

Extending the Hegemony of Advanced Financial Capital: The International
Accounting Standards Board and the International Financial Reporting
Standard for Small and Medium-Sized Entities

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Declaration of authorship

I Rebecca Warren hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: _____

Date: _____

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As I was coming to the end of the PhD process I was reminded of the necessity to write the acknowledgements, an interesting task that makes me feel nostalgic and reflective. As a researcher who takes a critical (perhaps at times radical) approach, I have come across many different influential voices during my time as a PhD student, each of which have helped to evolve my thinking, often in quite different ways, and sometimes unintentionally. In this sense, there are too many people to mention here, and I am sure there are some I have forgotten along the way, and I will remember them in a panic once I have submitted. On the other hand, they will probably never read this so it probably doesn't matter.

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Abstract

In 2009, the IASB published *IFRS for SMEs*, extending their work beyond standard setting for listed entities. This thesis investigates the IASB's political processes in the development of *IFRS for SMEs*. The board's discourse presents an image of technocratic expertise, which acts to obfuscate the ways in which the IASB controls the regulatory conversation to advance its role as an agent of financial capital. Previous research and regulatory theory are extended in this thesis through the use of Laclau and Mouffe's Discourse Theory and Glynos and Howarth's Logics of Critical Explanation.

Whilst creating *IFRS for SMEs*, the IASB invoked democratic imageries, which has the effect of obscuring their financial capital agenda. This thesis demonstrates that the IASB constructs specific conceptions of SMEs as profit-maximising entities and emerging economies as in need of development along "Western" lines that reflect the ideology of advanced financial capital.

Laclau and Mouffe's Logics of Equivalence and Difference are identified as being constantly in play in the development of *IFRS for SMEs*. This thesis shows that the development of *IFRS for SMEs* is an example of the "politics of condensation": by condensing the needs of all developing countries and all non-publicly accountable entities into one standard, the IASB claims that meeting the financial reporting needs of SMEs will automatically meet the needs of developing countries. Through the extension of international accounting standards to new entities in a "one size fits all" manner, the IASB constructs the "politics of the same" through a logic of equivalence.

The thesis also identifies the influential role of the World Bank and the International Monetary Fund in the development, promotion and adoption of *IFRS for SMEs*. The enforcement activities of these international financial institutions are shown to be crucial in allowing the IASB to act as a powerful agent of neo-liberal hegemony.

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List of Abbreviations

ACCA	Association of Chartered Certified Accountants
ASCG	Accounting Standards Committee Germany
BC	Basis for Conclusion
CASE	Committee on Accounting for Small Entities
CL	Comment letter
CSE	Chicago School Economics
DP	Discussion Paper
DT	Discourse Theory
ECSAFA	Eastern Central and Southern African Federation of Accountants
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EMH	Efficient market hypothesis
FASB	Financial Accounting Standards Board
FRSSE	Financial Reporting for Smaller Entities
FRT	French Regulatory Theory
FVA	Fair Value Accounting
G&H	Glynos and Howarth
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	The Institute of Chartered Accountants in England and Wales
IFIs	International Financial Institutions
IFRS	International Financial Reporting Standards
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-Sized entities
IFRSF	International Financial Reporting Standards Foundation
IFRSF	IFRS Foundation
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISAR	International Standards of Accounting and Reporting
ISTAR	International Standard Setting Report
L&M	Laclau and Mouffe
LOCE	Logics of Critical Explanation
LoD	Logics of Difference
LoE	Logics of Equivalence
NPAE	Non-publicly accountable entity
PAFA	Pan African Federation of Accountants
PAT	Positive Accounting Theory
PEA	Political Economy of accounting
PIT	Public Interest Theory
PSDT	Post-Structuralist Discourse Theory
R&M	Recognition and Measurement
RFI	Request for information
ROSC	Reports on the Observance of Standards and Codes
SMEGA	Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises
SMEs	Small and Medium-Sized entities
UK	United Kingdom
UN	United Nations
WB	World Bank
WSS	World Standard Setters

Chapter 1: Introduction

Due to the increasing globalisation of capitalisms, capital, capital markets, and international trade, there has been pressure to make capital markets homogeneous. This led transnational and international organisations to argue for the necessity of a global accounting language for financial reporting. Global capital movement demands uniform financial reporting by corporate entities around the world, which raises the question, whom is going to create International Financial Reporting Standards (IFRS). This is the motivation for a transnational body to construct a global financial reporting language. In practice, this role has been taken on by a private body, which has gained a great deal of power, but the work could have fallen to other bodies, such as the World Bank (WB) or the United Nations (UN). The private body that creates standards is the International Accounting Standards Board (IASB), which holds a high status and authority in IFRS for listed entities. This board has extended its remit beyond listed entities into a new area, providing a standard for unlisted Small and Medium-Sized entities (SMEs). This extension is the focus of this thesis. This chapter has multiple purposes: to give some background and description on the IASB and the development of the *International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs)* from the IASB's viewpoint. Following this, the chapter outlines the motivation for the thesis, identifies the gap in the relevant prior literature, gives detail on the theory and method and explains the main findings and conclusions of the thesis. This is followed by an overview of the thesis chapters.

1.1 The IASB

The IFRS Foundation is a not-for-profit organisation, which claims to focus on the public interest:

We are a not-for-profit, public interest organisation with oversight by a Monitoring Board of public authorities. Our governance and due process are designed to keep our standard-setting independent from special interests while ensuring accountability to our stakeholders around the world (IASB, 2015a: 1).

The IASB claim, in the public interest to:

- to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the worlds capital markets and other users make economic decisions;
- to promote the use and rigorous application of those standards;
- In fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and
- to bring about convergence of national accounting standards and IFRSs to high quality solutions (IASB, 2009e: 6).

This quote links the public interest, comparability and global consistency to the development of IFRS, and give priority to capital markets. IFRS are published by the IASB to give principles and methods for financial reporting practice, and individual jurisdictions through national governments and national standard setters make decisions regarding adoption and modification of these standards. The focus on capital markets is further elaborated by Pacter (2016: 26) a former

staff and board member:

Today, the world's financial markets are borderless. Companies (including small companies) seek capital at the best price wherever it is available. Investors and lenders seek investment opportunities wherever they can get the best returns commensurate with the risks involved. To assess the risks and returns of their various investment opportunities, investors and lenders need financial information that is relevant, reliable and comparable across borders.... The use of one set of high quality standards by companies throughout the world improves the comparability and transparency of financial information and reduces financial statement preparation costs. When the standards are applied rigorously and consistently, capital market participants receive higher quality information and can make better decisions. Thus, markets allocate funds more efficiently and firms can achieve a lower cost of capital.

The IASB hope to fulfil their role through the due process, which is presented as 'open', 'participatory' and 'transparent', through 'public consultation' (IFRSF, 2013b). The common due process steps are outlined in Figure 1.

Prior to the IASB, the International Accounting Standards Committee (IASC) set international standards for financial reporting (Camfferman & Zeff, 2007). The IASC emerged during times of success for accounting firms and bodies, alongside increasing international trade, and growing capital markets (Camfferman & Zeff, 2007; Deegan & Unerman, 2011). The IASC identified a necessity to create a standard that met the needs of developing countries and/or SMEs (although the distinction or combination was never clear), but did not move forward with a standard

(Camfferman & Zeff, 2007; 2015). The IASC was criticised for not enhancing the comparability and understandability of accounting, so it adopted improvement strategies for the content of International Accounting Standards (IAS) (Camfferman & Zeff, 2007; 2015). These improvement strategies did not address the structure and processes of the IASC. However, as the culmination of these improvement strategies the IASC was replaced in 2001 by the IASB, which was modelled on the Financial Accounting Standards Board (FASB) (Botzem, 2012; Camfferman & Zeff, 2007; 2015).

Over time, the IASB's structure has evolved, for example, the monitoring board has been added (figure 2). The IFRS Foundation (IFRSF) does not deal with technical decisions, but oversees the IASB's governance and funding (Deegan & Unerman, 2011). The IASB claim that IFRS bring transparency to financial reporting, enhancing accountability and improving economic efficiency (IASB, 2015a).

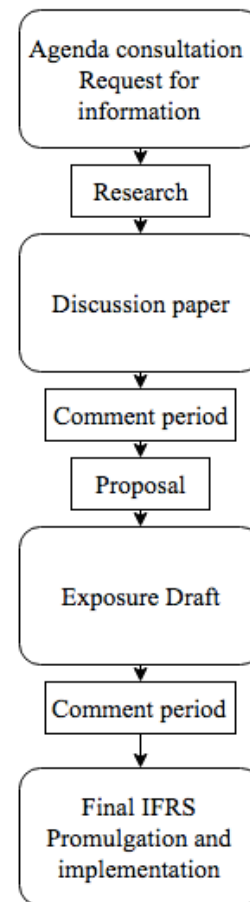


Figure 1: IASB's due process (Diagram formed from IFRS Foundation (2016)).

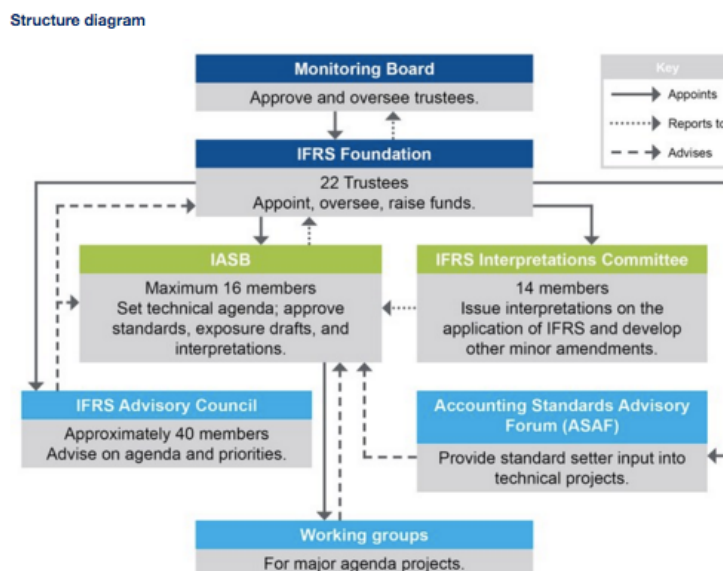


Figure 2: IFRS Foundation and IASB structure diagram (IAS Plus, 2016).

1.2 IFRS for SMEs

The IASB claim to have created *IFRS for SMEs* to acknowledge differential reporting, by maintaining that it relieves the reporting burden by balancing the costs and benefits for SMEs (IASB, 2012a). The *IFRS for SMEs* is described as a high-quality standard that has been tailored for SMEs, with international recognition (IASB, 2012a). International recognition emerges from the IASB's brand, position and expertise, and the alignment of *IFRS for SMEs* with full IFRS (IASB, 2012a). Through this rhetoric, the IASB claim *IFRS for SMEs* will help SMEs to gain access to capital, by increasing confidence in financial statements (IASB, 2012a). This description presents the *IFRS for SMEs* as different from full IFRS whilst simultaneously claiming that it is aligned with the rigour and high quality of full IFRS.

The IASB boast that *IFRS for SMEs* represents a significant reduction in the complexities of the full standards (IASB, 2012a). Additionally, the IASB has created implementation support, including extra guidance, self-study, formal training, Q&A's, and translations of *IFRS for SMEs* (IASB, 2012a). The IASB clarify that they have no enforcement power, the only stipulation being that this standard cannot be applied to listed entities (IASB, 2012a). Thus, leaving the role of standards adoption and enforcement to national regulators and governments. Further, the necessity to get standards adopted by national regulators may constrain or impact the nature of IFRS.

IFRS for SMEs aims to enhance comparability globally and locally, whilst reducing the burden on national standard setters for developing and maintaining their own standards (IASB, 2012a). The *IFRS for SMEs* guide states that 'over 80 jurisdictions either have adopted the *IFRS for SMEs* or have publicly indicated or proposed a plan to adopt it in the next three years' (IASB, 2012a: 5). The IASB acknowledge that this extension to SMEs expands their work. Despite the use of

the term *SMEs*, there are no size criterion, instead SME's are defined by the IASB as entities that do not hold public accountability (are not listed) but publish general purpose financial statements (intended for external users, including, but not limited to lenders, creditors, investors, employees, governments and others outside the company) (IASB, 2012a).

The IASB claim that 'the *IFRS for SMEs* is tailored for SMEs by focusing on the needs of users for information about cash flows, liquidity and solvency. It takes into account the costs to, and the capabilities of, SMEs to prepare financial information' (IASB, 2012a: 4). In the guide, this quote is linked to claims that *IFRS for SMEs* reduces complexity and is easier to user than full IFRS and national GAAP requirements, through the omission of irrelevant topics, alongside recognition and measurement (R&M) simplifications. Further, *IFRS for SMEs* only draws upon the 'easier' option, where there are multiple options within full IFRS (IASB, 2012a). The development of the *IFRS for SMEs* follows the standard due process as outlined in figure 1, but there were some additions and extensions for further outreach because there was limited input from SMEs, SME financial statement users and preparers in the standard due process (IASB, 2012a; IASB, 2009c). The full detail of this due process can be seen in appendix 1. The following section moves to the motivation for this thesis.

1.3 Motivation

Due to the political nature of the IASB's extension to *IFRS for SMEs*, the motivation for this study is three-fold. First, the IASB has extended beyond its usual remit to a standard for unlisted entities, so, the IASB gives justifications and rationalities for this extension which constitutes discourse for examination. This suggests the first research question:

Why did the IASB create *IFRS for SMEs*?

Second, the IASB make many claims regarding *IFRS for SMEs*, including extensive consultation, meeting the public interest, and meeting the needs of SMEs. The IASB's discourse presents an imagery of democratic ethos, including accountability, transparency, the public interest and representation, which obscures its role as a hegemonic agent (Chiapello & Medjad, 2009). This suggests the second question:

How did the IASB extend their work to *IFRS for SMEs*?

Whilst the literature offers suggestions for improving the IASB's accountability, suggesting that the IASB fails to achieve the ideals claimed, these incremental critiques can act to reify the IASB's role. Instead, this thesis questions the necessity for the IASB to exist (at least in its current form). Moreover, *IFRS for SMEs* could have a large impact across the globe as SMEs are important economically, socially, politically, culturally and ideologically (highlighted in chapter six). Thus, this thesis questions why the IASB extended to regulating (rule-making) SMEs, and the impact of this, emphasising the danger of ignoring accountings social impact (Hines, 1988; Hopwood, 1994; Morgan, 1988). The facilitation of this extension, in a captured and subservient

manner, expropriates from and exploits the social poor (particularly emerging economies), increasing the wealth of a few (Hopper *et al.*, 2017). So, this thesis hopes to understand the ways in which *IFRS for SMEs* and the IASB's activities contribute to the agenda of advanced financial capital. Which suggests the third question:

What is the inter-relationship between the IASB, advanced financial capital and *IFRS for SMEs*?

1.4 Prior research

Research has looked at the adoption and utilisation of IFRS, some of which sees the IASB as benign (see, Barth *et al.*, 2008; Carmona & Trombetta, 2008; Pacter, 2013; Tarca, 2012; Wang, 2014). This literature examines the technical role of IFRS, and sees the IASB as improving financial reporting quality (Bissessur & Hodgson, 2012; Cheong *et al.*, 2010; Cotter *et al.*, 2012; Daske *et al.*, 2008; Iatridis & Rouvolis, 2010; Tarca, 2012).

Alternatively, this thesis is inspired by critical research, which examines accountings impact in society. Despite depictions of accounting as value-free and objective, critical research has shown that accounting is complex and subjective (Hines, 1988; Hopwood, 1990; 1994). Whilst this thesis draws on previous studies that have shown accounting is a means by which to construct reality, it also extends those studies by politicising the hegemony of advanced financial capital (Lazzarato, 2012; 2015). Critical literature has examined the IASB's role as promulgator of IFRS, as their power and impact has grown (Botzem, 2012; 2014; Chiapello & Medjad, 2009; Gallhofer & Haslam, 2007).

The IASB justifies this impact through their structure, due process and logics of technocracy, which boast claims to transparency, full consultation, inclusion, representation, public interest, accountability and independence (Chiapello & Medjad, 2009; Gallhofer & Haslam, 2007). These claims are omnipresent in the extension to *IFRS for SMEs* alongside metaphors of 'designing' and 'tailoring' standards for SMEs, despite demonstrations of deficits in the IASB's work, when these claims are interrogated (Chiapello, 2007; Chiapello & Medjad, 2009; Cortese *et al.*, 2010; Gallhofer & Haslam, 2003; 2007). Whilst the literature offers insightful critiques of the IASB, this thesis hopes to extend these critiques through the theoretical ideas of Laclau and Mouffe (L&M) (2001), and the notion of politics of accounting standard setting.

The IASB claims *IFRS for SMEs* meets SME needs of SMEs, their financial statement users and developing countries (Devi & Samujh, 2015; Ram & Newberry, 2013). Literature has shown that Western standards (such as those created by the IASB) are not relevant for developing countries (Chiapello, 2007; Cortese *et al.*, 2010; Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Kwok & Sharp, 2005). This is because the IASB operates narrow ideologies of global capital movement and advanced financial capital, which leads to exploitation and the domination of specific groups and interests (Chiapello, 2007; Cortese *et al.*, 2010; Kwok & Sharp, 2005; Ram & Newberry, 2013).

Previously, the IASB has concentrated on listed entities owing public accountability, so SMEs constitutes a significant extension for the IASB. There has been little research focusing on *IFRS for SMEs*, but there has been some since the standard's publication. Mainstream research has examined the adoption and implementation of *IFRS for SMEs* (see, Barth *et al.*, 2008; Pacter, 2013; Tarca, 2012; Wang, 2014). However, some research has been critical of *IFRS for SMEs*, particularly focusing on the impact on developing countries, and criticising the IASB's due process (Devi & Samujh, 2015; Fearnley & Hines, 2007; Ram & Newberry, 2013). Fearnley & Hines (2007) criticise the 'top-down' nature of *IFRS for SMEs*. Ram & Newberry (2013) examine the due process around *IFRS for SMEs*, concluding that, despite the IASB's rhetoric, it largely ignored the interests of SME financial statement users, particularly in developing countries. Perera & Chand (2015) investigate implementation, revealing the conceptual and practical issues of *IFRS for SMEs*. Devi & Samujh (2015) examine the politics of convergence in *IFRS for SMEs*, highlighting the primacy of politics within the standard. However, these studies do not locate the work of the IASB, particularly *IFRS for SMEs*, in a broader context of neo-liberalism, and hence have limited theoretical explanations for the phenomena observed. Moreover, these critiques offer only incremental improvements to the IASB's work, whilst this thesis extends these critiques by questioning the IASB's system and structure. The theoretical framing of L&M (2001) allows this thesis to examine the hegemonic role of the IASB in the development of *IFRS for SMEs*, giving a political understanding how and why the IASB decided to extend to *IFRS for SMEs*.

1.5 Theory and method

This thesis draws on L&M's Post-Structuralist Discourse Theory (PSDT), which attempts to consider holistically, the political, the social, the economic and the ideological. This links to critiques of traditional knowledge foundations which are formed through objectivity and positivism (a dominant paradigm in accounting), and mask the social and political impact of the status quo (Chua, 1986; Hines, 1988; Morgan, 1988). These logics obscure the true nature of accounting as a complex and subjective construction of reality, which interplays context, culture, values, power and politics (Chua, 1986; Gill, 2009; Hines, 1988). Thus, accounting regulation is not neutral, and is instead inherently political (Gerboth, 1973; Peltzman, 1976), so it is necessary to adopt a political perspective through L&M's (2001) Discourse Theory (DT). As Catlett (1960: 44) explains:

Accounting has been created and developed to accomplish various desired objectives and, therefore, it is not based on fundamental laws or absolute precepts.

Through L&M's DT, this thesis examines how rhetorical tropes (through concepts of articulation, deconstruction, antagonisms and signifiers) perfect the IASB's hegemony, functioning the objectives of private financial interests with the consequence of inequality and inequity. This thesis analyses rhetoric and signifiers within documents and interviews, examining how interested parties create and use the system. L&M's (2001) hegemony is a form of politics which moves a

particular to a universal to speak to disparate identities through a common signifier (this is further explained in 2.4 and 3.3).

L&M have been drawn upon within accounting literature, to examine sustainability, financial accounting and management accounting (see, Carter & Spence, 2011; Frezatti *et al.*, 2014; Gallhofer *et al.*, 2015; Spence, 2007; Tregidga *et al.*, 2014). L&M extends Marxism, Gramsci, de Saussure, Derrida and Althusser, explained further in chapter 3.

L&M's detailed and flexible theory offers many insights for this thesis. However, L&M's DT holds methodological deficits, so the methodological approach adopted is Glynos & Howarth's (G&H) (2007) Logics of Critical Explanation (LOCE), which constructs key methodological steps for the application of L&M's DT to empirical research. This starts with the Problematisation of social inquiry, which identifies present problems, discursive practices and different forms of Problematisation. Second, G&H introduce Retroduction which is the process of rendering phenomena intelligible, by observing the fact and what gives rise to that fact. Third, G&H's Logics provide mechanisms to understand rules, regimes and practices, identifying ontological presuppositions and conditions for the interpretation of objects and subjects. There are three logics: Social, Political and Fantasmatic Logics. The fourth step in G&H's (2007) methodology is Articulation, which draws together concepts to give explanations through plausible judgements, and the attachment of theoretical concepts to empirical objects. This develops progressive ways of thinking about assumptions to deconstruct narratives and discourses. The fifth part of the method is Critique, which highlights contingencies and alternatives to deconstruct power formations, domination and exclusion. This method is further elaborated on in chapter 4, but the chapters that follow are ordered according to LOCE.

1.6 Overview of main findings

This thesis investigates the complexity of accounting regulation and standard setting in the IASB's extension to standard setting for SMEs. This extension constitutes an interesting empirical site as the standard extends the impact of the IASB. Internationally, there is no consistent accounting regulation, but the IASB constitutes an attempt to harmonise accounting. Research on SME accounting and financial reporting is limited, with the WB and the IMF existing at the forefront, encouraging countries to adopt IFRS and *IFRS for SMEs* on the basis of little empirical research. Within the *IFRS for SMEs* project the work of the WB, the IMF and the IASB become further connected, highlighting the IASB's role as a geopolitical agent in the hegemony of advanced financial capital and neoliberalism.

This thesis looks specifically at why and how the IASB extended their work to SMEs and developing countries, but further, the impact of this extension. The *IFRS for SMEs* focuses further than before on developing countries. Whilst the IASB did originally claim to consider developing countries in their aim to construct standards for those that could not construct their own. For the IASB the development of *IFRS for SMEs* constitutes an extension as they had narrowed their

focus onto standard setting for listed entities. Thus, this thesis does not offer suggestions for incremental improvement of the IASB's work which would only act to reify the status quo. Instead, this thesis argues that this extension extends the IASB's hegemony, in a manner that is detrimental to society.

This thesis draws conclusions from the case by examining the way that the IASB construct the regulatory conversation between regulator and regulated. Within this, the IASB self-defines who it will talk to and how it is going to talk to them, which links to issues of accountability. This thesis examines the IASB's political processes as a technocratic regulator, to look specifically at how and why they extend their work to SMEs and emerging economies. This political analysis explores the way that the IASB have become further integrated as a geo-political player by the G20, the WB and the IMF. This role is important as the IASB hold a narrow focus and ideological alignment in the extension from IFRS to *IFRS for SMEs*. The core extensions and contributions of this thesis are further explored the conclusion (chapter 11).

1.7 Thesis structure

This introduction has outlined the core empirical case, the motivations for the thesis, the prior literature and the key empirical findings. As show in figure 3 below the second, third and fourth chapters move to the theory and methodology. Indeed, due to the identification of the IASB's role in regulation through standard setting, it is important to examine dominant regulatory theories, undertaken in chapter 2. This chapter demonstrates a lack of critique, politics and holistic social analysis in prior regulatory theories. These limits and constraints show the necessity to tell a richer story of the complexities of standard setting and the impact of the extension by the IASB from IFRS to *IFRS for SMEs*, arguing for analysis of regulation as hegemonic practice and the impact of regulatory conversations.

Thus, chapter 3 outlines L&M's political theory, explaining the reasoning behind this choice and the core theoretical concepts and approach drawn upon. Whilst this theory offers a political framing, and allows this thesis to focus on hegemony in the IASB's extension to *IFRS for SMEs*, the theoretical framework is methodologically lacking. Therefore, chapter 4 outlines the methodological framework adopted in the thesis (G&H's LOCE), and the impact that this approach has on the research approach. Following this, chapter 4 moves to the ontological assumptions formed out of antagonisms and the ontology of lack. Chapter 4 also outlines the data collection methods which are informed by LOCE and DT's ontological assumptions. The data set is from documents and interviews, justified through the methodological assumptions. As are the details given on the analysis of data (the interrogation of nodal points and the examination of rhetorical description).

This then leads to chapter 5 and 6 which deconstruct the previous literature through DT. Chapter five identifies literature that has examined the impact of accounting on society, and more specifically, literature that has critiqued the IASB. This literature has deconstructed the IASB's

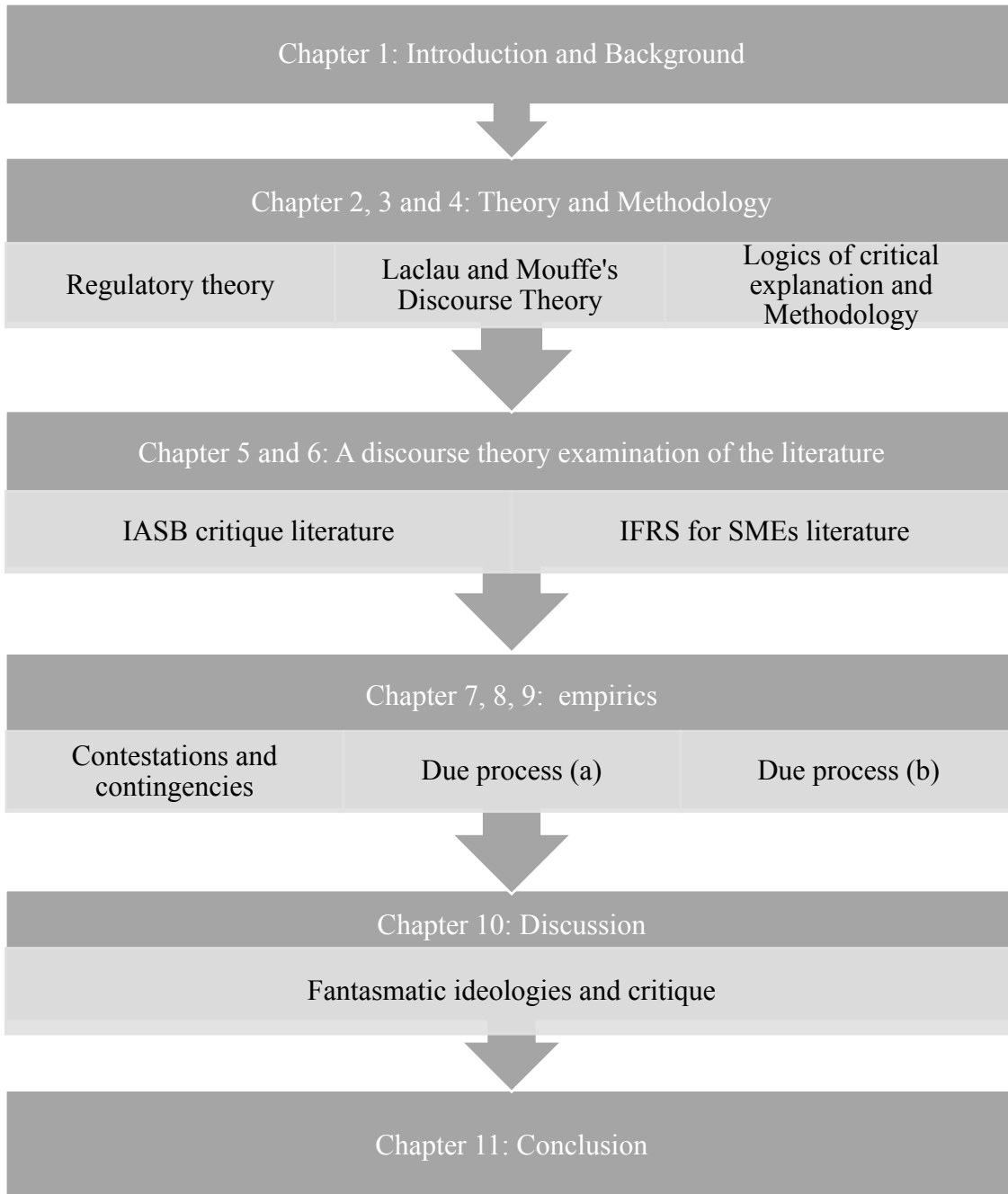
rhetoric and their due process, and this thesis demonstrating the limits and gaps within this literature to identify extensions of the literature. Chapter 5 also identifies key themes that are carried through chapter 6 and examined empirically.

Chapter 6 focuses on prior research that has examined the *IFRS for SMEs*, taking the themes from the previous chapter and identifying themes specific to the *IFRS for SMEs* literature. Chapter 6 identifies the potential impact of *IFRS for SMEs* by identifying the role of SMEs in society. Chapter six then moves to deconstructing rhetoric, the due process, and claims to comparability. Moreover, a recurring theme in the *IFRS for SMEs* literature is the exclusion of developing countries in the due process, so, this chapter examines this theme.

Both chapter 5 and 6 argue there has been a lack of politicisation in the literature. Whilst some literature moves away from the mainstream approach to research, the literature does not deconstruct the hegemonic movement made by the IASB to *IFRS for SMEs* to the necessary extent, and in many cases, accepts and reifies the role and status of the IASB with limited interrogation of the way that subjects are captured (fulfilled in this thesis through G&H's logics).

Therefore, the chapters that follow move to the empirics and extend prior literature by politically examining why the IASB extended to *IFRS for SMEs*, how they undertook this extension, and the impact of this extension in the inter-relationship between the IASB, financial capital and *IFRS for SMEs* (responding to the research questions). With a focus on hegemony, which finds that the logics of equivalence (LoE) and difference (LoD) are constantly interacting to construct and maintain the IASB's hegemony. This simultaneity of LoE and LoD follows five key movements, and the operation within these movements of the social, political and fantasmatic logics. There is a more detailed outline of this given in the *overview of empirical chapters*, and figure 17. Figure 3 below gives an overall thesis outline.

Figure 3: Order of thesis



Having outlined the thesis and identified the IASB's role in accounting regulation through standard setting, it is important to examine the different dominant regulatory theories, particularly as this thesis is concerned with the construction of regulatory conversations. Thus, the following chapter examines insights and limitations of dominant regulatory theories, and their role in accounting research.

Chapter 2: Regulatory theory and accounting research

2.1 Introduction

Having outlined the thesis in chapter 1, this chapter examines predominant regulatory theories in accounting research, because the IASB play a regulatory rule-making role. This chapter explains the choice of Post-Structural Discourse Theory (PSDT), by outlining why other theories are inadequate. Many theories downplay the politics of the IASB's work, and do not recognise the idea of a regulator as a hegemonic agent, which is core to this thesis. PSDT raises and answers questions that have not previously been asked or answered, the importance of which is outlined within this chapter.

Throughout history there have been many approaches to regulatory theory (see, authors that analyse regulatory theory: Deegan & Unerman, 2011; Gaffikin, 2008; Mouck, 1992; 1993; Napier, 2014). The thesis examines international accounting regulation, which is a relatively new phenomenon (Camfferman & Zeff, 2007; Napier 2014). Accounting theory has developed over time, with the rise of double entry book-keeping, the balance sheet equation, the emergence of accounting professionalization and accounting theories of scarcity, historic cost and decision making (Gaffikin, 2008; Napier, 2014). As accounting professionalization grew in legitimacy in the 1960s, grand theories of accounting emerged (Gaffikin, 2008; Mouck, 1993; Napier, 2014). During the 1970s, Positive Accounting Theory [PAT] developed, but also critical accountants began to reject current practice, arguing for the consideration of accounting's impact on society (Chua, 1986; Napier, 2014). Napier (2014) also highlights the influential role of conceptual frameworks in accounting theory:

Theories of accounting tend to see the function of financial reporting as representing an economic reality that may be complex and difficult to discern but nonetheless exists independently of accounting. Hines (1988) denies this, claiming that accounting actually helps to construct the reality that it reports. This provides interesting opportunities for the future direction of financial accounting theory... (Napier, 2014: 106-107).

To further examine regulatory theories, this chapter initially divides theories into social and economic,¹ before moving to critical and political insights. The range of theories examined offers different perspectives for this thesis, and highlights the multifaceted and complex nature of regulation and regulatory conversations (Black, 2002a, b). By identifying the limits and insights that the selected theories offer for *IFRS for SMEs*, this chapter demonstrates the necessity to draw on political theory, which questions the current system. Currently, dominant regulatory theories cannot analyse *IFRS for SMEs* in a pluralistic, holistic and multifaceted manner. This thesis

¹ Deegan and Unerman (2011) divide regulatory theories into inductive, predictive and prescriptive: inductive theories develop through observation; predictive theories explain and predict accounting practice; prescriptive theories recommend regulations based on the researcher's norms, values and beliefs. An alternative categorisation offers two main perspectives: the 'free market' perspective versus pro-regulation (Deegan & Unerman, 2011).

focuses on pluralism against exclusion, by problematising theories and demonstrating the necessity to consider the hegemonic nature of regulation.

The dominant regulatory theories have been outlined in table 1, including the key elements of each theory, how the theory is applied to accounting regulation, and why the theory is inadequate for this thesis. The economic theories outlined are Chicago School Economics; Agency Theory; PAT; Public Interest Theory and; Regulatory Capture Theory. The chapter demonstrates the arbitrary, exclusionary and limited nature of these theories. This is followed by social theories, considering: Legitimacy Theory; Stakeholder Theory and Institutional Theory. After the table, the chapter considers critical research and examines Howarth's theorisation of regulation as hegemonic practice, which leads to the importance of PSDT and hegemony (outlined in chapter 3).² The next section of this chapter considers why regulatory theories are important, as the IASB construct their role as a technocratic regulator through standard setting.

2.2 The importance of regulatory theory

Accounting research using regulatory theory analyses why and how regulation operates in the manner that it does, to identify possible changes and improvements (Deegan & Unerman, 2011). This chapter offers snapshots of dominant regulatory theories, some of which are considered neutral, scientific and objective, whereas others are considered political and subjective (Deegan & Unerman, 2011).³ Despite these distinctions, all theories contain subjective decisions, assumptions and judgements (as does the application of theory),⁴ facilitating the divisions in this chapter between economic, social and political (Deegan & Unerman, 2011; Glynos & Howarth, 2007). Each of these is important because of the role of accounting within society: for Deegan and Unerman (2011), regulation controls and governs behaviour, through rules and standards. Baldwin, Cave and Lodge (2012: 3) define regulation as focusing on control over valued activity, giving the following key premises: 'a specific set of commands... A deliberate state of influence... as all forms of social or economic influence'. Nevertheless, a universally-accepted definition of regulation has not been determined and continues to be debated (Deegan & Unerman, 2011). Regulation is complex, and identifying the 'best' regulation is subjective, so Black (2002a: 163) proposes discursive analysis of regulatory communication, arguing that regulatory conversations:

² Throughout the chapter I have assumed that the reader understands research paradigms, but for further explanation see, for example, Chua (1986); Crotty (1998).

³ Accordingly, Llewellyn (2003) outlines different methods of theorising. Distinguishing five theorisations for a fuller understanding of theory: metaphor; differentiation; conceptualisation; context-bound theorising of settings; and context-free "grand" theorising (Llewellyn, 2003: 663). For Llewellyn (2003) theories make assertions about behaviour or structure, and researchers should consider multiple, pluralistic views, for fuller understandings.

⁴ Individual theories cannot be universalised, due to underlying assumptions, meaning each theory cannot explain and predict all regulation, but can give insight (Deegan & Unerman, 2011). Theorists make decisions concerning ontology (assumptions surrounding the nature of reality), epistemology (assumptions surrounding knowledge, truth and justification), methodology and scope – Van Mourik, 2014).

...are constitutive of the regulatory process, that they serve important functions, that they can be the basis of co-ordinated action, and that they are important sites of conflict and contestation.

This highlights the importance of regulatory communication, for gaining a deeper understanding of inner processes, with links to and influences on ‘...objects, worlds, minds, identities and social relations...’ (Black, 2002a: 165). Thus, regulation is functional and motivated to achieve certain ends, through rhetorical and persuasive communication. Different forms of regulation act to build different understandings, definitions and solutions, as they produce shared meanings, norms and social practices (Black, 2002a; Catlett, 1960). Indeed, literature demonstrates that accounting regulation is not neutral, and is instead influenced by, and constructed to meet, certain interests (Altarawneh & Lucas, 2012; Catlett, 1960; Lehman & Tinker, 1987).

The following table considers the dominant regulatory theories, looking at their key constituent elements for the analysis of accounting regulation.

Table 1: Regulatory Theory

Theory	Key elements	Regulatory theory and accounting regulation	Why is this theory inadequate for this thesis?
Economic theories			
Chicago School Economics (CSE)	For CSE, there should be little or no government intervention, calling for private regulation ⁵ (if any). This is premised on the efficient market hypothesis (EMH), and the application of market-related incentives, rendering state regulation unnecessary ('free market' perspective) ⁶ (Fama, 1970; Whittington, 1986). Moreover, accounting should be treated like other commodities (through supply and demand) (Friedman, 1962; Hovenkamp, 2007; Stigler, 1971). However, academics argue that the assumptions of EMH do not hold and markets are not efficient in the real world (Ball, 2009; Shostak, 1997; Williamson, 1968). CSE argues we cannot distinguish producers and consumers, ⁷ as all are opportunistic economic agents (Whittington, 1986). Additionally, CSE ignores the short-term, seeing social welfare as irrelevant, focusing on long-term market efficiency (Hovenkamp, 2007).	CSE argues that accounting regulation is unnecessary, as markets should run without intervention. If there is intervention it should be minimal, have a focus on markets and be run privately. This theory downplays the politics of accounting, and would only consider market efficiency, giving little, if any weight to the politics of regulatory conversations.	Regarding <i>IFRS for SMEs</i> , CSE would see the market as a regulatory force and therefore would not regulate SME accounting, seeing this as interference. However, advocates would consider jurisdictional and access questions for SMEs, so <i>IFRS for SMEs</i> would give an even playing field, which may be beneficial to financial capital, and meet shareholder needs. CSE focuses on economic issues, through positivistic analysis ignoring the social, political and cultural issues when examining regulation. Agency theory, regulatory capture theory and public interest theory oppose CSE, by identifying a necessity for financial reporting regulation.

⁵ The IASB is a private-sector standard-setter, independent from any state, although it relies on states to adopt its standards. At times states intervene in the standard-setting process, and they may adapt standards.

⁶ Malkiel (2005) advocates EMH, arguing that equity prices adjust efficiently to new information, so returns can only be incurred alongside even risk.

⁷ By seeing producers also as consumers, CSE equates consumer surplus with total surplus, meaning any gain for a producer adds to consumer gain, rendering wealth distribution irrelevant (Mankin, 2001).

<p>Agency theory</p>	<p>Agency theory states that the purpose of financial reporting is to provide information to resource providers (Deegan, 2006). This focuses on information asymmetry, the uncertain nature of information, and the facilitation of agency relationships (Deegan, 2006; Eisenhardt, 1985; Whittington, 1994).</p> <p>There are organisational costs for agency theory and information production, but agency theory holds that increasing information improves decision-making and resource allocation: ‘An agency relationship exists where one party (a principal) delegates some decision-making authority to another part (the agent). The principal and the agent will enter a contract that recognises the relationship’ (Gaffikin, 2008: 59).</p>	<p>For accounting, agency theory is concerned with information asymmetry and providing information. Within this there will be monitoring costs, to monitor the behaviour of the agent, most of these monitoring costs are associated with accounting and auditing (Gaffikin, 2008). Within accounting, agency theory is concerned with the supply of information from manager to owner, monitoring the manager, with a focus on the economic (Gaffikin, 2008).</p>	<p>For agency theory, there is a focus on asymmetry, which identifies problems with power, but the theory also acts to narrow the interests analysed, to only two primary groups: shareholders (principals) and preparers (agents) (Gaffikin, 2008).</p> <p>Agency theory moves towards understanding conflicts, but it narrows the conflicts to a limited group of interests. The theory is therefore unsuitable for this study, which requires consideration of a wider range of interests (Gaffikin, 2008).</p>
<p>Positive accounting theory (PAT)</p>	<p>PAT is a nuanced version of CSE and Agency theory, promoted by Watts and Zimmerman (1990), who claim that PAT is: ‘...concerned with explaining accounting practice... to explain and predict which firms will and which firms will not use a particular method’ (Watts & Zimmerman, 1986, p. 7).</p> <p>Individual wealth maximisation is central to PAT, presenting an atomistic society, in which individuals only consider their own self-interest (Deegan & Unerman, 2011; Gaffikin, 2008). This theory commits to objectivity, realism and neo-classical economic theories (e.g. including agency theory; contract issues; rational action theory) (Chua, 1986; Davies, 2002; Watts & Zimmerman, 1978). Through positivism, this theory searches for generalised solutions (Chua,</p>	<p>PAT is a neoclassical economic theory, suggesting human choice can be explained entirely in economic terms (Deegan & Unerman, 2011; Napier, 2014). Therefore, PAT argues that economic incentives (e.g. management remuneration) impact, explain and predict accounting policies and practice (Napier, 2014; Watts & Zimmerman, 1978; 1986). PAT combines agency theory, debt-holder theory (the contract between debt providers and holders will prevent firms from increasing risk), and political costs (managers will choose accounting policy options that reduce their political costs) to explain accounting (Gaffikin, 2008). PAT highlights that policy decisions do not only</p>	<p>PAT has many opponents and is critiqued for incoherence (Chambers, 1993; Deegan & Unerman, 2011; Sterling, 1990; Tinker, 1988; Williams, 1989). For PAT, <i>IFRS for SMEs</i> is the IASB gaining further control for their own ends (Gaffikin, 2008). Traditionally, PAT focused on lobbying, finding that the potential impact of standards influenced the way actors lobby (Watts & Zimmerman, 1978). PAT is unsuitable for this thesis because it considers only lobbying and the economic. PAT examines only economic aspects of phenomena, and downplays politics. Even though it considers debt, this is couched in economic terms. Given the range of choices and decisions in regulation and regulatory</p>

	1986). Similarly, contractarianism purports that individuals are free to contract, through shareholder primacy, individualism, free market theory, agency theory and gives primacy to contracts (Carter, 2008; Millon, 1993; Moore, 1991).	depend on economic decisions, but also debt and political costs, nevertheless the focus is still on the economic (Gaffikin, 2008).	theories, the theory does not explain standard setting holistically. This ignores some stakeholders and some elements of the discourse. Further, PAT does not consider hegemony, the IASB's role and processes undertaken, which are central to this thesis, and to a holistic understanding of <i>IFRS for SMEs</i> .
Public interest theory (PIT)	Through Public Interest theory (PIT), Posner (1974) contends that accounting regulation claims to serve the public interest but this is a rhetorical device that masks the pursuit of self-interest (Gaffikin, 2005). Indeed, PIT argues that regulation processes can be understood as actors aiming to maximise their economic position by supporting regulations that serve their interests (Gaffikin, 2005; Posner, 1974; Peltzman, 1976; Stigler, 1971).	For accounting regulation, PIT is concerned with information that would not be obtained without regulation, so regulation is provided due to public demand and not private interest (Gaffikin, 2008). Indeed, 'the public' and their 'interest' are contested concepts and it is often the case that private, special and narrow interests are pursued under the rhetoric of public interest (Dellaportas & Davenport, 2008).	This is relevant to the IASB and <i>IFRS for SMEs</i> , as the IASB claim to meet public interest (Gallhofer & Haslam, 2007). However, scholars argue that the IASB do not meet public interest, instead meeting only a certain special interest, and drawing on public interest as rhetorical persuasion (Gallhofer & Haslam, 2007). Nevertheless, PIT would not be suitable for analysis of <i>IFRS for SMEs</i> , as it only considers the public interest and does not consider other aspects of the standard, other rhetorical tropes, the IASB's role, or political impacts.
Regulatory capture theory (RCT)⁸	Posner (1974) states that despite regulators public interest claims, corporations capture decision-makers. Similarly, Stigler (1971) states that those regulated dominate regulatory organisations, an economic theory (Peltzman, 1976).	For accounting regulation, under RCT, regulators and/or standard setters become captured by special interest groups who act to expropriate wealth (Gaffikin, 2008; Stigler, 1971). Cortese & Irvine (2010) apply RCT for examination of the IASB, suggesting the IASB's regulation is captured, meeting	This theory considers some aspects of <i>IFRS for SMEs</i> , but is not holistic. If RCT holds, then the IASB act in the interest of large listed corporations when regulating SMEs, but this theory only captures the economic angle. Gaffikin (2005) acknowledges RCT criticisms, and argues that theories are complementary, not mutually exclusive, as no theory

⁸ Also, known as private interest theory and special interest theory (Gaffikin, 2005).

		large-listed institutional needs, despite the IASB's claims to consider public interest.	completely describes all aspects of regulation, a key argument within this chapter.
Social theories			
Legitimacy theory	Suchman (1995) advocates legitimacy theory, which theorises that society allows legitimate companies to exist, so organisations construct legitimacy. Often scholars apply legitimacy theory to social and environmental reporting (SER) and corporate social reporting (CSR) (Lanis & Richardson, 2012; Wilmshurst & Frost, 2000). Legitimacy theory surrounds external perceptions of organisations: if the organisation is seen as legitimate and appropriate for social systems, norms and beliefs, this ensures stability, gains support, and/or silences others (Suchman, 1995).	In accounting regulation, there are attempts to legitimise the accounting profession through rhetorical tropes and processes (Hines, 1991). Furthermore, Hines (1991) argues that accounting professions and standards were created to legitimise accounting. Through legitimacy theory, Burlaud and Colasse (2011) argue the IASB's legitimacy is artificial, and is only used to enhance their own self-interest. Whilst the IASB portray openness, transparency and public participation, the literature argues that standard setting is partial and constructed by accountants for professional legitimacy (Burlaud & Colasse, 2011; Gallhofer & Haslam, 2007; Hines, 1991; <i>Richardson & Eberlein, 2011</i>).	For legitimacy theory, the IASB's creation of <i>IFRS for SMEs</i> would be seen as an attempt at reinforcing their legitimacy to society (Burlaud & Colasse, 2011; Danjou & Walton, 2012; Richardson & Eberlein, 2011). Moreover, legitimacy theory would argue that the IASB saw a threat to their standard setting project from competing bodies and national accounting systems, meaning that they had to extend their legitimacy to SMEs, to remove those threats. Legitimacy is a key pillar in my research, but the theory itself does not consider the broader politics. Moreover, the theory would place the IASB at the centre, looking at how they perceive threats to their legitimacy. This is a problematic form of politics, that only focuses on how the IASB protect themselves, and would not be useful for the broader politics.

