASs so that high quality financial reports are prepared based on sound accounting principles. Their need for more relevant information could be heard by the standard setter.

This study has aimed to investigate opinions in advance of adopting IAS 41. The findings may be helpful to the Thai standard setter for incorporating IAS 41 into the Thai accounting standard for agriculture.

11.4 Contribution to knowledge

This study firstly provides an understanding of the relative applicability of standard setting theories in explaining the process of setting Thai accounting standards. The theory of the political nature of standard setting provides the strongest explanation for the case of Thailand. The findings showed that setting accounting standards is the political process by which the Thai government exerts strong influence on the standard setter in order to achieve the country's economic policy (e.g. promoting the capital market development, and assisting the survival of Thai businesses facing financial difficulties after the 1997 financial crisis). Financial consequences explains well the motivation of parties interested in the standards trying to put pressure on the standard setter to write the rules to their advantage. But, there is lack of transparency in setting TASs since businesses were not allowed by the standard setter to participate in the process so the parties interested in the standards could not successfully lobby the standard setter. Therefore, they lobbied against the standard setter to the government. The government asked the standard setter to revise the standards taking into consideration the complaints from business. Finally, the standard provided more alternatives to satisfy all groups. This finding supports legitimacy theory. The standard has to be legitimised to reflect the social decision. In the case of Thailand, this theory explains why the former Thai standard setter did not gain acceptance from businesses. Agency theory offered an explanatory power in this case. Moreover, the findings showed the relationship between companies and auditors in Thailand is that the auditor is likely to give their clients direction and acts in its own interests. Notably, auditors working with international accounting firms are respected among the business community because they receive relatively high professional accounting training from their firms.

Secondly, this national study contributes to a better understanding of factors influencing adopting IASs in developing countries. The case study of Thailand was undertaken by using interviews (chapters 7 and 8) and questionnaires (chapter 9).

Thirdly, this study fills the gap in the literature, particularly relating to the relevance of IASs in developing countries. Chapters 6, 7 and 8 provided strong evidence

explaining the international standard setting process that makes IASs relevant to developing countries.

Fourthly, this study extends the research method for lobbying studies which have used content analysis of comment letters on ED. This study used interviews together with content analysis of the letters to obtain other views from countries which did not give any response. In particular, the findings showed low responses to ED 65 from developing countries so interviews could allow the researcher to obtain a more comprehensive overview of the viewpoint of these countries.

Finally, the findings revealed political pressure from countries to be there at the early stage of setting process (Australia and New Zealand in this study) and show potential conflict in the country (Australia in this study) between the national standard setter and the industry group moving towards the international standard setting level. The lack of transparency in the international standard setting process, for example, in gaining access to documents on how the IASC came to its decision on finalising the standard may have limited study outcomes and fruitful understanding of the study.

11.5 Limitations

There are several limitations in this study. First, this study focused primarily on a single issue of IAS 41. Further issues need to be explored to support the generalisability of this study's findings to other issues based on IASs.

Secondly, there were limitations during the interview procedures. Although interviewees were willing to discuss issues on incorporating IASs, some of them may have felt uncomfortable about commenting on issues related to particular persons. Most of them used to work together and knew each other personally, which may have generated bias since they would have been unwilling to express a negative opinion about other colleagues. Moreover, another limitation of interviews on the specific issue of IAS 41 was that some respondents did not have direct experience of this particular issue; therefore, their comments were likely based mainly on theoretical concepts. Some of them refused to comment on particular issues of this accounting standard. There was a limitation in the time period of this study which occurred before IAS 41 had been adopted in Thailand. However, if the research had

been performed after this period, the issue may no longer have been of interest, people might have been unwilling to discuss it, and persons directly involved in setting IAS 41 may have been unable to recall events during the process.

The researcher also acknowledges the limitations of the questionnaire survey. First, financial reports of agricultural companies were used infrequently by financial analysts. Therefore, comments of financial analysts on issues specifically related to agricultural companies were limited. Secondly, specific issues related to accounting for agriculture had not been studied by the respondents. Main issues related to the accounting concept required respondents to understand current accounting practices and the proposed accounting principle of IAS 41, commenting from their accounting knowledge background and working experience. Respondents were more enthusiastic about commenting on general issues, perhaps because at the time of the questionnaire survey, IAS 41 had not been incorporated in TASs. Some respondents revealed they had no knowledge about IAS 41. Therefore, the comments of some respondents may have been limited. However, the respondents were willing to answer questions directly related to their own experience. The researcher found agricultural companies resisted those changes in the measurement method they felt uneasy about following. Thus, there may have some bias in their answers to the questions. The questionnaire analysis was based on relatively small samples for statistical purposes. Thus, the results should be interpreted with caution.

Finally, there was a lack of accessibility to some relevant information for making further analysis, such as minutes of meetings to show how the IASC arrived at the decision in finalising the accounting standards, and returned questionnaires for field test remained confidential and were not available in the public domain. These are considered limitations in this study, particularly in the attempt to interpret research findings.

11.6 Suggestions for further research

Suggestions for further research are discussed below.

- Expansion of the study

It was mentioned in the limitations that results were time specific because the investigation was carried out before IAS 41 had been adopted in Thailand. It would be interesting to conduct a follow-up study to compare the results after IAS 41 had been adopted in Thailand. Interviewees in the present study could be asked to participate in a follow-up interview. New questionnaires could be distributed to examine the results of the implementation of adopting IAS 41 in Thailand.

- Extension of the study

Due to time constraints, this study investigated only one single issue of IAS 41. Further studies could look at other issues relevant to IASs in Thailand, and examine how IASs have been made relevant to developing countries.

- Comparative study

The study could be replicated in other developing countries since it employed a structured questionnaire and semi-structured interview. A comparative study on Thailand and other developing countries could be undertaken to benefit the body of knowledge relating to developing countries.

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