<p>Stakeholder theory</p>	<p>The main proponent of stakeholder theory is Freeman (2001), who argues that organisations should identify and meet stakeholder needs: ‘...based on the idea that the entity has a large number of interested parties to which it should be accountable’ (Gaffikin, 2008: 251). This theory argues that each corporation can group relationships with constituencies, and considers the nature of these relationships (Jones & Wickes, 1999). However, constituents may have conflicting interests. For example, employees have different interests to consumers, leading the organisation to make choices between competing demands (Jensen, 2001). This often leads to a focus on long-term added-value, determined through hierarchies, which would not consider social welfare or fulfil stakeholder theory (Jensen, 2001). Enlightened value maximisation and enlightened stakeholder theory attempt to resolve these conflicts (Jensen, 2001).</p>	<p>For accounting regulation, there is a series of stakeholders within the regulatory space, which can include a great number of groups, with many different interests. For example, accounting regulation may consider (but not be limited to) preparers, users, other standard setters, governmental bodies and the public (Gaffikin, 2008). There are multi-various users of accounting, with different needs and wants, and stakeholder theory would argue that the IASB should consider each of these when constructing <i>IFRS for SMEs</i> (Gaffikin, 2008).</p>	<p>The IASB are seen as creating <i>IFRS for SMEs</i> to further acknowledge and balance stakeholder needs and relationships (Gaffikin, 2008). Thus, stakeholder theory, allows us from the outside to describe and explain the IASBs actions concerning different stakeholders. However, this analysis misses other key elements surrounding <i>IFRS for SMEs</i>. For example, stakeholder theory does not consider the IASB’s political nature, hence failing to give a multifaceted examination. Moreover, this theory (like others), places the IASB at the centre, and enables them to identify their stakeholders and exclude others.</p>
<p>Institutional theory</p>	<p>Institutional theory explains collective behaviour, by identifying the construction of rules (Baxter & Chua, 2003; DiMaggio & Powell, 1991). This is completed through analysis of social rules, organisational structures and behaviours, to give cognitive and cultural explanations to the case examined (Baxter & Chua, 2003). For institutional theory, regulation should acknowledge organisational and social settings, focusing on politics and institutions (Gaffikin, 2005).</p>	<p>Baxter and Chua (2003) state that institutional theory focuses on rules generated within society to explain behaviour. This develops cognitive and cultural explanations of institutions, considering the meanings of rules, structure and behaviour (Baxter & Chua, 2003). Thus, scholars argue that elements of accounting practice are ‘rational myths’, granting social legitimacy and constructing rationalised norms (Covaleski & Dirsmith, 1983; DiMaggio & Powell, 1991; Meyer & Rowan, 1977). Gaffikin (2008) identifies</p>	<p>Through institutional theory, the IASB’s behaviour would be analysed through social and institutional settings (Gaffikin, 2008). Thus, institutional theory suggests how to analyse phenomena. Institutional theory would give context, showing how the IASB is impacted by institutions (such as large listed entities and institutional norms), but would ignore many aspects of analysis. For institutional theory, analysis of institutions is important, examining how they are formed, how they change, how they are led, and how they are sanctioned. However, similar to PAT,</p>

		the necessity for understanding institutional structures and social processes that shape regulation.	institutional theory misses out the history and emergence of the analysis, not considering the political.
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Having considered key economic and social regulatory theories in this section, the following section focuses on critical social theory, in search of a theory that is adequate for analysing the IASB's work.

2.3 Critical accounting research

Critical accounting research offers lessons for this thesis, particularly the need for social analysis and challenging the construction of accounting. Cooper and Sherer (1984: 222) argue that accounting problems reflect problems within society, so accountants require further social awareness, through a Political Economy of Accounting (PEA):

...[PEA] is thus a normative, descriptive and critical approach to accounting research. It provides a broader, more holistic, framework for analyzing and understanding the value of accounting reports within the economy... to explicate and interpret the role of accounting reports in the distribution of income, wealth and power in society

Gaffikin (2008: 239) explains the interaction between accounting and society:

Those engaged in the practice of accounting have to adopt approaches that are well beyond those of the past, and thus an appreciation of the interdisciplinary nature of accounting theory and research is essential. Accounting is shaped by the demands placed on it, but it also shapes the environments with which it interacts. Consequently, accountants need to be aware of social, political, legal and linguistic considerations, and not just serve the economic interests of a few members of society. It may be necessary, as some have argued, for there to be new accountings.

These authors call for critical accounting research, because mainstream accounting follows limited methods and assumptions (Chua, 1986). Chua (1986) demonstrates the need for a different set of assumptions to gain rich insights through interpretative and critical methodologies. These approaches enable the researcher to critically analyse different perspectives and to understand regulation and accounting in a broader manner (Chua, 1986; Gaffikin, 2008). First, Chua (1986: 619) discusses the idea that all humans have inner potential that is not fulfilled:

... every state of existence, be it an individual or society, possesses historically constituted potentialities that are unfulfilled. Everything is because of what it is and what it is not (its potentiality) ... human potentiality is restricted by prevailing systems of domination which alienate people from self-realisation. These material blockages operate both at the level of consciousness and through material economic and political relations.

This inner potential is restricted socially, structurally and ideologically, due to taken-for-granted beliefs and views about acceptable behaviour and rules that govern 'social exchange and the ownership and distribution of wealth' (Chua, 1986: 619). Chua (1986) argues that subjects forget that social reality is subjectively constructed and they play an active (but hidden) role in the construction of meaning, because of the appearance of objectivity: 'Social reality is, thus, both subjectively created and objectively real' (Chua, 1986: 620). Chua (1986: 620) goes on to suggest that critical analysis of truth and agency should be contextual, and should consider movement and change over time:

Reality as a whole, as well as each particular part, is understood as developing out of an earlier stage of its existence and evolving into something else. Indeed, every state of existence is apprehended only through movement and change, and the identity of particular phenomenon can only be uncovered by reconstructing the process whereby the entity transforms itself.

Critical accounting research has identified power and imbalances, whilst also challenging domination and dominant ideologies:

Fundamental conflict is endemic to society. Conflict arises because of injustice and ideology in the social, economic, and political domains which obscures the creative dimension in people (Chua, 1986: 622).

Context is crucial in this critical analysis, as is the necessity to learn deeply about the subject/object relationship, moving beyond interpretation:

Thus, like the interpretive researcher, it is accepted that social scientists need to learn the language of their subject/object. The process of coming to an understanding is also agreed to be context-dependent as social scientists are necessarily immersed in and engaged with their socio-historical contexts. However, critical researchers argue that interpretation *per se* is insufficient. It cannot appreciate that the world is not only symbolically mediated, but it is also shaped by material conditions of domination. Language itself may be a medium for repression and social power (Chua, 1986: 621).

Despite similarities, interpretivism is insufficient, as it is unable to appreciate how domination, repression, language, social norms and ideologies shape the world (and the impact that they have) (Chua, 1986; Crotty, 1998). Critical analysis is concerned with social change, and with challenging the status quo through the demonstration that social norms and behaviour are a product of domination (Chua, 1986; Crotty, 1998; Kincheloe & McLaren, 1994). For example, Shearer and Arrington (1993) (through feminist theory) critiqued the dominance of masculinity embedded in calculations of accounting income. This critical analysis acts to expose and transform inequalities, injustices, domination and alienation within accounting, society and social orders (Crotty, 1998; Kincheloe & McLaren, 1994). Despite the positivistic portrayal of accounting as objective and value-free, critical research in accounting demonstrates that accounting is subjective, partial, motivated and one-sided:

...accounting, far from being a practice that provides a neutral or unbiased representation of underlying economic facts, actually provides the means of maintaining the powerful positions of some sectors of the community (those currently in power, and with wealth) while holding back the position and interests of those without wealth. These theorists challenge any perspectives which suggest that various rights and privileges are spread throughout society – instead they argue that most rights, opportunities and associated power reside in a small (but perhaps well-defined) elite (Deegan, 2006: 456).

Hines (1988: 257) demonstrates the way that accounting is a construction of reality, which is dependent upon context, values, culture and power relations:

It seems to me, that your power is a hidden power, because people only think of you as communicating reality, but in communicating reality, you construct reality.

Critical research enables examination of accounting through a political perspective, because regulation is not neutral, and is political (Catlett, 1960; Gaffikin, 2008; Gerboth, 1973; Hines, 1988; 1991; Peltzman, 1976;). Morgan (1988: 482) challenges the myth of objectivity within accounting:

Accounting can never be truly objective... objectivity is always as much a part of the observer as of the object observed. Accountants are linked to their observations... creating partial and one-sided ways of viewing the world.

Additionally, critical research identifies accounting's contribution to capitalist domination, depicting accounting as the language of capitalism (Chiapello, 2007). This impacts society hegemonically:

...elaborating the repressive dimensions of accounting's functionalities today and in the past; exposing how accounting is captured by problematic hegemonic forces... supporting an unjust and exploitative socio-political and economic order... given the possibility of accounting's capture by problematic hegemonic forces, including by an aligned professional expert rhetoric (Gallhofer & Haslam, 2003:157-160).

This holds equivalences with Bryer's (1993; 1999; 2012) Marxist critique, which argues that accounting is key to capitalism, society and political ideology. Bryer (2000a, b) highlights accounting's social significance and its support for capitalism through the FASB's conceptual framework. Gallhofer and Haslam (1996: 25) call for changes within accounting to facilitate emancipatory social change:

...challenge current norms, traditions, ways of "doing things" and expose inequalities, injustices, oppression and exploitation. Through this, accounting can help engender change, contributing to the building of a more liberated, democratic and happier society.

Currently, accounting has an unbalanced nature, maintaining dominant power and values, by creating sanctions that construct certain conceptions of truth (Catlett, 1960; Hines, 1991), and dominant foundations of knowledge:

[t]ear[ing] accounting from its foundations in modernist/Enlightenment ontology and epistemology and to situate accounting in the world of lived experience as both a product of social construction and as an architect of social experience (Neimark, 1990: 106).

This demonstrates the discursive power of accounting, in that it can dehumanise, reduce and exclude social relations (Morgan, 1988). Critical accounting research employs various methods, such as ethnography; participant observation; interviews; case studies; grounded theory; discourse analysis; historical analysis; ideological critique; and dialectic analysis, (Chua, 1986; Crotty, 1988). These approaches examine social, cultural, political and ideological conditions, revealing conflicts, inequalities and oppressions that are endemic to the social order (Carter, 2008; Chua, 1986).

Through a Marxist framework, Tinker (1985) critiques accounting through case studies concerning pollution, for example, the failure to report the potential waste disposal costs, which leads to exaggerated profits.⁹ Tinker (1985) argues that accountants are unfamiliar with alternative accounting practice, due to the domination of neo-classical economics and marginalism; exchange and commodity; and a focus on capital markets. Tinker (1985) outlines detrimental flaws within neoclassical economics (economic reductionism and political voluntarism) through Marxist theory and value theory, suggesting that narrow regulation should be replaced with pluralistic regulation and further state controls, by combining the political and economic, with other stakeholder needs. Tinker (1985) draws attention to social exploitation, alienation and inequality within capitalism, to argue that profit increases act to increase exploitation. Consequently, social alienation occurs through class exploitation, unequal commodity exchange and individual alienation, which is ignored in current accounting systems

⁹ This is like Hines' (1988) river pollution example, in which she argues that accountants construct boundaries within accounts for what is included and excluded, leaving out potentially detrimental aspects, in order to construct a certain reality of the organisation.

(Tinker, 1985). Thus, Tinker (1985) offers radical accounting systems, proposing social constituency accounting and emancipatory accounting (like Gallhofer and Haslam, 2003).

Social constituency accounting is an extension of marginalist thinking that acknowledges social conflict within the restricted terminology of marginalism. Even with this narrow vocabulary, conventional accounting fails to adequately reflect the alienation inherent in corporate relations. Emancipatory accounting reaches beyond social constituency accounting to incorporate expropriations through unequal exchanges inherent in capitalism itself. The accounting literature is less informed about this kind of alienation than about any other (Tinker, 1985: 181).

Mouck (1992; 1995) also argues for pluralistic accounting, to stop ignoring public views, as currently accounting is captured by corporate and political ideologies. Instead accounting should recognise silenced voices, pluralistically and democratically (Gallhofer & Haslam, 2003; Mouck, 1992; 1995). Scholars demonstrate accounting's social and political importance in creating inequalities through the powerful protection of capital by a privileged elite (see, Arrington, 1990; Cooper, 1980; Chiapello, 2007; Gallhofer & Haslam, 1997; Hines, 1988; 2003; 2007; Puxty *et al.*, 1987; Tinker, 1980; 1985; 1999; 2001; 2005; Tinker *et al.*, 1991). Analysis through Marxist theory of *IFRS for SMEs* would focus on class and economic determinism, but this is only one construct of struggle. This thesis plans to move away from this limited focus through PSDT as this permits the consideration of multiple sites of struggle.

The next section focuses on Black's political and discursive examinations of regulatory communications, and Howarth's call for the examination of regulation as hegemonic practice.

2.4 Political theory and regulation as hegemonic practice

Black (2002b) critically examines regulation, with a focus on law, and conceptions of centred and decentred regulation. Black calls for examination of regulatory conversations and the role of control and command. Black identifies that regulatory communication, fails to consider society, pluralistically, and to understand socio-political relations, regulatory values, power and authority. For Black, regulation is formed through discourses, definitions, meanings and identities, which frame thought and knowledge, emphasising the necessity for analysis through DT and the concept of regulatory conversations:

Communications between all those involved in the regulatory process concerning that regulatory system are an important part of their operation. Understanding such regulatory conversations is thus central to understanding the 'inner life' of that process (Black, 2002b: 164).

This examination of regulatory communication reveals multiple power struggles, interdependencies and dispersals (Black, 2000; 2002a, b). Thus, Black (2002a, b) calls for further analysis through DT, highlighting the importance of L&M's PSDT and their conception of discourse. Additionally, Black (2000) highlights links between regulation and democracy, considering complexities and pressures, to reinvigorate analysis of the political nature of regulation. This relates to the analysis of *IFRS for SMEs* in this thesis, when questioning why the

IASB created this standard, through the examination of regulatory communication and conversations. Black (2002b: 163) constructs the notion of regulatory conversations as:

... the communicative interactions that occur between all involved in the regulatory 'space', are an important part of most regulatory systems... By regulatory conversations I mean the communications that occur between regulators, regulated and others involved in the regulatory process... The term includes all forms of interpersonal communications, extending beyond standards, policy documents, and guidance notes to include all micro-level conversations that may occur in formal or informal settings, including policy briefings, seminars, and conferences, in the course of the regulatory process between individuals both within and across organizations or particular cohesive communities. In understanding the role played by regulatory conversations it is important to disaggregate the regulatory process and to identify at which points regulatory conversations occur, between whom, and about what (Black, 2002b: 163, 170, 171).

This thesis is concerned with the way that the IASB construct regulatory conversations, as the IASB self-define their role and these conversations in a limited manner, forming command, control and legitimacy (Black, 2002a, b; Black, 2008). Howarth (2013) similarly argues for the analysis of regulation through PSDT, asserting the importance of analysing regulation as hegemonic practice. This demonstrates the necessity to consider the IASB's hegemony, and to define the term hegemony for this thesis.

Hegemony has been commonly drawn upon in the accounting literature, for example, there are many references to Gramsci's hegemony and applications of Gramsci's theorisation (see, Cooper, 1995; Gray 2006; Mantzari, 2017; Spence 2009; Yee 2009; 2012 (some of which are referred to in the previous section on critical accounting research, and further discussed in chapter 3). Whilst some research references both Gramsci and L&M, there are less who focus on L&M, but those who do are examined in chapter 3 (see, Spence, 2007; Gallhofer & Haslam, 2007; Gallhofer *et al.*, 2015; Tregidga *et al.*, 2013; Gallhofer & Haslam, 2003). This thesis moves to L&M's (2001) hegemony which extends Gramsci's influential work, as Gramsci remains too encapsulated in a Marxist framework which narrows the focus to economic determination. L&M (2001) argue for the importance of multiple struggles and constant antagonisms. Thus, their hegemony is focused on the politics of the movement from the particular to the universal, constructing a universal nodal point (this theorisation of hegemony and the literature is further examined in chapter 3 - section 3.3). Griggs and Howarth (2013: 23) explain:

On the one hand, hegemony is a type of rule or governance which captures the way in which a regime, practice or policy holds sway over a set of subjects by a particular entwining of consent, compliance and coercion. On the other hand, hegemony is a practice of politics that involves the linking together of disparate demands to forge hegemonic projects or 'discourse coalitions' (Hajer, 1995) which can consent a particular form of rule, practice or policy ... In practice, of course, these aspects are intimately related. Hegemony as a form of rule presupposes various practices of transformism, negotiation, compromise and bargaining, while the struggle to develop counter-hegemonic presupposes certain forms of rule which the movements challenge and seek to transform.

For Howarth (2013) hegemony (L&M's theorisation) drives regulation and the construction of political frontiers. Political frontiers act hegemonically to exclude alternatives and conceal contingencies by drawing on ideologies to naturalise domination and hierarchies (Howarth,

2013). Howarth (2013) identifies the nature of regulation as hegemonic practice through Polanyi (1957) who recognises that markets and regulations are strong forces in society that have been socially constructed and instituted. Indeed, they do not exist naturally, nor are they inevitable, universal or systematic (Polanyi, 1957). However, ideologies are constructed and used to embed certain practices in social life (Howarth, 2013; Lehman, 2013; Neimark, 1994; Polanyi, 1957; Wickramasinghe & Hopper, 2005). These market logics also embed logics of profit-seeking and greed within society, to the annihilation of community relationships and humanity's natural habitat (Polanyi, 1957; Neimark, 1994; Wickramasinghe & Hopper, 2005).

For Howarth (2013) researchers should deconstruct and demystify discourses and social practices that have been naturalised in everyday society, and construct counter-hegemonic alternatives that challenge hegemonic practices for complete reform, not incremental improvements (Aglietta, 2000; Lipietz, 1987; Jessop & Sum, 2016). Howarth (2013) argues that current regimes of accumulation in society give the impression that they are natural and therefore external to political struggles and ideologies. Therefore, this thesis gives a constitutive role to politics and ideology. Through Polanyi, Aglietta, and Lipietz Howarth (2013) proposes that regulatory studies should focus on the socially constructed and partial nature of regulation. Such an approach to social construction and partiality is crucial to L&M's PSDT. Howarth (2013) calls for analysis of regulation as hegemonic practice through notions of hierarchy, oppression, domination, alliance, subjectivity and ideology. Also, highlighting the importance of articulatory practice, which discursively constructs regulation and covers over contingencies (masking problems, issues or antagonisms external to the constructed systems) (Howarth, 2013).

Howarth (2013) argues that hegemony offers alternative ways of understanding and exploring regulation, and regulatory movements. So, regulation is conceptualised as hegemonic practice:

Regulation consists of the ensemble of practices and activities that ensures societal reproduction by constructing stable frontiers, which can negate or defuse popular antagonisms either by incorporating them into manageable social forms or by displacing them to the margins of social order (Howarth, 2013: 219).

This political and hegemonic work is operated by the IASB, as they repress alternatives and partially fix contingent meaning:

...the creation of 'historic blocs' and 'collective wills' out of dispersed and contingent elements, through a range of hegemonic practices and operations, was the only way in which social formations could be forged and transformed (Howarth, 2013: 194).

For Howarth (2013), hegemony excludes alternatives through signifiers, nodal points and ideologies, which institute social identities. In this, there can be various attempts to construct hegemony, through power and leadership, which blend different aspects of force, coercion and consent, and naturalise hierarchies, domination and exclusion (Howarth, 2013; Lukes, 2005).

Given the necessity to challenge the IASB's power, and the extension of this to *IFRS for SMEs*, Howarth's (2013) argument for the necessity to analyse regulation as hegemonic practice through PSDT to challenge the status quo, is important. As is Black's call for further analysis of

regulation, which sees regulation as socially constructed and dialectic and calls for the examination of regulatory conversations. Thus, L&M's conception of discourse is crucial for this thesis, alongside their hegemony. So, this thesis moves to outlining PSDT, but first the following section gives a summary of this regulatory theory chapter.

2.5 Summary

Howarth (2013) observes that many regulatory theories have been developed, but they are not satisfactory, as they tend to disconnect from and downplay politics, and do not regard regulation as hegemonic. The table in section 2.2 demonstrates that the dominant 'economic' and 'social' regulatory theories are not adequate for analysis, often because these theories place the IASB at the center of analysis, or support the status quo. As discussed in section 2.3, critical accounting research challenges the status quo, unpacking domination, ideology, politics and power, and demonstrating how accounting maintains power and creates truth conceptions that benefit a privileged few (Carter, 2008; Crotty, 1998). Whilst critical research (particularly research that has drawn on a Marxist framework) does inform this thesis to an extent, it is not the central framework, as often this research oversimplifies political complexity, by tending to focus on division (Carter, 2008).

For Howarth (2013), analysis of regulatory theory through hegemony and DT highlights multiple aspects, including: the arbitrary assumptions of other regulatory theories; the necessity for the primacy of politics; and the importance of analysis of the object and subject. The progression through theories within this chapter with normative expectations has demonstrated how they are lacking, with respect to the economic, social, political and ideological. So, this thesis calls for a broader, holistic theory, to analyse regulation, and ask different questions:

Nonetheless, there are still questions we need to ask about the explanatory power of regulation theory. In general terms, regulation theorists seek 'to explain the rise and subsequent crisis of *modes of development*, leaving the question of the long-run tendencies of capitalism open until enough historical studies and international comparison have been accumulated' (Boyer, 1990, p. 48). But this deceptively simple objective conceals a range of pertinent questions asked by regulation theorists (Howarth, 2013: 218).

This leads to a view of regulation as hegemonic and the analysis of *IFRS for SMEs* through L&M's PSDT. PSDT is appropriate as it gives primacy to politics, in 'the local' and 'the particular', and highlights the linguistic turn, social constructivism and the discursive nature of accounting (Hines, 1988). Importantly, this chapter has highlighted problems with regulatory theory for the analysis of accounting regulation, which leads to hegemony, to gain a more holistic examination of *IFRS for SMEs*, through political, social, economic and ideological elements. Therefore, in line with arguments from Howarth and Black this thesis argues that limits of previous regulatory theory are resolved by PSDT which gives primacy to politics. Thus, the following chapter outlines L&M PSDT, and examines further their theorisation of hegemony.

Chapter 3: Laclau and Mouffe's Discourse Theory

3.1 How is Discourse Theory Post-Structuralist and why is Post-Structuralist Discourse Theory appropriate for this thesis?

The regulatory theory chapter outlined the necessity for PSDT and a focus on the ontic, by demonstrating the arbitrary, exclusionary and constraining nature of dominant regulatory theories. The regulatory literature debates how to meet and balance the public interest and the balance of exchange through the 'best' form of regulation (Powers, 1987; Downs, 1962). Indeed, regulation is crucial to the transfer of wealth:

The essential commodity being transacted in the political market is a transfer of wealth, with constituents on the demand side and their political representatives on the supply side ... the market here, as elsewhere, will distribute more of the good to those whose effective demand is the highest (Peltzman, 1976: 212).

Regulatory decisions are hard to make, especially when considering the public interest and its many nuances, rendering the decisions made political and complex:

When a decision making process depends for its success on the public confidence, the critical issues are not technical; they are political ... In the face of conflict between competing interests, rationality as well as prudence lies not in seeking final answers, but rather in compromise – essentially a political process (Gerboth, 1973: 497).

This balance of competing interests raises questions of hegemony as the decisions made can favour some over others. This lays the foundation for political theory within this thesis. Consequently, this chapter outlines L&M's (2001) DT¹⁰ (Howarth *et al.*, 2000; Macintosh, 2002; Toring, 1999). PSDT explores the construction of discourses, through social practice and pluralism (Howarth, 2013), highlighting the primacy of politics:

Post-structuralism ... is immanently political... we can say, then, that a post-structuralist approach to politics points always to a certain void that makes social and political identities indeterminate (Newman, 2005: 153-154).

This approach implicates the examination of the 'shadowy underside of politics' (Devenney, 2002: 176), as Mouffe (2000: 101) explains:

By 'the political' I refer to the dimension of antagonism that is inherent in human relations, antagonism that can take many forms and emerge in different types of social relations. 'Politics', on the other side, indicates the ensemble of practices, discourses and institutions which seeks to establish a certain order and organise human co-existence in conditions that are affected by the dimension of 'the political'.

The primacy of the political is crucial for the examination of accounting in this thesis, as accounting literature demonstrates the political nature of accounting, regulation and the IASB (see, Botzem, 2012; 2014; Cooper, 2015; Chua, 1986; Martinez-Diaz, 2005; Perry & Nölke, 2006; Power, 2010). Indeed, Martinez-Diaz (2005:4) argues:

...by ignoring the role of power and politics in standard-setting, this perspective seems to be missing a critical part of the story. Standard-setting at the IASB is and has long been permeated by politics.

¹⁰ Also, referred to in this chapter as PSDT.

There has been Post-Structuralist research in accounting, encompassing Foucault; Derrida; Nietzsche; Heidegger; Baudrillard; Laclau and Mouffe (see, Arrington & Francis, 1989; 1993; Arrington & Puxty, 1991; Arrington & Schweiker, 1992; Carter & Spence, 2011; Francis, 1994; Gallhofer *et al.*, 2015; Gallhofer & Haslam, 2003; Hopper *et al.*, 1987; Hopwood, 1987; Hoskin & Macve, 1988; Loft, 1986; Macintosh, 1994; Macintosh *et al.*, 2000; Macintosh & Shearer, 2000; Spence, 2007; Spence *et al.*, 2010). For example, Hopwood (1987) draws on Foucault's Archaeology to illustrate the impact of accounting in constructing social discourse, whilst Arrington and Schweiker (1992) draw on Derrida's deconstruction for analysis of accounting rhetoric and its social impact. Similarly, Arrington and Francis (1989) deconstruct and criticise Positive Accounting Theory, and Macintosh (2002) and McKernan and Kosmala (2007) deconstruct truth claims surrounding the assumed nature of accounting to illustrate the construction of political signifiers and 'truth' in accounting.

Throughout empirical analysis, the Post-structuralist movement recognises the micro-politics of power and resistance (Fogarty, 1996; Kosmala & Herrbach, 2006; Newman, 2005; Thomas & Davies, 2005; Wickramasinghe & Alawattage, 2007). This thesis examines accounting and its organisations as a political process, deconstructing hegemonic discourses to identify how meanings gain power and exclude alternatives (Carter, 2008; Connolly 1991; 1995; Hajer, 1995; Howarth, 2013; Laclau & Mouffe, 2001). This is in contradistinction to claims of accounting's objectivity (Carter, 2008; Chua, 1986; Morgan, 1988; Spence, 2007). Hence, analysing *IFRS for SMEs* through L&M (2001), critically examines how and why the IASB extended IFRS to *IFRS for SMEs* and the logics surrounding this extension (Ram & Newberry, 2012; Devi & Samujh, 2015). In this extension, the IASB attempt to extend their standard setting power further, so they construct their authority and legitimacy through logics of expertise (Botzem, 2012; Gallhofer & Haslam, 2007; Hines, 1991; Mitchell, 2002).

PSDT offers a critical reading of Gramsci, Althusser, Luxembourg, de Saussure, Derrida, Foucault and Lacan. L&M challenge essentialism and attempts to move beyond the 'straightjacketing' impact of structuralism (Berlin, 1962: 19 cited in, Chua, 1986: 601). Thus, there are three central Post-Structuralist premises:

- The core of Post-Structuralist critique is concerned with ontology and the ontic (Carter, 2008; Crotty, 1998).¹¹ This invokes L&M's (2001) discourse, which focuses on discourse as totality, and calls for the examination of different ontic articulations that actively construct discourse (Frezatti *et al.*, 2014).
- DT critiques universalism and illustrates how equivalences are drawn across local contexts and differences, to construct hegemonic universals (Howarth, 2013). For example, *IFRS for SMEs* is presented as reflecting different contexts and cultures, as it is an international standard. DT calls for the consideration of

¹¹ For a further understanding of epistemology and paradigms see Crotty (1998).

local contexts, differences and antagonisms from a pluralistic perspective, as the common treatment of differences and antagonisms as equivalent universals is problematic and only produces antagonisms (Howarth, 2013).

- PSDT critiques critical research (particularly Marxism) for simplifying the analysis of identities. Through Freud (1961), PSDT argues that identities are fractured, as multiple elements and antagonisms combine to construct identities. Thus, in combination with Althusser's overdetermination, PSDT argues that there are many roles and identities, not one single identity (Althusser, 1969; Carter, 2008; Freud, 1961; Zizek, 1994). For PSDT, universalism violates the particular and ignores difference, so ontic meaning, particularism and contingency are important to political analysis, through the examination of rhetoric and interrogation of multiple identities in a pluralistic manner (Carter & Spence, 2011).
- This justifies a focus on the local rather than the global, because voices are lost at the global level (Carter & Spence, 2011). This applies to the IASB as they create standards internationally and attempt to construct a universal language of financial reporting, covering over antagonisms, particularities and contingencies. This invites rhetorical analysis because articulations are understood differently by individual local contexts and have multiple meanings (Laclau, 1998; Laclau & Mouffe, 2001).

Through these premises, Post-structuralism and Post-modernism¹² critique the universalising logic of progress within positivistic research, and question the crystal-ball gazing and utopian logics in some areas of critical research, by challenging the idea of predicting a better tomorrow (Howarth, 2013). Within this, PSDT argues that logics and relations of power are unlikely to disappear (which differs from Marx's socialism, within which there is a hope that relationships of power and domination disappear) (Laclau, 1998; Laclau & Mouffe, 2001). Therefore, to ground PSDT, the next section moves from these premises to the three core components unique to DT. These three core components are the systematicity of systems, post-Marxism and DT as post analytical.

3.1.1 Post-Structuralism critiques the Systematicity of Systems

PSDT sees systems as open, because there are always antagonisms that challenge the ability to close systems. In this sense, Post-structuralism is critical of the constraining nature of structuralism (Chua, 1998; Crotty, 1998), as described in the following quote:

The history of thought and culture is, as Hegel showed with great brilliance, a changing pattern of great liberating ideas which inevitably turn into suffocating straightjackets, and

¹² There is common confusion between post-structuralism and post-modernism, as they intersect (Peter, 1996; Carter, 2008). A distinction can be drawn here by focusing on the dichotomy, as post-modernism is focused on modernism, and post-structuralism is focused on structuralism.

so stimulate their own destruction by new emancipatory, and at the same time, enslaving conceptions. The first step to understanding of men is the bringing to consciousness of the model or models that dominate and penetrate their thought and action. Like all attempts to make men aware of the categories in which they think, it is a difficult and painful activity, likely to produce deeply disquieting results. The second task is to analyse the model itself, and this commits the analyst to accepting or modifying or rejecting it and in the last case, to providing a more adequate one in its stead (Berlin, 1962: 19 cited in Chua, 1986: 601).

DT extends structuralism to move beyond a closed view of structure, identity, signification, relations and discourse (Howarth *et al.*, 2000; Laclau & Mouffe, 2001). The inability (in the long term) to close systems fully due to structural and linguistic limits is central to DT. This employs antagonism, Wittgenstein's language games, and ontological assumptions for the examination of subjects, and to illustrate the tensions in attempts to fix meaning and signification (Howarth *et al.*, 2000; Laclau, 2003; Laclau & Mouffe, 2001). Subsequently, DT argues that closed systems or attempts at systematicities are always partial, contingent and non-linear.

Accounting is often presented as a fixed system, which has been critiqued by researchers (Gill, 2009; Hines, 1988; Morgan, 1988). Similarly, DT would argue that accounting systems are contingent and attempts to close systems are always tendential, partial and antagonistic. For example, the existence of alternative accounting systems for SMEs is antagonistic to the international accounting harmonisation project. Despite the constant existence of antagonisms, L&M (2001) argue it is human nature to attempt to close systems (Howarth, 2013). Laclau uses this to challenge the deterministic nature of Marxism, thus the next section illustrates L&M's post-Marxist nature.

3.1.2 How and Why is DT Post-Marxist?

L&M (2001) challenge the economic determinism and class reductionism of Marx. Regarding economic determinism, L&M challenge Marx's premise that all conflict occurs through class (which is identified through the lens of private property ownership), arguing instead for political proliferation. For class reductionism, L&M critique Marx and Gramsci for asserting that class is always the site of revolution. L&M critique Marx's economic determinism and his focus on class struggles for oversimplifying identity. Instead L&M argue that there is a proliferation of complex political and social movements (not only class) that are unfixed, multiple and antagonistic (such as: gender, sexuality, environmentalism, race) (Marx & Engel, 2002). Consequently, political signification is both necessary and impossible. For example, a subject may identify with the working class, but the subject's ownership of property would create a class conflict for this subject.

L&M (2001) extend Gramsci's hegemony by identifying that disparate demands and interests within the political are not pre-given, but instead are constituted and crystallised, gradually through discourse (Howarth, 2013). Within this hegemony there are counter hegemonies, which challenge the dominant hegemony (Howarth, 2013). Within society, there are relations, equivalences and hierarchies of power due to uneven politics, so PSDT focuses on relations of

domination and oppression (Howarth, 2013). Hegemonic change is not prescriptive and the success or failure of hegemonies can be random and spontaneous (Laclau & Mouffe, 2001; Simon, 1991). Moreover, hegemonic change can occur on a subconscious level, through interests, identities and subjects (Freud, 1961; Howarth, 2013; Simon, 1991).

L&M adopt the Gramscian position when identifying the difference between the superstructure and the base. Gramsci (1971) critiques Marx's distinction between the superstructure (state force and ideological consciousness, creating false consciousness), and the base (mode of production and civil society) (Gramsci, 1971; Laclau & Mouffe, 2001; Marx, 1978). Gramsci rearticulated the superstructure, shifting civil society into the superstructure (political societies, domination and civil society representing many struggles, through the spread of hegemonic messages), and the base (decisive economic nucleus) (Gramsci, 1971; Howarth, 2013). This extension of the superstructure illustrates Gramsci's attempts to extend economic determinism and proliferate the social space. L&M support this attempt, but critique Gramsci for falling back into class essentialism, as Gramsci still holds that revolution must emerge from the working class (Laclau & Mouffe, 2001). Thus, L&M (2001) adopt a pluralistic position, recognising the contingency of identity, social movements, hegemony, and articulatory political practice (which often lacks democracy). So, L&M (2001) argue that we are unable to reduce all political problems to one emancipatory agent. Through L&M, this thesis investigates pluralities and contingencies within the IASB's discourse. Additionally, L&M incorporate the insights of post-analytical philosophy from language theorists. The next section illustrates this post-analytical approach from L&M.

3.1.3 How and Why is DT Post-analytical?

L&M's (2001) DT critiques forms of 'logic' and 'analysis' from analytical philosophy, which focus on clarity and precision (Crotty, 1998). Instead, for L&M (2001), language is indeterminate, which critiques de Saussure's presentation that language is relational and differential. L&M employ Wittgenstein's (1974) totality of differences, to consider all elements of difference in discourse (this relates to ontic analysis). For both L&M and Wittgenstein, language is limited and not everything can be expressed, creating a 'lack'. This is central to post-analytical philosophy. For example, chess and the rules of the game constitute an unquestioned social practice:

... we could say that *the logic of a practice comprises the rules or grammar of practice*, as well as *the conditions which make the practice both possible and vulnerable*. Consider first the logic of chess playing. Here we can obviously discern the characteristic grammar of the practice of playing chess. In other words, we can reconstruct the dominant pattern of sequences or actual moves comprising the strategies and counter-strategies, tactics and counter-tactics involved in chess playing. On the other hand, there are also the presupposed *basic entities and types of relationship*: the fundamental rules of the game... make possible the myriad moves at the level of tactics and strategy. In other words, chess playing embodies and presupposes the basic rules of the game, the way the pieces can move on the board... they furnish us with the general grammar or 'rules' of chess playing (Glynos & Howarth, 2007: 136)

This demonstrates the importance of language games and social practices:

I see social logics as involving a rarefied system of statements- that is to say, a system of rules drawing a horizon within which some objects are representable while others are excluded. So we can talk about the logics of kinship, of the market- even chess-playing (to use Wittgenstein's example)... social logics consist in rule-following... (Laclau, 2005: 117).

This post-analytical perspective forms part of the foundations of DT, as in analysis there is always a lack so we are not searching for precision but instead deconstructing social practices and offering interpretation. Additionally, DT approaches structure and agency in a different way to previous theories, seeing them as a duality instead of identifying the domination of one over the other, which also forms the foundations of L&M.

3.1.4 Structure, agency and power

There are multiple perspectives on structure and agency. For Regulatory Capture theory, individualism is focused upon, for Marx and Althusser the agent's role is marginal; whereas Critical Realists and Giddens' Structuration are human-centred theories (Howarth, 2013). Laclau extends the structure and agency separation, by identifying a duality, seeing structures as incomplete, contingent and dislocated, while agency impacts, transforms and affects structures (Howarth, 2013). Therefore, L&M insert agency into the structure to construct duality and radical agency. Thus, L&M's agency is not determined by structure, because if we operated wholly within structures, there would be no agency, and vice versa, so a duality of structure and agency is constantly in operation (Howarth, 2013). These foundations are central to DT,¹³ and in building on these foundations, the rest of the chapter covers five major components:

1. What is discourse?
2. Hegemony: Gramsci, empty signifiers, and deconstruction.
3. Rhetoric, antagonisms and logics of equivalence and difference.
4. Displacement, condensation, overdetermination and ideology.

This then moves to the Logics of Critical Explanation (LOCE), which operationalises DT and is outlined in chapter 4. This chapter enables me to engage with the following questions: *1. How does the theory of hegemony help us understand why the IASB extended IFRS to IFRS for SMEs?* *2. What is the hegemonic significance of the extension by the IASB to IFRS for SMEs?* The movement to SMEs by the IASB is a movement of equivalence that requires investigation. First, this chapter outlines how L&M's notion of discourse differs from other theorisations.

3.2 How does DT understand discourse?

DT as a theoretical framework incorporates antagonism, contingency, and the ontology of lack (Glynos, 1999; Hviding, 2003). DT is not in itself discourse analysis, the analysis is instead undertaken through DT. DT is a theory of radical democracy which theorises discourse in a comprehensive, inclusive manner. L&M's DT extends beyond limits in previous articulations of discourse, such as Foucault or Fairclough, by seeing all social configurations as meaningful:

¹³ See these sources for further information: Crotty, 1998; Glynos & Howarth, 2007; Howarth, 2000; Howarth, 2013; Howarth *et al.*, 2000; Laclau & Mouffe, 2001; Macintosh, 2002.

... this lower level of abstraction, discourses are concrete systems of social relations and practices that are intrinsically political, as their formation is an act of radical institution, which involves the construction of antagonisms and the drawing of political frontiers between 'insiders' and 'outsiders'. In addition, therefore, they always involve the exercise of power (Howarth *et al.*, 2000, pp. 3-4).

This broadens historical materialism to include elements, ideas, sounds, people, objects, and relations, to form complex signification, and extend ontological dualism (Howarth, 2013). Fairclough (1995) defines discourse as language (focusing on speech and writing) and a form of social practice:

...in relation to Fairclough's critical discourse analysis, which defines "discourse – language use in speech and in writing – as a form of 'social practice'"... Laclau and Mouffe's inclusive "discourse" challenges the narrowness of Fairclough's definition of discourse, as the sophisticated linguistic focus on speech and writing is a limited aspect of discourse and ignores the broader social context. The under-theorised social theory limits the scope of the discursive inquiry and increases the likelihood that the researcher is caught within the problem of the double hermeneutic... (Frezatti *et al.*, 2014: 436).

L&M challenge this narrowness, seeing discourse as tantamount to the construction of social systems, arguing that Fairclough limits discourse, ignores the broader social context, and limits discursive enquiry. For Foucault (1970; 1990), statements construct discursive formations, subjects, objects and concepts (Howarth, 2015; 2013; Laclau, 1996; 1998; 1994; Laclau & Mouffe, 2001). Foucault (1990; 1970) argues that the subject is a discursive function, outlining concepts of domination and power. Foucault's archaeology, presents strategies for understanding discourse by returning to the origin of social movements, to understand their truth constitution and formation:

...Foucault talks of formation rules covering objects, subjects, concepts, and strategies within the archive... These rules operate as a judgment mechanism for the truth/falsity of serious speech acts: to make a serious speech act, the statement must conform to the rules... But Foucault fails to account for changes in the archives, as it fails to account for speech acts that fall outside the rules. Within the archive, there is no theorisation of external speech acts, but logically, Foucault requires the external as he expects archives to shift over time, given genealogy. Thus, Foucault's discourse is unclear: if discourse is powerful and totalising, then how do critics of discourse emerge? (Frezatti *et al.*, 2014: 436).

This thesis does not artificially draw boundaries of discursive and extra-discursive (extending Fairclough) and theorises the constitutive outside (extending Foucault) (Frezatti *et al.*, 2014). Therefore, for L&M's (2001) discourse includes linguistic and non-linguistic elements and antagonisms. This is crucial to understanding politics:

This totality which includes within itself the linguistic and the non-linguistic, is what we call discourse, but what must be clear from the start is that by discourse we do not mean a combination of speech and writing, but rather that speech and writing are themselves but internal components of discursive totalities ... Every social configuration is meaningful ... it establishes a system of relations with other objects, and these relations are not given by the mere referential materiality of the objects, but are, rather, socially constructed (Laclau and Mouffe, 2001: 82 [Emphasis in original]).

DT sees all objects and events as socially constructed, not denying that objects exist, but instead arguing that their meaning is constructed within discourse:

The fact that every object is constituted as an object of discourse has nothing to do with whether there is a world external to thought, or with the realism/idealism opposition... What is denied is not that objects exist externally to thought, but rather different assertions that they could constitute themselves as objects outside of any discursive conditions of emergence (Laclau & Mouffe, 2001: 108).

This ontic lens toward events and objects, considers multiple dimensions, including social, political, economic, cultural, ideological, and ethical dimensions (Howarth, 2000; Howarth *et al.*, 2000). For L&M, representation and identity are negotiated and expanded, illustrating ambiguity and contingency, within symbolic and political order (Howarth, 2000; Howarth *et al.*, 2000). Laclau incorporates many elements to analyse hegemony, through a political, contingent, historical and contextual lens, taking account of the social and political construction of subjects and identities (Howarth *et al.*, 2000).¹⁴ L&M's DT examines languages, actions, objects, subjects and practices, as discourses form relational and contextual systems, and configurations, which render identities and contingencies crucial within discursive systems (Howarth, 2000). This contributes to the linguistic turn in accounting literature which sees every social configuration and discourse as meaningful (Arrington 1997; Frezatti *et al.*, 2014; Macintosh, 2002; Macintosh *et al.*, 2000), despite traditional depictions of accounting as technical, objective and value-free (Hines, 1988; Macintosh, 2002; 2004; Morgan, 1988). Thus, accounting is powerful and accounting discourse can be deconstructed to examine social meanings, rhetoric, dislocations, disruptions and change (Arrington & Francis, 1989; Arrington & Schweiker, 1992; Howarth *et al.*, 2000; Shearer & Arrington, 1993). However, this thesis focuses on ontic rhetorical analysis rather than epistemological rhetorical analysis, examining multiple-voices and what discourses do, Frezatti *et al.* (2014: 436-437) further explain this:

This paper is complex in its contribution, primarily for its new approach to the role of accounting... by examining what accounting "does"; this invokes the material dimension of accounting through a multi-voiced, ontologically-informed understanding of the conditions of possibility as what "counts" (and how these articulations count) as knowledge within the organisation. We invoke Laclau and Mouffe's approach to discourse due to its focus on discourse as totality and the focus on the ontic articulations of "meaningful reality" that constitutes discourse. Thus, in this ontic, rhetorical analysis, we focus on the construction of organisational discourses...

The ontic approach to discourse addresses a gap in the literature by examining what *IFRS for SMEs* does in 'supporting, facilitating, enabling and constraining' accounting regulation (Frezatti *et al.*, 2014). Some accounting, organisations and management literature has examined the politics of business through L&M's (2001) conception of discourse (examples include Bridgman & Willmott, 2006; Frezatti *et al.*, 2014; Gallhofer *et al.*, 2015; Glynos *et al.*, 2015; Howarth & Griggs, 2006; Spence, 2007; Tregidga *et al.*, 2013; Walton & Boon, 2014).

¹⁴ Importantly discourse may shift, but this does not necessarily lead to a change in practice, which is an important distinction (Howarth, 2013).

Within L&M's concept of discourse three concepts exist: the meta-discourse, the discourse and the discursive field, demonstrated in figure 4.

Within this there are further concepts, including elements, moments and nodal points.

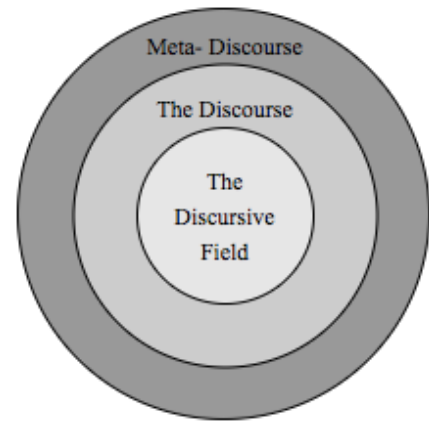


Figure 4: Discourse

- **The discursive:** DT extends previous discourse theories by combining linguistic and non-linguistic analysis of signifiers, practices and subjects to understand the world (Howarth, 2000; Howarth *et al.*, 2000; Laclau and Mouffe, 2001; Norval, 1994).
- **Elements:** Within discourses there are a range of signifiers with unfixed discursive fragments with the potential for different interpretations:

The general field of the emergence of hegemony is that of articulatory practices, that is, a field where the 'elements' have not crystallized into 'moments'. In a closed system of relational identities, in which the meaning of each moment is absolutely fixed, there is no place whatsoever for a hegemonic practice. A fully successful system of differences, which excluded any floating signifier, would not make possible any articulation; the principle of repetition would dominate every practice within this system and there would be nothing to hegemonize. It is because hegemony supposes the incomplete and open character of the social, that it can take place only in a field dominated by articulatory practices (Laclau & Mouffe, 2001: 120).

Elements and moments are never fully exhausted with constant potential for new interpretations. However, for there to be discourses, elements are temporarily fixed as moments, which leads to the emergence of meaning and the exclusion of other understandings (Howarth *et al.*, 2000; Laclau & Mouffe, 2001: 91). Figure 5 illustrates elements that are not yet fixed through articulation into moments:



Figure 5: Elements (Adapted from Andrade (2015)).

- **Moments:** Figure 6 demonstrates when elements become temporarily fixed into moments, through articulation:

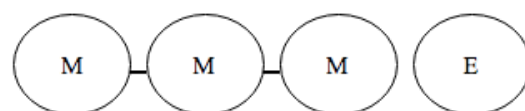


Figure 6: Moments (Adapted from Andrade (2015)).

- **Nodal points:** Moments and elements become articulated into nodes that link together many moments, and become privileged. Elements not articulated into the discourse remain excluded, as the node draws boundaries for inclusion and exclusion:

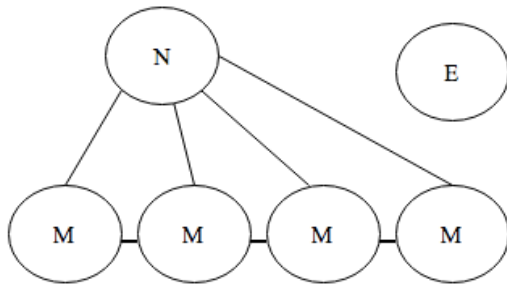


Figure 7: Nodal points (Adapted from Andrade (2015)).

- The discursive field:** A range of elements become contingently linked through **articulatory practices**, which construct nodal points in the discursive field (Howarth *et al.*, 2000; Laclau & Mouffe, 2001). L&M (2001) see discursive fields as contingent, because each positive discourse creates an antagonistic other through exclusions, boundaries and temporary fixation (Howarth *et al.*, 2000). Discourse has real effects within a space/field, in contradistinction to those who argue that DT is idealist (Howarth, 2000; 2013). The discursive field in this thesis is *IFRS for SMEs*, within a broader discourse of accounting regulation and the hegemony of financial capital (Hopper *et al.*, 2017; Howarth *et al.*, 2000; Lazzarato, 2012). Figure 8 outlines the interplay of

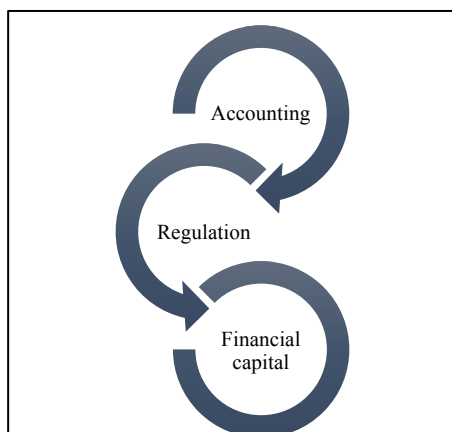


Figure 8: Interplay of discourses

discourses. This figure shows how this thesis employs DT to examine the extension of IFRS to *IFRS for SMEs*, which interrogates multiple discourses, including the discourse of financial capital, international accounting regulation and accounting more generally.¹⁵ This thesis unpacks this extension by illustrating how a contested discursive field with disparate perspectives was condensed together through discursive struggles in the institution of *IFRS for SMEs*. Previously,

there has been little post-structural analysis of the IASB, and the literature on *IFRS for SMEs* is limited in its theoretical framing, as will be explored in chapter 6.

In sum, L&M's discourse includes the linguistic, non-linguistic and extra-linguistic elements which temporally fix meaning to construct reality. The concept of discourse is drawn on in this thesis to examine the IASB's extension to *IFRS for SMEs*. This involves examining how different discourses, strategies and politics were involved in constituting a new accounting reality from the IASB. The theorisation of L&M's discourse is essential to hegemony because Laclau's articulation of hegemony is influenced by a critique of structural linguistics, thus the next section outlines L&M's neo-Gramscian notion of hegemony.

¹⁵ The extent to which accounting is constituted by the IASB's discourse is questionable, as accounting discourses can be separated from the IASB's discourses.

3.3 Neo-Gramscian Hegemony

Gramsci's hegemony is central to L&M's DT, however, L&M (2001) critique components of Gramscian theory: class reductionism, fixation on the state and an over emphasis on planning of hegemonic activity. Rather they radicalise hegemony by increasing opportunities for examining the role of spontaneity in hegemonic change¹⁶ (Laclau & Mouffe, 2001; Luxemburg, 1906). L&M (2001) also deemphasise the assumption that revolution is violent and quick. This is important as the work of the IASB and the movement to *IFRS for SMEs* is a gradual, slow process yet is still examinable as a form of hegemonic revolution. Traditionally, Gramsci's hegemony is:

... Dominant groups in society, including fundamentally but not exclusively the ruling class, maintain[ing] their dominance by securing the 'spontaneous consent' of subordinate groups, including the working class, through the negotiated construction of a political and ideological consensus which incorporates both dominant and dominated groups (Strinati, 1995: 165).

For Gramsci (1926; 1957), hegemony is a persuasive message spread in many ways, through consent, coercion, threats of force, persuasion, political and/or ideological leadership, and engendering the exercise of power over subordinate classes. Furthermore, Gramsci argues that the construction of hegemony is formed through incremental movements, through interaction with organic intellectuals. The process of hegemony, connects elements, builds alliances, adjusts historic blocs and incorporates new and different demands in the maintenance of control, and within this ideology cements diverse struggles (Gramsci, 1971; Howarth, 2013; Laclau & Mouffe, 2001; Simon, 1991).

A critical element for L&M concerns Gramsci's explanation of how disparate groups are brought together under a common signifier, Gramsci (1971) illustrated this by focusing on Italy as a newly formed country. Gramsci identified tensions between the industrial working class of the North and the peasantry of the South as disadvantaged groups that were subject to hegemonic rule. So, Gramsci focused on how to bring together disparate interests of the North and the South in a counter hegemonic project (Gramsci, 1971; Williams, 1977). To facilitate the use of hegemony in broader contexts, L&M (2001: 137-138) extend Gramscian theory by removing elements of essentialism:

... we have moved away from two key aspects of Gramsci's thought: (a) his insistence that hegemonic subjects are necessarily constituted on the plane of fundamental classes; and (b) his postulate that, with the exception of interregna constituted by organic crises, every social formation structures itself around a single hegemonic centre ... these are the two last elements of essentialism remaining in Gramscian thought.

Therefore, L&M extend Gramscian hegemony by 'speak[ing] of democratic struggles where these imply a plurality of political spaces, and popular struggles' (Laclau & Mouffe, 2001: 66-

¹⁶ L&M (2001) extend this through Luxemburg, as Luxemburg previously argued there can be spontaneity within hegemony, which is something that Gramsci does not account for. For example, in Luxemburg's Mass Strike examination the workers' movement transformed into a significant revolution in a spontaneous and emergent manner.

71). Thus, L&M argue for the primacy of politics and analysis of ontological subjectivity, social tensions, dislocatory moments and pluralism (Howarth, 2013).

L&M (2001) examine hegemony as an interaction between attempts to universalise sets of discursive signifiers representative of different interests within a discursive field. This links to the discussion of empty signifiers later in this chapter, as actors attempt to take particular signifiers to universal positions, but the remaining particularity creates antagonisms (Howarth *et al.*, 2000: 15):

Thus, hegemonic practices presuppose a social field criss-crossed by antagonisms, and the presence of elements that can be articulated by opposed political projects. The major aim of hegemonic projects is to construct and stabilise the nodal points that form the basis of concrete social orders by articulating as many available elements – floating signifiers – as possible.

At its core, hegemony is a form of politics within which a particularity articulates the ‘floating signifier’ for disparate groups, taking on a universality that becomes incommensurable with the particular (Laclau & Mouffe, 2001). For Howarth (2013; 2015), the transformation from the particular to the universal emphasises hegemony as a political activity which involves the articulation of disparate identities and subjectivities into a common signifier (Carter, 2008; Laclau & Mouffe, 2001; Riha, 2004). Consequently, hegemony draws political frontiers by constructing the inside and the outside, which partially constitutes and potentially subverts identity (Carter, 2008; Laclau & Mouffe, 2001). The following points summarise L&M’s (2001) extension of Gramscian hegemony:

- Subject positions are a function of discourse, speech, actions and identity.
- A focus on political struggle and social signification removes constraining state-based analysis.
- Hegemonic signification creates antagonisms.
- Hegemonic struggle transforms identities and social agents.
- Class is one explanation of politics but cannot explain all social struggles.
- Hegemony is metonymic as hegemonic signifiers represent a deeper set of political meanings.
- The hegemonic process and construction of antagonisms result in social formations, meanings, differences and identities becoming partially fixed.
- The key features of hegemonic formations are contingency; signification; antagonisms; and political frontiers.
- This hegemonic theory considers structure and agency together, as reducible to one another.

Having outlined the core theory of hegemony from L&M, the key components, and the way that this theory differs to others, the following section considers hegemony in examining *IFRS for SMEs*.

3.3.1 Hegemony and *IFRS for SMEs*

This section examines the links between L&M's hegemony and *IFRS for SMEs*. Although a call for an international accounting standard applicable in the SME space already existed, there is an element of 'spontaneity' concerning the extension to *IFRS for SMEs* because the IASB initially did not plan to take on the project. The IASB develop international accounting standards for global capital mobility, and this is extended through the development of *IFRS for SMEs*, which resonates with L&M's argument that hegemony is emergent. The equivalence from IFRS to *IFRS for SMEs* among others is explored as they draw disparate groups and interests together, in a transformative manner. Thus, *IFRS for SMEs* represents a significant change for the IASB. The political nature and contestations of this are crucial, as there is a hegemonic movement to new constituents (Devi & Samujh, 2015; Howarth, 2013; Laclau & Mouffe, 2001). Thus, hegemonic extensions can be gradual (*IFRS for SMEs* has been on the international agenda from the IASC to the IASB), but also spontaneous, which is relevant to *IFRS for SMEs* because the focus on developing countries is spontaneous. These aspects are a significant focus of the empirical components of this thesis.

3.3.2 Hegemony and accounting literature

Accounting researchers use hegemony to demonstrate the power of accounting discourse.¹⁷ Gray (2006: 796), in relation to social and environmental reporting (SER) uses Gramsci to argue that:

...capitalism controls and maintains the world in its own singular view: Financial reporting is an essential component of financial capitalism and is mandated by the state... to serve almost exclusively those who are power holders... there is no question that those who are intended to benefit most from financial reporting are those who already hold economic power...

Further, Gray *et al.* (1996: 17-18) criticise underlying hegemonic claims within accounting regarding markets and in relation to capitalisms:

If all agents were equal, and if markets were information efficient and if this led to allocative efficiency and if this led, in turn, to economic growth and if this ensured maximum social welfare and if maximum social welfare were the aim of society then accounting is morally, economically and socially justifiable and may lay claim to an intellectual framework. Of course, this is not the case. None of these 'ifs' can be shown unequivocally to hold and most of them can be shown not to hold.

This research focuses on SER's protection of economic power, wealth and the status quo (see, Gray, 2001; Levy & Egan, 2003; Roberts, 2003; Spence, 2007; Tregidga *et al.*, 2013). These criticisms relate to the extension of financial capital, underlying the hegemony of *IFRS for SMEs*. However, this thesis draws on L&M's (2001) Neo-Gramscian hegemony in a different way to prior literature, as this thesis examines hegemony in a significant political manner.

¹⁷ See for example: Alawattage & Wickramasinghe, 2008; Birkett & Evans, 2005; Boyce, 2000; Catchpole *et al.*, 2004; Cooper, 1995; Ferguson *et al.*, 2005; Frezatti *et al.*, 2014; Gray 2006; Gray *et al.*, 2009; Lehman, 2010; Richardson, 1987; 2005; Spence, 2007; 2009; Spence & Carques, 2006; Spence *et al.*, 2010; Unerman & Bennett, 2004; Yee, 2012; 2009.

With more similarities, Spence (2007), Gallhofer & Haslam (2007) and Gallhofer *et al.* (2015) have drawn upon L&M's DT to examine hegemony in sustainability and financial accounting. Spence (2007) critiques SER from a Neo-Gramscian perspective, by arguing that SER is motivated by a hegemonic business case, through ideologies that cover over antagonisms. This holds similarities to the extension of IFRS to *IFRS for SMEs* and the extension of *IFRS for SMEs* to developing countries. Moreover, the IASB is subject to significant critique concerning its rhetoric. Gallhofer & Haslam (2003; 2007) deconstruct the IASB's hegemony by demonstrating that the IASB's rhetoric of inclusionary, open accountability, that meets the broader public interest, is actually closed, narrow and motivated by special interest. In this, Gallhofer and Haslam (2003: 100) illustrate the role of hegemony and the focus on special interest in accordance with the perceived interest of wealthy and powerful capitalists:

Many critical appreciations of accounting understand the practice as a capitalistic and repressive servant of problematic hegemonic forces.

This research illustrates that the role of the IASB's accounting as the language of capital (and a significant component of advanced capital hegemony) is downplayed through rhetoric, such as 'the public interest'. This exposes how accounting has been captured by hegemonic forces for exploitation (Gallhofer & Haslam, 2003: 157).

Furthermore, in relation to Laclau's radical democracy, Gallhofer *et al.* (2015) argue that there are opportunities to improve the relations between accounting, democracy and emancipation. Gallhofer *et al.* (2015) focus on pluralisation and difference from L&M to illustrate this point. Hegemony has been used in organisational studies (see, Bridgman & Willmott, 2006; Elmes & Derry, 2013; Phelan & Dahlberg, 2011; Phillips & Oswick, 2012; Walton & Boon, 2014; Willmott, 2005). However, the use of theory in this thesis offers a novel contribution, by enabling the examination of the political nature of accounting regulation. In sum, hegemony is focused on a particularity articulating a floating signifier for many different groups, which leads to the signifier taking on an impossible universality. Through a Neo-Gramscian hegemonic lens this thesis analyses the role of hegemony in the IASB's work on *IFRS for SMEs*. As explained, L&M radicalise Gramsci's hegemony, by critiquing structural linguistics and through the introduction of empty signifiers.

3.4 Empty signifiers

De Saussure (1959) sees language as a system of signs. A sign comprises the signified (concept) and the signifier (sound image). For de Saussure, the relationship between signifier and signified is arbitrary and the connection is socially constructed (Laclau & Mouffe, 2001). As Crotty (1998: 42-43) explains:

Meaning does not inhere in the object, merely waiting for someone to call upon it ... the world and objects in the world are indeterminate ... actual meaning emerges only when consciousness engages with them ... We need to remind ourselves here that it is human beings who have construed it as a tree, given it the name, and attributed to it the associations we make with trees.

Furthermore, de Saussure constructs language as a finite structure where meaning is a system of interdependent differences,¹⁸ where each meaning is referential rather than positive and is defined by its role within the system:

Both Wittgenstein and Saussure broke with what can be called a referential theory of meaning- i.e. the idea of language is nomenclature which is in a one-to-one relation to objects. They showed that the word 'Father', for instance, only means what it does because the words 'mother', 'son', etc., also exist. The totality of language, is therefore, a system of differences in which the identity of the elements is purely relational (Laclau, 1990: 109).

L&M (2001) critique de Saussure's structural linguistics to construct the political concept of the empty signifier which is important to hegemony. L&M (2001) argue language is infinite, rather than de Saussure's presentation of language as fixed, limited and finite. Whilst L&M (2001) recognise the human desire to close systems (the systematicity of systems), the existence of antagonisms and contingency renders such fixity tendential and limited.

...antagonism constitutes the limits of every objectivity, which is revealed as partial and precarious objectification. If language is a system of differences, antagonism is the failure of difference... Antagonism escapes the possibility of being apprehended through language, since language only exists as an attempt to fix that which antagonism subverts. Antagonism, far from being an objective relation, is a relation wherein the limits of every objectivity are shown (Laclau and Mouffe, 2001: 125).

Carter (2008: 157) offers an example of how there is always something external to the structure:

Laclau argues that there must be something outside to define what is inside a system... The social structure, e.g. 'family' is commonly understood as the elements Mother-Father-Brother-Sister. However, while the elements represent the 'family' structure, the label 'family' is not within but external to the system. Thus, if an external meaning defines the 'system', the 'system' is not a 'system' in a closed sense. This external element makes the 'system' possible (illustrating potential limits) and it makes the 'system' impossible (it is impossible to close the 'system' due to the external 'other').

This illustrates that there are always antagonisms external to the system, so fixity can only be temporary (Laclau & Mouffe, 2001). As the example shows, we can only understand the construction of the family by looking outside the system at what is excluded (Carter, 2008). Within financial accounting an example which illustrates constant antagonisms is the continuous extension of measurement systems: these have evolved over time due to antagonisms external to the previous system from historic cost, to modified historic cost, to base value, to fair value (Georgiou & Jack, 2011).

For L&M (2001), excluded possibilities are required for communication, or there would be constant repetition. Thus, L&M (2001) deconstruct de Saussure's structural linguistics to illustrate both logics of necessity and contingency. Laclau's contingency illustrates that closed systems are limited, because any system is antagonised by the constitutive outside. Therefore, contingency contaminates the essence and there can never be a fully constituted subject. However,

¹⁸ For a further understanding of de Saussure's theory and structural linguistics see: de Saussure (1959); Belkaoui (1978); Howarth (2013).

through social necessity, actors rhetorically attempt to temporarily close systems for the purposes of hegemony (Laclau & Mouffe, 2001).

Empty signifiers attempt to universalise meaning, in a homogeneous way (Laclau, 2005; Laclau & Mouffe, 2001). This incorporates Derrida’s deconstruction, as hegemony and deconstruction are two sides of the same coin (Laclau, 1993; Laclau & Mouffe, 2001). For Derrida (1978), there is always a lack, and this lack is the equivalent to Laclau’s constitutive outside. Laclau radicalises the sign for hegemonic politics, introducing politics of equivalence and politics of difference which extend chains of signification, extensions that are further explored later in the chapter. Master signifiers and floating signifiers are illustrated here:

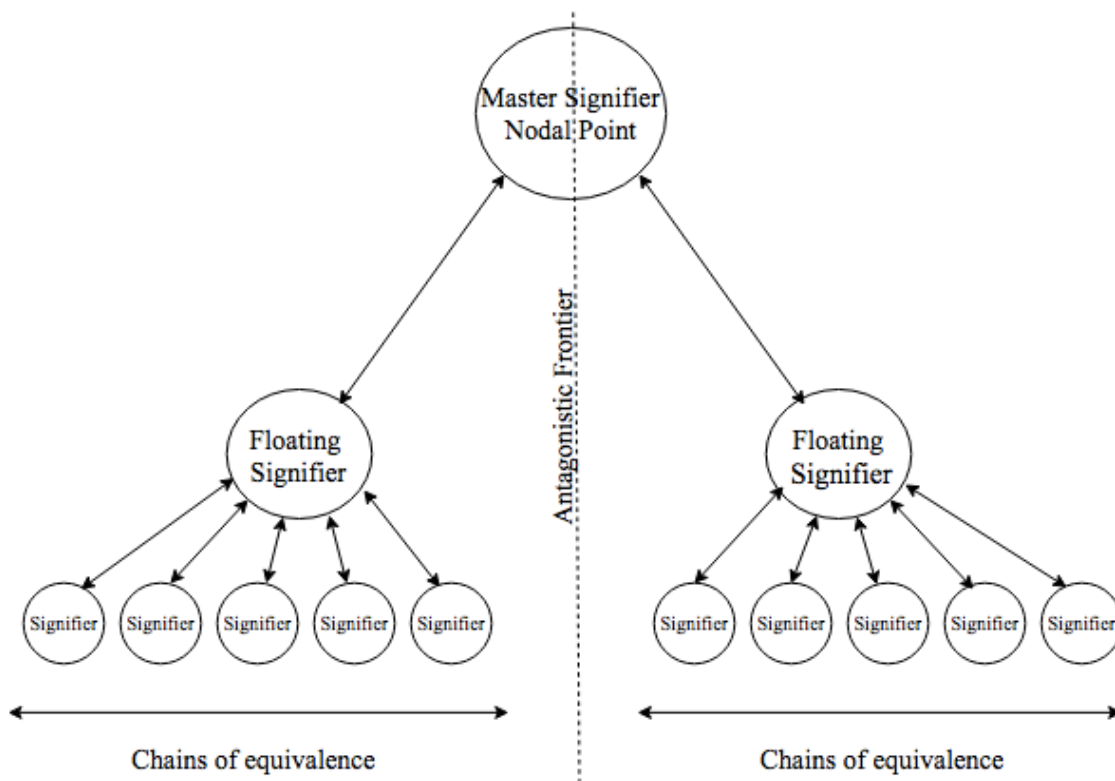


Figure 9: Signifiers

This diagram demonstrates the way that the master signifier combines antagonistic signifiers together, across the antagonistic frontier, constructing a nodal point (Laclau & Mouffe, 2001). In reality, the ‘signifier’ can never be entirely emptied of meaning or signification, the ‘nodal point’ can fix many antagonisms and floating signifiers together, becoming a ‘Master Signifier’ or ‘Nodal Point’, and constructing a universality (Laclau & Mouffe, 2001).

Thus, de Saussure’s signified/signifier relationship is structurally limited and closed (Howarth, 2000). For example, the concept of ‘democracy’ is a nodal point that is always open, with many surrounding signifiers (Laclau, 1990), within which groups have shared understandings:

...what we might call the articulation of ‘floating signifiers’. For example, a signifier like ‘democracy’ is essentially ambiguous by dint of its widespread political circulation... To ‘hegemonize’ a content would therefore amount to *fixing* its meaning around a nodal point (Laclau, 1990: 28, See also, Howarth, 2013).

Lacan (1988) similarly suggests that many signifiers dominate the sign. These critiques are further radicalised by reference to Derrida's '*différance*', which incorporates temporality and exclusion. *Différance* incorporates three types of difference, which suggests signifiers change over time:

- a) Difference: things can differ (such as the difference between assets and liabilities);
- b) Differing: the production of difference (such as the production of different rules of accounting which have different outcomes when followed, for example, depreciation);
- c) Differing: structures always exclude elements and possibilities considering temporality, time, change and exclusion (Howarth, 2013; Derrida, 1992). For example, there are different structures of accounting in different countries, such as US accounting and IFRS.

Hegemony is the process by which a signifier ties together disparate elements to incorporate diverse viewpoints, demands, differences and identities:

This emptying of a particular signifier of its particular, differential signified is, as we saw, what makes possible the emergence of 'empty' signifiers as the signifiers of a lack, of an absent totality.... [through] the unevenness of the social... The presence of empty signifiers- in the sense that we have defined them- is the very condition of hegemony (Laclau, 1994: 174-5).

As stated, empty signifiers (the emptying entirely of particularity from the signifier) are a theoretical possibility only, as a signifier cannot be entirely emptied of particularity (Laclau, 1994: 167). Instead, floating signifiers are focused upon as the floating of the signifier does not mean it is emptied, but that many understandings can be read into the signifier (Howarth *et al.*, 2000).

Floating signifiers are not empty as they hold a constitutive particularity, but the more open a signifier the greater the scope for attaching signifieds. For example, Willmott (2008: 921) conceives of 'interpretive accounting research' as an empty signifier:

Instead, by lacking any essential identity, I mean that I conceive of IAR as an empty signifier. Again, to be clear, by using the term 'empty', I do not mean that it is devoid of meaning, or vacuous. To the contrary, I mean that – like 'interdisciplinary' and increasingly 'critical' – it is sufficiently open (or drained of particularity) to accommodate numerous, and to a degree competing, meanings... none of which is found entirely adequate to grasp or fix what it aspires to define, represent or fill.

This demonstrates that for linguistics, there is no a-priori objectivity. For example, there is nothing table-like (signifier sound-image) in the signified concept of table. Through articulation, hegemony incorporates disparate interpretations, to form coalitions, clustered around a universal signifier, to temporarily close an open system (Carter, 2008; Howarth *et al.*, 2000; Laclau, 1996; Laclau & Mouffe, 2001). For example, the IASB draw on logics of comparability to construct a universal signifier. To function hegemonically, a signifier becomes progressively empty of particularity as more demands are incorporated, taking up a universal position when naming disparate interests; a universal position that the IASB attempt to take up through comparability, indeed there are multiple purposes (signifieds) within international accounting regulation. However, comparability has arguably taken up a master signifying position to signify the

objective of the overarching project in the name of global capital mobility. The signifier of comparability still contains traces of its particularity, as it is possible to demonstrate that elements of IASB-based accounting are not comparable in direct comparison (Durocher & Gendron, 2011; Lazzarato, 2012; Poullaos, 2004; Rudkin, 2007). In taking this example, the next section outlines accounting literature that draws on the concept of signifiers, which offers some further examples.

3.4.1 Accounting research and signifiers

Accounting research has employed the concept of signifiers, but in a different way to this thesis. For example, Gray *et al.* (2009) illustrates that social accounting is a signifier, captured by corporations and capitalism (Archel *et al.* 2011; Mouck, 1995). Cooper (2005) links hegemonic signification with ideological sense-making, to identify dominant accounting signifiers of profit, economy, shareholders and cash. Similarly, DiFazio (1998) identifies ‘Global Capital’ as a dominant capitalist signifier in accounting.

This thesis focuses on a post-structural politics of hegemony and the construction of nodal points. Laclau’s approach informed Spence *et al.* (2010), who argue that social environment accounting is incomplete as democracy and accountability are signifiers that reproduce the status quo, becoming emptied of meaning. Carter and Spence (2011) critically discuss love as a signifier (in response to an article that seeks for love to become the signifier of accounting) to highlight the danger in concluding that we hold complete knowledge of signifiers. Further, Carter and Spence (2011) illustrate how master signifiers unite political struggles and demands, similar to this thesis.

Similarly, Brown and Dillard (2013b) analyse the power of deliberative consensual democracy, to identify signifiers of neo-liberal hegemony, including equality, liberty and accountability. Whereas Ezzamel *et al.* (2007) show how the tools and techniques of management accounting are constructed around the nodal point of ‘class’, which is illustrative of a hegemonic politics around capitalism. Alternatively, Tregidga *et al.* (2014) in a social and environmental context illustrate that representations of sustainable organisations are constructed for rhetorical legitimacy to bind together systems of meaning, presented as objectified and unquestioned (Everett & Neu, 2000; Walton & Boon, 2014). Having outlined empty signifiers, the next section moves to L&M’s rhetoric and antagonisms as these concepts are also crucial to L&M’s hegemony.

3.5 Rhetoric and antagonisms

PSDT focuses on the ontology of lack, and thus ontology, the ontic and rhetorical analysis are core components of DT. This approach focuses on ontological meaning (not epistemological) to examine what accounting ‘does’ (Frezatti *et al.*, 2014; Mol & Law, 2004). This thesis draws on

the concept of the ontic, and the analysis of competing ontological presuppositions.¹⁹ Frezatti *et al.* (2014) describe this focus on the ontic and ontology:

This paper recognises the strong rhetorical tradition in accounting... However, much of the focus of rhetorical analysis is at the epistemological level... explaining “how” accounting constructs, persuades and silences. We adopt an ontological inquiry: what accounting means or, better still, what accounting “does”? By focusing on ontology and the ontic, this study moves through the bounded nature of epistemological, interdisciplinary inquiry... Rhetoric operates ontologically as hegemonic interventions (Frezatti *et al.*, 2014: 434).

This methodology links to research that demonstrates the partial nature of accounting (Chapman, 1998; Frezatti *et al.*, 2014; Hines, 1988; Messner, 2009; Meyer, 1986; Morgan, 1988; Roberts, 2009). Given this ontological focus, DT employs an Aristotelian approach to knowledge, as Aristotle (1947) saw rhetoric as the art of persuasion. Thus, this conception of rhetoric is drawn on in the identification of hegemonic process in which a particular, takes up a universal position (Bender & Wellbery, 1990; Laclau & Mouffe, 2001).

This rhetorical analysis sits alongside the examination of signifiers, which stabilise hegemony ideologically (Howarth & Griggs, 2006). These discursive articulations invoke (ever-failing) totalities, constructed into nodal points (empty signifiers). These nodal points galvanise the consciousness of the masses through chains of equivalence, operating between universality and particularity:

...there is only hegemony if the dichotomy universality/particularity is constantly renegotiated: universality only exists incarnating- and subverting- particularity, but, conversely, no particularity can become political without being the locus of universalizing effects (Laclau, 2001: 10).

For Nietzsche (1964), rhetoric is constitutive of ontological and political knowledge, whereby rhetoric is:

A mobile army of metaphors, metonymies, anthropomorphisms: in short a sum of human relations which became poetically and rhetorically intensified, metamorphosed, adorned and after long usage seem to a nation fixed, canonic and binding; truths are illusions of which one has forgotten that they are illusions; worn-out metaphors which have become powerless to affect the senses; coins which have their obverse effaced and now are no longer of account as coins but merely as metal (Nietzsche, 1964: 180).

These metaphors and metonymies are constructed by the IASB and accounting discourse. For example, accounting discourse works through the metaphor of numbers, which give the illusion of being fixed, and representative of concepts such as profit (Morgan, 1988; Porter, 1996).

L&M draw on the rhetorical constructs of metaphor, metonymy, and catachresis to interpret hegemony, antagonisms and articulation. For example, hegemony operates metonymically and metaphorically in articulating identities, demands and drawing disparate groups together, by condensing meaning and constructing nodal points (Laclau, 2005; 2006; Laclau & Mouffe, 2001).

¹⁹ For example, the way that the IASB has defined financing leases within IAS 17 is an ontic interpretation of the ontology of ‘substance over form’. Therefore, capital leasing within the IASB which follows form over substance is antagonistic to substance over form.

- a) **Metaphor** renders the unfamiliar, familiar. For example, the car is ‘green’ is metaphorical as it helps us understand the car’s identity, this is a process of equivalence as it transfers meanings and values to new domains. L&M deconstruct the way metaphor extends, simplifies and aids understanding (Carter, 2008; Laclau & Mouffe, 2001). For example, profit is a constructed, intangible object, holding many equivalences. Profit simplifies many accounting concepts, gradually becoming a floating signifier as actors have different understandings of profit.
- b) **Metonymy** as a rhetorical device, acts by contiguity, to isolate a particular characteristic or entity to represent complex phenomenon. Rather than transferring quality, metonymy works by substitution, without association of value or quality (Carter, 2008; Laclau, 1998; Laclau & Mouffe, 2001). Within accounting, profit is an aspect or particular characteristic of many different concepts, such as success, achievement, accomplishment, articulations that do not necessarily consider the figures, concepts and calculations that have constructed ‘profit’ (Hines, 1988; Morgan, 1988). Indeed, metonymy rhetorically ‘captures the movement from one thing to another thing which is adjacent or alongside it. The ‘Crown’, for example, is used as a substitute for ‘the queen’ (Griggs & Howarth, 2013: 27).
- c) **Catachresis** refers to errors in language and represents limits of language: there are two distinct categories of catachresis. The first is language errors, such as the leg of a table. Usually animate objects such as animals and humans have legs, so the table should not have a leg as an inanimate object. An example of this within accounting is the use of ‘SMEs’ within the *IFRS for SMEs* standard, this is the improper use of a term because the standard is focused on public accountability, not size. The second catachresis specifically relates to the invention of language, such as changes in the meanings of words, or naming the unnameable. A linguistic example of this is the naming of Watts and Volts (Howarth & Griggs, 2006; Laclau & Mouffe, 2001). Catachresis occurs in four forms:
1. Catachresis denotes something **radically different** from normal meaning, or an improper use of a word, as suggested the leg of the table, another example, is the conception of reliability within financial reporting and market measurement is different to the understanding of reliability in society.
 2. Catachresis may **name something without a name**, for example, the naming of Fair Value in accounting;
 3. Catachresis may draw on a word **out of context**, for example, in the name of prudence as understood to mean neutrality, companies may be prevented from making general provisions for uncollectable loans, which is arguably an imprudent accounting policy.

4. Catachresis may be used **paradoxically or in a contradictory manner** (Carter, 2008; Howarth & Griggs, 2006; Laclau & Mouffe, 2001), such as the concept in accounting of a true and fair view.

Laclau links rhetoric to language games, as conceived of by Wittgenstein (1974). L&M argue that rhetorical language games are transformative by allowing connections between disparate groups to be formed (Howarth, 2015; Laclau, 1996; 1998). Thus, language games and rhetoric form constitutive components of hegemonic relationships. This is illustrative of the ontological lack as encapsulated by antagonism, as each articulation creates the other:

In the case of antagonism, we are confronted with [the following] situation: the presence of [an] “other” prevents me from being totally myself. The relation arises not from full totalities, but from the impossibility of their constitution... (it is because a peasant *cannot be* a peasant that an antagonism exists with the landowner expelling him from his land)...

Insofar as there is antagonism, I cannot be a full presence for myself... Thus the conditions and the possibility of a pure fixing of differences recede; every social identity becomes the meeting point for a multiplicity of articulatory practice, many of them antagonistic... a constant process of subversion and redefinition (Laclau & Mouffe, 2001: 111, 125).

These quotes demonstrates the instability of frontiers because equivalences and floating signifiers create oppositions:

...[T]he two conditions of a hegemonic articulation are the presence of antagonistic forces and the instability of the frontiers which separate them. Only the presence of a vast area of floating elements and the possibility of their articulation to opposite camps- which implies a constant redefinition of the latter- is what constitutes the terrain permitting us to define a practice as hegemonic. Without equivalence and without frontiers, it is impossible to speak strictly of hegemony (Laclau & Mouffe, 2001: 122).

Therefore, Laclau illustrates that there is always a lack, an antagonism external to this system, rendering the system necessary and impossible (which is post-structuralism). In the construction of a hegemonic claim, the lack is temporarily covered over through fantasy and ideology (Glynos, 1999; Lacan; 1988; Laclau & Mouffe, 2001; Norval, 2009; Stavrakakis, 1999). For example, the IASB’s harmonisation project is antagonised by the FASB, antagonising comparability, through different cultures of accounting practice (Botzem, 2012; Chua & Taylor, 2008; Rudkin, 2007).

When renegotiating signifiers, hegemony covers over antagonism and contingency by repressing, excluding and neutralising oppositions (Laclau, 2003; Laclau & Mouffe, 2001; Macintosh, 2002; Torfing, 1999). This is evident in Black’s (2002a, b) examination of regulatory communication through hegemony and deconstruction, which reveals power struggles and political games. For example, Black highlights that regulation is threatened by the reliance on those being regulated to provide information to regulators.

Hegemony is always incomplete, as signifiers, constitute meaning and subjects, but simultaneously are subversive:

In political terms, an enemy which makes possible the unity of all the forces opposed to it; ... this, however, creates a new problem, for vis-à-vis the excluded elements all identities antagonised by it are not merely differential but also equivalent, and

equivalence is precisely what subverts difference. So that which makes difference possible is also what makes it impossible. In deconstructive terms; conditions of possibilities are, at the same time, conditions of impossibility... All identity is constituted around the unresolvable tension between difference and equivalence (Laclau, 2003: 5; [Emphasis in original]).

Therefore, DT proposes that analysis should focus on the lack:

But the central feature of language, of the symbolic, is discontinuity: something is always missing in language, the symbolic itself is lacking. Words can never capture the totality of the real, they can never fully represent us (Stavrakakis, 1999: 52).

This depicts a new form of subjectivity, within subjects and identities (Laclau, 1994; Stavrakakis, 1999). Indeed, subjects and identities can never be wholly constituted as there is always a lack, antagonisms and a subjectivity (Laclau, 1994; Stavrakakis, 1999). Antagonisms are therefore crucial to hegemony:

All social order, as a consequence, can only affirm itself insofar as it represses a 'constitutive outside' which negates it- which amounts to saying that social order never succeeds in entirely constituting itself as an objective order. It is in that sense that we have sustained the *revelatory* character of antagonism: what is shown in antagonism is the *ultimate* impossibility of social objectivity... there will always be an 'outside' an ungraspable margin that limits and distorts the 'objective', and which is, precisely, the real (Laclau, 1990: 180, 185).

Thus, the character of antagonism always constructs the constitutive outside, leading to hegemonic ruptures (Laclau, 1994; 2001; Laclau & Mouffe, 2001). Accounting research has identified signifiers and rhetoric, PSDT extends this to the ontic, ontology of the lack and rhetorical analysis. For example, this thesis examines accountability, public interest, and best practice. As each signifier constructs antagonistic oppositions, this thesis traces antagonisms concerning *IFRS for SMEs*. Thus, analysing how the IASB use rhetoric and LoE to bring together disparate interests around hegemonic nodal points, in the construction of new identities. The construction of this hegemonic position covers over antagonisms, and subverts their identity in their political processes and regulatory conversations (Howarth *et al.*, 2000; Laclau, 1994).

3.6 Rhetoric and accounting research

Due to misunderstandings of the partial nature of accounting it becomes politically powerful, in its rhetorical construction and re-construction of meaning (Chua, 1986; Frezatti *et al.*, 2014; Gallhofer & Haslam, 2003; 2007; Spence, 2007). Research has examined the way that rhetoric is used in accounting to construct this power through persuasion, but much of this research uses a different approach to rhetoric (for example, Arrington & Schweiker, 1992; Young, 2003). L&M's approach to rhetoric has been used to examine the rhetoric used in sustainability (Spence, 2007; Tregidga *et al.*, 2014), and the construction of accounting as codified discourse (Llewellyn & Milne, 2007). This thesis focuses on what accounting does (ontic level) rather than the epistemological focus of what accounting is and what accounts are (Mol & Law, 2004), in a way that very little accounting research does (Frezatti *et al.*, 2014: 434-435):

For rhetorical analysis, ontic meaning is crucial. Ontological analysis presupposes the ontic, explicitly analysing the moments of ontic existence, and for rhetorical analysis,

this is where ontic moments acquire (or are attributed) meaning [...] a post-structuralist-informed approach to discursive, rhetorical analysis is concerned with meanings, operating at the ontic level, and with the analysis of objects as specified by ontological presuppositions.

Consequently, this thesis contributes to the analysis of the rhetorical nature of accounting, as rhetoric drives hegemony (Frezatti *et al.*, 2014). For example, the IASB's claims to accountability operate **metaphorically** to make the unfamiliar, familiar, **metonymically** to incorporate many interpretations (L&M's chain of difference) and **catachrestically**, to name the unnameable, and construct meaning.

3.7 Antagonisms and accounting research

Accounting research draws on L&M's 'antagonism' to demonstrate that meaning in accounting is tendential, open and antagonistic (Frezatti *et al.*, 2014; Spence, 2007). Frezatti *et al.* (2014) apply the concept of antagonism to a Brazilian auto-manufacturer that abandoned management accounting systems, to highlight the tendential and open nature of meaning. Whilst Spence (2007) discusses the equivalence drawn over antagonisms within SER and sustainability.

A related but different theorisation of Mouffe's 'Agonisms' is drawn on in accounting research (Brown, 2009; Brown & Dillard, 2013a; Dillard & Yuthas, 2013). Brown (2009); Brown & Dillard (2013a) and Dillard & Yuthas (2013) offer insights on agonism in accounting, illustrating how social systems mask hegemonizing power, but there are theoretical differences between agonisms and antagonisms. Mouffe (1999; 2000) theorises agonistic pluralism whilst Laclau (2005) contends that we should not privilege one antagonism over others. Mouffe (2000) reintroduces difference, but still holds some exclusion, meaning radical difference is encouraged but in keeping with regimes.

Whilst both agree that there is conflict, agonism differs from antagonism, because agonists come to an agreement about how to confront and address conflicts for positivity and results. Whereas, antagonists see this as a constraining mechanism which leads to the concealment of antagonisms and contingencies, as actors are compelled to engage in a certain way (Griggs & Howarth, 2013; Howarth, 2013; Laclau, 2003; Laclau & Mouffe, 2001).

In sum, antagonisms highlight the impossibility of closure as there are active oppositions in society. In this case, SMEs are antagonistic to the IASB's main aims of regulating listed entities, so the IASB make a movement of equivalence to the regulation of SMEs to mask antagonisms and gain further power and control over accounting regulation. Hegemony tendentially covers over short-term contingencies and antagonisms through mechanisms, such as the logics of equivalence and difference.

3.8 Logics of equivalence (LoE) and difference (LoD)

L&M draw upon LoD and LoE to explain how constitutive relationships are formed between competing signifieds, or how competing signifieds are collapsed into one signifier. This provides

a tool kit for understanding how signification is extended across frontiers, or how difference is incorporated within a frontier of signification:

The centrality of hegemonic relations in discourse theory comes from the fact that the desire for fullness is always present, but fullness, as such, is unachievable... This explains why equivalence and difference, - which broadly speaking correspond to... combination and substitution in linguistic analysis – are the two main dimensions of political life (Laclau, 2003: 6).

LoE operate in a metaphorical way to connect disparate interests together (Laclau & Mouffe, 2001; Laclau, 2003). Thus, LoE have the effect of simplification by bringing disparate demands together in a hegemonic process (Laclau & Mouffe, 2001). For example, in the IASBs rhetorical use of the public interest, their focus on due process and substantive outcomes extends chains of combination through LoE to both internal processes as well as outcomes.

Society desires social fullness, which shows ‘itself through the presence of its absence’ (Laclau, 1996: 53). Antagonisms always exist in attempts for fullness, so these antagonisms, for L&M (2001) crisscross discourse, but these antagonisms are covered over within discourse, through equivalences and differences. LoD operate in a manner akin to metonymy and are used by L&M (2001) to highlight the impact of the incorporation of competing articulations within a central signifier, in a process of contiguity (Laclau, 2001; Laclau & Mouffe, 2001). For example, reliability as a qualitative characteristic operates metonymically through its focus on measurement, so that different systems of measurement such as historic cost, modified historic cost, base value and fair value are all simultaneously labelled as reliable measurements (Georgiou & Jack, 2011; Miller & Napier, 1993; Power, 2009). Another example of this is comparability, which incorporates different approaches, and has the impact of covering over local differences in accounting practice, by focusing on the master signifier of comparability (Devi & Samujh, 2015; Rudkin, 2007).

This thesis examines the role of LoE and LoD in the standard setting process which brings together disparate groups for hegemony, and incorporates political frontiers through LoD. The application of LoE and LoD is summarised in figure 10:

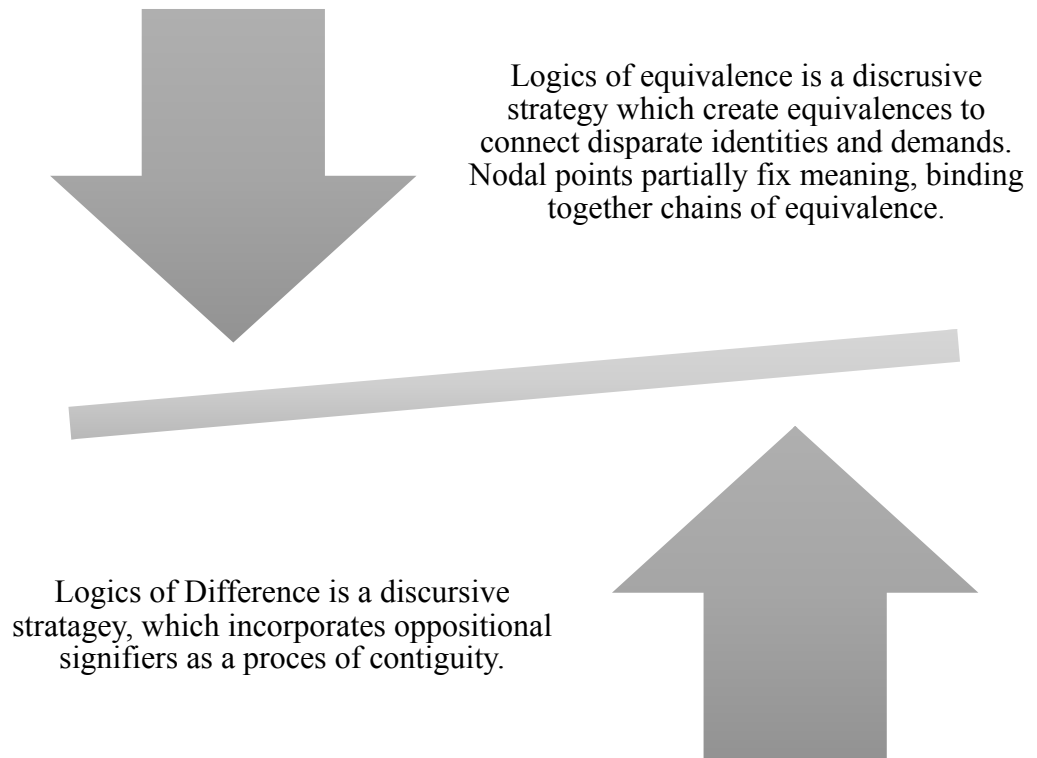


Figure 10: Logics of Equivalence and Difference

LoE and LoD operate to form and maintain hegemony, and for L&M there is also displacement and condensation.

3.9 Condensation, displacement and overdetermination

L&M (2001) theorise notions of condensation, displacement and overdetermination through Freud (1961), Althusser (1969) and Hegel. As Torfing (1999: 98) explains:

...from Freud's famous work on *The Interpretation of Dreams*... Overdetermination occurs at the symbolic level and takes the form of either condensation or displacement... Condensation involves the fusion of a variety of significations and meanings into a single unity... Displacement involves the transference of the signification or meaning of one particular moment to another moment.

Condensation is the fusing together of meaning and significations, to render the dissimilar, similar (metaphor), by incorporating contingencies and antagonisms, whereas displacement conceals the primary identity of the dissimilar (metonymy) (Carter, 2008; Laclau & Mouffe, 2001). For DT, articulations temporarily close discourse by constructing meaning through metaphors, metonyms and signifiers. These articulations connect to form nodal points which create, convergence and synthesis within discourses (illustrated in figure 11) (Laclau, 1996; Laclau & Mouffe, 2001). As Carter (2008: 186) explains:

...the fusing together of different elements to temporarily halt the development of competing significations. It is this 'temporary' nature that illustrates that the particularities of signifiers (their diversity) still contaminate the condensed signifier.

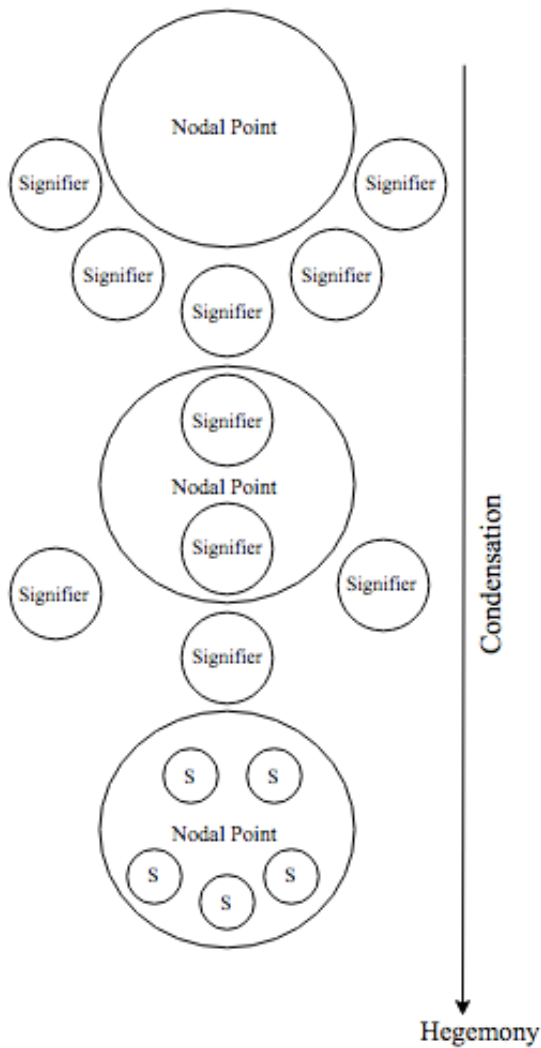


Figure 11: Condensation (S stands for signifier)

This is illustrative of the limits of representation, as it highlights that there can never be perfect representation, because of antagonisms (Lacalu, 1996; Laclau and Mouffe, 2001). Subsequently, these representations conceal the primary identity of the dissimilar and conceal the broader politics of in operation. However, as this condensation is temporary, it is failing in the long term, but the temporary fixation forms hegemony (Laclau & Mouffe, 2001).

Displacement operates metonymically to displace positions in society (Carter 2008; Laclau & Mouffe, 2001). Freud's (1900: 147) displacement operates at the conscious and unconscious level, and between manifest and latent levels. Arguably, the IASB constructs nodal points, converging many elements (Freud's dream thoughts), and each element has different interpretations, so various understandings can be read into nodal points (Freud, 1900). This displacement is metonymical because it invokes a broad domain

of usage and an array of associations (Laclau, 2001). Metonymy rhetorically employs a single characteristic to obscure and simplify complexities, working through a substitution of words and contiguity (Laclau & Mouffe, 2001). This also links to the concept of overdetermination, as condensation and displacement lead to overdetermination.

Displacement is metonymical because it invokes a broad domain of usage and an array of associations (Laclau, 2001). Metonymy rhetorically employs a single characteristic to obscure and simplify complexities, working through a substitution of words and contiguity (Laclau & Mouffe, 2001). This also links to the concept of overdetermination, as condensation and displacement lead to overdetermination.

Overdetermination is when multiple signifieds surround the signification, rendering it difficult for actors to identify their meaning (Carter, 2008; Laclau & Mouffe, 2001). However, Althusser still talks to essentialism, so L&M (2001) extend these constructs through concepts of articulation and identity, and by abandoning the idea of totalising fixity:

...through the critique of every type of fixity, through an affirmation of the incomplete, open and politically negotiable character of every identity. This was the logic of overdetermination... the presence of some objects in the others prevents any of their identities from being fixed (Laclau & Mouffe, 2001: 90-91).

Additionally, Freud's (1900) theorisation of dreams and the nodal point constructs overdetermination by showing that dreams hold several meanings and have been represented many times. These contingencies create complexities within social formations, that need to be unpacked and deconstructed (Howarth *et al.*, 2000). This ties to Lacan's (1988) notions of the subject and significations, within which metaphors and metonymies construct hegemonic articulations (Laclau & Mouffe, 2001).

Articulation constructs and modifies practices, relations and identities (Laclau & Mouffe, 2001: 91). Articulation fixes nodal points which construct meaning, and draw together chains of significance, to make the dissimilar, similar (metaphor) (Howarth *et al.*, 2000). During articulation, heterogeneous signifiers become attached to the signification. The extent to which signifiers become attached to signification depends on the openness of the condensation point, and the more signifiers that became attached, the less clear meaning becomes (Laclau & Mouffe, 2001). This involves the signifier (nodal point) becoming represented many times, to the extent that the primary source of meaning can no longer be identified:

The impossibility of an ultimate fixity of meaning implies that there have to be partial fixations – otherwise, the very flow of differences would be impossible. Even in order to differ, to subvert meaning, there has to be a meaning. If the social does not manage to fix itself in the intelligible and instituted forms of a society, the social only exists, however, as an effort to construct that impossible object. Any discourse is constituted as an attempt to dominate the field of discursivity, to arrest the flow of differences, to construct a centre. We will call the privileged discursive points of this partial fixation, *nodal points*.

The practice of articulation, therefore, consists in the construction of nodal points which partially fix meaning; and the partial character of this fixation proceeds from the openness of the social, a result, in its turn, of the constant overflowing of every discourse by the infinitude of the field of discursivity (Laclau & Mouffe, 2001: 98-100 [Emphasis in Original]).

Articulation is rhetorical and invokes metaphors, with a constant antagonistic lack. Therefore, this thesis ontologically examines the role of discourse and articulations surrounding the IASB's extension to *IFRS for SMEs*, by examining what discourse does (Mol & Law, 2004; Suddaby & Greenwood, 2005). This moves to discursive objectivity, shifting the focus to what discourse is and what discourse does for accounting, to study the political (Mol & Law, 2004). The IASB attempt to close systems surrounding SME accounting standards and regulation, and DT allows us to investigate these attempts. The rhetorical analysis within this thesis of the IASB's discourse deconstructs language games and nodal points (Howarth *et al.*, 2000; Laclau & Mouffe, 2001).

To summarise these concepts, a nodal point is an attempt to partially fix discourse through identifying potential meaning, centering discourse, and binding together chains of equivalence. **Condensation** is the fusing together of different elements. **Displacement** argues that no identity is pure, because all meanings and identities are infected by other identities. Whilst, **Overdetermination** is like metonyms in that it works through displacement to conceal identities.

There is sparse research in accounting that has drawn on these concepts, as demonstrated in the following section.

3.10 Condensation, displacement, overdetermination and accounting research

Accounting research has deconstructed nodal points and articulation to examine identity construction (Frezatti *et al.*, 2014; Spence, 2007; Tregidga *et al.*, 2014). Frezatti *et al.* (2014) trace events represented by accounting within a company that withdrew from their accounting, showing that articulations give partial representations, due to condensation within signifiers (Howarth, 2015). Tregidga *et al.* (2014) identify how the nodal point of ‘sustainable organisation’ is articulated to partially fix meaning. Spence (2007) demonstrates how corporate social responsibility discourse is constructed around the ‘business case’ nodal point, as responsibility becomes tied to commercial concerns. Frezatti *et al.* (2015) suggest that nodal points, meanings and origins become condensed, so that identity becomes complex and at times impossible to identify, and representation becomes partial (Spence & Carter, 2011). Carter (2008) deconstructs nodal points and condensation surrounding costing in telecommunication debates, in which different ideas of costing are condensed into one nodal point for hegemony.

Scarce accounting literature employs the term displacement from L&M (2001), but it is important here as the IASB’s rhetoric obfuscates the nature of the standard, concealing the primary identity of the particular.

If hegemony is a type of political relation, and not a topographical concept, it is clear that it cannot be conceived as an irradiation of effects from a privileged point. In this sense, we could say that hegemony is basically metonymical: its effects always emerge from a surplus of meaning which results from an operation of displacement... This moment of dislocation is essential to any hegemonic practice... The condition of this centrality is, therefore, the collapse of a clear demarcation line between the internal and the external, between the contingent and the necessary... The openness of this social, is, thus, the precondition of every hegemonic practice (Laclau & Mouffe, 2001: 141-142).

When the IASB condense signifiers into the *IFRS for SMEs*, they displace many antagonisms, concealing the political identity and impact of the standard. This is concealed through due process, technical expertise, capital markets and economic theory (Botzem, 2012; Hines, 1988; Martinez-Diaz, 2005). For L&M (2001) identity is always contaminated by traces and other identities, so no identity is fixed. This demonstrates the relational character of the social and the difficulty of identifying meaning and identity within nodal points and signifiers. This is interesting because the IASB contaminate the identity of *IFRS for SMEs* through condensation, so the nature of the standard becomes confused. The IASB’s rhetoric conceals wars of position of national capitalisms and the hegemony of financial capital, which acts to exclude alternatives and differences, fixing discourse through extension, equivalence and condensation.

This thesis examines the articulation of the nodal point *IFRS for SMEs*, tracing political struggles, meaning construction, and the condensation of multiple significations. These articulations displace meaning, and lead to over-determination, in the construction of a universal hegemony.

Therefore, this thesis traces how the IASB attempt to institute meaning, politically and rhetorically. Recurrent signifiers are seen as “candidates” for discursive nodal points’, rhetorically filling the gap, to construct rhetoric and legitimacy (Frezatti *et al.*, 2015: 443). In critical policy studies, Glynos *et al.* (2015) deconstruct nodal points within the UK banking reform processes after the financial crisis, identifying a master signifier (stable competition) which has organised a range of interventions, marginalising alternative visions. Like research on displacement, there has also been limited work on the way that ideologies grip subjects.

3.11 The subject

There has been little research in accounting on the subject’s role in constructing meaning, and the way subjects are gripped by ideologies. This thesis analyses ideologies, articulations, and subject positions, whilst recognising the subject’s role. For DT, identity is acquired through contingent subject positions and articulations (Howarth *et al.*, 2000). Positivism separates the object and subject, whereas for PSDT there is an object subject dualism (Chua, 1986; Laclau & Mouffe, 2001). DT focuses on the role of language and rhetoric in constructing the social world, alongside the role of subject positions and identities (Hines, 1988). For L&M (2001), Althusser enables the consideration of subject positions through notions of ideology. Ideologies articulate the gap between socially constructed concepts and individual subject positions, and subjects become gripped by ideologies (Laclau & Mouffe, 2001). This is further explored in LOCE in the following chapter, before this, the following section gives a summary of the theory chapter.

3.12 Theory summary

As explained, DT theorises political movements and struggles, and this chapter demonstrates the importance of the movement in Post-Structuralism to the systematicity of systems, opening the constraining nature of structuralism. PSDT identifies the role of constant antagonisms and radical contingencies in discourse, extending Gramsci and Luxembourg. PSDT extends Marxist economic determinism and class reductionism (Laclau & Mouffe, 2001). This theory considers social complexities and a multiplicity of actors that are located in disparate groups (Laclau & Mouffe, 2001). This is examined through the interrogation of discursive constructions, and in this case, a range of discourses are considered that interact within *IFRS for SMEs*, including accounting, law, regulation, public policy, politics and economics.

This thesis empirically examines the IASB’s aims and strategies within *IFRS for SMEs*, through the interrogation of regulatory frameworks, the roles of key political actors, governments and national standard setters. This thesis examines how hegemony informs the IASB’s extension to *IFRS for SMEs*. The extension is crucial for power and control and warrants further exploration. The regulatory theory chapter demonstrated the need for a diverse, holistic and flexible theoretical framework, identifying short-comings in other theories and the highlighting the importance of considering the complexity in the political standard setting of the IASB. Therefore, DT is a

flexible theory which goes some way in addressing these shortcomings. The following are some core conclusions on DT:

- DT identifies accounting as discursive practice, which involves a linguistic turn, seeing accounting regulation as linguistic, focusing on persuasion and rhetoric.
- DT is flexible and incorporates antagonisms into analysis, including both the linguistic, non-linguistic and extra-linguistic, identifying how the discursive temporarily fixes meaning and constructs reality. This discourse can be analysed through the deconstruction of moments, elements and nodal points.
- DT sees accounting regulation as political, so this thesis unpacks the IASB's political interface. DT states political interaction views all social objects as meaningful, contingent, relational and contextual to social objectivity.
- L&Ms hegemony extends Gramsci's to remove elements of essentialism. For L&M, hegemony is a form of politics, within which a particularity articulates the 'floating signifier', which speaks to disparate groups, therefore taking on a universality that is incommensurable with the particular.
- Hegemony at its core is a political activity which articulates the floating signifier so that it takes on a universality. Antagonisms are crucial to hegemonic analysis, and within this analysis political frontiers are identified. Hegemony has been drawn on within accounting literature, but has not focused on the same elements and areas as this thesis does.
- The most relevant examples of accounting literature that have drawn on hegemony are also described in the chapter, demonstrating the Spence (2007), Gallhofer & Haslam (2003; 2007), and Gallhofer *et al.* (2015) hold similarities to the research within this thesis, but this thesis extends these applications.
- Signifiers are crucial to DT, as signifiers name the lack within the society, and become hegemonic by becoming empty of meaning so that a variety of content can be read into the signifier.
- Rhetorical analysis is crucial to this thesis as rhetoric is used in hegemony, which is especially dominant here because of the partial nature of accounting. This analysis of rhetoric and signifiers highlights antagonisms and the lack within discourse because of the impossibility of closure within discourse.
- The LoE and LoD also constitute discursive strategies. LoE connect disparate identities and demands, constructing nodal points that fix meaning, whilst LoD incorporate oppositional signifiers in a process of contiguity.
- Condensation is the fusing together of meaning and significations, incorporating contingencies and antagonisms. This renders the dissimilar, similar, whilst displacement operates metonymically to conceal the primary identity of the dissimilar (in this case, concealing the politics of accounting standard setting). Moreover, overdetermination is when multiple signifieds become attached to the signification, to the point that it becomes

difficult to identify meaning. These strategies construct hegemony, whilst overdetermination can threaten hegemony, but further strategies and movements can adapt and change hegemony to resolve issues.

These concepts are crucial to the analysis of the IASB's extension from IFRS to *IFRS for SMEs*, as this thesis is concerned with how the IASB construct and control regulatory conversations. Indeed, the IASB, as a private organisation construct their role as technocratic regulator, but operate political processes, which are examined in this thesis. This political role has been extended as the IASB become further integrated as a geo-political player by the G20, the WB, and the IMF, operating the narrow focus of extending the hegemony of advanced financial capital and neo-liberalism. Therefore L&M is crucial to this political analysis, because the core of their extension of hegemony operates the LoE and LoD simultaneously. This thesis draws on complex constructs that are dominant in DT. Whilst these are crucial for analysis they are not clear for the analysis of data, so the Logics of Critical Explanation (LOCE) was constructed by Glynos & Howarth. For Glynos & Howarth (2007) meaningful analysis arises from detailed concrete cases, within which we should apply analytical tools, but ensure there is flexibility (Glynos & Howarth, 2007; Laclau, 1991). As Glynos (1999:10) explains, we should leave behind outdated ontological assumptions:

After all, it cannot escape engaging with the empirical world ... Instead it is urging abandonment of certain outdated ontological presuppositions that still inform mainstream social sciences, without ignoring the considerable use- value attaching to its many methodological insights (Glynos, 1999: 10).

However, this flexibility leads to critiques, as critics argue there are normative, reality, sociological, epistemological and methodological deficits (see these references for further details on these deficits: Critchley & Marchart, 2004; Glynos & Howarth, 2007; Torfing, 2005). In response Glynos & Howarth (2007) construct the LOCE as a deficit solution (Glynos, 1999; Howarth, 2000; 2002; 2004), which was outlined briefly in the introduction. Consequently, chapter 4 articulates DT as a research methodology, and identifies the appropriate data collection methods by outlining the LOCE, which has been developed by Glynos & Howarth to operationalise L&M's theory and respond to perceived normative and methodological limitations of DT.

Chapter 4: Methodological strategies

4.1 Introduction

The previous chapter outlined L&M's theory, a political theory of radical democracy which attempts to theorise and explain political movements and social complexity. This social complexity is crucial in analysis as there are multiple actors, organisations and disparate groups involved in standard setting and the political goals of standard setting. Chapter 3 also identified the flexibility of L&M's PSDT through the complexities of social practices and the open antagonistic nature of their theorisation of discourse. The flexibility of this theory and the lack of methodological guidance is critiqued by others, so G&H developed the Logics of Critical Explanation (LOCE) as a methodological framework to overcome various deficits in DT. This is outlined in further detail in the next section of this chapter. The chapter then goes on to further discuss the ontological assumptions of this thesis, as developed from both L&M's PSDT and G&H's LOCE. Following this, the chapter moves to the data collection methods (document collection and interviews) that are operationalised to fulfil the research question and are justified in line within the theoretical, ontological and methodological assumptions of the thesis. The section justifies the choice of data collection methods and the approach taken. Finally, before the chapter summary, the way that the discourse was analysed is outlined, which focuses on the deconstruction of nodal points and rhetorical redescription. Thus, the next section outlines the LOCE.

4.2 Developing the Logics of Critical Explanation (LOCE)

Through L&M (2001), G&H develop the LOCE to offer a methodology with analytical tools to resolve the deficits of L&M's theory, deficits that are highlighted by Griggs and Howarth (2013: 40):

How do we study discourses? How do we describe, explain, criticize and evaluate? Here we turn to the logics of critical explanation... elaborated in five linked steps: problematisation; retroduction; logics; articulation; and critique.

However, this is not to say that analysis will then become pre-constituted:

... the discourse analyst's starting point is not the mapping of pre-constituted, positively-defined, theoretical categories (rational self-interested ends, structural functions, competing lobbying interests, juridico-political forms of economic relations, typologies of democracies, forms of identities, etc) onto the socio-political landscape, and then invoking tools from corresponding idioms to conduct an analysis ... When dislocation and failure become ontologically foundational, the idioms with which we describe and analyse political phenomena change modality ... Discourse theory's anti-essentialist stance is thus maintained by adopting an ontology of lack, this being a direct consequence of taking seriously the constitutive nature of discourse in human practices (Glynos, 1999: 5).

For DT, offering critiques and identifying radical contingencies and exclusions is inherent in research, but this is not to say that positive alternatives should be avoided (Glynos & Howarth, 2007). In this approach, researchers should consider varied perspectives and multiple contradictions, to avoid adopting a single gaze (Glynos & Howarth, 2007). Employing the LOCE,

constructs complex and immanent critiques that are acceptable within the boundaries of the project, but are not generalizable (Glynos & Howarth, 2007). The implications of DT and G&H's methodology are focused on negative ontology (ontology of lack), which holds that signifying structures are irreducibly open and flexible, as there is always a lack and contingencies.

In line with this, for the LOCE, there is no linear trajectory, so researchers adopt an open gaze toward events, deconstructing and dissolving familiar stories, to pluralise analysis and understandings (Glynos & Howarth, 2007). Furthermore, for G&H statements should be deconstructed as they construct discursive formations, the rules that govern discourse, and decisions about exclusion and inclusion. Specifically, the methodological structure of LOCE consists of five steps: the first is problematisation; the second is retroduction; the third offers explorations of the social, political and fantasmatic logics; the fourth is articulations and the fifth offers the critique element of the examination. Therefore, each of the stages is examined in further detail in the following sections.

4.2.1 Problematisation

Within problematisation, researchers should analyse discursive constructions and formations, mapping out competing discourses, within the problem itself (Glynos & Howarth, 2007). G&H argue that within this we should guard against presentism (analysing historic events based on present values and concepts). In problematisation, there is an archaeological dimension which furnishes concepts to make sense of structures (Glynos & Howarth, 2007). Alongside this there is genealogy which puts formations into context and focuses on emergence, as an immanent critique (Glynos & Howarth, 2007).

Problematisation draws primarily on Foucault as the starting point of social enquiry and critical analysis, for the identification of problems and solutions by exploring discursive practices (Glynos & Howarth, 2007). This methodology follows a problem-driven approach to research, and the problem identified must be located appropriately in terms of abstraction and complexity. The literature review that follows this chapter exposes the limited nature of the IASB's discourse and processes. The IASB operate through claims of technocracy, expertise and objectivity, each of which downplay the political struggles in standard-setting and the IASB's powerful role in the geo-political arena, which naturalises their extension to SMEs and emerging economies through rhetoric and ideologies. Thus, DT elucidates the problems of this extension, invoking a problematisation which occurs on two levels: first the problematisation within the external phenomena by the key actors (i.e. the problematisation of differential reporting and *IFRS for SMEs* by the IASB), and second the researcher's problematisation of this problematisation (Glynos & Howarth, 2007; Griggs & Howarth, 2013).

Whilst this holds similarities to the double hermeneutic, Glynos and Howarth (2007: 51) move from the importance of contextualized self-interpretations (raised in the double hermeneutic) to providing the tools (social, political and fantasmatic logics) for the researcher to 'pass through'

self-interpretations and to 'construct convincing explanations which have an equally convincing critical bite'. By combining these logics with tools of rhetoric, the methodology enables a theorised intervention that combines the identification and examination of the social landscape, how the social landscape was instituted (retroduction), the alternatives that were excluded and the associated ideologies. The combination of which gives justification to the interpretive and critical methodological approach (and responds to the problem of the double hermeneutic).

The focus on the problem leads researchers to engage with puzzling phenomena and construct research questions (Glynos & Howarth, 2007). These problems are not limited as throughout research there is a multitude of problematisations, as norms are problematised continuously. This looks at moments of being, ways of thinking, practices, policies, regimes and explanations, to deconstruct the taken for granted and challenge dominant narratives (Glynos & Howarth, 2007). This thesis examines how and why the *IFRS for SMEs* was constructed, challenging the dominant narratives of the IASB in this extension from IFRS to *IFRS for SMEs*.

4.2.2 Retroduction

Through a review of previous work in science, positivism and critical realism, G&H introduce retroduction to resolve issues of induction and deduction (through Aristotle, Peirce, Norwood, Hanson, Bhaskar and others). For G&H retroduction renders phenomena intelligible by identifying, observing and explaining the facts, and what gives rise to those 'facts' (in keeping with Hanson's (1961; 1972) critique of induction and deduction). Whilst inductive research takes observational phenomena to induce general axioms, it is limited because individuals are only able to observe what can be seen (Hanson, 1961; 1972). So, there is always a possibility that another observation could disprove the axiom that was formed inductively (Glynos & Howarth, 2007; Hanson, 1961; 1972). Equally, within deductive research subsuming phenomena into pre-existing categories creates problems, as the categories and/or observations are not tested (Glynos & Howarth, 2007). Therefore, retroduction avoids particularism at one extreme and universalism at the other, for theory building:

... we claim that the default tendency to rely on deductive (and inductive) reasoning, the hypothetico-deductive method of scientific investigation, and the covering-law model of explanation, is a product of the hegemonic grip of a particular, though admittedly powerful, conception of the natural sciences- what we call the causal law paradigm. Our main critical argument is that it is problematic to model social processes on natural processes in this way- whether as universal laws, causal generalizations, or robust empirical correlations- because it leads to rather narrow conceptions... (Glynos & Howarth, 2007: 18-19).

Instead, researchers should investigate the empirical event by reconstructing and problematising the phenomena observed. This occurs in the chapters that follow, as they move from the literature that focuses on the IASB, to the literature on *IFRS for SMEs*, and to the empirics, throughout which the retroduction (what are the 'facts'? and what gives rise to those 'facts'?) occurs.

Retroduction avoids the search for law-like generalisations, and acknowledges the limits of self-

interpretations by suggesting that research should avoid partial and misleading interpretations through an iterative process, whereby initial interpretations are processed to arrive at a more satisfying interpretation through conjecture:

Retroduction by contrast moves from data to hypothesis to laws. In short, though more open-ended than deduction and induction, retroductive reasoning is still a legitimate type of inference. While deductive reasoning purports to *prove* what is the case, and inductive reasoning purports to *approximate* what is the case, retroductive reasoning *conjectures* what is the case (Peirce in Hanson, 1961: 85) (Glynos & Howarth, 2007: 26).

For G&H, the use of case studies is important, in which there are four case study types, formed from Flyvbjerg (2001: 202-203): ‘Extreme or deviant cases... Critical cases... maximum variation... [and] paradigmatic cases’. They do not see these as stand-alone or exhaustive, instead they are overlapping. This thesis combines the critical case (weakening accepted explanations, focusing on hegemony), and the paradigmatic case (an exemplary demonstration of a larger societal phenomena) (Flyvbjerg, 2001; Glynos & Howarth, 2007), in the study of *IFRS for SMEs*. Within these case studies there should be examination of causal explanations, mechanisms and correlations (Glynos & Howarth, 2007).

Within this approach, there is a constant retroductive circle (in which analysis is not linear), through constant intervention and movement back and forth during analysis (Glynos & Howarth, 2007). The retroductive circle problematises and pre-theorises, which is followed by explanation and the construction of theory about the phenomena observed, which renders the phenomena intelligible for intervention and persuasion, leading to another circle (Glynos & Howarth, 2007). Thus, the problematisation in the first stage is a preliminary problematisation which is problematised again in retroduction and throughout research (Glynos & Howarth, 2007).

Retroduction leads to discovering perspectives, and deconstructs the dominant perspective to construct narratives and situate the discursive problem. Having developed problematisation, retroduction, ontology and resources of explanation, G&H move to the logics which offer the basic units of explanation. These logics – social, political and fantasmatic – enable the characterisation of the way that regimes and practices are transformed, stabilised and maintained.

4.2.3 Logics

The Logics provide the mechanisms used to understand (by identifying ontological presuppositions), to identify, and to interpret the rules that govern social practice, and the social construction of objects and subjects (Glynos & Howarth, 2007; Glynos *et al.*, 2015). For example, chess is governed by rules and objects, so the player considers how to conform with these rules by grasping the essence and logic of the practice. Drawing on the logics ontologically interrogates how rules materialise, fleshing out explanations and criticisms (Glynos & Howarth, 2007).

These logics facilitate the investigation of the IASB’s regulatory conversations and political processes, to investigate both why (political) and how (social) they extend their standard setting to SMEs and emerging economies. These logics also facilitate investigation of the IASB’s

hegemonic role which advances the ideologies of advanced financial capital and neoliberalism (fantasmatic).

... *social logics* enable us to characterize practices in a particular social domain... *political logics* provide the means to explore how social practices are instituted, contested and defended... *fantasmatic logics* are closely linked to the ideological dimension... with the logic of fantasy we aim to capture a particularly powerful way in which subjects are rendered complicit in concealing or covering over the radical contingency of social relations (Glynos & Howarth, 2007: 133-134).

G&H construct the order of social, political and fantasmatic logics. However, the empirical case examined within this thesis (and perhaps this may be true of other cases) sees the political logics as needing to be empirically examined before the social and fantasmatic logics, because (as will be explained in the following section), the political logics focus on the politics of emergence. It is not clear from Glynos and Howarth (2007) if this order is deliberate, or if the logics are meant to be interacting and changing, but in the empirical case the political, social and fantasmatic order is clearer.

a) Political logics

The political logics investigate how, when and why the social logics were employed. In this case, the political logics focuses on the emergence of *IFRS for SMEs*, looking at why the IASB operated the extension to *IFRS for SMEs* from listed entities. This logic investigates how the practices of the IASB and differential reporting were contesting, confronting and creating contingencies in the IASBs standard setting. These political logics reveal the contingencies in the social structure, to which the IASB respond with the construction of *IFRS for SMEs*. This considers the political contestation over alternatives, which is central to the construction of social logics.²⁰ This thesis needs to analyse the context genealogically, considering the way that the IASB operated public contestation, disrupted alternatives and constructed frontiers in the *IFRS for SMEs* debate.

... political logics can be said to focus more on the diachronic aspects of a practice or regime, whether in terms of how they have emerged, or in terms of how they are being contested and/or transformed. Political logics aim to capture those processes of collective mobilization precipitated by the emergence of the political dimension of social relations, such as construction, defence and naturalization of new frontiers. But they also include processes which seek to interrupt or break up this process of drawing frontiers (Glynos & Howarth, 2007).

Identifying the political logics facilitates analysis, explanation and critique through LoE and LoD, and the investigation of political frontiers and exclusion that are constructed by the IASB. LoE and LoD operate in the case of *IFRS for SMEs* to dismiss and delegitimise alternatives and contingencies, restabilising the IASB's hegemony. This examines social demands and identities, as politics institutes social relations and practices (Glynos & Howarth, 2007). Moreover, this approach considers genealogical possibilities in the emergence of hegemonic practice,

²⁰ Often the social logics of a case would be examined first, and the political logics would cause a major disruption to the social logics. In this case there is no deeper dislocation as the IASB are always operating under neo-liberalism, and instead they are extending hegemony, not radically overhauling their practices.

considering alternatives to deconstruct the formation of hegemony (Glynos & Howarth, 2007). In examining emergence, the political logics examine the space in which new norms, rules and social practices emerge and become instituted, amid contestations, struggles and competing representations (Glynos & Howarth, 2007). The political logics enable this thesis to question and investigate why the IASB decided to extend to *IFRS for SMEs*.

... if political logics are concerned with the *institution* of the social, they are also related to its possible *de-institution* or *contestation*. This is because the very institution of a new regime or social practice presupposes the possibility that a previous social order is successfully displaced from its hegemonic position and thus de-instituted. In short, then, political logics are integral to the processes of contestation and institution of social practices and regimes (Glynos & Howarth, 2007: 142).

As there is no new regime or practice, only a hegemonic extension of the previous, this thesis focuses on the political logics of contestation prior to the *IFRS for SMEs*. This identifies political struggles over what discourse should be instituted (to cover over contingencies) through LoE, and illuminating genealogically the struggles that have been excluded or marginalised through LoD (Glynos & Howarth, 2007; Carter, 2008). This thesis is focused on this part as there is no dislocation in the creation of *IFRS for SMEs*, but instead contingencies are exposed and the IASB operate LoE and LoD to cover over contingencies. This happens first, and then the social logics are formed and extended through the due process.

This thesis then moves to the social logics, which investigates how the IASB operate this extension through socially sedimented practices, examining hegemony as constantly adapting and changing to different circumstances and events.

b) Social logics

Social logics are concerned with understanding and criticising practices and regimes that have become socially sedimented.²¹ Here, sedimented social practices are practices that have become taken for granted and unquestioned over time, as subjects forget that meaning was socially constructed, so social practices take on an objective presence and subjects forget that they made the meaning (Glynos & Howarth, 2007; see also p. 39-40 of this thesis for the quote from Berlin in Chua (1986) for the impact of sedimentation). Sedimentation is not instantaneous, as it is the process of routinisation and forgetting, so the practices become daily practices over time, so our values and beliefs become unconscious (Glynos & Howarth, 2007; Heidegger, 1962).

The socially sedimented practices that are investigated operate within the IASB's due process, which follows certain rules. Social logics also focus on the context of those practices, and the way in which they become absorbed in the day-to-day, becoming taken for granted. Therefore, the social logics investigate the rules of the game, examining how the IASB operate and function the due process to maintain their authority, despite disparate interests and alternative articulations. In

²¹ In accounting, sedimentation appears mainly in the physical sense, but some use it metaphorically to imply that new accounting practices are laid on top of existing ones rather than replacing them.

hegemony, the social logics also see the operation of the LoE and LoD. These logics attempt to stabilise the IASB by retaining a focus on the full IFRS standards in LoE, whilst simultaneously attempting to construct the standard as different from full IFRS, and therefore suitable for SMEs. Through the socially sedimented practices that operate within the due process, the extension to *IFRS for SMEs* becomes hegemonic, as the IASB dismiss alternatives. Within the IASB's due process there are many examples of the operation of equivalence and difference, but not all the social logics (or political, or fantasmatic) that are operationalised are examined in this thesis, instead there is a focus on key moments that exemplify these logics, indicated in the overview of empirical chapters (at the end of chapter 6).

c) Fantasmatic logics

For hegemony to be constructed, maintained and sustained it is dependent on the fantasies that constitute it (Glynos & Howarth, 2007). Therefore, the fantasmatic logics examine how and why individuals maintain social practices, and the ideological forces behind these operations, which grip subjects (Glynos & Howarth, 2007). These fantasies support reality for subjects, and they reinforce the naturalisation of the political and social logics. There are ideologies that reinforce the extension of IFRS to *IFRS for SMEs* which stem from logics of advanced financial capital, capital market orientations and neo-liberalism. Through these ideologies, the IASB operate logics of technocracy, expertise and comparability to further integrate (but also mask) their role as a geo-political agent. These ideologies grip subjects by concealing contingencies and masking imbalances and injustices, to maintain the current status quo of structures, identities and social understandings²² (Glynos & Howarth, 2007; Griggs & Howarth, 2013).

Thus, alternative ideas become weakened and seen as too 'radical' by dominant ideologies (Howarth, 2013; Laclau & Mouffe, 2001).

Fantasmatic logics furnish us with the means to account for the grip of an existing or anticipated social practice or regime. They derive from a Lacanian ontology of *enjoyment*, insofar as fantasy is understood as the frame which structures the subject's enjoyment... if political logics are most closely associated with the political dimension of social relations, *fantasmatic logics* are closely linked to the ideological dimension. More precisely, with the logic of fantasy we aim to capture a particularly powerful way in which subjects are rendered complicit in concealing or covering over the radical contingency of social relations (Glynos & Howarth, 2007 :107, 134)

Subjectivity is crucial to the identification of fantasmatic logics, as fantasies conceal

²² Laclau calls a for radicalisation of democracy which incorporates contingency, plurality and freedom to construct new views about democratic imaginaries, by constructing new pluralistic ideas through radical democracy, which extends and deepens values of freedom and equality (creating inherent tensions) (Laclau & Mouffe, 2001). Laclau argues we should not see the current form of democracy as the only democracy, as there needs to be contingency through:

1. Universal rules with regimes of political equality and freedom;
2. Looks at popular subjects and always involves the creation and rule of people;
3. Tries to reach difference and radical pluralism (Laclau & Mouffe, 2001; Laclau, 2005).

Within this articulation is contingent so we need a different form of democracy, for Laclau (2005) this is connected to populism which draws equivalential connections between demands. Arguably, the IASB in its current form does not fit with radical democracy.

contingencies and exclude various demands and perspectives. This constructs power and leads to oppression as ideologies hold power over subjects²³ (Glynos & Howarth, 2007). These ideologies construct hegemony, through claims of universality and objectivity, so they become the bedrock for beliefs and identities²⁴ (Glynos, 2001; Howarth, 2013; Stavrakakis, 1999). The deconstruction of dominant narratives, identifies how they become dominant, whilst mapping and uncovering concealed alternatives (Laclau & Mouffe, 2001). G&H include the concept of articulation as the next step in the LOCE, for researchers to construct an overarching narrative of the social, political and fantasmatic logics, in which empirical and theoretical concepts are drawn together.

4.2.4 Articulation

For G&H, articulation draws together theoretical and empirical concepts to give explanations. Articulations identify privileged signifiers within discourse, and deconstruct their discursive representation. For example, the concept of SMEs becomes a signifier in the development of *IFRS for SMEs*. Within these articulations, pluralities, contingencies and reflections are identified to deconstruct dominant hegemonic discourse, language games and rhetorical redescription (Glynos & Howarth, 2007).

For G&H (2007), this does not occur arbitrarily or through subsumption, instead connections and characterisations occur through reflective and epistemological judgements. Within articulation there is theory building as researchers link together elements and logics in a flexible manner to produce understandings of puzzling phenomena (Glynos & Howarth, 2007). G&H therefore, see DT not as stand-alone, but as requiring supplementation with other theories as necessary.

Subsequently, articulation connects the three logics together, which in this case are in operation in the IASB's processes to the development of *IFRS for SMEs*. This therefore, deconstructs the IASB's role as hegemonic regulator and the operation of regulatory conversations. This leads to the final element of G&H's LOCE, which is concerned with critique, formed out of the articulation of the social, political and fantasmatic logics.

4.2.5 Critique

The LOCE highlights contingencies, alternatives, power formations and dominations, by giving explanations and self-interpretations (Glynos & Howarth, 2007). This identifies exclusions, closure and radical contingencies through genealogy and the acknowledgement of the undecidability of social relations and structure, in political dimensions (Glynos & Howarth, 2007: 192-193):

²³ Gramsci's ideology is not just a system of ideas, he distinguishes between arbitrary systems formed by intellectuals and organic ideologies, organising human masses, and creating terrains for acquiring consciousness (Simon, 1991).

²⁴ This thesis sees identity as discursively constructed, radically contingent, and flexible to change, so deconstruction of ideologies reveals connections between identities and preferences, because interests are discursively constructed (Howarth, 2013).

Reactivating the political dimension thus presupposes the intrinsic contingency and unevenness of power underlying any decision from the point of view of an alternative vision, however implicit this might be. The ethical aspect of our critical explanation is also linked to radical contingency...

It is important in critique to acknowledge radical contingency, domination, and ideological narratives:

The ideological dimension is evident in those fantasmatic narratives the function to conceal contingency and naturalise relations of domination. In contrast to the role of ideology and political domination, we propose a conception of ethics that starts from an acknowledgement of radical contingency and fragility of things, while affirming the contestability of our political decisions and social practices (Griggs & Howarth, 2013: 50).

For G&H (2007), critique is internal and immanent within analysis, because critique is tied to the discursive contingencies. This approach develops onto-political interpretation, by looking at values, norms and their formation, and is not just negative, as there is also positive evaluation (Glynos & Howarth, 2007). The approach also avoids both normativism and positivistic research and focuses on how we think about fact, through interpretations and values²⁵ (Glynos & Howarth, 2007). The moments that render the lack (and attempts to cover over the lack) visible are crucial to critique, exposing ideologies and exclusions. This thesis is focused on why and how the IASB extended to the construction of *IFRS for SMEs*, so this part of the LOCE examines the struggles and contradictions within this extension.

This thesis reveals the way that the IASB attempt to operate this extension through logics of technocracy and objectivity, with the aim of covering over contingencies and contestations to maintain and adapt hegemony. Thus, there are three key aspects to critique:

1. The identification of **limits**: the researcher critiques pure reason by identifying limits and boundaries;
2. The identification of **tensions**: there are ideals and actualisation, but in practice there is a failure to reach the ideal because there are tensions between the ideal and the actualised, which are for mismatching;
3. The identification of **contradictions**: the inner manifest of contradictions of the social order (Glynos & Howarth, 2007).

Each of these aspects of the LOCE requires an in-depth scrutiny of the practices of the IASB, therefore, the next section considers the empirical methods used in this thesis, to fulfil this depth of analysis.

4.3 Methods and ontological assumptions

The rest of this chapter illustrates the methods undertaken to fulfil the research questions and objectives within this thesis. For critical accounting research, accounting's impact on social,

²⁵ G&H problematise the fact/value distinction, arguing that there is no fact and there is only interpretation.

economic and political conditions should be examined, with the intention of change (Crotty, 1998; Hines, 1988; Hopwood, 1989; 1994).

A critical understanding of the role of accounting process and practices and the accounting profession in the functioning of society and organisations with an intention to use that understanding to engage (where appropriate) in changing these processes, practices and profession (Laughlin, 1999: 73).

As Hopwood (1989: 141) articulated:

Accounting is coming to be regarded as an interested endeavour. Rather than being seen as merely residing in the technical domain, serving the role of a neutral facilitator of effective decision-making, accounting is slowly starting to be related to the pursuit of quite particular economic, social and political interest. The active and influential ways in which accounting is implicated in the construction and propagation of notions of organizational and social control are now starting to be addressed.

Critical accounting literature considers multiple voices and discourses, to encourage change and challenge the status quo (Gallhofer & Haslam, 2003; Morales & Sponem, 2017). Rodrigues and Craig (2007: 748) argue that accounting is socially constructed and politically motivated:

Such “critical accounting” finds “accurate representation” an impossible goal, seeks alternative descriptions for what accountants do and the role accounting plays, and regards accounting standards to be “politically motivated”...

Through L&M’s DT, this thesis contributes a deeper, more holistic analysis than prior research on the IASB and *IFRS for SMEs*, following literature that exposes critical perspectives. It is therefore appropriate to consider the ontological assumptions of DT, before outlining the specific data collection methods and methods of data analysis.

L&M (2001) extend traditional DT, focusing on social realities, with ontological assumptions that centre on negative ontology.²⁶ The impact of this is that social reality is discursively constructed through articulations, which simultaneously constitute reality and partially subvert it (Howarth, 2013). Researchers depict accounting as a subjective, social construction (Hines, 1988; Morgan, 1988). Shapiro (1997; 1998) outlines relationships between financial reporting practice and epistemology, arguing accounting is not objective, despite traditional descriptions. Shapiro (1997) also suggests that all propositions should be considered during analysis to discover their limits.

The IASB develop and mobilise accounting as the language of advanced financial capital, operating political processes, through social relations and rhetoric (Glynos 1999; Glynos & Howarth, 2007; Hines, 1988; Shapiro, 1997; Stavrakakis, 1999). So, to analyse the IASB’s articulations, this thesis introduces reflection and inter-subjective objectivity (Hines, 1988; Morgan, 1988). This approach contrasts positivistic methods, which would be unsuitable for the discursive nature of this thesis, as instead all discourses are seen as meaningful and as contributions to the construction of reality (Glynos & Howarth, 2007; Hines, 1988; Laclau & Mouffe, 2001; Shapiro, 1997). For this thesis, there is no universal answer due to articulations and antagonisms. Indeed, all social meaning is political, contextual, relational and contingent

²⁶ DTs negative ontology draws no clear methodological conclusions, so it is supplemented by methods (Jorgensen & Phillips, 2002).

(Glynos & Howarth, 2007; Howarth *et al.*, 2000; Laclau & Mouffe, 2001). This leads to the identification of dislocations which threaten discursive systems simultaneously, creatively and disruptively (Carter, 2008; Glynos & Howarth, 2007; Howarth, 2013).

4.4 Data collection

This Post-Structuralist intervention interrogates the IASB's discourse, rhetoric and narratives. The examination of this discourse examines multiple voices and constructs a contextual data set that acknowledges the limits of the story, but makes continuous, justified decisions (Frezatti *et al.*, 2014; Howarth & Torfing, 2005). This thesis considers multiple interfaces and articulations, not just written discourse, and therefore combines document analysis and interviews to fulfil the research questions and gain a detailed understanding of the *IFRS for SMEs*.

4.4.1 Document analysis

Documents are commonly used for detailed analysis of a case because the information within documents often cannot be gained elsewhere, offering the ability to examine social practices and processes. As May (2011: 191-192) describes, documents form social practice and inform structures and decisions made in daily life, and offer readings of social events.

Howarth and Torfing (2004) explain that documents provide researchers with linguistic, non-reactive data. In this case, the documents are mostly publicly available or archived, constructing the IASB's public discourse. The key documents and websites analysed are listed in the bibliography. Howarth and Torfing (2005: 336-337) articulate the importance of documents for DT alongside the importance of guarding against reductionism:

... it is possible to treat *all data as text* ... Discourse theory needs ... to guard against charges of linguistic reductionism, in which practices are merely the effects of texts, while ... it must not conceive texts as purely epiphenomenal – as the effects of more objective and deeply rooted logics ... Derrida suggests there are no fully saturated contexts, as the traces of signifiers are always detectable in innumerable other contexts. Instead, the researcher is compelled to make decisions about the appropriate level and degree of contextualisation and must establish the limits of any particular project. The key principles underpinning these decisions are that they must be explicit, consistent, and justified.

This quote explains that there should always be explicit and justified decisions within analysis. Any justifications made are constrained by the contingencies of discourse, and there is no universal because there is always reflexivity and contestability (Glynos & Howarth, 2007). Articulatory practice is a discursive moment and the research strategies challenge phenomena, creating an ontic-political interpretation (Glynos & Howarth, 2007).

For this thesis, relevant *IFRS for SMEs* and IASB documents were collected to analyse their processes, mainly from the IASB's website. However, this was not completely relied upon because these documents are the IASB's own selection of documents, so documents were gained from other sources as well. These documents were read and re-read for full immersion within the discourse, followed by the construction of mind maps, and identification of key themes. The

document archive includes all currently publicly available documents published by the IASB on *IFRS for SMEs*, including IFRSF document and the education initiative. There is reason to believe that not every document generated during and prior to the due process related to *IFRS for SMEs* has been included in the IASB's archive. The IASB's documents were analysed along with observer notes of the IASB's board meetings from the time of development of the standard, which were privately obtained. Additionally there were documents published by the WB (particularly their Reports on the Observance of Standards and Codes (ROSC's), which were completed in partnership with the IMF; and the work that the WB did with the IASB on the education initiative), documents from the European Union (EU), the European Financial Reporting Advisory Group (EFRAG), the United Nations Conference on Trade and Development (UNCTAD), the International Standard Setting Reports, published by European Research Associates (IStaR), and documents created by accounting firms on *IFRS for SMEs* and any relevant private documents offered by interviewees. Further details on this range of documents and their time of publication can be found in Appendix 5. Given the timing of the study, after the development of *IFRS for SMEs*, some of the documents were difficult to obtain. Nevertheless, a wide range of documents were obtained from the years prior to the development, during the development, and post-promulgation.

Throughout analysis DT was applied, focusing on hegemonic positions and articulations. This interrogates what was said, but also what was not said, looking for gaps and omissions in the discourse, reading the discourse sceptically, and acknowledging the partial nature of discourse (Carter, 2008; Frezatti *et al.*, 2014; Rapley, 2007). Documentation can raise issues of authenticity and credibility, but in this case documents were collected from official websites or given by people with official titles (Rapley, 2007). The documents' meaning was interpreted subjectively, subjectivity that is dependent on the researcher (Bryman, 2004; Rapley, 2007; Scott, 1990). Importantly discourse analysis is messy, with imperfections, contingencies and complexity, which is acknowledged throughout this thesis (Frezatti *et al.*, 2014). Due to the documents' variety and complexity, combined with transcripts and notes, Scrivener and NVivo (software packages for handling and facilitating the analysis of text) were used to organise and analyse information.

4.4.2 Interviews

This thesis examines data from semi-structured interviews undertaken with predetermined explorative questions and themes. Within each interview the same themes were explored, but at times more focus was given to specific aspects, depending on the responses given in the interview. The nature of the interview enabled interviewees to speak freely and with flexibility, to gain rich and informative information (Collis & Hussey, 2009; Howarth & Torfing, 2005). Howarth and Torfing (2005) state that interviews give linguistic and reactive information, contrasting non-

reactive information, leading to the ability to discuss and explore issues raised by interviewees (but this flexibility is not without its problems):

...we are confronted with the difficulty of validating and corroborating what is said in interviews, of analysing information which we believe either to be true or false, and of accessing information that remains deliberately or unintentionally hidden ... comparing different sorts of data (quantitative or qualitative, primary and secondary) and different types of method (for example, interviews and textual analysis) to see whether they support one another ... is useful in validating evidence obtained during interviews. Moreover, material which is shown to be false, distorted, or partial can and ought to be analysed precisely *because* of their inaccuracies and concealments ... they may themselves constitute important windows 'into actors' understandings and interpretations of events. Hyperbolic representations, omissions, over-wording, slips, and unusual collocations thus constitute valuable points of condensation in an interview, which require closer inspection and analysis ... Finally, it is important to acknowledge the limits of information gleaned from interviews ... and thus to supplement interview data with other sources such as primary documents ... secondary interpretations, interviews from different places of enunciation, and so on (Howarth & Torfing, 2005: 339).

This quote explains there are some forms of validation, but the work allows for potential inaccuracies and concealments, because they are studied and investigated for further validation. This thesis corroborates interviews through documentation and vice versa, acknowledging the limits of both interviews and document analysis.

For the combination of two methods of data collection this thesis draws support from social science literature. Indeed, the interviews produced information that elaborates on the documents in a useful way:

In short, it is to view the dialogical relationship between interviewer and interviewee as ... an encounter in language with all the attendant difficulties post- structuralists have noted about communication in general (Howarth & Torfing, 2005: 339-340).

This centralises the researcher's role, in which the researcher adopts critical reflexivity towards theoretical assumptions and the phenomena being examined. This is to ensure that research is not reductionist or focused on self-serving information, by adopting critical reflexivity (Howarth & Torfing, 2005).

Importantly, leading and limiting questions within this communication are unavoidable, but the semi-structured approach to interviews overcomes these limitations (Fontana & Frey, 2000; May, 1997). The way that this interview data was collected is now outlined. There were 27 interviews conducted for this thesis, and to consider different perspectives people were interviewed from both inside and outside the board, including:

1. International standard setters including board members, staff members, technical staff;
2. National standard setters;
3. Key actors in regulatory organisations and bodies external to the IASB (including the IASC, the WB, the IFAC, the UNCTAD, and the ICAEW);
4. Relevant academics.

These interviews, as listed in figure 12, are from a variety of jurisdictions and continents to consider some different geographical perspectives, and voices that were marginalized (as Ram &

Newberry (2013) and Devi & Samujh (2015) identify the exclusion of emerging economies in the due process). Thus, through professional diversity and geographical diversity, this thesis empirically considers different perspectives and identifies different actors, for a well-rounded understanding of the phenomena. However, the silenced or missing voices in the debate were harder to contact in the interview process, for various reasons. For example, some actors did not respond to correspondence, and because the standard was promulgated in 2009 some relevant actors were no longer contactable. There was contact and interviews undertaken with voices that were marginalised, specifically through interviews with actors from emerging economies. However, ‘marginalized voices’ are inevitably hard to contact so documents were used to identify and illustrate voices that were excluded or dismissed in the IASB processes and practices. I contacted interviewees through connections that my supervisors held in the field, which was followed by the snowballing method. Specifically, I asked interviewees if they had the details of anyone connected to the project and added the caveat of asking if they had contacts from emerging economies.

As many of the interviews picked to retain anonymity, this anonymity was taken across all interviewees, with some details being revealed in the empirics for those interviewees that did not require anonymity, and the following roles being shown according to the ethical procedure:

Interviewee 1	Employee of a professional body
Interviewee 2	Employee of a professional body
Interviewee 3	Academic
Interviewee 4	Academic
Interviewee 5	Academic
Interviewee 6	Involved in international standard setting and involved in work with IFIs
Interviewee 7	Academic
Interviewee 8	Academic
Interviewee 9	Involved in work with the International Public Sector Accounting Standards
Interviewee 10	Involved in international standard setting
Interviewee 11	Involved in international standard setting
Interviewee 12	Involved in international standard setting
Interviewee 13	Involved in national standard setting
Interviewee 14	Involved in international standard setting
Interviewee 15	Involved in work with the IFAC
Interviewee 16	Involved in national standard setting
Interviewee 17	Involved in international standard setting
Interviewee 18	Involved in transnational standard setting
Interviewee 19	Involved in international standard setting
Interviewee 20	Involved in international standard setting
Interviewee 21	Involved in national and international standard setting
Interviewee 22	National standard setter
Interviewee 23	Academic
Interviewee 24	Involved in national standard setting
Interviewee 25	Involved in national standard setting

Interviewee 26	Involved in international standard setting
Interviewee 27	Academic and involved in work with IFIs

Figure 12: Table of interviewees

The length of the interviews varied from 30 minutes to 120 minutes, depending on the availability of the interviewee and the knowledge that they held of the subject, 19 of the interviews were conducted face-to-face and 8 via skype. The interviews were recorded and notes were taken. Following the interview the data was transcribed in full, and interviewees were given the opportunity to see the full thesis manuscript and respond to quotes. The interviewees signed a consent letter, and the main contents of the letter were brief details on the project and the terms in appendix 2.

The analysis of this data was conducted using some key analytical techniques that are explained in the following section.

4.5 Analysis of data

The empirical analysis that is conducted through DT examines the concrete case as an opportunity to develop DT, therefore not seeing DT as a set of theoretical tools to be applied, but instead identifying the necessity for theory building. DT offers contextual analysis, and analysis of the meaning of discourse, through the examination of LoE/LoD, signifiers and rhetoric (Laclau & Mouffe, 2001). The analytical task is reading by deconstructing, interpreting and reconstructing texts, identifying authority, exclusion and the characterisation of events and acknowledging the role of the author within these elements (Carter, 2008). This method is flexible and subjective, considering how meaning is constructed, developed and employed, whilst considering different potential meanings (Carter, 2008). The steps taken in the analysis of discourse are not necessarily sequential, instead there is continuous movement between analysis, writing, theory and previous literature. The analysis started during the collection and initial readings of the documentation. This developed an understanding of the case, led to the identification of other necessary documentation, and aided in the development of questions for interviewees. This analysis identified key themes and contested quotes, with the help of software, because of the large amount of data and documentation analysed, using Scrivener, NVivo and Word. This analysis was informed by L&M's (2001) DT, and the LOCE, both of which led to the development of key themes. For example, a reoccurring term within the discourse surrounding *IFRS for SMEs* is developing countries, so the software enabled me to identify the different uses of this term as a key signifier within the IASB's discourse.

This thesis argues that *IFRS for SMEs* constitutes an attempt to fix the contingencies within the discourse of differential reporting, and political debates (Howarth *et al.*, 2000). Therefore, this research extends to other organisations, to identify the broader context, and political surroundings (Howarth *et al.*, 2000). Furthermore, this thesis acknowledges there cannot be an 'authentic' analysis, as any account is always 'partial' (Czarniawska, 2014; Spence & Carter, 2011).

However, this thesis contributes an analysis of the impact of the extension of IFRS to *IFRS for SMEs*, problematising regulation and standard-setting, which has ramifications for accounting, regulation, law, politics and policy (Glynos & Howarth, 2007; Howarth, 2010; Griggs & Howarth, 2013; Howarth & Griggs, 2012). This examines political contestations and struggles, highlighting radical contingencies, the incomplete character of social practices, and examining the fantasmatic underpinnings (Glynos *et al.*, 2015). Similarly, Glynos *et al.* (2015: 395) examine fantasmatic ideologies, as explained in the theory chapter:

These logics offer a language with which to characterize and critically explain the dialectical movement governing practices, including the way they come to be instituted, maintained, defended or transformed. Logics articulate something about the norms, roles and narratives, as well as the ontological presuppositions that, together, render practices possible, intelligible and vulnerable to contestation. The language of logics offers a way of putting to work a poststructuralist ontology, where critical explanation is understood to emerge through deep immersion in the empirical corpus.

This focus on the logics is important because the methodology:

...suggests that language and meaning do not simply serve external interests and causes; they also constitute them (Glynos *et al.*, 2015: 396).

To examine the logics, the data was read and re-read. Moreover, this thesis draws upon the analytical techniques of nodal point deconstruction and rhetorical redescription. These forms of analysis are important because *IFRS for SMEs* emerged in a political battle over differential reporting (Howarth & Griggs, 2006). These two analytical techniques are now elaborated on.

4.5.1 Empirical analysis: nodal points and contingencies

Throughout the empirical analysis, nodal points were identified and deconstructed. Moreover, this analysis focused on the identification of different contestations. Often analysis through L&M and G&H call for the analysis of dislocations. However, the extension to *IFRS for SMEs* occurs because of contestations and counter articulations, within differential reporting, and there is not a significant dislocation, as these articulations and the extension do not change the process or change the focus of standard setting, as counter articulations are all informed by advanced financial capital logics. Discursive contingencies and counter articulations are investigated. Within differential reporting there is a failure in the IASB's structure, but as they construct *IFRS for SMEs* nothing significant changes in their standard setting. The analysis of nodal points, contestations and contingencies enables the examination of debates, key actors and the processes adopted to develop *IFRS for SMEs* (Howarth *et al.*, 2000; Laclau, 1990).

Therefore, this thesis examines how actors succeeded in sedimenting *IFRS for SMEs*, and the key signifiers and nodal points operating within the discourse. Consequently, the empirics also consider potential dislocations, and alternatives that could have become the socially sedimented practices (Carter, 2008; Glynos & Howarth, 2007; Howarth *et al.*, 2000). The empirical analysis also focuses on rhetoric and how actors articulate rhetoric, because this constitutes social reality,

and is important for understanding and explaining social phenomena, therefore the analysis also investigates rhetorical re-description (Glynos & Howarth, 2007; Howarth & Griggs, 2006).

4.5.2 Empirical analysis: Rhetorical Redescription

Rhetorical redescription (*paradiastole*) is the re-valuing or de-valuing of the normative significance of concepts (Howarth & Griggs, 2006: 11). These ‘redescriptions’ occur in four different ways, including: re-conceptualisation (a revision of meaning), re-naming (a change of the name), re-weighting (a shift in significance) and re-evaluation (an alteration of normative implications) (Carter, 2008). Skinner (2002: 183) describes this through Quintilian’s technique of ‘assign[ing] different causes, a different state of mind and a different motive for what was done’. Through rhetorical redescription, this thesis politically examines *IFRS for SMEs* as an attempt to fix hegemonic discourse, by examining the IASB’s discourse and rhetorical tropes (Howarth & Griggs, 2006). For example, the IASB have reconceptualised (revised the meaning) of the term ‘SMEs’, which assembles increasing metonymical tropes (Laclau & Mouffe, 2001). Similarly, Frezatti *et al.* (2014: 439) demonstrates that the task of analysing documents is a reflective process of ‘deconstruction, interpretations and reconstruction’ in which the researcher considers how meanings are ‘constructed, developed and employed’. Accordingly, this thesis empirically examines the IASB’s discourse and interviews through rhetorical redescription, with themes that are linked to the social, political and fantasmatic logics. This involves a reflective process:

The analytical task is a “reading” of the empirical material, focusing on its symbols, and includes deconstruction, interpretation, and reconstruction... It is an inherently flexible process, enabling the researcher to consider not how meaning is constructed, but how meanings are developed and employed, and thus consequently, what accounting and other informational proxies “do” within the organisation. Of importance is the divorce between the author’s intended meaning (in performing the act or writing text) and the reader’s received meaning (in witnessing the act or reading text). Thus, any text is full of potential readings (Frezatti *et al.*, 2014: 439).

Therefore, empirical questions focus on rhetoric, metaphors and articulations within the *IFRS for SMEs* discourse. These re-descriptions are constantly moving and changing and are ubiquitous within political discourse (Griggs & Howarth, 2013; Howarth & Griggs, 2006). For example, Griggs & Howarth (2013: 155) identify the act of rhetorical redescription within their examination of the ‘freedom to fly’ debate, where they show how rhetoric is constructed by interested parties. Rhetorical redescription calls for a constant double loop learning when considering theoretical assumptions, research questions and the empirical data, to acknowledge different perspectives, ambiguities and complexities (Alvesson, 2003; Covalski & Dirsmith, 1990; Glynos & Howarth, 2007; Griggs & Howarth, 2013; Khalid, 2009; Laclau and Mouffe, 2001; Lye, 1996).

The analysis of the literature, the documents and the interviews was conducted through the identification of key words through rhetorical redescriptions. For example, when reading documents from the IASB, the empirical analysis searched for key terms, such as ‘defining SMEs’ (because of the prominence of the issues surrounding the definition of an SMEs within these

documents); ‘developing countries’ (because of the previous literature that has highlighted the limits of the due process when considering developing countries); and ‘stand-alone’ (because of the repetition of this phrase within the documentation). Interviewees were also asked about these key themes to further explore their understandings of the words and their impact. Within external documents, such as those from the WB, a series of searches were conducted for key terms such as ‘IFRS’ and ‘SMEs’ to identify the articulations about the IASB within these documents and examine the external context outside of the IASB’s discourse. A similar logic was applied to the analysis of interview transcriptions, with the added consideration of questions asked and biases that can occur in the interviewing process. The interviews were listened to multiple times, transcribed, read, re-read and divided into themes that linked to the themes from the documentation and literature. This offered a richer and deeper understanding of the debates, the articulations, and the way that actors understand rhetoric and signifiers. This was undertaken using NVivo, for searching and categorising, and Scrivener for the organisation of documents and Microsoft word for deeper readings and analysis. Whilst writing the empirical chapter, empirical documents were continuously read and analysed to ensure validity and further explore ideas and themes.

The LOCE seeks to understand ontological interpretations of social actors at the social, political and fantasmatic levels. Whilst DT seeks to identify nodal points, rhetorical strategies and articulations employed by actors as they construct and sediment new discourses. This focus on subjectivity in both theory and methodology renders the use of coding or linguistic analysis unsuitable, as forms of objectivity are avoided within the research approach. Within this research, I am actively engaged in the research as a political actor involved in the research process. Therefore, this research represents my interpretation of the political environment surrounding the *IFRS for SMEs* and the IASB’s discourse. So, a key component of this research is that the reader considers my empirically and theoretically grounded research, which examines the interface between accounting and politics in the IASB’s creation of *IFRS for SMEs*, and forms their own opinion. Therefore, these questions are focused on in terms of rhetoric: 1) what rhetoric has been employed by the IASB? 2) How have interested parties constructed this rhetoric? 3) How have interested parties responded to this rhetoric? 4) How have various actors shifted their position?

4.6 Summary

This chapter has focused on the implications of the methodological approach and the implications of DT and data collection methods. As part of this, this chapter focused first on articulating G&H’s LOCE as methodology. The key conclusions of this chapter are:

- The empirical analysis is conducted through DT, examining the concrete case as an opportunity to develop DT, not seeing DT as a set of theoretical tools to be applied, therefore leading to theory-building. Given the open and flexible nature of DT and

negative ontology there are some research methods that are incommensurate with DT – such methods have not been used in this research.

- Responding to critiques of DT (see Chapter 3), G&H developed the LOCE, which proposes five movements that are followed within this thesis. LOCE operates as methodology for the entire thesis. Moreover, the analysis tools have been used to examine the way that actors construct debates around key nodal points, thus also examining how interested actors succeed in sedimenting *IFRS for SMEs*, and the rhetorical and metaphorical elements within the development and promulgation of *IFRS for SMEs*. This thesis considers rhetoric by looking at the meaning that are attached to discourse, and the decisions that are made in the development of the standard. This involves an investigation into the formation of political identities within the debate surrounding differential reporting and the pressure to adopt accounting standards.
- This thesis has employed document analysis and interviews combining analysis of non-reactive, linguistic data that is publicly accessible, with greater depth through semi-structured interviews that offer reactive data.

Having outlined the methodology employed in this thesis, the following chapter moves to analysis of literature on the IASB and the *IFRS for SMEs*, analysis that is informed by L&M's PSDT and G&H's LOCE.

Chapter 5: A Discourse Theory critique of the literature on the IASB and *IFRS for SMEs*

Chapter 1 introduced the work of the IASB on *IFRS for SMEs*, outlining the rule-making role that the IASB plays in regulation, thus pointing to the necessity to examine dominant regulatory accounting theories. Regulatory theories were examined in chapter 2, demonstrating the need for a theory that would enable further interrogation of the politics within the IASB's extension to *IFRS for SMEs*. Thus, this thesis is concerned with examining the IASB's role as a hegemonic agent, through L&M's conceptualisation of hegemony, which was justified in chapter 2 and 3. In acknowledging the limits of L&M's theory this thesis draws on Glynos & Howarth's methodological framework, articulated in chapter 4. The present chapter examines the relevant literature on the IASB and the *IFRS for SMEs*, through L&M's DT, to give a retroduction and identify the way this thesis extends the prior literature. In this sense, this chapter and the next chapter are retroductive as they offer an investigation of the empirical event, deconstructing, reconstructing and problematising the phenomena observed. In particular, examining what the 'facts' are, and what gave rise to those 'facts', and remains open ended (Glynos & Howarth, 2007). These two chapters illustrate different perspectives, deconstruct dominant perspectives and situate the discursive problem for this thesis (Glynos & Howarth, 2007).

As explained, this thesis is concerned with the way that the IASB control regulatory conversations, in which they place themselves at the centre of the differential reporting debate by constructing the extension to *IFRS for SMEs*. The IASB self-defines who it will talk to and how it will talk to them, and speaks on behalf of others, with little concern for different perspectives that fall outside of the 'box' of the IASB's approach. Thus, this thesis examines the political processes of the IASB as a geopolitical agent, operating through claims to technocracy, by looking at how and why they extend their hegemony to SMEs and emerging economies. In their work, the IASB construct key nodal points, which have been examined previously in the literature. The present chapter focuses on the macro level, as a deconstruction of the IASB's technocracy, and the subsequent chapter focuses on identifying *IFRS for SMEs* literature.

This literature review focuses on some core themes, first considering the IASB's **social impact**, and their **rhetorical tropes**, which are considered in the second part of the chapter. Within this the IASB claim that rhetoric is operationalised through **due process**, enhancing their claims to technocratic regulation, so literature that has examined the IASB's due process is identified in a subsection of section two. Third, Botzem identifies the role of politics in the IASB and the way this politics is masked through **technocracy**, which is important for the examination of the extension to *IFRS for SMEs*.

Within this construction there are some key rhetorical tropes including (but not limited to) the **public interest** (fourth section), **accountability** (fifth) and **comparability** (sixth). Given the discussion of comparability and the IASB's aim to construct a global language for financial

reporting the section that follows (seventh) deconstructs claims to **geographical diversity**. Linked to this, the eighth section examines **interconnected nature of the WB** and the IASB. Following this there is a summary which concludes the chapter.

5.1 Accounting and Society

As expressed in chapter 3, this thesis aims to consider the social impact of the politics of accounting standard setting. This thesis questions the extent to which the IASB considers the broader social context. Further than this, this thesis questions the IASB's ability to do so within their current structure, systems and processes. The contingencies that impact the IASB's extension to *IFRS for SMEs* are of a social nature, but this extension converts social impact into problems that hold technocratic and objective solutions through the promulgation of *IFRS for SMEs*. The rhetoric of objectivity is a dominant ideology within accounting, masking accounting's subjective, impure and biased nature. The call to acknowledge the social impact of accounting, its organisations and their approaches is not new in accounting (Hines, 1988; Hopwood, 1989). Nevertheless, highlighting the necessity to consider accounting's political and social impact needs to be repeated whilst organisations such as the IASB continue to operate with little consideration for their social, political, and environmental impact, through claims to technocracy that obscure these impacts. Critical accounting research has highlighted the dominant role of accounting in capitalism, the myths of survival of the fittest, economic efficiency and growth (Bryer, 1999; Chiapello, 2007; Cooper, 2005). Despite this, the hegemony of advanced financial capital and neo-liberalism continues to use accounting to the advantage of the powerful, wealthy elite (Cooper, 2015). For Cooper (2015) the conceptual framework is a strategic legitimacy manoeuvre which constructs the symbolic power of the profession. Due to increasing globalisation, and the increasing role of the IASB as a geo-political player it has become difficult for countries to avoid the adoption of IFRS, increasing the IASB's hegemonic position through various strategies. For example:

Hines (1989, p. 72) writes that Conceptual Framework projects are used as a political resource in the professionalisation struggle during times of possible intervention by the state and at times of competition from other groups... Zhang and Andrew (2014) found the same motivations underpinning the most recent (and on-going) IASB/FASB Conceptual Framework project which was initiated as a strategic response to threats to accounting legitimacy in the form of significant criticism for its role in the recent financial crisis. At the time in which Hines was writing (in the late 1980s) it was clear that Conceptual Framework projects were doomed to "technical failure" and that the major rationale for undertaking Conceptual Frameworks was not functional or technical but a strategic manoeuvre for providing legitimacy to standard-setting boards and the accounting profession (Cooper, 2015: 69-70).

This quote demonstrates the changing nature of the IASB's work as they attempt to maintain and extend their hegemony through different strategies. The increasing monopolistic status that is given to the IASB over standard setting, eliminates the ability to compare and learn from alternatives, or to tailor financial reporting practices to local variations:

It also disallows the tailoring of financial reporting to local variations in economic, business commercial, legal, auditing, regulatory and governance conditions across the globe (Sunder, 2011: 291).

Sunder (2011: 292) notes that research on the IASB's claims to comparability through IFRS are 'mixed at best', so Sunder argues that the IASB should not be granted monopoly, as this only obscures any costs and risks. To illustrate this, Sunder (2011: 305) suggests that the IFRS rhetoric is like the 'Washington Consensus' and the 'tale of the Pied Piper':

The ancient tale of the Pied Piper has become a metaphor for a leader who entices people to follow (especially to their doom) by offering the promise of benefits, front and centre, while hiding the costs and risks behind the fog of time and uncertainty. IFRS-as-monopoly is not the first example of pied pipers in modern economic and business policy. In the 1990s, the so called Washington Consensus on macro-economic policy had the backing of the International Monetary Fund, the World Bank, and most major economic powers and thinkers in the world. There were few critics then. Today, the Washington Consensus lies discredited and ignored, and has no defenders... Similarly, the euro was adopted with much fanfare in 1999, and its benefits were promoted by the powerful and the knowledgeable. Today, the wisdom of that move is less clear. The IFRS, if allowed to develop by choice of investors and reporting entities in a competitive environment, is a good idea. If they happen to attain a universal following through such a market process, so be it. But let us think again about the damage we could inflict on our markets and economies by granting it a worldwide monopoly through the edicts of national governments.

Arguably, the extension to *IFRS for SMEs* extends this monopoly further. These issues of accountability or lack thereof are crucial for this thesis, and L&M enables analysis of the IASB's hegemony through examination of the role of the political, social and fantasmatic logics. While Sunder (2011) and others have acknowledged the political role of the IASB and their power, the extension, adaptation, and maintenance of hegemony has not been examined to the necessary extent, and the extension in the IASB's role as geo-political agent through *IFRS for SMEs* has not been explored to the extent to which this thesis does. Prior analysis has examined the IASB's rhetorical construction of legitimacy, offering interesting insights for this thesis.

5.2 Deconstructing the IASB's legitimacy and rhetoric

The legitimacy and rhetoric of the IASB has been called into question by various authors, for example: Bamber & McMeeking (2016); Richardson & Elberlein, (2011); Wingard *et al.* (2016). Pelger and Spieß (2017) identify that the IASB's work continuously maintains their legitimacy as a rule-maker, for regulation. Additionally, the IASB's user pronouncements only construct faux legitimacy (Pelger & Spieß, 2017). Similarly, Wingard *et al.* (2016) argue that the due process could be improved as poorer countries are impacted by IFRS, but not considered in process (Hopper *et al.*, 2017). Bamber & McMeeking (2016) confirm an Anglo-American bias, by identifying the dominance of American constituents. Another aspect of the rhetoric constructed to legitimise the IASB is the reference made to users. Young (2003; 2006) identified flaws in the FASB's identification of users as investors and creditors that make informed economic decisions. This construction of the user is drawn upon as justification (Young, 2006: 580):

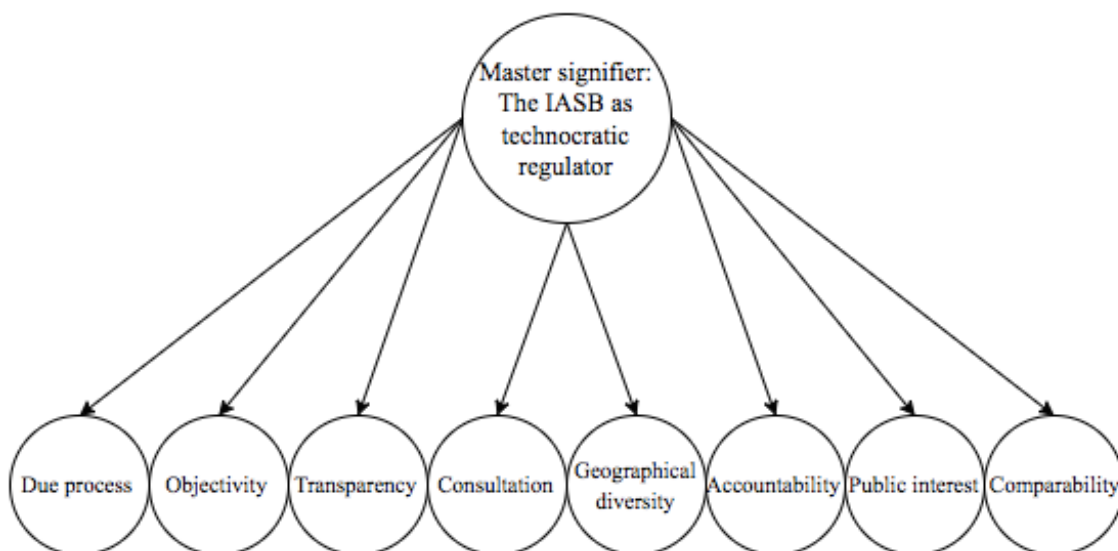
Particular accounting requirements are frequently justified by references to user needs or wants or interests. However, these assertions are rarely connected to specific evidence.

The construction of the user is also prominent in the due process for SMEs, in which the IASB identify a different user. This is further explored empirically. This focus on legitimacy is important for examination of the IASB’s process and discourse, but this thesis extends beyond legitimacy to further holistic analysis, considering how the IASB construct legitimacy, and the impact of this construction. Within this construction of legitimacy, the due process is prominent, acting as a signifier for the IASB, to legitimise their standards.

5.2.1 Deconstructing the due process

Prior literature has examined the ‘due process’, which acts as a signifier in the IASB’s work under the master signifier of ‘technocratic regulator’, with surrounding signifieds such as ‘accountability’, ‘transparency’, ‘consultation’, ‘geographical diversity’ and ‘public interest’, which have been examined in various studies (Botzem, 2012; 2014; Burlaud & Collasse, 2011; Chiapello & Medjad, 2009; Cortese *et al.*, 2010; Gallhofer & Haslam, 2007; 2003; Martinez-Diaz, 2005; Richardson & Eberlein, 2011), and are shown in the following figure:

Figure 13: Signifiers and the IASB



Previous studies identify the politics of the IASB’s due process, a politics that is disregarded and masked by the IASB through procedural due process (Bengtsson, 2011; Botzem, 2012; Burlaud & Collasse, 2011; Luthardt & Zimmerman, 2009; Richardson & Eberlein, 2011). Burlaud and Collasse (2011) identify that actors that participate in the due process have major financial and intellectual resources, silencing those who do not. According to Burlaud and Collasse (2011) this narrow focus comes from the fundamental principles of the IASB’s work which are sedimented in agency theory, efficient market hypothesis and capital markets, despite the limits of these approaches. This illustrates socially sedimented practices followed by the IASB, disputing their ethos of democracy.

Research shows that the IASB’s due process is exclusionary, in terms of professional and geographical diversity, as they continue to empower Anglo-American domination (Botzem, 2012;

2014; Chiapello & Medjad, 2009; Cortese *et al.*, 2010; Gallhofer & Hasalm, 2003; 2007). The concept of ‘Anglo-American power’ in these research papers is extended within this thesis as instead this thesis examines the role of the IASB as hegemonic agent for advanced financial capital which does not necessarily require a focus on Anglo-American domination. *IFRS for SMEs* was not created for capital markets, showing the importance of this extension, and the IASBs claims regarding *IFRS for SMEs*.

The IASB serves a regulatory function within accounting, but is a private standard setter. Their regulatory role and logics of inclusion, independence, public interest and objectivity that permeate their standards and feed into the master signifier of ‘due process’, holds contradictions with their role as a private international body seeking to facilitate global capital movement. Critiques of the due process analyse the social logics and socially sedimented practices of the IASB, but often disregard the political logics which are concerned with the construction and naturalisation of frontiers, and the fantasmatic logics which are concerned with the role of the subject, and the way that the subject is gripped by ideologies.

Some literature has focused on the specific social practice of lobbying during standard setting, often through analysis of comment letters (Georgiou, 2004; Giner & Acre, 2012; Holder *et al.*, 2013; Jorissen *et al.*, 2010; 2013; Larson & Herz, 2013; Sutton, 1984). This thesis considers comment letters in analysis, but does not focus solely on comment letters. These studies offer insight into the most active participation and the dominance of lobbying from large and wealthy constituents (Giner & Acre, 2012). They also identify inadequate geographical diversity through the quantification of the origin of comment letters (Erb & Pelger, 2015). Studies that move away from quantification to qualitative analysis of lobbying (beyond only comment letters) identify the role of organisational networks (Erb & Pelger, 2015; Giner & Acre, 2012; Holder *et al.*, 2013), identifying political struggles in lobbying between elites through various methods of influence, power and rhetoric (Cortese *et al.*, 2010; Georgiou, 2004; Georgiou & Roberts, 2004; Sikka, 2001; Zeff, 2002). Similarly, Cortese *et al.* (2010) and Sikka (2001) argue lobbying depends on economic consequences, as entities struggle for power in attempts to align with their own interest, identifying regulatory capture (Cortese & Irvine, 2010; Kwok & Sharp, 2005; Posner, 1974; Walker, 1987). Hansen (2011) finds that attention paid to lobbyists depends on their perceived credibility and capital market impact. Alternatively, Weetman (2001) contends that lobbying is irrelevant as the IASB determine standards prior to lobbying, only considering comments in support, whilst ignoring and suppressing contradictions.

Importantly, the research on lobbying outlined here suggests that actors will lobby when standards are being developed if the benefits that they will gain are likely to outweigh the costs. This is interesting for *IFRS for SMEs* as there are less political players that have the ability or resources to comment on *IFRS for SMEs*, with invested interest. Indeed, the average SME is unlikely to have the resources to lobby or comment, and as they are not already a political player in this arena

they may not be acknowledged. Further, the lack of geographical diversity has an increased impact because *IFRS for SMEs* specifically targets emerging economies, as explored further in this chapter.

Research has also critiqued individual standards, demonstrating themes of exclusion and domination. First this section looks at IFRS 6 (Exploration for and Evaluation of Mineral Resources) then IFRS 8 (Operating Segments) and then fair value accounting (FVA). Cortese *et al.* (2010) identify through critical discourse analysis that the IFRS 6 debate was captured by powerful entities and the extractive industry leaders through hidden coalitions and covert influence. For Cortese *et al.* (2010) IFRS 6 only codifies practice, as it was captured by those being regulated. Arguably, this domination occurs within the due process, which is not objective, transparent or representative as claimed (Cortese *et al.*, 2010; Cortese & Irvine, 2010). For Cortese & Irvine (2010) there is disparity between processes and visible inputs and outputs, identifying a ‘black box’ within the IASB’s work. Cortese & Irvine (2010) offers important analysis of the key players within the IASB’s debates. This thesis extends Fairclough’s critical discourse analysis through L&M (explained in chapter 3). Focusing on IFRS 8, Crawford *et al.* (2014) illustrate that the EU’s position towards the IASB is weak, so the EU attempted to regain control. Arguably, the EU manages to regain control over standard setting, through a process of “comitology” which aims to align with European tradition and law in attempts to resist Anglo-American hegemony (Crawford *et al.*, 2010). This analysis illustrates the EU’s contested relationship with the IASB’s standard setting, which will be considered empirically.

Power (2010) examines FVA and identifies increased professionalisation within the IASB, finding that FVA changed their motives through further incorporation of financial economics which increased the partiality, selectiveness, ever-changing and impure nature of accounting representations. For Power (2010) there are different views of idealism and pragmatism within the board, creating problems of reliability. Equally, Erb & Pelger (2015) analyse the replacement of reliability, with representational faithfulness, replacing areas of objectivity with further subjectivity through fair value and extending boundaries. In concurrence, Müller (2014) argues FVA and the focus on shareholder value, propriety of the firm, and the expansion of financial markets into non-financial sectors in IFRS has increased capitalistic domination. This highlights the juxtaposition between the IASB’s capital market focus (which places certain voices at the centre) and the creation of *IFRS for SMEs*. Similarly, Zhang & Andrew (2014) identify a shift in the purpose of accounting through FVA and conceptual framework changes, which supports the power of capital markets, and neo-liberalist domination. For Zhang & Andrew (2014) China is gradually becoming a part of global neo-liberalism and financialisation, but arguably FVA does not fit the Chinese context. Therefore, this impacts the local context and only provides opportunities for powerful political and economic elites to dominate and profiteer, by promoting certain ideologies. Thus, this thesis questions the creation of, and extension to *IFRS for SMEs*, as the IASB is focused on capital markets and neo-liberalism.

The contradictions between the limits of the IASB's due process and their rhetoric are crucial in the maintaining their hegemony, but this thesis extends beyond a focus on the due process and the social logics of the IASB to political and fantasmatic logics. Within this hegemonic politics, the IASB construct themselves as a technocratic regulator, which is core to Botzem's critique of accounting standard setting.

5.3 The limits of Botzem's politics

This section analyses Botzem's critique of the politics of accounting standard setting. Botzem (2012) examines the rhetorical construct of the IASB as a technocratic regulator which masks the politics of accounting standard setting. This is an insightful piece of work which examines technocratic politics, but lacks analysis and critique of the impact of technocratic logics, and has not considered (due to the time frame) the impact of extending to *IFRS for SMEs*. Botzem (2012: 15) briefly considers the IASB's extension to standard setting for SMEs:

Today, however, the IASB's influence extends far beyond listed companies in industrialized countries. The standard setter is eager to expand the reach of its norms to small and medium sized companies (SMEs) and even nonprofit organizations.

For Botzem (2012: 7) politics and power is central to the IASB's standard setting: '...even in times of financial crisis, the IASB displays remarkable institutional stability and continues to shape financial reporting practices worldwide'.

An important element of the IASB's power, Botzem (2012) argues, is their independence from any state, which is enhanced by their focus on expertise, investors and capital markets and legitimised by their rhetoric of accountability and public interest (Botzem, 2012; Gallhofer & Haslam, 2007; 2003; Messner, 2009). Over time the IASB has changed their structure and conceptual framework, adapting to critiques posed toward their legitimacy, and accountability (Botzem, 2012; 2014). For example, the IASB have attempted to respond to critiques by reinforcing their role as technocratic regulator, to maintain their hegemonic position:

In this regard, the monitoring board was an attempt to square the circle: The IASB wants to react to its critics without making any substantial changes to its structure and by leaving "technical" decisions making untouched... the IASB organization structure is best described as technocratic... the key component in this mode of technocracy is expertise, or more precisely, the power to define what is to be considered relevant expertise... an especially important means of securing the position of experts in the field of accounting... (Botzem, 2012: 109-110).

The depiction of separation, in which technical decisions are untouched by the IFRS Foundation and the Monitoring Board and left to the IASB, constructs the IASB as technocratic and gives them the power to define expertise (Black, 2008; Quack, 2010). These logics are crucial for this thesis, as the IASB construct relevant expertise within their regulatory conversations, and through ad-hoc additions such as the Monitoring Board they self-define their accountability. The extension of this to new areas is a political and contestable movement, but is constructed as rational through logics of expertise and technocracy. Botzem (2012) identifies the construction of legitimation strategies within the

IASB's procedures and processes, as further examination shows that their consultation is limited (Hopper *et al.*, 2017). For example, Botzem (2012) identifies the hidden, but influential role of the IASB's staff members, as this threatens the IASB's transparency. Similarly, Morley (2016) identifies the role of technical staff and their impact. Morley (2016) demonstrates the importance of evidence outside of documentation for revealing internal motivations in the standard setting process that are tactical, including group biases. This thesis similarly examines internal lobbying, group biases and tactics within the due process through social logics.

Additionally, Botzem (2012) argues that the comment letters and other forms of consultation undertaken by the IASB offer little additional insight and are only used to legitimise and defend their position (Pelger & Spieß, 2017). Despite these limits the IASB makes claims to procedural and substantive due process and the rhetoric of expertise, both of which continue to give the IASB universal recognition and legitimacy, despite 'weaknesses in its democratic accountability' (Botzem, 2014: 951).

However, Botzem (2012; 2014) focuses on the socially sedimented practices, and despite being insightful in examination of the IASB's due process, Botzem has not considered the politics of emergence, the construction of political frontiers and the impact that the IASB have. Further, Botzem has not examined the impact on subjects, or considered the ideologies that grip subjects in the construction of hegemony. Thus, Botzem outlines technocratic politics, but does not examine the impact of this technocratic politics or the extension of technocratic politics. Thus, despite examining the politics of accounting standard setting, the political depth is extended within this thesis, as the Logics of Critical Explanation add the political and fantasmatic logics to examination. Moreover, to examine the extension to *IFRS for SMEs* this thesis requires extensions of prior understandings about the IASB, including their geo-political role, and their role as hegemonic agent of advanced financial capital.

As explained, the construction of technocratic regulator is linked to signifiers of accountability and the public interest, which attempt to mask the IASB's political role in standard setting.

5.4 The rhetorical construction of 'Public Interest'

Gallhofer and Haslam (2007) critique the IASB's rhetoric of the public interest for being unfulfilled, as the IASB are instead focused on a special interest. This is important because of the large (hidden) impact that standard setting has:

Accounting standards concern a far greater audience than market actors (companies, auditors, bankers and investors). They also determine the information accessible to employees, citizens and States (Chiapello & Medjad, 2009:466).

L&M (2001) would see the invocation of public interest by the IASB as operating metonymically for private interest (Botzem 2014; Botzem & Quack, 2009; Gallhofer & Haslam, 2007; Quack, 2010). Further, Gallhofer & Haslam (2007) argue that the IASB's processes are exclusionary,

limited and motivated by special interests, with a focus on capital markets. The biases described privilege certain views and silence others (Hines, 1991; Morgan, 1998). The construction of the public interest allows the IASB as a transnational regulator to justify decisions and construct legitimacy through rhetorical strategies:

A regulatory gap has developed between traditional regulators, which are historically tied to the territorial nation state, and global firms which are increasingly influential in new transnational regulatory institutions. Professional regulation, at the transnational level, is now a negotiated product from an increasingly broad and heterogeneous network of actors. The espoused logic promotes commercialism and the protection and promotion of capital markets, rather than a direct concern with citizens' rights and the public interest. Accounting, particularly the Big Four firms, are at the center of these changes which continue to unfold (Suddaby *et al.*, 2007: 357, see also, Suddaby & Greenwood, 2005).

Baker (2005) similarly critiques the 'public interest' in the US context, illustrating the domination of neo-liberal ideology. For Baker (2005) there is an absence of clear definition of the public interest, enabling the advancement of self-servient, narrow interest and ideology.

The IASB claim to satisfy the 'public interest' through procedural due process. However, at the intersection of regulatory and legal theory, Burkhead and Milner (1971) argue that when 'public interest' is reduced to 'due process', problems and tensions are created (Horwitz, 1989). Black (2002a, b) and Posner (1974) reinforce this by suggesting that regulators are not motivated to regulate in the public interest, so only powerful groups in society benefit, as described by regulatory capture theory. Similarly, Mitchell *et al.* (1994: 48) argue that the 'public interest' is a smoke screen, which protects the pursuit of sectional private interest. Therefore, the 'public interest' is shown to be a messy and captured trope, which is interesting for *IFRS for SMEs* and the broader work of the IASB, because they invoke imageries of the 'public interest' in their due process and in their role as technocratic regulator. Thus, it is interesting to examine what the discourse of 'public interest' does for the IASB, despite its messy and captured nature. Whilst Gallhofer and Haslam (2007) offer an interesting critique of the IASB's public interest and suggest improvements in their work. This thesis argues that previous research on the IASB accepts the necessity for the continued existence of and legitimacy of the IASB and offers suggestions for improvement, whilst this thesis does not, and is instead concerned with the politics of the other. By accepting the existence of the IASB, the critiques form incremental improvements and reify the status quo, without questioning the deeper politics operating within the IASB. Indeed, Gallhofer and Haslam (2003; 2007) believe that democracy will solve the problem, whilst this thesis argues that technocracy will continue to resist democracy.

The IASB, operate through a veil of technocracy as an agent of advanced financial capital, and the politics within the extension to *IFRS for SMEs* is deeper than has been examined before because this is no longer about regulating financial markets. The examination of public interest leads this thesis to the rhetoric of accountability applied by the IASB.

5.5 The rhetorical construction of 'Accountability'

There is significant literature that examines accountability within accounting and accounting institutions (see, Bebbington *et al.*, 2007; Brown, 2009; Gray, 1992; Gray *et al.*, 2009; 1996; Mouck, 1995; Roberts, 2009), and literature that has critiqued the IASB's claims to accountability (Botzem, 2012; Burlaud & Collase, 2011; Chiapello & Medjad, 2009; Gallhofer & Haslam, 2003; 2007; Messner, 2009). Chiapello (2007) and Chiapello and Medjad (2009) argue that the IASB invoke a logic of accountability to all, but continue to serve particular, one-sided, powerful, private interests. This rhetorically masks their limited, investor-focused exclusion, which is reinforced by reification of the market as the guiding heuristic (Cortese & Ivirne, 2010).

The IASB respond to critiques of their lack of accountability, objectivity and neutrality through the construction of legitimacy within their due process, and the addition of the accountability mechanisms, such as the Monitoring Board (Botzem, 2012; 2014; Burlaud & Collase, 2011; Gallhofer & Haslam, 2007). This accountability rhetoric ignores illustrations of accountings partial and limited nature, and the power that accountants hold by constructing accountability through due process, technocracy and objectivity (Hines, 1988).

In the aftermath of the financial crisis, critiques of the IASB and IFRSF lack of accountability increased, further revealing the political nature of accounting standard setting (Botzem, 2012). However, the IASB and IFRSF responded in a limited way and there has been no serious change (Botzem, 2012). The ad-hoc addition of the Monitoring Board only acts to add another layer, creating further impossibilities of accountability, but silencing the critiques that were posed in the aftermath of the financial crisis. Since the addition of the Monitoring Board regulatory actors have continued to question its role and criticised the lack of transparency, but there has been minimal response (Botzem, 2012).

When focusing on the construct of accountability itself, Messner (2009) identifies its inherent limits, stating that each claim to accountability (defining and redefining) is problematic and limited, creating further impossibilities. Messner's (2009) limits of accountability critiques the IASB offering a strong theoretical critique of accountability, but does not consider the role of politics within the IASB's construction of accountability. Similarly, examining the IASB's accountability through Black (2002a, b), the IASB's construction of their own accountability creates a regulatory problem, as the IASB place themselves at the centre, holding command and control, which is problematic for other actors in the regulatory space. Despite these limits, the IASB continue to draw equivalences of accountability to all, through theories of efficient market and agency. These theories of efficient market and agency theory are critiqued by Millon (1993) and Lazzarato (2012) who cast significant doubt on any logic of well-functioning capital markets that serve the interest of the public, by illustrating the violence of financial capital, uneven wealth distribution and domination.

In the public at large, accounting's language is perceived as merely technical, objective and 'truthful', which engenders misplaced faith in accounting (Gill, 2009; Morgan, 1988). As Rudkin (2007: 17) argues:

Accounting is intrinsic to the very meaning, order and stability of society in the ways it defines what to measure, how items are measured and how they are communicated... It also embraces a moral structure in that it embeds a privileging of capital over other interests.

The IASB also enhance confidence and legitimacy by claiming accountability to a broader public, appearing to be open to contact, demands and opinions from all, through a logic of democracy used by corporate power that Carey (1995: ix) criticises:

The twentieth century has been characterised by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy.

This language legitimises the IASB's role as a technocracy that focuses on investors, regulators and big-four accounting firms, whilst claiming to focus on the public at large (Botzem, 2012; 2014; Chiapello, 2007). This construction of legitimacy and rhetoric leads to remarkable power and stability for the IASB (Botzem, 2012). Through this rhetoric, when constructing rules for regulation the IASB enjoys high independence, which is problematic for accountability, gaining unusually high power for a non-state organisation. Despite problems of accountability, this independence rhetoric is drawn on positively by the IASB, giving the IASB the ability to self-regulate and self-define their role. Whilst the IASB is independent from one particular state they are focused on an elite, advanced financial capital interest, so the rhetoric of independence become complex and contested (see, Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Lehman, 2005; Tyrrell *et al.*, 2007).

In the case of *IFRS for SMEs*, the IASB's accountability and narrow focus can be further contested. The IASB construct regulatory conversations around the extension in a highly narrow way, through limited accountability, and a limited due process. In their expanding role as a geo-political actor their accountability issues are masked by the interconnected nature of their work with IFIs and logics of technocracy, as will be examined empirically. An aspect of these logics is the signifier of comparability, which rhetorically constructs IFRS as the global financial reporting language.

5.6 Comparability as a rhetorical signifier

Multiple researchers have asserted that the IASB are gradually meeting their aims of achieving global comparability through ongoing improvements (Barth *et al.*, 2008; Carmona & Trombetta, 2008; Held & McGrew, 2000; Nobes, 2013; Pacter, 2013; Tarca, 2012; Wang, 2014). These researchers see IFRS adoption as 'beneficial' due to increased relevance of accounting measures, increased efficiency and liquidity in capital markets, increased value relevance and improved accounting infrastructure after IFRS adoption (see, Bissessur & Hodgson, 2012; Cotter *et al.*, 2012; Cheong *et al.*, 2010; Daske *et al.*, 2008; Iatridis & Rouvolis, 2010; Li, 2010; Tarca, 2012).

More specifically, some researchers identify ‘benefits’ of adopting *IFRS for SMEs*, including a reduction in reporting burden and increased comparability (Albu *et al.*, 2013; Litjens *et al.*, 2012; Quagli & Paoloni, 2012). However, harmonisation and comparability are complex rhetorical tropes, as accounting is subjective, cultural, contextual and flexible. Accounting is also reflective of national differences and IFRS adoption reflects traditional accounting systems (Nobes, 2013; Rudkin, 2007; Tyrrall *et al.*, 2007). Comparability is central to the aims of the IASB in their focus on global capital movements, capital markets and regulatory control (Gallhofer & Haslam, 2007; Rudkin, 2007).

This logic offers justification to IASB’s work in their attempts to standardise financial reporting practice across the globe. The myth that the IASB construct of the ability and the necessity for financial reporting to be comparable across the globe ignores the local context, alternative forms of accounting and accountings subjectivity:

Perhaps they were convinced by the rhetoric of such phrases as ‘high quality’ and ‘in the public interest’ and that local national differences could be sacrificed at the altar of the great gods of free markets and global trade! (Devi & Samujh, 2015: 131).

Critics argue that harmonisation and comparability are rhetorically used to reinforce logics of objectivity, creating hidden political power (Chua & Taylor, 2008; Gill, 2009; Hines, 1988; Müller, 2014; Rudkin, 2007). This hidden political power means that often the social implications of accounting and globalisation, and the interconnection between the two are ignored (Lehman, 2005; Poullaos, 2004). Poullaos (2004) encourages academics to critique globalisation and accounting, to increase awareness of the social impacts and inequalities created, for emancipatory accounting. Similarly, Walker (2010) argues that harmonisation should be approached with caution, as enforcing a single set of standards has a high impact on countries (Baker, 2005; Chiapello, 2007; Chiapello & Medjad, 2009; Gallhofer & Chew, 2000; Messner, 2009; Rodrigues & Craig, 2007).

Research has identified the impact of the narrow focus currently adopted in the movement toward harmonisation and comparability (Hopper *et al.*, 2017; Lehman, 2005; Poullous, 2004; Rudkin, 2007). For example, Gallhofer, Haslam and Van der Walt (2011b) critique the current approaches to accounting practice and regulation for only reflecting capitalism. They theorise this through human rights, and L&M’s (2001) democracy, to encourage diversity, away from a focus on private wealthy elites (Gallhofer *et al.*, 2011b). Additionally, Yonekura *et al.* (2012) analyse the impact of globalisation in Japan, finding that Japan felt convergence pressure due to the role of IFRS in global capital movement. However, each of these critiques is arguing for further democracy within the IASB, suggesting improvements that this thesis argues are impossible.

Chua & Taylor (2008) critically examine convergence politics, questioning why the development of global accounting standards is left to the private sector as this political exercise, focuses on powerful groups, namely regulators and large audit firms. Thus, the political economy of convergence is exclusionary and ignores the interest of many (Chua & Taylor, 2008). This focus

on global capital movement is extended to SMEs within *IFRS for SMEs*. Comparability rhetoric will be further examined because many countries have adopted *IFRS for SMEs* due to this, ignoring the suitability of the standard (Devi & Samujh, 2015). This thesis is concerned with the way the IASB extend these logics to *IFRS for SMEs* which extends the hegemony of advanced financial capital, and is crucial in the adoption of both IFRS and *IFRS for SMEs*.

The IASB expand their role as a geopolitical player and interconnect their work further with IFIs through *IFRS for SMEs*. The *IFRS for SMEs* claims a focus on emerging economies, and the due process makes claims to geographical diversity, both of which have been examined in the literature.

5.7 Deconstructing claims to geographical diversity

Research has shown that particular constituents (Big-Four Accounting Firms) and Geographical areas (Anglo-America and Europe) dominate the IASB's due process, excluding developing countries (Botzem, 2012; 2014; Chiapello, 2007; Chiapello & Medjad, 2009; Baydoun & Willett, 1995; Cortese *et al.*, 2010; Lehman, 2005; Tyrrell *et al.*, 2007). Instead of engagement, the IASB mask alternatives and local contexts by acting to repress, dominate and exploit developing countries (Lehman, 2010; 2015), which has been extended in the work on *IFRS for SMEs*, in which developing countries have been effectively excluded (Devi & Samujh, 2015; Ram & Newberry, 2013).

Earlier work by Baydoun and Willett (1995) identified that Western accounting is not suitable in developing countries as it is not relevant to the local context. Tyrrell *et al.* (2007: 82) concur, when examining IFRS:

[Standards] were developed in advanced economies, but are increasingly being applied in emergent economies, potentially ignoring considerations of whether IFRS are appropriate or relevant to such economies.

For Walker (2010) the suitability of standards is dependent on political and economic systems, and these systems have different objectives (Baker *et al.*, 2010; Puxty *et al.* 1987). These studies are relevant to the examination of *IFRS for SMEs* because the IASB created the standard within a Western advanced culture, but are focused on developing countries (Devi & Samujh, 2015; Hopper *et al.*, 2017; Ram & Newberry, 2013). Previous research has not examined the power and politics within this extension to the necessary extent.

This examination of national differences links to transnational governance and legitimacy (Djelic & Quack, 2010; Ramirez, 2010; Quack, 2010). Through transnational theory, Ramirez (2010: 147) observes that the 'establishment of a profession usually involves professionals to exercise their unique and specific knowledge under a regime of self-regulation...'. The IASB impacts accounting transnationally, gradually hegemonising the global space, so transnational professional communities have emerged (Ramirez, 2010: 175):

By linking up with and gradually transforming the elite of a previously insulated national professional community the transnational professional community around the big accountancy firms has effectively expanded its regulatory leverage across national borders.

These observations of the construction of an elite dominant community inform this thesis. Indeed, the empirics examine how the IASB invoke the logics of elite professional community to operate their extension to *IFRS for SMEs*. Arguably, big four accounting firms have become somewhat homogeneous, and have been identified as having the greatest influence on the IASB, as they form coalitions and lobby together in their own self-interest (Botzem, 2012; Botzem & Quack, 2009; Ramirez, 2010).

The development and promulgation of *IFRS for SMEs* is interconnected with structural adjustment, particularly the WB and the IMF, so research that has examined the role of accounting in the work of IFIs and structural adjustment is relevant to this thesis.

5.8 The IASB, the World Bank and imperialism

Research in accounting that focuses on developing countries has identified imperialism and colonialism (see, Annisette, 2004; Arnold, 2005; Bakre, 2008; Caramanis, 2002; Gallhofer *et al.*, 2011ab; Neu, 2003; Tinker, 1980; Uddin & Hopper, 2001; Wickramasingre & Hopper, 2005). This is interesting as *IFRS for SMEs* has further focus on developing countries than previous standards, and research has referred to the role of the IASB and IFRS as a new form of imperialism (Sian, 2010).

Moreover, research has examined the connection between the IASB, the WB and other IFIs in their promotion of accounting technologies identifying a narrow, capitalistic and Anglo-American focus (Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Poullaos & Sian, 2010). However, much of the related research has focused on the impact of accounting technologies and control in colonialism and imperialism, outside of the IASB's standards (Annisette, 2004; Neu, 2000a, b; Neu, 2003; Neu *et al.*, 2006; Neu & Heincke, 2004; Neu & Ocampo, 2007; Uddin & Hopper, 2001; Wickramasingre & Hopper, 2005).

For example, Neu (2000b) examines the impact of accounting technologies in the control of indigenous people in Canada, through governmentality. For Neu (2000b) accounting ideology fixes unequal exchange, inferiority and inequality. The WB's informing technologies enable them '...to govern and regulate action at a distance', within which accounting and financial expertise holds an often-neglected role:

The individual is aware that the bank is attempting to exercise governance from a distance and that this governance is primarily financial/economic in nature... And while the Bank's requirements often introduce inefficiencies because they are not consistent with existing information systems and ways of doing things, at the same time the Bank brings a particular expertise... (Neu *et al.*, 2006: 651).

This demonstrates the role of the rhetoric of expertise, which is important as decisions made often only reflect the WB requirements, ignoring the local context (Neu *et al.*, 2006). The arguments

from Neu are important for this thesis. Earlier papers by Neu demonstrate that accounting can be used as an instrument. Moving to more recent papers, Neu *et al.* (2006) and Neu and Ocampo (2007) demonstrate how the WB uses accounting. Neu and Ocampo (2007) examine the metaphor of ‘missionary’ work that the WB draw upon when globalising accounting practice into distant fields (which is not without slippage and resistance), through the expert rhetoric of ‘advanced’ technologies. This diffuses certain practices and beliefs across the world, through lending terms, and education (similar to, IFRS and *IFRS for SMEs*, as will be explored empirically). The WB impact and change the habitus of distant fields, with financialisation across countries, and accounting practices form the basis of these changes (Neu & Ocampo, 2007).

With a focus on IFRS, Gallhofer *et al.* (2011a: 377) identify post-colonialism within the Syrian accounting profession and the way that this displaces and shapes local cultures:

This [globalisation] has impacted on socio-economic and cultural life and enhanced global interdependency. Important here is how especially Anglo-American forces threaten to displace the local. Seemingly neutral global institutions may permeate and shape local cultures. A key accounting case is the International Accounting Standards Board (IASB), whose standards have become a global benchmark for proper accounting.

This analysis of Syrian accountants frames globalisation as Western imperialism, through the logic of open markets, growth and development (Chwastiak & Lehman, 2008; Gallhofer *et al.*, 2011a). The interviews conducted with Syrian accountants in this study highlight the exclusion of the local voice, as the ‘other’:

It is cultural imperialism serving to justify replacement of the ‘other’ culture and traditions with the Western: representations of Islam present Islam as an ideology deeply hostile to the West; the Islamic world is seen as needing lessons about (Western) democracy and freedom (Gallhofer *et al.*, 2011a: 383).

Gallhofer *et al.* (2011a) find that Syrian accountants adopted IAS because they thought that this was necessary to keep up with the rest of the world, an attitude that is informed by Anglo-American neoliberal thinking, suppressing their local culture and social interests. This thesis does not focus on a single geographical context. Whilst this creates complexities because no context is the same as another, this thesis considers the broader impact of *IFRS for SMEs*.

Comparably, Bakre (2008) identifies accounting as an instrument of control, in which capitalist profits always flow back to the mother country in the imperialistic relationship (Tinker, 1980). These tools aid in the extraction, accumulation and expansion of capital in the empire and for Bakre (2008: 518) financial reporting techniques, practices and calculations are part of this movement:

The way in which such exploitative financial reporting techniques and practices have historically occurred, has not significantly changed. While direct colonisation may be a thing of the past, exploitative capitalism, imperialism and their tools of operation such as the International Financial Reporting Standards (IFRS), forced or imposed on developing economies, are still very much alive and active. However, such forceful imposition on developing countries in particular, seems to be in conflict with the democratic process, which the Western economic powers’ apostles of IFRS preach all over the world. As a consequence, some former colonisers and developed world capitalists still take advantage of financial reporting techniques and their position of being at the centre of the world

capitalist economy.

This imperialism leads to Western domination, a cultural superiority of the ‘West over the rest’, and creating “us” and “them” (the orient, the other) in the protection of private interests (Bakre, 2014: 560; Said, 1978). Local capitals feel that they need to attract international capital and this is the only way to do so (Bakre, 2014). This analysis informs the examination of the extension within this thesis. Bakre notes that IFRS is a tool of exploitative capitalism and imperialism which is imposed on developing economies. This thesis extends this analysis by examining the way the IASB operate these logics at the macro-level, and the importance of the regulator conversations that they construct. This thesis is not going to explore *IFRS for SMEs* through imperialism, that is for further research, but this research is important to note because there are aspects of the IASB’s hegemonic extension to *IFRS for SMEs* that act imperialistically, as part of many hegemonic strategies that they operate.

Similarly, Hopper *et al.* (2017) examines the impact of globalisation, IAS and the neoliberal market basis (economically, politically and socially) as it is forced on developing countries, identifying that accounting is an instrument and object of globalisation. For Hopper *et al.* (2017) IAS and IFRS promote neo-liberalism, through an imperialistic logic of development, suggesting that developing (poor) countries should learn from developed (rich) countries, ignoring local contexts, and increasing financial capital mobility. IFIs promote globalisation through ‘Friedmenite Chicago’ neo-liberal ideology, focusing on agency theory and transaction cost economies through a one-size fits all approach (Hopper *et al.*, 2017; Klein, 2007). Accounting is often depicted by IFIs and the IASB a ‘technical matter’ (Hopper *et al.*, 2017: 5). Hopper *et al.* (2017) critiques financialisation of the global economy in the image of financial capital hegemony, which relies on the IASB. Indeed, this promotion of the IASB’s standards by the WB should be deemed inappropriate, because the WB claims to be socially responsible, but is promoting the interests of private advanced capital (Annisette, 2004; Botzem, 2014; Hopper *et al.*, 2017). Moreover, developing countries lack the resources and procedures to influence the IASB:

...many DCs lack resources, expertise and sometimes the leadership to influence global accounting principles and practices. Many transnational accounting organisations fail to recognise this: DCs are under-represented within IFAC and particularly the IASB; and the IASB has shown little willingness to countenance challenges to their authority and legitimacy (Hopper *et al.*, 2017: 17).

This constructs the discourse that there is no alternative, so alternative discourses are disregarded (Hopper *et al.*, 2017; Samsonova-Taddei & Humphry, 2014; Sunder, 2011). Hopper *et al.* (2017) demonstrate that previous globalisation analysis has been atheoretical, thus the authors call for further critical analysis of the social, political and cultural, and critiques of unintended consequences, for the consideration of alternatives to market-based accounting. So the inequalities and uneven power that is created through this basis in neo-liberalism are no longer created, and instead different contexts, premises and questions are recognised, opening debates.

Indeed, prior literature on *IFRS for SMEs* (as examined in the following chapter) does not locate the work of the IASB in neo-liberalism and therefore offers limited theoretical understanding of the case. Before moving to the literature on *IFRS for SMEs* in the following chapter, the next section offers a conclusion for this chapter.

5.9 Conclusion

This chapter has outlined some tensions and critiques raised towards the IASB and their role. This gives background before the discussion of the ‘particular’, which is *IFRS for SMEs*, in the following chapter. This chapter has emphasised the political role of the IASB and the power they hold, emphasising rhetoric and signifiers. The first section highlighted critical accounting research, which illustrates the impact of accounting and the IASB on society. The chapter considers researchers that have called the IASB’s legitimacy into question, deconstructing their rhetoric and due process. This thesis extends this literature through the examination of regulation through hegemony and conceptions of regulatory conversations. Following this, the chapter locates technocracy as a master signifier in the IASB’s work, with other signifiers connected to the master signifier. This thesis gives theoretical explanation in the terms of signifiers and examines how these signifiers operate in the extension to *IFRS for SMEs*.

This thesis also extends Botzem beyond social practices to look further at the politics of emergence and focus on the operation of fantasmatic ideologies. Moreover, this thesis extends Botzem’s work by examining the IASB’s role in the hegemony of advanced financial capital, and the way this hegemony is reinstated, maintained and extended. This chapter also looked at deconstructions of the core signifiers of accountability and comparability. This thesis extends previous literature that has deconstructed these signifiers by examining how they are drawn upon and located in *IFRS for SMEs* specifically. Moreover, in the case of *IFRS for SMEs* the IASB’s claims to geographical diversity has a higher impact than the standards for listed entities, so this thesis further locates the IASB’s geo-political role. Prior literature has identified the way that the IASB have limited geographical diversity, but has not considered the way that the IASB fantasmatically construct emerging economies in a certain way to grip subjects, which is the focused of chapter 10.

Following this, this chapter examined the interconnected role that IFIs and the IASB play in the creation of *IFRS for SMEs*, the impact of which is underexplored in the literature. The connection has only become further extended, increasing the IASBs hegemony and the pressure on countries to adopt. Moreover, this reinforces an incremental hegemony for the IASB.

Accounting research has commonly examined the rules and practices that reproduce the IASB’s discourse and discourse that constitutes IFRS, and wide spread adoption, representing examples of the social logics. In this literature, less attention has been paid to the political (the politics of emergence, the construction of frontiers, political contestation and struggle, and the politics of the other, and the way that these are covered over through LOE and LOD) and fantamatic logics

(how subjects are gripped by ideologies to maintain social practices, examining the power of these ideologies), as this thesis extends to. Thus, this chapter has also demonstrated the way that this thesis extends prior literature through L&M, through a further emphasis on hegemony, and through further focus on the political and fantasmatic logics. This thesis avoids recommendations of incremental improvements or increased democracy for the IASB, which would only act to reinforce the status quo.

Methodologically, research on the IASB has often drawn upon comment letter analysis (Georgiou, 2004; Holder *et al.*, 2013; Jorissen *et al.*, 2010; 2013; 2014; Larson & Herz, 2013; Sutton, 1984), and has frequently applied legitimacy theory (Botzem, 2014; Burlaud & Collase, 2011; Richardson & Eberlein, 2011). This thesis extends this work methodologically beyond comment letters to examine other aspects of the IASB's discourse and processes.

This chapter has demonstrated tensions surrounding the IASB, outlining regulatory problems and an increasing geo-political role. This chapter has also shows the impact of DT at the macro level, offering a deconstruction of the IASB and their construction of technocracy. DT is concerned with the macro, meso- and micro- levels and the way that they are interconnected, so the following chapter focuses on *IFRS for SMEs*, and returns to the themes discussed in this chapter. These themes are also returned to in the empirical chapters. Therefore, the literature on *IFRS for SMEs* is deconstructed in the next chapter, to look retroductively through L&M at 'what gave rise to' *IFRS for SMEs*, and 'what we have so far'.

Chapter 6: The empirical case: *IFRS for SMEs*

The previous chapter exposed the political and social nature of the IASB's work, through research that has deconstructed their role and processes as a standard setter. This chapter focuses specifically on *IFRS for SMEs*, which was presented by the IASB as a solution to the issues and debates surrounding differential reporting, constructing the IASB as a necessity in the standard setting space. This chapter scrutinises the standard through the prior literature in the area through both the theory outlined in chapter 3 and the methodology articulated in chapter 4. Thus, this chapter examines the epistemological and ontological boundaries within mainstream literature, which emphasises the dominance of the IASB's technocratic expertise, downplays their political and social impact, and enhances the hegemony of advanced financial capital. Through this examination, the thesis embraces the critical accounting research outlined in the previous chapter, which challenges taken for granted knowledge (Chua, 1986).

This chapter focuses on G&H's (2007) notion of problematisation, which involves identifying discursive formations and mapping out competing discourses. This problematisation has already occurred in previous chapters by identifying and critiquing the IASB's role, but it is taken further within this chapter, focusing on the problem, to construct 'problem-driven research' (Glynos & Howarth, 2007). In this thesis, the problem is focused on why and how the IASB extended to *IFRS for SMEs* beyond their usual remit of standard setting for listed entities. This chapter also operates retroduction, which is concerned with the empirical event and what has given rise to the empirical event, and operates by reconstructing and problematising the empirical site.

This chapter holds many similarities with the structure of chapter 5 and the key themes that were identified in that chapter, but there are also some differences as there are some issues that are specific to *IFRS for SMEs*, that are not specific to IFRS more generally. Thus, this chapter highlights that the literature for *IFRS for SMEs* is a subset of the general literature for IFRS so some similar themes are covered, but there are also some separate issues highlighted for *IFRS for SMEs*. The first section looks at the social impact of the creation of a standard for SMEs, and the social and economic role that SMEs play; second the chapter identifies the rhetoric that is employed by the IASB in the creation of *IFRS for SMEs*. The third section examines research that has interrogated the due process, which is an aspect of the IASB's construction of legitimacy. Fourth, this chapter considers the IASB's construction of technocracy of expertise in terms of *IFRS for SMEs*. Fifth, the rhetoric of comparability is interrogated, linking to this interrogation of comparability, the sixth section highlights research that has examined the geographical diversity in the development of *IFRS for SMEs*. The final (seventh) section before the conclusion recognises the role of the standard in structural adjustment.

6.1 The social impact of *IFRS for SMEs*

Over time, accounting standard setting and regulation has evolved, and gained further importance

and power (Botzem, 2012; Camfferman & Zeff, 2007; Deegan & Unerman, 2011). Accounting regulation has increased in volume and complexity in response to various accounting failures, crises and increasing globalisation (Deegan & Unerman, 2011; Zeff, 2010; 2012). Nevertheless, regulation and standard setting for SME accounting is a more recent movement. This movement is of high importance, because SMEs play a large role, politically, economically and socially. SME's have greater social and economic importance in many economies than listed entities (Ayyagari *et al.*, 2007; Pacter, 2013). However, there is limited research in this area, often because of limits in available data (ACCA, 2010; Ayyagari *et al.*, 2011; ICAEW, 2015). These limits in research work in favour of the IASB, as they can construct many of the regulatory conversations on SMEs, with little evidence for the decisions made, as there is limited evidence to contest. Through their constructions of expertise, technocracy and due process they can make claims to the construction of knowledge within this space and self-define their role in the area (Botzem, 2012; Devi & Samujh, 2015).

Some research has illustrated the social and economic importance of SMEs (not that these two elements need to be separated, they are intertwined) (see, Ayyagari *et al.*, 2007; Chen, 2006; Eurostat, 2008; Kitching *et al.*, 2015; OECD, 2005; Pacter, 2013; Perera & Chand, 2015; Reddy, 2007). For example, Ayyagari *et al.* (2007) analyse the economic importance of SMEs across 76 countries, within which they highlight the WB's commitment to investment in SMEs (ACCA, 2010; Ayyagari *et al.*, 2011). Research also suggests that SMEs play a crucial role in economic recovery:²⁷ 'It has become commonplace, in the aftermath of the global downturn of 2008–9, to refer to SMEs as the backbone of the global economy' (ACCA, 2010: 8). However, data on SMEs is minimal, inhibiting conclusions, and rendering the improvement of economic statistics important to many countries to increase their potential access to capital (Ayyagari *et al.*, 2007; Di Giovanni *et al.*, 2010²⁸). Research highlights that SMEs contribute more to wealth creation, employment and GDP than large firms, particularly in developing countries:

In ACCA's top 20 markets globally, SMEs as locally defined consistently make up the vast majority (85% to 99.9%) of the business population... If all other countries for which reasonably good data are available are added to this total, SMEs can be shown to account for 52% of private sector value added and 67% of employment... (ACCA, 2010: 8).

However, ACCA (2010) claims that this data can be misleading:

It is often said that the SME sector is an engine of job creation, but headline data can be misleading in this regard. Dynamic analyses show that SMEs undertake the lion's share of both job creation and job destruction in most economies (ACCA, 2010: 9).

Despite this, ACCA (2010) demonstrates that SMEs make a large economic contribution.²⁹ For

²⁷ There is a shadow economy of informal SMEs that also contribute to the economy (ACCA, 2010).

²⁸ Di Giovanni *et al.* (2010) reaffirm the importance of SMEs, as most businesses globally are small.

²⁹ Beck *et al.* (2005) draws on other publications (for a recent example of this type of publication (see World Bank, 2012). Beck *et al.* (2005) examines if SMEs contribute to the alleviation of wealth, but did not find enough support for the conclusion that SMEs alleviate poverty and economic inequality, instead reiterating that SMEs contribute to GDP, perhaps because of the complexities of the link. Koshy and Prasad (2007) suggest that SMEs contribute to poverty eradication through employment.

example, the following quote offers some UK statistics from 2016:

In 2016, there were 5.5 million businesses in the UK. • Over 99% of businesses are Small or Medium Sized businesses – employing 0-249 people • 5.3 million (96%) businesses were micro-businesses – employing 0-9 people (Rhodes, 2016: 3, in a briefing paper for parliament).

Enright, Ffows-Williams and Nolan (2001) suggest that, the SME environment should be improved, because of SMEs large contribution and increasing globalisation. On this basis, Grosu and Domil (2014) call for greater reporting requirements for SMEs. The IASB see globalisation as, on balance improving the SME environment, with greater comparability in financial reporting, provided by *IFRS for SMEs*, reducing any negative experiences of SMEs during globalization (Pacter, 2005).

Research by Lukács (2005) on European SMEs highlights the contributions that SMEs make to employment: 98% of the EU's 19.3 million enterprises are SMEs, providing roughly 65 million jobs, 66% of EU employment (many of these enterprises have fewer than 10 employees). Research by Eurosts (2008) supports the findings of Lukács (2005), finding slight increases. This data shows high importance, but focuses on the EU, and both data sets are outdated. In a more recent study, the Federation of Small Business (FSB) focused on SMEs in the UK, finding that of 4.9 million UK businesses:

SMEs accounted for 99.9 per cent of all private sector businesses in the UK, 59.3 per cent of private sector employment and 48.1 per cent of private sector turnover (FSB, 2013:1).

In 2013, SMEs in the UK employed 14.4 million people and they are a heterogeneous group, operating in various sectors (FSB, 2013).

ACCA (2010) suggests that it is important to develop the accounting infrastructure in emerging economies. However, little research further examines SMEs in developed and developing countries, and the users of SME financial reports (ICAEW, 2015). Moreover, 'SMEs' are diverse and cannot be narrowed down to simple categorisations or understandings, therefore a standard that draws equivalences across all 'SMEs' leads to problematic homogeneity (Devi & Samujh, 2015; Lukács, 2005). Many countries have different financial reporting tiers because of differences across large SME and smaller SMEs, constructing different levels of complexity dependent on size criteria (Eierle & Haller, 2009; Jarvis & Collis, 2003). This section has evidenced SME importance, statistically, economically and socially. The IASB claim to have created *IFRS for SMEs* to help SMEs struggling to gain access to capital (Beck & Demircukunt, 2006; Fearnley & Hines, 2007; Pacter, 2013), but this thesis questions who this helps and problematises the IASB's rhetoric.

Having confirmed the economic importance of SMEs in developed and developing countries, the following section considers the IASB's rhetoric in the development of *IFRS for SMEs*.

6.2 The IASB's *IFRS for SMEs* rhetoric

In the IASB's public discourse there are many rhetorical constructions that are examined empirically within this thesis. As noted in Chapter 5, some literature on the IASB has deconstructed their rhetoric relating to IFRS. This omnipresent rhetoric is extended in the creation of *IFRS for SMEs*. The IASB's rhetorical constructs are examined as themes throughout this chapter and the empirical chapters. An aspect of this rhetoric is concerned with the identification of a different set of users for the financial statements of SMEs. These identified SME users constitute a reason for the IASB to create the standard for SMEs, as the users of listed entity financial statements differ:

In establishing standards for the form and content of general purpose financial statements, the needs of users of financial statements are paramount. Users of financial statements of SMEs may have less interest in some information in general purpose financial statements prepared in accordance with full IFRSs than users of financial statements of entities whose securities are listed for trading in public securities markets or that otherwise have public accountability (IASB, 2009c: 12).

External users such as lenders, vendors, customers, rating agencies and employees need specific types of information but are not in a position to demand reports tailored to meet their particular information needs. They must rely on general purpose financial statements (IASB, 2009c: 19).

The IASB identified that SMEs have distinctive users from listed entities and their users have different needs, resources and requirements (Fearnley & Hines, 2007; Ram & Newberry, 2013). Regarding the examination of users, standard setters have commonly been critiqued for not considering users (see Chiapello & Medjad, 2009; Mkasiwa, 2014; Young, 2006). However, the IASB claim to have adapted full IFRS:

The *IFRS for SMEs* is tailored for SMEs by focusing on the needs of users for information about cash flows, liquidity and solvency. It takes into account the costs to, and the capabilities of, SMEs to prepare financial information (IASB, 2012a).

The *IFRS for SMEs* fact sheet outlines omissions, simplifications, disclosure reductions and language simplifications (for understandability and translation) (IFRSF, 2016b). However, prior research has shown that the notion of users in financial reporting and standard setting is socially constructed, and used to benefit the standard setter (Young, 2003). Research on *IFRS for SMEs* has demonstrated that the IASB have not clearly engaged with 'users', and the IASB's expertise does not fit with SMEs and SME user needs (Devi & Samujh, 2015; Fearnley & Hines, 2007; Ram & Newberry, 2013). This thesis extends this analysis by empirically questioning the construction of the user and the SME subject.

The connection that this standard makes to SMEs also relies on the rhetoric of cost-benefit considerations:

In the Board's judgement, the nature and degree of the differences between full IFRSs and an IFRS for SMEs must be determined on the basis of users' needs and cost-benefit analyses. In practice, the benefits of applying accounting standards differ across reporting entities, depending primarily on the nature, number and information needs of the users of their financial statements. The related costs may not differ significantly. Therefore, consistently with the Framework, the Board believed that the cost-benefit trade-off

should be assessed in relation to the information needs of the users of an entity's financial statements (IASB, 2009c: 13).

The IASB's claim to 'cost-benefit analyses' rhetorically constructs a detailed analysis for the *IFRS for SMEs*, but further evidence of a detailed cost benefit analysis is limited. Moreover, the construct of cost benefit has been criticised previously within accounting for objectifying that which cannot be objectified and covering over antagonisms and contingencies (Bebbington *et al.*, 2007; McGarity & Shapiro, 1996; Sinden, 2004; Wolcher, 2007).

The IASB also claim that they created *IFRS for SMEs* in the interest of emerging economies and based on their demands:

The IFRS for SMEs responds to **strong international demand from both developed and emerging economies** for a rigorous and common set of accounting standards for smaller and medium-sized businesses that is much simpler than full IFRSs (IASB, 2009a: 1).

The IASB claim that they created the standard as there was an external demand for it, both SMEs and developing countries needed the IASB to create a standard that reduced to complexities of IFRS, because they were being over-burdened and have a lack of resources (Pacter, 2013). This rhetoric of strong international demand gives the IASB justification for creating the standard. However, these claims are subject to further empirical analysis. The IASB also claim that there was a demand for *IFRS for SMEs* from developed and emerging economies, to increase access to capital, reduce reporting burdens and costs, to also enhance comparability. The IASB leaves decisions of enforcement and scope (apart from public accountability) to jurisdictions. In an official IFRS Foundation 'pocket guide' to IFRS, Pacter (2017: 4) claims that since 2009 publication, 57% of jurisdictions have adopted *IFRS for SMEs* (85 of 150 profiled). Pacter (2017: 27) also claims that *IFRS for SMEs* is 'tailored' to SME users and their capabilities, focusing on lenders and creditors, centring on cash flow, liquidity and solvency. This quote also refers to simplifications, constructing the rhetorical claim that *IFRS for SMEs* is rigorous, but is much simpler than full IFRS.

The IASB claim to be able to meet this rhetoric through their rigorous due process:

The International Accounting Standards Board (IASB) issued today an International Financial Reporting Standard (IFRS) **designed for use by small and medium-sized entities (SMEs), which are estimated to represent more than 95 per cent of all companies.** The standard is a result of a **five-year development process with extensive consultation of SMEs worldwide.**

In developing the IFRS for SMEs the IASB consulted extensively worldwide. A 40-member **Working Group of SME experts** advised the IASB on the structure and content of the IFRS at various stages in its development. The exposure draft of the IFRS, published in 2007, was **translated** into five languages to assist SMEs in responding to the proposals. More than 50 round-table meetings and seminars were held to **receive direct feedback**, and the draft IFRS was **field-tested** by over 100 small companies in 20 countries. As a result, further **simplifications** have been achieved in the final document. Paul Pacter, Director of Standards for SMEs for the IASB, has agreed to lead a **group to support international adoption** of the standard. Further details of this group will be announced shortly (IASB, 2009a: 1 [emphasis added]).

Within this, the IASB claim that the standard has been ‘designed’ for SMEs, and that the standard meets the needs of 95 per cent of all companies. This ‘design’ metaphor acts as rhetoric for the IASB, through a ‘five-year development process with extensive consultation of SMEs worldwide’. The IASB draws on the due process to legitimise the movement to *IFRS for SMEs*, with the aims of improving comparability and enhancing confidence in SME financial statements:

In particular, the IFRS for SMEs will:

- provide improved **comparability for users** of accounts
- **enhance the overall confidence in the accounts of SMEs**, and
- **reduce the significant costs** involved of maintaining standards on a national basis (IASB, 2009a: 1).

This draws on logics of comparability, confidence and expertise, and the idea of needing to ‘help’ both SMEs and national standard setters. Not only do the IASB draw on the concept of design, they also claim that the standard is tailored for SMEs, taking the design metaphor a step further, as “tailored” acts metaphorically to invoke various understandings of the standard:

The IFRS for SMEs is a **self-contained standard of about 230 pages tailored for the needs and capabilities of smaller businesses**. Many of the **principles in full IFRSs** for recognising and measuring assets, liabilities, income and expenses have been **simplified, topics not relevant to SMEs have been omitted, and the number of required disclosures has been significantly reduced**. **To further reduce the reporting burden for SMEs revisions to the IFRS will be limited to once every three years** (IASB, 2009a).

This draws on the rhetorical construct of tailoring which will be examined further empirically. A core aspect of the creation of *IFRS for SMEs* is access to capital, which has been rhetorically used throughout to justify development and adoption. This follows a line of argument in which SMEs face substantial growth constraints due to lower access to capital, so these constraints should be alleviated by giving SMEs further access to capital (Beck and Demirguc-Kunt, 2006), and *IFRS for SMEs* claims to fulfil this role (Pacter, 2013).

However, this thesis questions this claim for three reasons. First there is research that highlights the unsuitable nature of *IFRS for SMEs* and the negative impact that this can have on SMEs (Devi & Samujh, 2015; Fearnley & Hines, 2007; Ram & Newberry, 2013;). Second, research shows that SMEs do not require access to capital, and only a narrow set of SMEs have the goal of growth, instead they are focused on survival and do not often consider investors (Fearnley & Hines, 2007; Ram & Newberry, 2013):

SMEs are very different from global corporations in highly developed capital markets. They have different stakeholders, objectives and accounting demands (Baker and Barbu 2007; Cole et al. 2009; Mage 2010). SMEs are not only different from big business, they are also a heterogeneous group (Devi and Samujh, 2010) that are more likely to focus on survival than on growth and profit maximisation (Bunea-Bontas et al. 2011; Samujh 2011) (Devi & Samujh, 2015:127).

Third, structural adjustment and access to capital, is access to debt, which for Lazzarato (2012; 2015) extends further indebtedness and control to developing countries and SMEs. These claims of helping developing countries have been similarly critiqued by other research (Lawson, 2007),

as outlined in the previous chapter. Subsequently, the rhetoric of access to capital can be questioned, and will be further explored empirically.

A core aspect of this rhetorical construction is the due process, which requires further examination. The IASB's due process has been deconstructed in Chapter 5, but there are specific deconstructions of the due process for *IFRS for SMEs*.

6.3 Deconstructing the due process

Research has examined the IASB's due process undertaken for the creation of *IFRS for SMEs* (Devi & Samujh, 2015; Fearnley & Hines, 2007; Ram & Newberry, 2013). This research identifies an initial problematisation by the IASC, but notes the the IASC did not move forward with an SME standard (Baldarelli *et al.*, 2007; Fearnley & Hines, 2007; Hussain *et al.*, 2012; Pacter, 2013). Once the IASB was formed there was scepticism towards a standard for SMEs, some believing SMEs should apply full standards, while others thought that the IASB should not be using their resources outside of their core remit³⁰ (Fearnley & Hines, 2007; Pacter, 2013; Ram & Newberry, 2013). Ram & Newberry (2017) investigate the way *IFRS for SMEs* entered the IASB's agenda, and the complexities of changing their jurisdiction to encompass the project. They examine the necessity for the IASB to expand their role, and the use language in a certain way, highlighting the importance of the title used. Ram and Newberry (2017) explain that the IASB believed that they had to extend their standard setting role to avoid criticism. They emphasise the way that the IASB manoeuvre the complex environment of standard setting, and call for further research of the impact (Ram & Newberry, 2017).

Ram & Newberry (2013) identify primary reasons given by the IASB for the creation of *IFRS for SMEs*:

... first being to cater to the needs of users of SME financial statements, the other being to ease the financial reporting burden on SMEs (Ram & Newberry, 2013: 13).

However, Ram and Newberry (2013) critique these claims, because the development of the standard was dominated by minimal divergence from full IFRS, regardless of the tensions created for SMEs:

... little or no serious consideration of users' need. As became apparent from EFRAG and ISAR's responses to the ED, the appropriateness of the IASB's standard-setting response for SMEs and for micro-entities was questionable (Ram & Newberry, 2013: 13).

Therefore, Ram and Newberry (2013) conclude that the IASB do not fulfil claims made, as full IFRS was over-riding these aims, and developing countries were not considered to the necessary extent. Earlier than this, Fearnley and Hines (2007) had found that SME representatives argued for the project to be abandoned due to the many conflicts, tensions and burdens between the IASB's capital market orientation and the specific needs of SMEs, for which the IASB lack

³⁰ Due to this resistance, views about the technical aspects of the standards evolved over time. For example, the first draft had fall backs to full IFRS but these were gradually removed, alongside reductions in disclosure, and more simplifications in measurement and recognition (Pacter, 2013).

expertise. Nevertheless, the rhetoric of expertise which surrounds the IASB's standard setting is hard to dispute: even when they are working on projects that are not in their specific area of expertise, these logics become extended (Botzem, 2012; Quack, 2010).

Additionally, the IASB claim to have identified SME 'experts' who helped in the development of the standard (Pacter, 2013). Therefore, both this logic of expertise and the IASB's due process are subject to further empirical analysis within this thesis. The due process is critiqued by previous research mainly because the IASB started from full IFRS, simplifying the standard to create *IFRS for SMEs*, which is arguably an unsuitable foundation (Fearnley & Hines, 2007). This thesis argues that the politics and motivations for the extensions are nuanced, and this can be demonstrated through the theoretical framework of L&M (2001).

Kamp (2010) analysed the comment letters that were submitted in response to the *IFRS for SMEs* due process. Drawing on Gray's (1988) framework to identify the impact of culture, Kamp (2010) concluded that countries considered to have a culture of high professionalism under Gray's (1988) framework react positively to *IFRS for SMEs*. However, Gray (1988) draws upon Hofstede, which has been critiqued, leaving the cultural distinctions made by Kamp (2010) arbitrary and problematic. With a similar focus on comment letters, DiPietra *et al.* (2008) conclude that:

- The IASB did not justify the need for them to create a standard;
- The IASB treated SMEs as homogeneous, failing to recognise specific contextual needs;
- Practical problems will occur from adoption;
- The full IFRS basis for *IFRS for SMEs* created a standard that is unsuitable for SMEs;
- Further research is required for such a standard to be created.

This thesis examines the IASB's consultation in the light of their rhetoric of 'rigorous' due process that claims to meet the public interest (which is informed by and links to critiques in the previous chapter). Prior research contradicts these claims, identifying that some important aspects of the due process are not in the public domain, and SME user needs are not considered to the necessary extent (DiPietra *et al.*, 2008; Ram & Newberry, 2013). Arguably, instead of meeting public interest the IASB act condescendingly during their due process, only considering narrow interests (Chiapello & Medjad, 2009; Devi & Samujh, 2015). Research suggests that the IASB's due process is an attempt to self-legitimise, as the IASB do not make changes dependent on public will, instead they rely on technical and procedural due process to counter critiques (Botzem, 2012; 2014; Burland and Colasse, 2011; Richardson & Eberlein 2011). These due process logics are extended in the development of *IFRS for SMEs*.

Ram and Newberry (2013) find that external pressure (from the WB and the EC) pushed the IASB through the due process to completion, as the IASB wished to issue the international SME standard before other organisations, such as the EFRAG. Moreover, Ram and Newberry (2013: 4) demonstrate that the IASB moved to the development of *IFRS for SMEs* due to "turf

protection”, and suggest that the due process, which aims to build legitimacy, is in fact only procedural and administrative:

This paper has reported on research into the IASB’s due process, which included some events that were not apparent in the public domain. Research into these less visible parts of the due process has revealed that the IASB had decided on its stance before the public parts of its due process commenced and that it was strongly committed to maintaining, if possible, all recognition and measurement requirements contained in full IFRS. A problem with this approach was that it exposed a tension between the IASB’s commitment to a single set of standards primarily for financial market participants and one of the primary objectives it claimed for the SME project of producing accounting requirements that would be useful for users of SME financial statements (Ram & Newberry, 2013: 12-13).

Despite the changes that were made to recognition and measurement for *IFRS for SMEs*, the focus on full IFRS narrows the due process, as will be explored empirically in later chapters. Fearnley and Hines (2007) believe that there was an incorrect approach adopted during the IASB’s due process. They argue that creating *IFRS for SMEs* through a simplification and reduction of full IFRS does not meet stakeholder needs and leaves too much complexity (Fearnley & Hines, 2007). This illustrates tensions in the IASB’s consultation claims, suggesting that the due process is a limited public relations exercise, and questioning if the standard meets SME user needs (Ram and Newberry, 2013). Fearnley and Hines (2007) called for fuller consideration of SME needs, through a bottom up-approach, thinking small first, which would increase suitability, feasibility, and accuracy, and reduce burdens.

Ram & Newberry (2013) point out that *IFRS for SMEs* is a modified version of full IFRS, scrutinising the suitability. As explained above, this calls into question the IASB’s rhetorical claims to public interest, which links to questions of accountability. As the IASB construct *IFRS for SMEs*, their accountability relies on the due process and their organisational structure, even though research has identified this as limited (Devi & Samujh, 2015; Ram & Newberry, 2013). As the impact of the IASB’s standards expands, their accountability remains unquestioned and unchanged, as it is masked by a focus on expertise (Black, 2008; Botzem, 2012; Quack, 2010). As a private organisation, they hold a self-referential and self-constructed accountability, as they operate all aspects of their due process.

6.4 The way the IASB make decisions- technocracy

The IASB claim to have used their due process, and expertise to simplify IFRS from the top down to construct *IFRS for SMEs*. Decisions about reductions and omissions within the *IFRS for SMEs* are made through the due process, and have been critiqued for showing a capital market orientation (Devi & Samujh, 2015; Fearnley & Hines, 2007). Nevertheless, the IASB continue to rely on the rhetoric of technocracy. A legitimacy issue surrounding transnational governance that Quack (2010: 10) calls into question:

An argument frequently used by both private transnational governance schemes and international organizations is that they possess the necessary expertise to provide effective problem solutions. This expertise is often of a specialized and technical

character, and its claimed superiority is difficult to assess for outsiders, not least because the borderlines between the pursuit of commercial self-interest and the provision of expertise are often blurred.

Academics have suggested that a lack of research means that the decisions made by the IASB in the creation of *IFRS for SMEs* were unjustified (Alp & Ustundag, 2009; Devi & Samujh, 2015; Fearnley & Hines, 2007; Perera & Chand, 2015). Appendix 3 highlights the key differences and similarities between IFRS and *IFRS for SMEs* (2009). As the project leader, Pacter (2013) outlines controversial issues that occurred during the development of *IFRS for SMEs*: recognition of deferred taxes; requirements for consolidated statements and a cash flow statement; a separate micro-entity standard; financial instrument measurement; share-based payment recognition; requirement of accruals for undefined liabilities; whether SMEs can follow full IFRS rather than *IFRS for SMEs*; and the name of the standard.

The IASB claim that during development of the standard they increased understandability for *IFRS for SMEs* by simplifying both the language used and the resulting accounts, to ease the SME financial reporting burden, and increase publication and comparability (however this assumption of increased compatibility is a non-sequitur, as a burden reduction does not necessarily lead to increased comparability) (Mitra & Sana, 2011). This rhetoric places the IASB in the role of the experts that need to help others by simplifying their standards, and within this the IASB speaks on behalf of others about simplifications, extending their role as technocratic regulator (Botzem, 2012).

The differences between IFRS and *IFRS for SMEs* for the IASB arguably demonstrate that full IFRS has been simplified to the necessary extent for SMEs, but research has suggested that this process was inadequate, leading to many practical problems and creating further costs and burdens for SMEs (Fearnley & Hines, 2007; Lungu *et al.*, 2007). Arguably, these costs and burdens should be considered, and the full IFRS conceptual framework does not fit SMEs, leading to further gaps or burdens (Lungu *et al.*, 2007; Perera & Chand, 2015). Similarly, Deaconu *et al.* (2012) conduct content analysis on *IFRS for SMEs* exposure draft (ED) comment letters, finding that the standard's complexity does not fit with expertise in emerging countries, and that preparers have been favoured over users. Perera and Chand (2015) agree that the IASB has not considered users extensively and that the standard is unsuitable for SMEs. They also add that there is an injustice in grouping together micro, small and medium entities as they have different needs, so lumping them together is nonsensical (Perera & Chand, 2015). There is a focus on practical and technical problems within the published research, but this is not the focus of this thesis. This thesis extends existing critiques by focusing on the way that the IASB construct frontiers and boundaries, which leads to silencing and othering, in the construction of hegemony. Moreover, this thesis focuses on the ideologies that are constructed in the IASB's processes and discourse.

In developing *IFRS for SMEs* from full IFRS the IASB focus on comparability to enhance legitimacy. The following considers SME regulation pre- and post- *IFRS for SMEs* across countries to further consider the IASB's comparability claims.

6.5 Deconstructing the IASB's notion of comparability

Researchers argue that comparability is a rhetorical ideal constructed for the IASB's legitimacy and global promotion of their standards (Botzem, 2012; Hines, 1991; Rudkin, 2007), as Lazzarato (2012: 100-101) articulates:

[Accounting] dictates to and imposes upon private firms a new 'measure' of value, implemented through new international accounting standards...developed in the exclusive interest of investors and shareholders...The new accounting is supposed to allow for comparisons between companies' financial performance at any point in time and for any business sector.

Regarding the case of SMEs, Perera and Chand (2015) have shown that comparability is not as important for SMEs, so this rhetoric is questioned further when examining *IFRS for SMEs*. The regulation of SMEs differs across jurisdictions, as does the way that jurisdictions define SMEs, drawing on various size criteria, differences that are acknowledged by the IASB (Pacter, 2013). For example, the European Union considers 'micro' entities to be those with less than 10 employees, less than 2 million total assets and total turnover, with 'small' being less than 50 employees and less than 10 million assets and turnover, and 'medium' as less than 250 employees and less than 43 million assets less than 50 million turnover (Perera & Chand, 2015). Whilst Australia focuses on employees, with 'micros' as less than 4 employees, 'small' as less than 19 and 'medium' as 20-199 (Perera & Chand, 2015). Whereas in Pakistan, 'SMEs' are defined as those with less than 250 employees, capital up to Rs. 25m and sales of up to Rs. 250m (Perera & Chand, 2015). These micro debates on different definitions have an impact on the development of *IFRS for SMEs*, which is discussed further in chapter 8.

In attempting to reach their aim of comparability, the IASB persuade countries to adopt their standards. The table in appendix 4 outlines regulation across some example countries, looking at adoption of *IFRS for SMEs* and some information on countries pre-adoption, alongside research that has been conducted.³¹ There are five core elements concerned with the comparability of *IFRS for SMEs* that can be taken away from the table in appendix 4. First the research on adoption and enforcement and its impact is limited. Second, research identifies that many countries and actors perceive the adoption of *IFRS for SMEs* as good, and hope that it will enhance SME access to capital, but empirical evidence beyond these perceptions is limited. Third, research in different jurisdictions identifies that in many cases the standard is unsuitable for SMEs and for the local context. Fourth, this table is indicative of the limited nature of research in this area, which demonstrates that many of the IASB's decisions are made with little justification (as also noted

³¹ Empirical research does not exist for all countries, so there are gaps within the table. Not all countries that have adopted (or not adopted) the standard are considered, as the table focuses on some key exemplars, covering the research that has been conducted.

by an ICAEW report (2015)). Fifth, many studies draw conclusions about the necessity for further education in the IASB's standards, these conclusions are problematic and repetitive and do not further consider consequences of such education (Hopper *et al.*, 2017).³²

Albu *et al.* (2013) compare stakeholder perceptions of *IFRS for SMEs* across the Czech Republic,³³ Hungary, Romania and Turkey, finding support for the standard for increasing accounting quality, but they argue that gradual convergence is necessary. There are positive perceptions regarding costs, comparability and quality, but they find that the impact of the standard will differ depending on context (Albu *et al.*, 2013). Hussain *et al.* (2012) agree convergence is necessary in emerging economies, to improve reporting quality and comparability (Ahmed, Neel & Wang, 2013; Jonas & Blanchet, 2000; Lantto & Sahlström, 2009; Soderstrom & Sun, 2007). However, these concepts of quality and comparability are complex, subjective and unclear, constructing ideologies and logics that are informed by neoliberalism. This leads to the following section which discusses empirical research on the impact of *IFRS for SMEs* on developing countries.

6.6 The impact of *IFRS for SMEs* on developing countries

This section discusses empirical research that analyses the impact of *IFRS for SMEs* on developing countries, but first it is important to define what is meant by a developing country. There is an ongoing debate within the literature that questions what is meant by this term. Some authors draw upon GDP and HDI for distinctions (Hopper *et al.*, 2009). Defining countries that are less developed with development rates as a basis is also seen as problematic because these can be varied and discontinuous (Hopper *et al.*, 2009). Research also argues we should leave behind this distinction and labelling, because it only continues to enable domination (Hopper *et al.*, 2009; Hopper *et al.*, 2017). This thesis focuses on how the IASB and the WB define developing countries/ emerging economies and the limited and homogenous nature of this use of the terms, as this is an aspect of critique within the thesis, identifying problems that this labelling creates, as it ignores local cultures. Having detailed issues of defining developing countries, the following section identifies the literature that examines the impact of *IFRS for SMEs* on developing countries.

Kaya and Koch (2015) research early evidence regarding *IFRS for SMEs* adoption, finding that countries decide to adopt because they cannot develop their own GAAP, have small governance institutions, and/or previously adopted full IFRS for all reporting entities. Arguably *IFRS for SMEs* improves financial architecture and accountability, increasing loan attractiveness and attention from the WB and IMF, which is not as relevant for developed countries (Kaya & Koch,

³² There is an education initiative constructed by the IASB which is based on *IFRS for SMEs*, but this is not examined in depth within this thesis and is a site for further research.

³³ Jana and Jikta (2010) compare the treatment of tangible fixed assets in full IFRS and *IFRS for SMEs*, and the Czech Republic's understanding, this research argues further education is necessary.

2015). However, it is important to note that further access to capital and attention from the WB and IMF is not always favourable, so the impact of the spread of advanced financial capital requires further investigation (Annissette, 2004; Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Klein, 2007; Lazzarato, 2012; Peet, 2009). The IASB rhetorically claim that *IFRS for SMEs* was created for and in consideration of developing countries. However, as explained, research has shown that the IASB do not consider developing countries extensively enough, a problem that only continues to be identified in the *IFRS for SMEs* project (Devi & Samujh, 2015; Hopper *et al.*, 2017; Ram & Newberry, 2013). Therefore, this thesis questions the motives of the IASB's extension to developing countries due to their focus on global capital movement, their capital market orientation and the dominance of private interest within their work (Lazzarato, 2012). Regarding *IFRS for SMEs*, research shows that adoption has been common in low economic performance countries (under the logic of development and access to finance), whilst developed countries do not adopt as they commonly already have well-developed accounting systems (Devi & Samujh, 2015). Furthermore, Devi & Samujh (2015) critically examine the stakeholder participation within *IFRS for SMEs*, identifying a lack of representation of emerging economies:

Access to global financial markets and the expansion of global business has been reliant, to some extent, upon the development of a set of accounting standards, which facilitate the capital markets, both domestically and internationally... It appears that the general purpose of financial reporting is 'geared to the conventionally assumed interests (per economic and finance theory) of investors . . . consistent with the presumption of one type of capitalism, broadly equating to the Anglo-American variant'... The IASB set out to create 'technically competent standards to meet the needs of advanced capital markets and the regulation of international capital in- flows'... without appropriate cognisance of differing cultural, political, legal and economic structures and beliefs of the developing economies. The capital market assumption is a stumbling block for SMEs... which are more concerned with liquidity and solvency... The diversity of local accounting practices for SMEs (and whether they keep accounting records at all), is affected by a large number of factors... that includes: stage of development of the local economy; legal systems; local and national government regulations; property rights; social climate; currency stability; existence of accounting laws; a 'recognised' accounting professional body; and education levels (Devi & Samujh, 2015: 128).

Devi & Samujh (2015) argue that not enough has been done to analyse the impact of *IFRS for SMEs*, especially in developing economies, and user needs. These limits are illustrated by tallying of comment letters in the research papers:

<i>Submissions from</i>	<i>Number of Submissions</i>
<i>Developed countries</i>	70
<i>Developing countries</i>	9
<i>European Organisations</i>	12
<i>International Organisations</i>	4
<i>International Accounting Firms</i>	3
<i>Regional Accounting Bodies</i>	2
<i>Individuals</i>	2
<i>Others</i>	18
<i>Total</i>	120

Figure 14: Respondents to IASB Discussion Paper. Adapted from: Singh and Newberry (2008) and Devi & Samujh (2015).

This demonstrates that the responses from developing countries to the discussion paper (DP) were limited, as were responses from international organisations that may have held some representation from developing countries. Similar input can be shown for the ED:

<i>Submissions from</i>	<i>Number of Submissions</i>
<i>Developing countries</i>	<i>41</i>
<i>Developed countries</i>	<i>101</i>
<i>International Organisations</i>	<i>13</i>
<i>European Bodies</i>	<i>5</i>
<i>Unknown</i>	<i>1</i>
<i>Total</i>	<i>161</i>

Figure 15: Adapted from Ram (2012) and based on the submissions received from the ED

And, the responses to the recognition and measurement (R&M) questionnaire issued by the staff:

<i>Responses from</i>	<i>Number of Responses</i>
<i>Developed countries</i>	<i>60</i>
<i>Developing countries</i>	<i>20</i>
<i>International Organisations</i>	<i>9</i>
<i>European Bodies</i>	<i>11</i>
<i>Unknown</i>	<i>1</i>
<i>Total</i>	<i>101</i>

Figure 16: Table adapted from Ram (2012) and based on submissions to the R&M questionnaire

Currently, the standard does not consider contextual factors, culture, or regulatory infrastructures, as it is dominated by ‘Anglo-American’ capitalism and a capital market orientation because the full IFRS framework has been forced to fit with SMEs through minimal modifications (Devi & Samujh, 2015). Many contextual needs and local differences become overlooked during IFRS global convergence as it is politically motivated (Devi & Samujh, 2015). Further, Devi & Samujh (2015) uncover the political interplay and external convergence pressure placed on developing countries by various IFIs (e.g. The WB and the IMF), which does not represent their needs, and only works in favour of powerful interests (Bohušova & Blaškova, 2012; Chua & Taylor, 2008; Perry & Nölke, 2006; Shutte & Buys 2011ab). For Devi & Samujh (2015) the IASB’s outreach occurred too late (2007), and lacks input from academics, developing countries and users throughout, enabling the dominance of corporations, accounting firms and certain geographical areas:

Reduced disclosure requirements of the IFRS for SMEs, whilst using the same capital market orientation of the IFRS, appears to us to be out of touch with SME operations and user requirements of financial reports... This research reinforces the need to identify users of SME financial statements and then to identify the predominant information needs of those users (Devi & Samujh, 2015: 128).

Due to their lack of enforcement power the IASB become reliant on rhetoric:

...the IASB has to practice restraint as they have no legal power to enforce convergence. This may be why they have been said to be heavy on rhetoric (Biondi and Suzuki 2007), and reproducing myths of what is ‘good for us’ (Richardson and Eberlein 2011) (Devi & Samujh, 2015: 132).

Thus, convergence is politically powerful, and despite resistance it often occurs through a domino

effect, due to powerful and persuasive rhetoric (Devi & Samujh, 2015; Rodrigues & Craig, 2007). The IASB's lack of SME expertise was highlighted by the UNCTAD's (2009) report, the IASB's response to these and other critiques focuses on the due process. However, critics claim that these are faux legitimisation attempts to silence accusations of a lack of expertise and geographical diversity, among others (Biondi & Suzuki, 2007; Devi & Samujh, 2015). Indeed, evidence shows that there is a lack of willingness from the IASB to engage and consult with certain voices (Chiapello, 2007; Cortese *et al.*, 2010; Devi & Samujh, 2015; Gallhofer & Haslam, 2007). This thesis extends these critiques by examining the hegemony of advanced financial capital, this demonstrates a new phase of accumulation, new wars of position and the extension of the dominance of capital markets (Lazzarato, 2012). Therefore, this thesis focuses further on political and fantasmatic logics than these critiques which focus on the due process and social logics.

Devi & Samujh (2015) call for further research that examines the rhetoric constructed by the IASB. To summarise critiques of *IFRS for SMEs*, Fearnley & Hines (2007) criticise the 'top-down' nature of standard-setting for SMES by the IASB. Ram & Newberry (2013) examine the due process around *IFRS for SMEs*, concluding that, despite the IASB's rhetoric, the IASB largely ignored the interests of SME financial statement users, particularly in developing countries. Devi & Samujh (2015) examine the politics of convergence in *IFRS for SMEs*, highlighting the primacy of politics within the standard. However, these studies do not locate the work of the IASB, in a broader context of hegemony, advanced financial capital and neo-liberalism, and hence do not have theoretical explanations for the phenomena observed. Furthermore, these critiques do not analyse the political and fantasmatic to the necessary extent. Indeed, they do not examine the frontiers and ideologies that the IASB construct and the impact that this has on alternatives and other voices.

It is important that the work of the IASB is acknowledged for its role in structural adjustment, especially as they extend their work to *IFRS for SMEs*, which has a greater impact on 'developing' countries than it does 'developed' countries.

6.7 Structural Adjustment and the IASB

The work of the IASB has been connected to the WB, with further links in *IFRS for SMEs*. The WB conducted research through their ROSC A&A programmes which assessed current compliance in various countries with international standards, and recommended action plans (IMF, 2017; World Bank, 2004a, b, d). At the early stage (from 2001 to 2003) there were ROSC reports conducted in 14 developing countries, which identified poor compliance with IAS by private companies, so the WB began to recommend differential reporting regimes, retaining a focus on IAS:

29. This section presents a brief outline of the actions needed to improve Kenya's accounting and auditing system... 29.1 Revise the Accountants Act, the Companies Act, and related regulations to achieve a legal and regulatory framework under which the preparers of financial statements (corporate entities), auditors, and regulators will be

required to play appropriate roles in ensuring high-quality financial reporting. Take appropriate legal and institutional steps to differentiate between the financial reporting requirements for listed companies and financial institutions and those for small and medium enterprises (SMEs). Make IASs legally mandatory for large enterprises and financial institutions, and establish simplified reporting requirements for SMEs (World Bank, 2001a: 11).

At this stage, ‘simplified reporting requirements for SMEs’ appeared to be left to the jurisdiction, as the IASB did not have differential reporting. Subsequently, these recommendations changed moving forward to 2007, when the IASB was creating *IFRS for SMEs*:

Currently, there are no specific IFRS pronouncements for small and medium-sized entities (SMEs). However, IASB is keenly aware that SMEs are in dire need of their own customized accounting standards... On a global level, however, IFRS could be used to meet the varied needs of market participants, for reliable financial information, to assist in cross-border lending, and to streamline the preparation of financial statements. Indeed, IASB’s customized standards for SMEs would reassure global stakeholders. For the time being, SMEs could fall back on IFRS concepts and apply them accordingly, given that the financial statements would not be extensive (World Bank, 2007b: 68).

This quote calls for full IFRS to be required by all, until the IASB’s standard is promulgated, showing a reiteration of their previous requirements regarding full IFRS for all. Also, this demonstrates the WB advocating for the IASB to create a standard, using here terminology such as ‘dire need’ and, in the following quote from a WB report, ‘urgent need’:

International standards are not necessarily appropriate to govern all financial reporting obligations, this being especially the case with International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS). There is an urgent need for the International Accounting Standards Board to specify the circumstances in which the use of “full” IAS/IFRS is appropriate, and to develop different standards that would meet the needs applicable to the users of financial statements of other entities, particularly small and medium-sized enterprises (SMEs). Many stakeholders continue to have misunderstandings with respect to the very nature of international standards, which complicates efforts to plan, define and measure progress towards successful implementation (Hegarty *et al.*, 2004: ii).

This quote highlights the WB’s encouragement of the IASB to create the *IFRS for SMEs*. Within this there are contradictions, as the IASB and IFIs originally advocated for countries to adopt full IFRS for all. However, as contingencies are revealed the WB (in their reports) criticise countries for adopting IFRS for all entities, and for ‘misunderstanding’ the ‘very nature of international standards’. This combination of the work of the IASB and the WB and IMF, gives the IASB further power and forms coalitions between them, blocking alternatives and local contingencies (Hopper *et al.*, 2017). Before moving to the empirical chapters that further discuss these connections and criticisms, the following section draws conclusions for this chapter.

6.8 Conclusion and overview of empirical chapters

This chapter has examined research on the IASB’s extension, identifying some issues and tensions, and describing the development of *IFRS for SMEs*, raising issues for further analysis:

- The IASB define SMEs through public accountability, opposing common definitions that focus on size, which raises controversy for the IASB.
- The IASB draw equivalences across many different entities under the umbrella of SMEs.

- SME's are of high economic and social importance in developed and developing economies, through their strong contribution to the economy, GDP, employment and society. There are national differences in SME regulation and some countries are hesitant about *IFRS for SMEs* adoption, especially those with developed accounting systems. Moreover, some scholars find the standard to be unsuitable for most SMEs.
- The benefits and costs surrounding *IFRS for SMEs* are debated, as the standard claims to be beneficial in these terms. However, academics identify that the costs outweigh the benefits to SMEs. Early *IFRS for SMEs* research concludes: education is necessary; the standard is unsuitable for emerging and developing economies; different countries have different reactions; SMEs have many obstacles and the standard holds many practical problems; and implementation is costly and time-consuming. Research also shows that the IASB did not consider SMEs or their financial statement users, and highlights the heterogeneous nature of both.

Importantly, creating a standard for SMEs holds tensions with the IASB's original aims and capital market focus. The importance of SME accounting is high, due to their social and economic significance, but there is sparse academic research in this area. L&M has not been applied in this area, and this thesis argues that this gives a more holistic analysis, of the IASB's discourse and processes, as shown in both the regulatory theory chapter (2) and the theory chapter (3). Regarding the social, political and fantasmatic logics, this chapter has shown that the more critical literature has examined the social logics of the extension to *IFRS for SMEs* by examining the due process, but the deeper politics of their work and the role of subjects and ideologies is yet to be examined. This thesis focuses on how and why the IASB decided to extend to *IFRS for SMEs*, and in many ways the literature so far is lacking. The literature focuses on mainstream approaches to offer incremental improvements, without considering the broader politics and the impact of the IASB's extension. Therefore, the empirical chapters extend this literature and the following gives an overview of those empirical chapters, their order and narrative.

The chapters that follow move to the empirical examination of the IASB's development of *IFRS for SMEs*, looking empirically at why and how they operated the extension beyond listed entities. To give an overview, figure 17 below outlines the structure of the empirical chapters, which follows five key moments³⁴ within the extension to *IFRS for SMEs*, each hegemonically operating the LoE and LoD.

³⁴ This is in line with the chronology of development of *IFRS for SMEs* outlined in Appendix 1.

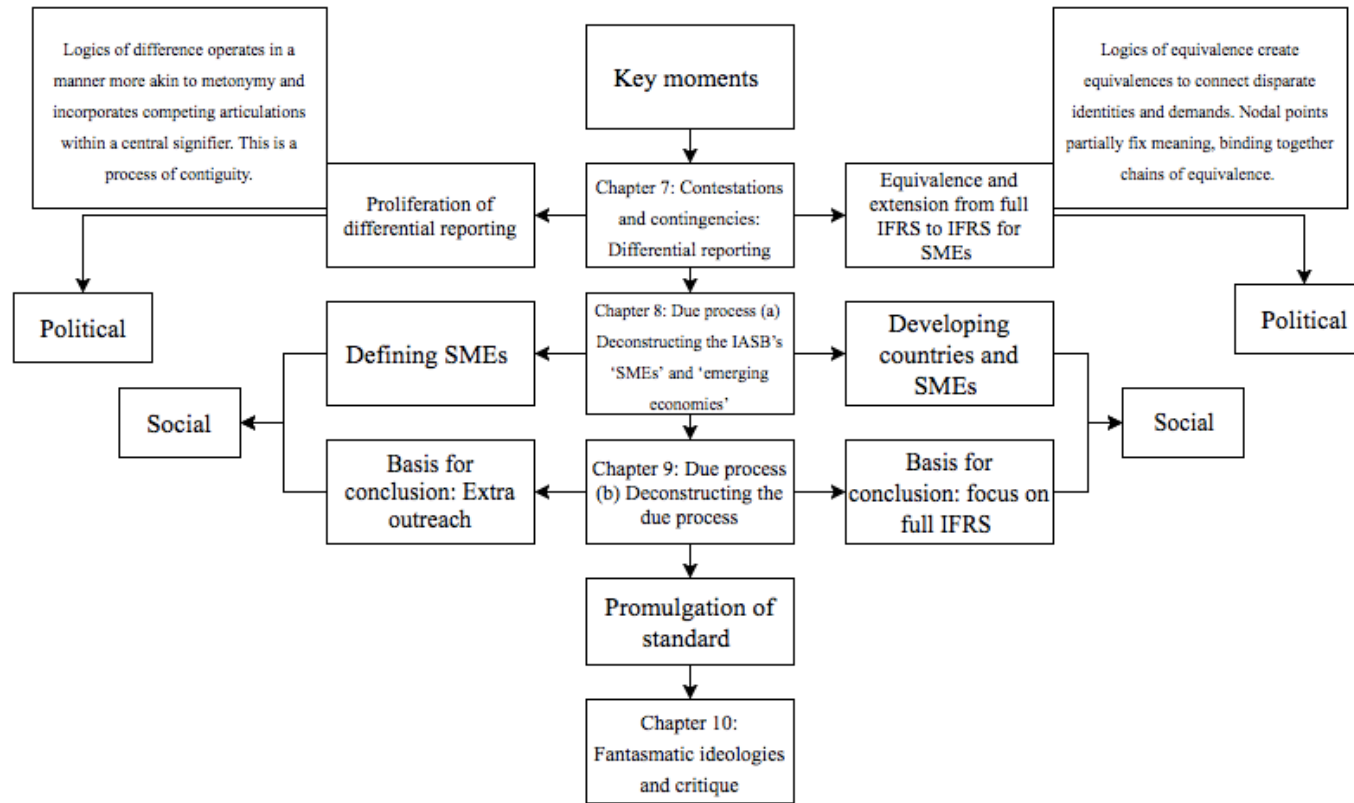


Figure 17: Empirical movements

Chapter 7 starts by examining the contestations surrounding differential reporting, which led the IASB to create the *IFRS for SMEs*. Thus, this chapter identifies the problematisation of differential reporting by the IASB and other actors in the regulatory space. Within this problematisation, LoE and LoD are in operation as the IASB attempt to reinstate their expert role in the regulatory conversation. This simultaneously constructs the necessity for differential reporting to remain within IFRS through LoD, whilst also operating LoE through the idea that IFRS for listed entities can be extended to become suitable for SMEs. This reinstates the position of the IASB as technocratic regulator to counter any threats of contestation that could question or dislocate this role. This operates the political logics from LOCE, by focusing on the extension and/or construction of new frontiers (within the differential reporting debate), through defence and naturalisation. In this case, the political logics occur before the operation of the social logics and due process, which changes the order in G&H's methodology.

Chapter 8 examines how the IASB use their existing due process, logics and rhetoric to operate the extension to *IFRS for SMEs*. In this, the IASB cover over competing articulations through condensation (operating within the LoD). This condensation constructs the *IFRS for SMEs* as able to meet the needs of all, to cover over articulations, contingencies and contestations, by rendering alternatives unnecessary and delegitimised. Additionally, within this moment the LoE is also in operation, as the IASB draw equivalence from SMEs to developing countries, developed countries to developing countries and across all developing countries, seeing them as homogeneous, which ignores local contexts. This chapter examines how the IASB operated this extension through their socially sedimented practices, to persuade political actors that the IASB's expertise and technocracy is required at the centre of standard setting.

Chapter 9 moves to the third key movement in figure 17, which examines the way that the IASB simultaneously claim to conduct extra outreach to reach other views and make *IFRS for SMEs* different to IFRS, whilst also retaining a focus on full IFRS for two reasons. First, to enhance the strength of their brand and expertise, and second to maintain the inter-relationship with IFIs who include the IASB's standards in structural adjustment. This chapter reinforces the examination of both the LoE and LoD in hegemony and the IASB's control over the regulatory conversation. Thus, this chapter examines further social logics, by examining social practices and regimes that the IASB operate and deconstructing the depiction of the IASB as technocratic regulator with neutral due process (which masks the political hegemony of their extension to *IFRS for SMEs*). The movements in each of these chapters are connected to the chronology of the development of *IFRS for SMEs* in appendix 1, especially the due process.

In keeping with the LOCE, the chapter that follows (chapter 10) deconstructs the fantasmatic logics which operate in the extension to *IFRS for SMEs* by the IASB. These are crucial in the examination of the way that subjects become gripped by the IASB's promulgation of the standard, due to the ideologies that the IASB have constructed, both during the due process and in the

standards publication. The extension of hegemony requires the IASB, as an agent of advanced financial capital hegemony, to construct fantasies that grip subjects and cover over the contingencies of those fantasies by naturalising and instituting the social structure. This chapter also offers an overarching critique of the extension by the IASB to *IFRS for SMEs*, through the articulation of the impact of the political, social and fantasmatic logics as they operate together in the construction of hegemony.

Chapter 7: Contestations and contingencies

In following a technocratic line of argument, in which the IASB are the expert standard setters that operate a neutral due process, the story of *IFRS for SMEs* could be deceptively simple. Within this analysis, we would see international organisations, standard setters and the IASB as acknowledging a demand for standards that meets the needs of emerging countries and the SMEs. So, the IASB, as a legitimate expert international standard setter responds to this demand, as depicted in the IASB's public rhetoric, outlined in the previous chapter. Following promulgation, national standard setters adopt *IFRS for SMEs*, which claims to remove regulatory burdens for national standard setters, clarify reporting issues for practitioners, and benefit SMEs, including SMEs in emerging economies.³⁵

However, this ignores political contestations, nuances and power struggles and does not consider the importance of the IASB as a geo-political player, extending their command and control. Nevertheless, the IASB's rhetoric attempts to persuade various actors (SMEs, preparers, national standard setters and IFIs) of the technocratic nature of their standards, depicting *IFRS for SMEs* as a high quality solution to problems that SMEs experience:

It can play an essential role in helping SMEs gain access to capital. This is because the IFRS for SMEs improves the quality of reporting as compared with many existing national accounting requirements. At the same time, it reduces the burden on entities in jurisdictions where full IFRSs or national requirements that have converged with IFRSs are now required. Furthermore, the IFRS for SMEs provides enhanced comparability for users of accounts both within a jurisdiction and across borders. This improves the overall confidence in the financial statements of SMEs. Clearly, it reduces significantly the costs of developing and maintaining standards on a national basis (IASB, 2012a: 2).

This rhetoric is crucial to the IASB because they do not have enforcement power, but as an agent the IASB's work is intertwined with IFIs that hold powerful political goals, including, but not limited to, the WB and the IMF. The combination of rhetoric and the inter-relationship of the IASB with IFIs constitutes an environment with significant pressure to adopt, and constructs and maintains hegemonic ideologies.

The extension of the IASB's work from standard setting for listed entities stems from debates on the necessity for differential reporting. This debate holds many contestations, and subsequently leads to problematisation by IFIs and the IASB for the necessity of *IFRS for SMEs*. Prior to the decision that differential reporting was necessary, IFIs and the IASB decided (and promulgated) that there could be one-size-fits-all for financial reporting standards, in which full IFRS was suitable for all entities, no matter their size or focus.

7.1 Deconstructing one-size-fits all

Since the 1980s there has been an oscillation between the belief that there should be one set of standards for all organisations due to the need for comparability; against issues of cost-benefit for

³⁵ In the empirical chapters the terms developing countries and emerging economies are both used because they are both used by interviewees and in documentation.

unlisted entities. Originally, the IASB, the WB and the IMF advocated for ‘one-size-fits-all’ for financial reporting standards:

...and certainly in the 1990s it [the World Bank] insisted that if it lent money to anybody they used IAS (Interviewee 27).

However, this changed during the early 2000s due to the growing complexity of financial reporting standards for listed entities (Camfferman & Zeff, 2007; 2015; Harvey & Walton, 1996; Ram, 2012; Walton, 1998), as interviewee 6 explains:

... but by 2000-2005 the World Bank had recognised that IFRS, or recognised what was happening in the world and its line had changed, it was going along the lines of saying IFRS for listed, for banks, for insurance, and for unlisted, for SMEs, something else...

As this quote explains, the WB supported a uniform approach to accounting, but the specification of this approach shifted post-2000. The identification by IFIs and others that international standards were creating issues concerning the cost and complexity of compliance, posed a threat towards the IASB’s program for harmonisation and comparability and their standard setting expertise, as standards were unsuitable for or unusable by SME organisations. Interviewee 6 explained that the WB originally advocated for ‘everyone to use full IFRS for everything’ but this understanding was contingent. This contingency is important because SMEs are potentially valuable to advanced financial capital.

Taking the UK as an example, UK financial reporting held the belief that all companies, irrespective of their size and/or listing, should be subject to the same accounting requirements. It was necessary to give a true and fair view and it was argued that there could not be a different true and fair view:

...we don’t have different versions of that set of standards which has been developed to give a true and fair view or a fair presentation, so how can you have a different version of that? (Interviewee 2).

This interviewee highlights the standard setting belief that there can only be one true and fair view, which is challenged by the existence of differing reporting standards. This is crucial to the accounting standards concept that ‘one-size-fits-all’ and holds that any difference would damage the quality of financial reporting. For example, CL01 (2004)³⁶ which replied to the IASB’s discussion paper (DP) on *IFRS for SMEs* states:

I feel strongly that the existence of the FRSSE in the UK damages the credibility of its accountancy profession by sanctioning the use of inconsistent accounting rules for different sizes of entity.

This comment letter (CL) draws an equivalence between a loss of credibility and differential reporting. This is noteworthy because accounting standards have been critiqued for only being constructed to legitimise the existence of the profession (Hines, 1991). Thus, questioning the

³⁶ CL stands for comment letter throughout the empirical chapters. If the date is referenced 2004 then this was a comment letter on the DP. If the comment letter is referenced 2005 then this was a comment letter on the Recognition & Measurement (R&M) questionnaire. If the comment letter was referenced 2007 then this was a comment letter on the ED.

credibility of the profession is risky for the IASB as a standard setter and an agent of advanced financial capital.

The IASB similarly took the view that IFRS was suitable for all, but in 2004 they began to change this:

...the paper says that five million companies in Europe are under a statutory requirement to produce financial statements but were not covered by the EU Directive that will require IAS accounts from 2005. Someone had asked him, he said, whether the IASB intended the SME standards to apply to all five million companies. The Board, he said, had already stipulated that it believed that full IFRSs were suitable for any company. The issue, he added, was whether the Board wished to see a two-tier structure or a three-tier structure. A three-tier structure would not be so far-fetched, he added, since the UK, Germany and some other countries already operate one (ISTAR, 2004c: 33).

This quote explains, with the example of unlisted companies in Europe, that the IASB believed full IFRS was suitable for any company. However, as the IASB were considering a two-tier reporting structure, this illustrates the deconstruction of the one-size-fits-all approach. As the two-tier structure emerged the IASB had to adapt to maintain their legitimacy, against changing views on the growing complexity of full IFRS:

I think generally speaking, if you ask why [IFRS for] SMEs came in or why any form of differential reporting came in, it was because of a growing feeling that GAAP as we had known it as a singular set of requirements was too ornate for smaller entities and many of the discourses in particular were becoming quite elaborate courtesy of financial instruments (Interviewee 22).

Interviewee 22, as an international standard setter, recognised the complexity critique of IFRS, as does interviewee 4:

So, there was this growing concern that the IFRS were getting increasingly complex and focusing more towards fair value accounting which developing countries and some of the other less developed countries felt that they were not able to cope with.

This development (shown in the above quotes) illustrates that a two-tier reporting system emerged because IFRS was problematised as too complex with financial instruments and fair value accounting being considered unsuitable for SMEs and developing countries. However, this is illustrative of a LoD, because the IASB effectively construct a modified version of one-size-fits-all, rather than a bottom up creation, specifically developed standard that would be appropriate for SMEs. Contemporaneously, national standard setters and IFIs were debating differential reporting leading to questions about the ability of the IASB to set standards for and regulate the SME environment.

7.2 A proliferation of differential reporting approaches

7.2.1 The IASC and contingency

Originally, the IASC and the WB set up an SME accounting project, but subsequent events and the institution of the IASB meant that the project was not pursued further:

The IASC had an SME accounting project, and it formed a committee to work on it... back in about 1999 or something like that and my understanding was that when the IASB came in they really didn't want to pursue that... (Interviewee 27).

International standard setters had, for a time, recognised the necessity for an SME approach, but initial reluctance from the IASB was noted by multiple interviewees (including interviewees 2, 3, 4, 5, 6, 11, 17, 19, 20, 21, 27) explaining that initial reluctance from the board was due to a focus on listed entities and capital markets by the IASB and the IASC. As the IASC began to focus on work with IOSCO, this led them away from developing countries to listed entities and capital markets:

...generally speaking the thinking was, was that we were writing standards which would be applied by all businesses and if you go right back in the history of IASC, you will see that, that there was no distinction made [between listed and unlisted entities], but then during my time we started to focus more on capital markets, and establish this relationship with the international organisations securities commissions, which was all about producing standards which could be used by listed companies, in foreign listings (Interviewee 6).

This focus on listed entities became an all-consuming focus for the IASC, so when the IASB was constructed they were not focused on the necessity for expertise in SME financial reporting (interviewee 24, 27, 11, 15 and 3, also reference the necessity to have a working group of experts in SME reporting). Thus, this had an impact on the IASC's and IASB's work as it facilitated an advanced capital agenda. As the IASC began to focus further on listed entities, they were also concerned about various countries picking individual standards instead of following all IAS standards:

...the use of international accounting standards was not compulsory for anybody. A number of companies in a number of countries started picking individual standards to add to their local standard, this was particularly true in France, and they would say we report according to French GAAP and the international standards, and then you would have to read the notes, and see that yes we do the pension standard except we don't do the liability. That was referred to as IAS Lite, and... the IASC was very concerned about that because it felt that this was diminishing the value of its product and they couldn't do anything about it. One of the issues for the IASB was to prevent people using individual, picking and choosing their standard (Interviewee 27, similar sentiments were made by interviewee 7 and 8).

The IASC saw 'IAS Lite' as diminishing the value of their product, which constituted a threat to the legitimacy of international standards. The IASB dealt with this issue by requiring either all or nothing in standards adoption, which removed the ability for constituents to 'pick and choose'. However, the IASB continued to be concerned with the concept of 'IAS lite', as noted in board meetings:

...the use of the phrase 'IAS Lite' meant that they were already diminishing the IAS brand (ISTAR, 2003I: 40)

Thus, there were contingencies and threats to the IASC and IASB, but with regards to SMEs, as interviewee 27 explained in the first quote within this subsection: 'when the IASB came in they really didn't want to pursue that'. Therefore, international standard setters constructed differential reporting which posed a threat to the international accounting standards project, so the IASB acted to protect their legitimacy and their brand (Black, 2008).

7.2.2 Proliferation of articulations by standard setters

Before *IFRS for SMEs*, certain national standard setters constructed differential reporting and disclosure exemptions, which led to multiple sets of accounting standards depending on criteria (Harvey & Walton, 1996; Jarvis & Collis, 2003). For example, New Zealand introduced differential reporting in 1994, Canada in 2002 and Hong Kong in 2002 (Eierle, 2005). This proliferation of jurisdictionally dependent differential reporting standards posed a challenge for IFRS:

...constituents who were urging us to do something to simplify this standards and to make a set of standards that were appropriate for small or medium sized non-public entities and then there were a number of jurisdictions who were thinking about or on the way to adopting IFRS who had already created a separate sort of standards (Interviewee 21, sentiments also supported by interviewee 4, 6, 18, 27).

This led to a situation where multiple jurisdictions had reinforced the idea of differential reporting by having different accounting standards for listed entities versus more simplified standards for SMEs. For example, interviewee 21 gave the specific example of the FRSSE which identified that SMEs had different users:

...where in most of the jurisdictions that had made differential reporting or something like the FRSSE they had done enough research to conclude that the main users of the financial statements were lenders and by definition... somebody who is providing you with a good deal of your capital, and has some kind of a lending agreement (Interviewee 21).

This interviewee explains that these differences were identified because lenders, particularly banks are key SME financial statement users (reference to the approach taken by the FRSSE and users as lenders is made throughout the IASB's board meetings). This highlights the contradiction between the IASB's focus on 'big' advanced financial capital and financial (including bond) markets vs. 'small' financial capital from banks. The IASB are focused on advanced financial capital, but national standard setters were creating standards for a different purpose in the knowledge that SME financial statements were used for bank lending decisions rather than for raising loans from financial markets. If national standard setters create standards like the FRSSE then the IASB lose their influence, and their role as an agent of advanced financial capital is called into question. The FRSSE does not by itself constitute a major threat, but the existence of a series of national standards does, as it reduces the ability for advanced financial capital to gain access to new and emerging markets. The creation of differential reporting standards could have been dislocatory for the IASB, as the existence of various standard setters constructing their own regimes is potentially a threat to the IASB, especially once developing countries are creating their own standards. This potential proliferation highlights many contingencies in the IASB's work and politically threatens their technocratic role. Despite many of these differential reporting regimes stemming from full IFRS, the risk is that the IASB could lose their influence as another group begins to control standard setting at the macro level.

These articulations pose threats towards the IASB's technocracy, because if other people can simplify IFRS and create standards for accounting, this destabilises the idea that the IASB are the right people to set standards. Indeed, it is not the existence of the alternative, but that other groups might be seen as the experts, which threatens the IASB's technocratic expertise. So far, the proliferation of different articulations that this section has looked at, has been from multiple developed countries. But, there were threats to this technocracy from emerging economies, which is important as the extension to *IFRS for SMEs* plays a prominent role in emerging economies.³⁷ Interviewee 18 explains a further counter articulation from the Eastern Central and Southern African Federation of Accountants [ECSAFA] (during the development of *IFRS for SMEs* this organisation was called the Pan African Federation of Accountants [PAFA]) which threatened the IASB:

Even before the IFRS for SMEs was created, from the original perspective in Africa we developed a reporting framework, which we hoped would be used by SMEs, I believe that was part of the push that helped, that made the IASB think about having an IFRS for SMEs... they start to think we are playing in their battlefield... I think the pressure, the pressure was growing... from various parts of the world, people wanted a reporting framework for SMEs, if they had continued to resist, it is possible that people would have created something that would have rendered [the IASB] irrelevant in certain parts of the financial reporting supply chain.

This interviewee explains that part of the reason why the IASB created *IFRS for SMEs* was because others had created standards which were 'playing on their battlefield'. Thus, the IASB's move to protect standard-setting territory at the macro level, is for the purposes of protecting their technocratic expertise, so they do not become 'irrelevant in certain parts of the financial reporting supply chain'. This is similar to the 'turf protection' that Ram and Newberry (2013) articulate, but the turf to be protected is the IASB's technocratic expertise. However, the IASB, in 2007, constructed this as a legacy and a logic issue:

The answer is that this is both a legacy and a logic issue. For Bob Garnett, a Board member since the founding of the IASB, it is about facing up to responsibilities. 'When the IASB was set up in 2001', he said, 'the Trustees told the Board that it should deal with the world's capital markets.' That was the focus that has led to the implementation of IFRSs for listed companies in Europe and around the world and has now opened up the possibility of IFRSs becoming the world's accounting language. To get there has been an immense achievement. But it has been a different focus from that of the IASB's predecessor standard-setting body, IASC, which was charged with producing accounting standards that attempted to be relevant to all companies, not just listed ones. Consequently, once IFRS implementation was under way, the legacy question of the small and medium-sized entities (SMEs) returned to the agenda. As IASB Chairman, Sir David Tweedie, said to the European Parliament recently, 'When the Trustees and the IASB consulted different interested parties throughout the world, there was an uneasy feeling that the IASB was failing to live up to its obligations as an international organisation. During the Constitution Review, more than 40 participants representing emerging economies in Asia and Latin America called for the IASB to take into account the special needs of SMEs, and for that reason the Trustees urged the IASB to initiate a project aimed at SMEs.' (IASB, 2007e: 10).

³⁷ The homogeneity of the IASB's conception of developing countries and emerging economies has been discussed within this thesis, and is further discussed empirically in chapter 8 as it is highly problematic, but for the purposes of explanation the IASB's language is being used.

Therefore, this shows that rather than saying that they are the experts in standard setting, the IASB chooses to explain that the construction of *IFRS for SMEs* is about logic and legacy, constructing a form of inevitability. This statement makes the claim that due to the IASC's original aims of 'producing accounting standards' that are 'relevant to all companies', the IASB had to 'live up to its obligations'. However, this thesis has illustrated that the IASB only acted when there were threats to their status. The IASB claimed SME reporting away from national standards, as their 'turf', and the creation of *IFRS for SMEs* is a hegemonic extension to a new area that the IASB had not previously occupied, because of the macro-threat to their role as principal standard setters. As SMEs were given more attention in the global arena this threat grew. Therefore, these rhetorical constructs of 'obligation', 'legacy', and 'logic' are crucial to the IASB, as they operate metaphorically to legitimate the movement to *IFRS for SMEs* (that was not previously within the IASB's remit, despite being an aim of the IASC). This offers the IASB ideological cover for the politics of extension. Indeed, there was not only a proliferation of differential reporting standards from national standard setters, there was also the UN who created a standard for SMEs and the EFRAG who threatened to do so as well.

7.2.3 Articulations from larger transnational bodies

The ISAR department within the UNCTAD conducted research in developing countries and identified challenges in enforcement and compliance, so they argued for a simplified standard for developing countries:

...we actually did research in Africa, so Botswana, Cameroon... the research that we did identified that accounting technology, if you like, was a major barrier to development because there weren't any cheap accountants... [we developed] a four tiered system which starts with cash accounting at the bottom end, no rules to speak of just cash... to a simple accruals systems with or without debits and credits as you want, but you know where people have no intangibles, nothing like that, they're buying or making stuff and selling it or they're providing very simple services and then this middle level where companies have 10, 20, 30 employees and they actually need substantive records, and they should be paying tax and stuff like that... (Interviewee 27).

This articulation identifies access to capital as a barrier to development. From this research, the ISAR developed the Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises [SMEGA]. This is a guideline which, as explained in the above quote, goes to the basics of the IASB's accounting framework, to reduce complexity. This is a threat to the IASB, as although the standard is based on IFRS (and so does not constitute a dislocation), this removal of complexity and the necessity for 'advanced expertise' as constructed by the IASB is threatening to their role, status, and legitimacy. This reinforces Hines (1991) who argued that accounting standards are developed to legitimise the accounting profession and practices, as experts are constructed as the only people that can interpret accounting (which links to interviewee 27's point regarding 'cheap accountants' in the quote above). Moreover, this reinforces the IASB's role as a technocratic regulator protecting their position of expertise. The standard created by the UNCTAD was simplistic, which delegitimises the IASB's global accounting language. Within

this document, the ISAR made decisions about what to include and what not to include, based on the interests of developing countries. Interviewee 27 recalls the IASB's disapproval of these decisions in a conversation with a board member:

[An international standard setter] was making the argument that look, if there is a big need for it out there and people like even the UN, you know as much as we like you, it's not your standard it's our standard. If anybody is going to mess with our standard it had better be us, and so we should do it because if we don't do it there will be a proliferation of people doing their own standards.

This illustrates the claim that the IASB saw the work of the UN as a threat, because they did not want a 'proliferation of people doing their own standards'. Interviewee 4 noticed a similar feeling, stating the IASB would not 'endorse anyone else's standards'. This shows the increasing external pressure on the IASB, as is summarised in the following quote from CL 90 (2004: 3):

If the IASB decides not to meet the demand for simplified IFRS for SMEs, several things could happen:

- national or regional bodies could develop their own or 'regional' simplified IFRS for SMEs;
- national bodies may continue to allow or require SMEs to comply with old IAS; or
- another body (for example, the United Nations, IFAC, the European Commission or the World Bank) could develop simplified IFRS for SMEs or even a competing set of SME Standards.

This comment letter explains that if the IASB do not react to the demand then various alternative systems could emerge which threaten the IASB's expertise and technocracy (the pressure of alternatives is also noted by interviewees, 4, 27, 18 and 6). The construction of a competing set of standards is threatening to the command and control that the IASB hold in regulatory conversations, and the way the IASB dismiss alternatives is further discussed in chapter 8 and 9.

Another alternative that constituted a threat towards the IASB was the EFRAG (Ram, 2012; Ram & Newberry, 2013). The EFRAG placed pressure on the IASB, stating that if they did not create a standard for SMEs, then they would, as interviewee 27 explains:

...but nonetheless [an IASB board member] was under pressure for Europe to do something about it, and at the same time EFRAG thought that they might do something about SME accounting which is part of the same issue... if you look at the press release when EFRAG was formed it actually specifies that they would do SME accounting. In the end they never did, in the end the IASB restarted its project, and EFRAG then provided some kind of support committee to the IASB's effort, it was necessary for the IASB to take that initiative to prevent other people taking those initiatives. So I would say that was the political issue and the consequences of that to some extent were on the one hand, as I say it stopped other organisations developing their own, which might have been a good thing, might have been a bad thing, but it did have that consequence...

Interviewee 4 references similar work by the EFRAG. This shows a further proliferation of standards from national standard setters in both developed and developing countries, from the larger bodies including the UN, the EFRAG, and PAFA (ECSAFA). These contingencies and contestations lead to the necessity for the IASB to extend their work to reinforce their expertise and technocracy by blocking counter articulations. As illustrated in the following figure 18.

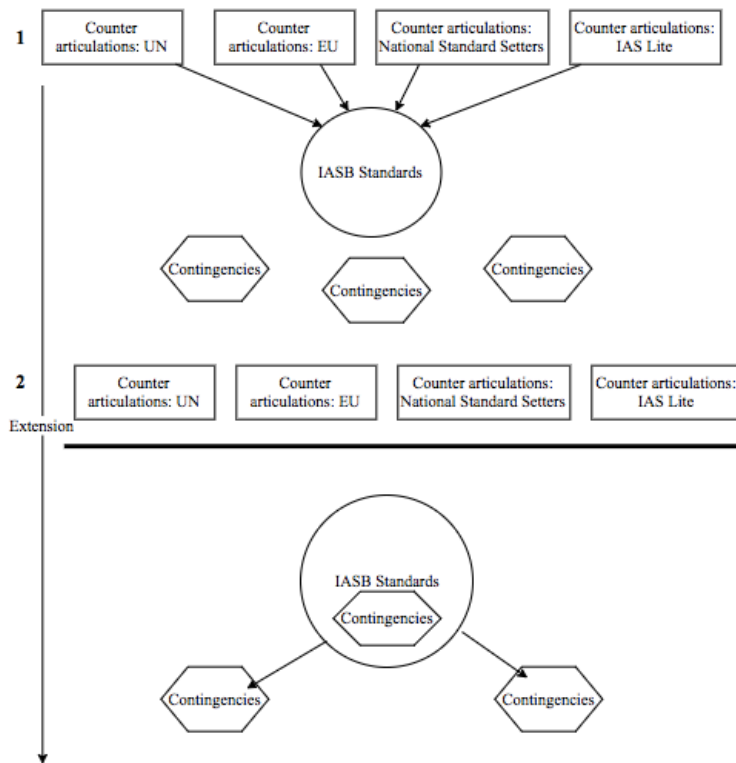


Figure 18: Blocking counter articulations

Alongside these threats there was also demand, and a call to respond to these contingencies, particularly from the WB and the IMF. Thus, the WB and the IMF were problematising differential reporting, as they are focused on ‘high-quality’ ‘expertise’ from the IASB, and they begin to share the risk in these political power struggles. Indeed, the IASB’s role as an agent of advanced financial capital, should increase the access of advanced financial capital, so if they do not respond to the demand, they are not fulfilling this role and may lose legitimacy with IFIs.³⁸ This is further discussed in the following section of this chapter. The following sections examine

³⁸ It should be noted that this thesis does not consider this a dislocation, as there is nothing radically shifting or altering, even in the construction of these alternative articulations, as these alternatives are restricted to the logics constructed by the IASB. In these alternatives there is nothing that radically alters the base of accounting, as these articulations are constructed out of full IFRS. Whilst these contingencies and alternatives could (in the longer term) have had a dislocatory effect if the IASB had not responded, instead they are able to restabilise, retain their current form and only lead to marginal debates about what accounting looks like, so the IASB’s fundamental hegemony is not shifted. This leads to the question, why is there not a radical alternative to the logics of IFRS and advanced financial capital that could be destabilising? As L&M articulate dislocation, there should be clear re-articulations, instead what is demonstrated here is the IASB restabilising their work as hegemonic standard setter in the face of contestations and contingencies.

the call to action, the IASB's problematisation, and the impact of this on their role, their position and the attempt to protect their authority as an international standard setter.

7.2.4 Problematisation of the necessity for *IFRS for SMEs*: the call to respond to contingencies

During the early 2000s the WB, in combination with the IMF began their Report on the Observance of Standards and Codes (ROSC) program, assessing compliance with international accounting and auditing standards, and making recommendations for improvement for various countries (IMF, 2017; World Bank, 2004a, b, d). From 2001 to 2003, the WB assessed 14 developing countries (they continue to construct these reports), finding that SME reporting requirements were complex, unsuitable, and therefore impacted the quality of financial reporting in those countries (an impact that the WB and IMF tie to their development) (see, World Bank, 2001a, b; 2002a, b, c, d, e, f; 2003a, b, c, d, e, f; 2004a, b, c, d). Due to recommendations from IFIs, and a lack of resources, many countries had adopted full IFRS for all entities, which created complications for SMEs:

...the first group are people who... were forced by the World Bank or the IMF to put in place the requirement to use IAS, that was a big problem... because IAS wasn't suited for those economies anyway and often the funding agency did a point in time translation of the standards and then didn't give them enough money to keep the translations up to date when modifications were made, so... it was actually the 1990 standards because that was the last translation they had, so, and so they basically wanted to be part of, you know, they wanted reasonable accounting standards, the full IFRS or full IAS never mind IFRS was not suitable, but in order I think, in some cases to try to keep on side with those international agreements they needed some set of accounting standards, IFRS wasn't suitable, they didn't have the capacity to develop their own standards nationally, the IFRS for SMEs was basically the only thing that would work of them... (Interviewee 21).

...although full IFRS is very useful in its prescribed role, its requirements are far too detailed and far too prescriptive and particularly its disclosure requirements are far too onerous for small companies that don't have a broad user base... (Interviewee 14).

Interviewee 14 is criticising the use of IFRS outside of its 'prescribed role', whilst interviewee 21 identifies that the WB forces unsuitable IAS requirements. The IASB focus on the 'voluntary' nature of their standards to portray that countries want and use them of their own accord (which constructs logics of external demand and support for the IASB). However, there is extensive pressure from IFIs as the WB and the IMF identify that full IFRS is too complex, so the IASB must respond because of their role in global capital movement and the development of a global accounting language. Indeed, these countries were and continue to be following WB recommendations:

...the World Bank is one of, is the biggest hidden harmoniser of accounting in the world, and certainly in the 1990s it insisted that if it lent money to anybody that they used IAS, and so it was far more important in getting people to use IAS than any other organisation, and it is still the case that they regard training people in doing accounting as a prerequisite for development and lending them money... (Interviewee 27).

This quote demonstrates the interconnected nature of international accounting standards and IFIs. IFIs insist on the uptake of international standards as requirements for loan agreements and

development through structural adjustment. Thus, the WB and the IMF contribute to the IASB's movement to become the international language of financial reporting. However, differential reporting leads the WB and the IMF to identify contingencies in the IASB's work, so it is necessary for the IASB to respond to maintain their legitimacy (Black, 2008; Quack, 2010). This constitutes a subtle critique of the IASB. By identifying full IFRS as too hard and as creating too many problems, the IFIs are critiquing the IASB's expertise for not constructing suitable standards that help the WB and the IMF to extend their access.

Furthermore, pressure was placed on the IASB during the creation of *IFRS for SMEs*, as the WB and the IMF began to recommend adoption of *IFRS for SMEs* to developing countries before the standard was completed (sharing the risk of the creation of the standard), through their ROSC reports:

In this perspective, the IASB has initiated a project to issue a standard dealing with Financial reporting by small and medium sized entities. The IASB has recently announced that it would release a discussion document in the second quarter of 2004. In this context, SMEs in Ecuador should continue to follow NEC until IASB releases an international "SME standard". By improving the quality of the financial information they produce, Ecuador's SMEs will gain easier access to credit, which in turn will help boost their development (World Bank, 2004c: 20).

This is also shown in the ROSC report from Cambodia:

Develop an arrangement for continuing development and issuance of simplified financial reporting requirements for SMEs, in line with the pronouncements of IASB (World Bank, 2007a: 26).

Indeed, the WB, the IMF and the IASB were tying *IFRS for SMEs* to development and access to capital. Subsequently, this tied *IFRS for SMEs* to the goal of increasing the field of advanced financial capital. Thus, these pressures were prevalent in the decision to adopt:

...the decision to implement IFRS for SMEs was probably not concerned on the quality of the reporting of those SMEs, but on providing some support for the IASB in order to say, hey IASB [our country is] on board, we are all entirely on board with you, and to, not only to the IASB but to international audience to say hey we are at the up front, [this country] is at the upfront of accounting reforms, we just implemented IFRS for SMEs, and that point there is a big difference between issuing and publishing a rule, I wouldn't say a law because it's not a law, it's just a, the decision to implement the IFRS for SMEs, was not made by the congress it was made by the accountants' board like the [interviewees home country] CPA, we are about to go for another ROSC report the observance of the standard setting codes... (Interviewee 25).

This interviewee explains that their country was not 'concerned' with the 'quality of the reporting' that would be gained from adopting the standard. Instead, they were concerned with showing support for the IASB, gaining acknowledgement in political debate, and ensuring that they adopted before their next ROSC reports, because of what this signals to IFIs and the rest of the world. This shows an institutional and isomorphic pressure, which ensures the spread of advanced financial capital.

This work with the WB removes the necessity for the IASB to have enforcement power, as the pressure to adopt comes from another, powerful organisation. Indeed, the adoption of IFRS and *IFRS for SMEs* as a differential reporting framework has become a main part of the WB and

IMF's structural adjustment criteria (Hopper *et al.*, 2017). Therefore, the brand, and the logics of expertise and technocracy that the IASB form is enhanced by the work of the WB and the IMF, acting to silence the local, and dismiss alternatives. Through a focus on the 'high-quality' nature of standards and the necessity to gain further access to capital, this political and social decision to adopt a standard with a narrow neo-liberal focus, becomes an economic decision filled with the rhetoric of logic and necessity. This pressure to adopt is turned into necessary targets through tables with time limits, which ignore the local context and makes standardised decisions for all, alongside criticisms for any alternatives:

The level of awareness of IFRS for SMEs and its Guide for Micro-sized entities is very low. As a result, many entities that are supposed to be applying IFRS for SMEs are opting to use the Ghana National Accounting Standards instead, which may significantly affect the quality of their financial reporting considering the fact that these standards have not been updated since their enforcement in the late 1990s (World Bank, 2014: 8).

Action	Responsibility	Short-term (less than 1 year)	Medium-term (1 to 3 years)	Long-term (3 to 5 years)
Statutory Framework:				
Clearly define PIE, SME and Micro-sized Entity, and align financial reporting requirements to the level of public interest responsibilities in each level of the financial reporting hierarchy.	ICAG driven with involvement of all regulators and MoFEP	xxx		
Give explicit legal backing to IFRS, IFRS for SMEs, and a Guide for Micro-sized Entities Applying IFRS for SMEs and IPSAS through amendments to the Companies Act and all other legislation prescribing financial reporting requirements.	ICAG and MoFEP	xxx	xxx	
Require financial statements of PIEs to be monitored and reviewed by the accountancy profession regulator i.e. the AQM Unit. This can be included in the Regulations to the ICAG Act.	ICAG	xxx		
Introduce the concept of audit exemption for those entities which do not have significant public interest responsibilities.	ICAG and MoFEP	xxx		
Align the financial reporting framework for state enterprises to their nature of operations; e.g.	ICAG and MoFEP			

Figure 19: Extract of Recommended action table with Ghana's ROSC (World Bank, 2014: 10).

Whilst criticisms may be justifiable, within this table there is no room for alternative recommendations, ideas or frameworks to be considered, constructing a hegemonic monopoly for the IASB in the political arena, and ignoring the local context (Hopper *et al.*, 2017; Sunder, 2011). The impact of the ROSC reports is that funding and resources (that countries need to deal with social issues, such as poverty) become dependent on the adoption of IFRS, a connection that this WB report makes:

5. As an institution **committed to the fight against poverty**, the World Bank undertakes a number of activities to support the development and implementation of international accounting and auditing standards, as it recognizes **the contribution that high-quality financial reporting can make to development**. These activities include financial support to the relevant international standard-setting organizations; diagnostic work to benchmark countries' financial reporting standards and practices against international standards; policy advice and financial assistance to support the enhancement of these standards and practices; and participation in international discussions and initiatives aimed at strengthening the regulatory environment, both nationally and globally, in which international standards are applied (Hegarty *et al.*, 2004: 1-2 [emphasis added]).

This connection between poverty, development and accounting is crucial, moving the IASB further into their geo-political role, which is also a social and political role that can no longer be

ignored or masked as technocratic. This further reinforces the links between the IASB and the spread of advanced financial capital. Another example, in a report titled ‘Accounting for Growth in Latin American and the Caribbean (Improving Corporate Financial Reporting to Support Regional Economic Development)’:

A simplified set of financial reporting standards would make it easier for SMEs to improve the quality of their financial information and, ultimately, **to use that information to access credit**. The International Accounting Standards Board (IASB) recently issued a simplified set of standards for financial reporting (referred to as “IFRS for SMEs” or “IFRS for Private Entities”) that requires a lesser level of disclosure and eliminates the most complex options provided in IFRS, especially those requiring the use of fair values. The authorities in most LAC countries should consider adopting these standards for use by local SMEs— although there is legitimate concern in some countries that these standards might still be challenging to apply for entities at the smaller end of the corporate spectrum (Fortin *et al.*, 2010:113 [emphasis added]).

This emphasises the role of the IASB as an agent for the spread of advanced financial capital with a focus on access to credit and development. These connections offer further support and extend arguments made in accounting research on the role of imperialism, the construction of the other, and the necessity to standardise any differences (Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Poullaos & Sian, 2010). Indeed, the narrow aims of globalisation are crucial to the foundation of the IASB. The IASB constructed the *IFRS for SMEs* for globalisation and to lift the standard of reporting:

Well in some countries the current institutions of financial reporting are relatively unsophisticated. **Increasingly we live in a globalized world with the desire to attract investment and capital for business**, and IFRS, including IFRS for SMEs, is promoted by the World bank and others who are trying to build up capacity in those developing countries... internationally respected accounting which would mean IFRS... So the IFRS for SMEs as it’s a much simpler set of standards, but still with **international credibility, is a suitable vehicle for that process of lifting the standard of reporting...** (Interviewee 1 [emphasis added]).

The IASB, the WB and the IMF work only to promote neo-liberal, advanced financial capital technologies and ideologies, whilst claiming to be neutral bodies. This has been extended to national capitalisms and local environments further than before in the extension to *IFRS for SMEs*, because of the focus within this standard on SMEs and emerging economies. These concepts of development, growth and ideologies of neo-liberalism are imperialistically forced upon developing countries and gain greater depth and entanglement in everyday lives, in a gradual, moving, changing and adapting hegemony. These development logics are used by the WB, the IMF and the IASB to rhetorically portray that they are ‘helping’ countries to develop and improve, which offers ideological cover to political struggles (Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Lazzarato, 2012). Interviewee 11 also describes a logic that developing countries ‘sincerely want to do the right thing’ in adopting high quality standards, invoking a moral aspect to the hegemony of IFRS:

...as you can understand they were screaming, saying we can’t handle this, even a company with 50 employees, they got maybe a part time high school trained book keeper, that’s it, and the book keeper says I don’t know IFRS, I can do accrual accounting, so there was a lot of pressure from small companies, there were pressure from developing

countries, because many developing countries had no accounting standards at all and they weren't interested in developing accounting standards, and really countries that sincerely want to do the right thing, a lot of the Caribbean countries for example a number of African countries, particularly the former British ones, they wanted to do good accounting so they say OK everyone will use IAS, IFRS, but then as a few years go by they say well wait a minute, what did we do, were forcing all these little companies to know a 4000 page book that really wasn't written for them, it was written for listed companies anyway.

This interviewee explains that those who were overburdened were 'screaming, saying we can't handle this' because they did not have training in IFRS, and many developing countries did not have accounting standards, but that they wanted to 'do the right thing'. This moral element of hegemony has not been developed within the literature in financial accounting and IFRS, but this constructs the idea that to do the right thing countries need to adopt IFRS, invoking logics of moral necessity which mask the nature of IFRS, and depict any alternative as wrong. This further confirms pressure to adopt and the focus on the spread of advanced financial capital. These logics construct fantasmatic ideologies which will be explored further in chapter 10.

Interviewee 27 explains that the UNCTAD had little uptake of their standards, due to the power of the IASB's brand, that the UN guideline did not hold:

...there is the IFRS brand, nowadays, that brand is very powerful, you talk to people at the UN say, national delegates and you would say to them well why don't you use the UN guideline, it's better than the IFRS for SMEs, and they would say yes but it is not put out by the IASB, Ok... The brand is powerful and they think that it makes the financial statements more credible (Interviewee 27).

These sentiments regarding credibility are also referred to by interviewee 7. This brand is rhetorically constructed in many ways, which is explored throughout the thesis, but has a focus on expertise. Despite their threats of creating alternative standards, the UNCTAD and the EFRAG similarly hand over control to the IASB:

- The existing international and some national accounting and reporting requirements have been intended primarily to meet the accounting and reporting needs of large, listed companies;
- Many SMEs do not keep proper financial records and accounts;
- Many SMEs are not aware or not convinced of the usefulness of accounting and financial reporting requirements for control and decision-making purposes;
- Many SMEs lack skilled accounting personnel and infrastructure to implement existing accounting rules and regulations (UNCTAD, 2001: 1).

As did the EFRAG and European commission:

b. In their response to the 2004 IASCF Constitution Review, the European Commission also said the need exists and the IASB should develop an IFRS for SMEs. Similarly EFRAG's response said that development of an IFRS for SMEs should be a specific objective of the IASB (IASB, 2008a: 5).

And PAFA (ECSAFA):

I think that we worked very closely with [the project leader] those days (Interviewee 18).

Therefore, multiple organisations observe the dominance of the IASB, which reinforces IASB's expertise, so that they become subservient to and work alongside the IASB. This reinforces the IASB's technocracy and enhances their role as an agent of advanced financial capital. Despite

handing the main form of control over to the IASB, the UNCTAD, the EFRAG and PAFA agree to play a role of support in the development of the standard and work alongside the IASB:

ISAR requests the IASB to take up this issue as a priority and on a timely basis. ISAR further indicates to the IASB that it has requested the ad hoc consultative group to continue its work and that ISAR is ready to cooperate with the IASB (UNCTAD, 2001: 3).

SME ACCOUNTING

The IASB issued International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) in 2009. The standard reflects many of the positions stated in EFRAG's comment letter issued in February 2008 in response to the IASB's Ed of the standard. In line with EFRAG's position, the final standard is a stand-alone document, except for the references to IAS 39. Also, the final standard includes fewer options and the requirements have been further simplified compared to the ED... (EFRAG, 2009: 30).

This handing over of control to the IASB whilst also working with them, places the IASB in the centre of the regulatory conversation and others become subservient. Despite playing roles in the development of the standard and the IASB's work to draw in some differences from their recommendations through LoD, the bodies are subsequently disappointed with *IFRS for SMEs*:

... on the other hand, it is EFRAG's view that a more thorough analysis of users' information needs should have been carried out and the results of this should have been reflected in the final standard (EFRAG, 2009: 30).

And from the perspective of a member of the UNCTAD ISAR group:

... it's a great shame, it's a disaster really that the IASB decided to issue that standard... Ok, its achieved a lot, but a lower level standard could possibly have achieved more, and you certainly get developing countries coming to the SME committee and saying: can't we use this for listed companies, this is you know, this is good enough for our listed companies... (Interviewee 27).

And from the perspective of a member of PAFA (ECSAFA):

... you know because, if they had met the needs then we would have had a reporting framework for the majority of our organisations, the fact that they don't have a reporting framework shows that the needs were not met (Interviewee 18).

The above quotes explain that the standard is unsuitable in many ways, for users and SMEs. Interviewee 27 argues that the standard is instead suitable for small listed entities, highlighting the dominance of the capital market orientation within the standard and the IASB's lack of ability to see SMEs as different, and with different aims than to grow and become listed. However, in contention with the arguments made here that the board could have created something more suitable, this thesis argues that the creation of *IFRS for SMEs* by the IASB was bound to be disappointing in this way, because of their narrow focus and ideologies, the necessity to uphold their brand (the same brand that renders them the 'right' board to create the standard), and their attempts to condense all contingencies into one standard. As the issues concerning SMEs and developing countries that are identified, are problematised as needing to be resolved within the IFRS brand.

Despite the pressures and threats that emerged for the IASB to create *IFRS for SMEs*, this also creates an opportunity for the IASB to extend their work beyond full IFRS, whilst in keeping with

full IFRS, in which they draw equivalences to cover over contingencies, whilst also drawing in differences to extend their hegemony.

7.3 Problematisation by the IASB

The IASB set up a working group and began having detailed discussions about the standard in the early 2000's, as explained in the basis for conclusion:

BC2 Shortly after its inception in 2001, the IASB began a project to develop accounting standards suitable for small and medium-sized entities (SMEs). The Board set up a working group of experts to provide advice on the issues and alternatives and potential solutions...

BC4 At public meetings during the second half of 2003 and early 2004, the Board developed some preliminary and tentative views about the basic approach that it would follow in developing accounting standards for SMEs. It tested that approach by applying it to several IFRSs (IASB, 2009c: 6).

During this time, the IASB were problematising the necessity to create *IFRS for SMEs* and making decisions about standards content, before undertaking the due process. Within this problematisation, there are political logics at play, as the IASB are gaining further recognition and power so the ability to extend their expertise is expanding. Subsequently, they can reinstitute their hegemony by placing themselves at the centre of the differential reporting debate by changing their remit.

7.3.1 The power to extend the IASB's 'expertise'

The IASB would not have been able to develop *IFRS for SMEs* if it had not been for their increasing power and legitimisation. The IASC had not had much movement or uptake of their international standards, and prior to EU adoption (with modification) the rules created by the IASC and the IASB had had limited impact (Botzem, 2012). Whilst there had been some adoption in developing countries due to pressure from IFIs, the EU's adoption was a break-through for IFRS:

After the initial success of IFRS being adopted in Europe and some other jurisdictions, there was a lot of demand, a lot of interest in international reporting and the benefits that it produces, the evidence had started to emerge that there were economic benefits, but in a lot of jurisdictions most of the economy is private companies, SMEs (Interviewee 2).

This increased the IASB's power and created a domino effect as many other countries followed the EU, increasing the recognition and credibility of IFRS. However, as interviewee 2 explains above, this was not meeting the needs of SMEs which is important as SMEs are of high economic importance across the globe. Therefore, the IASB's extension to SMEs is important to the IASB's expertise and role as an agent for advanced financial capital, as SME play a prominent role in global capital movement.

After an increase in power, the IASB were perceived as the only board or organisation with enough credibility, legitimacy and expertise to create a standard for SMEs and/or developing countries. Any alternative (such as the UN's SMEGA) is depicted as illegitimate in comparison to the brand of the IASB. Without this adoption and subsequent claims to comparability, global

accounting language and expertise, the IASB would not have been able to operate this extension in the same narrow manner. Indeed, during the development of the *IFRS for SMEs*, the IASB claim to have gained vast support in comparison to the creation of other standards:

...people were enthusiastic to do it, standard setters, standard setters don't do much that people like, its usually the opposite so if you're, if you're sitting their being criticized for these terrible things that you're doing to banks or whatever it might be, you know, it's kind of refreshing I suppose to all of a sudden do something that people will say boy this is really useful, boy were glad you're doing this, and I think the opposition slowly eroded (Interviewee 17).

This interviewee is referring to the erosion of opposition against *IFRS for SMEs* from board members, as they began to see that constituents believed that the standard was 'really useful'. Thus, the internal board politics are an important aspect of the IASB's problematisation, and the necessity to have the standard as close to full IFRS as possible. This equivalence emerged to please those that see the board as legitimate because of their expertise, the claims to high-quality, and to please the board members internally that the *IFRS for SMEs* would not be different from full IFRS. So, the IASB claim that equivalence can be drawn from full IFRS to *IFRS for SMEs*, but this is contingent and is challenged by external constituents:

The Committee understands that while the differential reporting has been welcomed by some market participants, others have suggested that with full GAAP as a starting point, the differential reporting does not meet the needs of private companies (CL65, 2005: 7).

The IASB are criticised for creating differential reporting from full GAAP. But as the IASB hold an increasing hegemony, they can reinstitute their hegemony and rely on the due process. As the IASB attempt to reinstitute their hegemony against counter articulations and contingencies, they construct themselves as experts in resolving differential reporting problems, pacifying any challenges. Indeed, they add SMEs and emerging economies to their remit:

BC3 In their 2002 annual report, the Trustees of the IASC Foundation, under which the IASB operates, wrote 'The Trustees also support efforts by the IASB to examine issues particular to emerging economies and to small and medium-sized entities.' In July 2005 the Trustees formalised their support by restating the objectives of the Foundation and the IASB as set out in the Foundation's Constitution. They added an objective that, in developing IFRSs, the IASB should take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies. Similarly, the Standards Advisory Council has consistently encouraged the IASB to pursue the project (IASB, 2009c: 6).

This quote identifies support from various constituents, to counter challenges to their work. This reinstitution of their ability and resolution to resolve temporarily silences alternatives and antagonisms. The ability to do this stems from their brand, their expertise and the legitimacy that they have constructed (Black, 2008; Quack, 2010). Despite the legitimacy and hegemony that the IASB hold, they must continuously adapt to changing situations, each adaptation and change temporarily fixes the discourse, until further contingencies and antagonisms are revealed, as explored throughout the empirical chapters. For example, the *IFRS for SMEs* temporarily fixed the issues of differential reporting until the standard was adopted and further problems and contingencies were highlighted because the standard is unsuitable.

As stated, this was not simple, this was moving, adapting and changing, particularly as the lead board members and staff member on the project experienced resistance from the board.

7.3.2 Changing the remit

The internal politics further explains the equivalence drawn in the creation of *IFRS for SMEs* from full IFRS, as despite some board members supporting *IFRS for SMEs* there was resistance during problematisation and during the development of the standard. Interviewee 2 comments on the resistance, and how this resistance changed over time:

...the IASB was, I think I am right in saying, expressly set up to write standards for the capital markets, for companies that are listed, raise money on the capital markets, that was their remit, and it means that they're clearly looking at the most complex issues that companies are likely to encounter in financial reporting terms. I don't think they saw it as their remit or their expertise to develop a standard for SMEs, and I think that's a legitimate position to take. There were, as I said, pressures around the world and [the project leader] very much, after some false starts at the IASB he took on and drove that project and a lot of the success of it really is pretty much down to [the project leader's] championing of the standard, his level of engagement around the world and working at a furious pace to develop that standard, to develop a credible standard, and he eventually, the board gradually, I mean there were changes in personnel on the board, I am not thinking of anyone in particular, but over the years the views do change and I think that probably worked to his advantage. and there was, gradually chipped away at the resistance that builds a sort of principle of IFRS is IFRS...

This interviewee recalls the hesitation from the IASB to act on the creation of the standard because of their focus on capital markets, and their limited knowledge on SMEs (with similar comments being made by interviewees 2, 3, 14 20, 22, 24 and 27). The IASB do not hold expertise in this area, which created problems in the subsequent creation of the standard:

...so as with insurance and with financial instruments they haven't got the foggiest idea but [they] do talk to other people... I think that SMEs are rather special too, not quite as complicated as insurance, but they are special. If you haven't actually sat down with the owner of a small company and explained why you need to do all this work and the owner said: but what benefit do I get after it, and gone through that experience it's difficult to actually understand the issues. However you have got to accept the general principle that yes they get feedback from lots of people who are expert in the area (Interviewee 27).

This interviewee is making comparisons to other standards the IASB have developed in areas where they lack specific expertise. But, justification and legitimacy is gained as they talk to other people and get feedback. This draws on the due process and enables the IASB to ignore the issues created by a lack of experience of SMEs, and a focus on listed entities and capital markets, further explored in chapters 8 and 9.

As explained by interviewee 2 there was concern from board members that the development of an SME standard was outside of the board's remit, so to address some of the resistance the Chairman and trustees changed the IASB's constitutional remit:

...the IASB is never simple, his view was that no it was outside the scope of the IASB remit.... I don't think it was expertise, I think it was purely to do with [a board member's] objection, and David [Tweedie] recognised that [the board member] was right, that you know read the words in the constitution, what does it say here, other than about listed companies and the answer is nothing at all. The trustees would have been committed to doing a review of the constitution after 3 years I think, and so I think David just slipped

that in and said ok while were updating the constitution lets nail that one as well, so that nobody, and particularly sponsors or anybody else can come back to use and say why are you doing this, it's outside your legal competence, it's outside your mandate (Interviewee 27).

This changed remit meant that internal actors could no longer object based on the remit, demonstrating the way the chairman pushed through the standard despite board resistance. Moreover, the project leader reported directly to the chairman to avoid such resistance (Ram, 2013). Due to external politics and pressure, and the change in the remit, resistance no longer mattered, as those advocating the project would continue:

He was a very good politician, the former chairman of the UK standards board as you probably know, he became the chairman of the IASB, he believed strongly in a separate simplified standard for SMEs, our trustees did as well, see they weren't accountants, they didn't have to worry about recognition and measurement simplification issues, they worried about the politics, the acceptability. Our vice chairman at the time of the IASB as well... (Interviewee 11).

This change in remit draws an equivalence from IFRS to emerging economies and SMEs, as they retain a focus on creation the standard from full IFRS throughout:

...to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, non-listed entities and are based on full IFRS, which are developed to meet the needs of entities whose securities trade in public capital markets (IASB, 2009c: 8).

The impact of the focus on full IFRS dismisses alternatives outside of full IFRS, which also stifles any future alternatives or discussions (this is discussed further in the following chapters which examine the due process). Thus, the IASB never moved to far away from full IFRS, they stayed as close to full IFRS as possible and resisted changes. Due to the way the IASB are set up and the logics that underpin their work this is not surprising, what is surprising is the continued legitimacy and power that the IASB hold, and the rhetoric that they purport to represent. This continues to ignore questions of suitability, and questions of expertise, as these are covered over in equivalence as the IASB continue to extend their hegemony.

In particular, the lack of expertise that the IASB hold in the area of SMEs and differential reporting is intertwined in this logic of equivalence. As the IASB usually draw on superior expertise in the creation of IFRS, but *IFRS for SMEs* is in contradiction to this. So, they have to reconstruct themselves as experts in any area of standard setting, by drawing this equivalence. This operates to protect their standard setting role, and threats to their legitimacy. As, if this contingency emerged and grew deeper it could be a major problem in destabilising the IASB's logics. Instead, as the IASB re-stabilise they extend their role as hegemonic agent of advanced financial capital. In this the IASB reinforce their role as technocratic, and cover over the threat to their role as the agent of advanced financial capital and increasing its access.

This necessity to protect their role as standard setter and agent of advanced financial capital is important to this problematisation:

...so there was this growing concern at the IASB whether they want competition, not really competition but whether they want all these different countries to do their own different versions of SME standard (Interviewee 4).

As can also be seen in the meeting notes:

David Tweedie... was concerned that the ED was going to be delayed again, when many people were desperate to see the draft... He added that there was not time to complete a comprehensive Basis for Conclusions... Tom Jones said the delay had already cause real problems and the Board was losing constituents every month while the ED failed to appear. He regretted how much time had been lost already but there was no alternative here. Hans Georg Bruns suggested that the Basis could be published later than the body of the ED. Mary Barth said she would be hesitant about doing that. Mr Pacter said he would do his best to complete as much as possible by the end of August (ISTAR, 2006f: 25).

This conversation outlines the necessity to move faster on the standard because, as this quote explains, the board members were concerned about the delay to the ED because ‘many people were desperate to see the draft’, so the IASB may not be able to complete the basis for conclusions in time. Indeed, the key point here is in the comments that follow from the board member who is concerned about the delay and the way that ‘the board was losing constituents every month while the ED failed to appear’, which illustrates a gradual loss of their control and power in standard setting. Thus, the resistance on the board is ‘slowly chipped away’ as articulated by interviewee 2. This can also be seen in the discussion by various interviewees on the voting that occurred throughout the due process, showing that this voting was highly political.

7.3.3 The politics of voting

Board members cast various votes during the creation of the standard, but the focus here (as interviewees mentioned the importance), is the vote on final promulgation. One interviewee explains that once the standard had been finalised there was a feeling that members should not dissent:

...there is a strong feeling within the board that you shouldn't dissent, and that you shouldn't vote against something that your colleagues support, and I don't think this is in any sense underhand, I think its a question of collective action, collective responsibility, and you'll be familiar in UK cabinet there is an issue of collective responsibility, ok you can debate a subject within the cabinet and you fight tooth and nail against it, but once the decision has been made you support it. There isn't that kind of explicit understanding within the IASB, but there is an implicit understanding that it is not collegial... to continue to oppose something when there is a working majority of people who want to do it, you go along with it... (Interviewee 27).

These logics of collective action, collegiality and support further narrow the IASB's decisions. This ignores the suitability of the standard and focuses instead on support and the IASB's reputation. Moreover, these logics ignore antagonisms and draw political frontiers and boundaries, with the feeling of collective action forming a feeling of us and them towards the outside world. Interviewee 21 also explains this:

... there were probably things that I would have individually changed in the set of standards, but you know, you never get everything that you want, and our voting requirement on every standard was in order to vote against something you had to assume that you were the swing vote that was either going to make it a standard or not and you had to conclude that the world would be better off without it than with it, as a whole... philosophically I agreed that we had to have a standard for non-publicly accountable entities, so the individual specifics to me were not perhaps as important...

This shows the despite earlier resistance once the standard had been pushed through (as described below) it was unlikely that board members were going to vote against. The leaders of the project and those in support of *IFRS for SMEs* on the board, raise important points about the risks and politics surrounding these votes:

...it was split, really split, it was a push and I can't remember how many, what number we had won, but when it was 14 members we had to get 9 votes and that was quite tough, you know we were wandering along at 8 for quite a while, eventually we got 13, although if it was up to 16 at that time I don't think we would have got 15, but we only had one dissent, but in the beginning it was difficult and what probably swung them was the fact that it was quite clear from the comments we got a lot of support for it (Interviewee 19).

[The board member] was very good at pushing these things through, you know I always knew how many votes I had because [the board member] would tell me in advance because it is different if I go and ask you know, whereas [the board member] could go and ask casual over coffee, so depending on their votes I knew which way I should play it and [staff member] was superb, but that was really the background to it, but there was quite a lot of opposition at the beginning... (Interviewee 19).

These quotes are linked to the necessity to protect the IASB's technocratic reputation. Similarly, another board member discussed the politics of this voting, identifying that at times is was 'touch and go how many votes we've got' (Interviewee 5).

Despite this politics and logics of collective action, there was one board member who dissented, because *IFRS for SMEs* was not necessary or desirable (IASB, 2009c). This board member disagreed with the standard throughout its creation because the decisions made about simplifications were not justified (Interviewee 17). Further investigation of the roles of different people in the development of this standard would be interesting, but is not the focus of this thesis.

Examining the resistance on the board and the politics of voting identifies contingencies and antagonisms that threaten the creation of the standard, but they are ignored by attempts to legitimise the board, restabilise the IASB's expertise, and hold the board together through collective action. Moreover, the IASB do not move too far away from IFRS, and set themselves up as the board to resolve the problem, in a form of ad-hocism. This demonstrates the power of the staff members in their ability to construct the standard in a manner that was agreeable both internally and externally. The extension did not sit comfortably with board members when they thought that they were going to be doing something outside, different or potentially threatening to full IFRS, but once this changed, they were persuaded to vote in protection of their standard setting role, and technocracy.

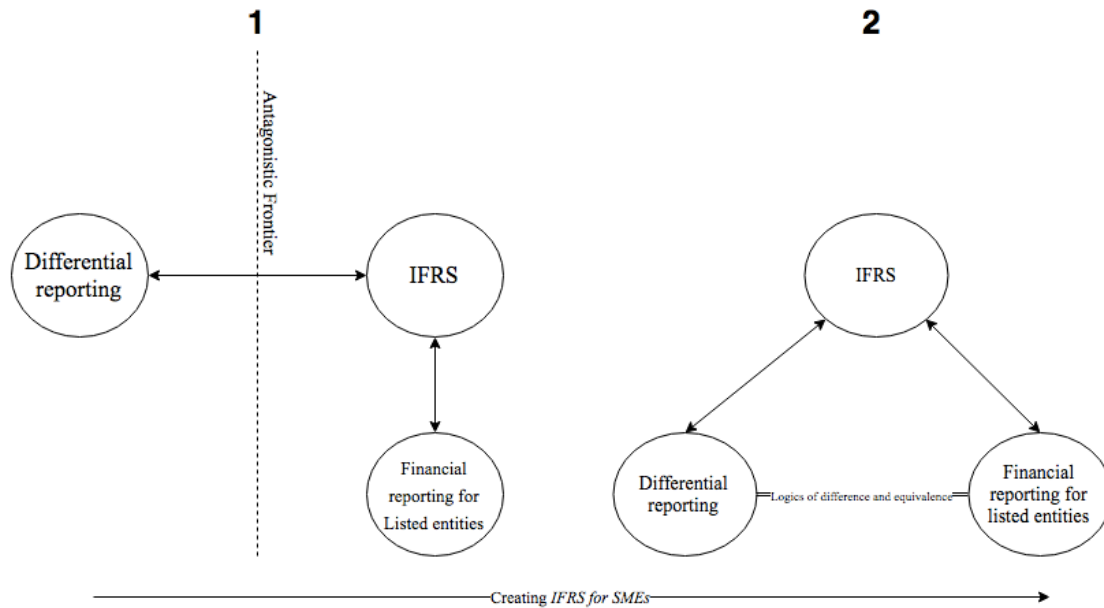
7.4 Conclusion: Reinstating hegemony

This chapter began by explaining that analysis of the extension to *IFRS for SMEs* could be deceptively simple, if the politics and contestations of this extension were not considered. Invoking political analysis highlights the destabilising contingencies that the IASB respond to in the creation of *IFRS for SMEs*. Initially, this thesis sees the IASB and other IFIs requesting that national standard setters follow full IFRS, and believing that these standards are suitable for all

entities. Over time, as the logic of one-size-fits-all is destabilised, the work of the IASB also becomes destabilised as counter articulations emerge that threaten the hegemony that the IASB hold in standard setting as principle agent. Whilst differential reporting was a concern for the IASB, it did not take prominence as they focused on gaining legitimacy through their work with IOSCO. However, over time as the prominence of differential reporting was growing outside of the IASB, the contingencies in the IASB's work grew, threatening their technocratic role. A combination of counter articulations from 'IAS Lite', national standard setters and transnational bodies, alongside demands from the WB and IMF highlighted contingencies in the IASB's work, threatening to their work as principle standard setters constructing a global language for financial reporting and their role as an agent of advanced financial capital. Thus, they constructed *IFRS for SMEs* in a manner that draws in these different counter articulations in a LoD to re-stabilise their hegemony. Moreover, as they begin to problematise this contingency, their lack of expertise in the area, and a desire to focus on their core remit becomes prominent for the board members. So, to appease these concerns a LoE is drawn from IFRS to *IFRS for SMEs*, covering over the contingencies of the movement and restabilising the IASB's role and expertise. To reinstitute this hegemony key board members extend the remit of the IASB, and appease board members opposed to the standard through a focus on IFRS. They undertake this by reconstituting their technocratic expertise and due process logics, depicting to all that they are the experts, protecting their extension through de-politicisation.

They act to reinstitute their hegemony to resolve these problems in a form of ad-hocism, in their extension. Within this there is a logic of 'trust' in which the IASB are constructed as the body that can resolve the problem. This is a form of Gramscian accommodation, as the threats that emerged have now become pacified by the reinstatement of the IASB's ability to deal with the problem and reinstate their hegemony. Within problematisation and the movement to begin the development of the standard by the IASB, LoE and LoD are in operation as the IASB attempt to reinstate their role in the regulatory conversation, as the center of the expertise for standard setting. Through the simultaneous construction of the necessity for differential reporting to remain within IFRS through LoD, whilst also operating LoE through the idea that IFRS for listed entities can be extended to become suitable for SMEs. They reinstate their position as technocratic regulator and they construct frontiers (within the differential reporting debate), through defence and naturalisation.

Figure 20: Drawing in contingencies



The diagram illustrates full IFRS as a nodal point which focuses on financial reporting for listed entities and then the contingency which is outside of the IASB’s frontiers of differential reporting. Moving along the diagram this contingency is subsequently bought in to the nodal point of IFRS through LoD and LoE. The ‘contingency’ of differential reporting highlighted a potential area for ‘dislocation’ in the full IFRS structure, as this was a contingent system which had become antagonised. However, the IASB’s structure never became full dislocated, as they were able to re-stabilise themselves. The perceived threats towards the IASB were subsequently problematised, as an opportunity for the IASB to extend their control in the creation of *IFRS for SMEs* as a technical solution to a problem. This opportunity acts to extend the IASB’s work beyond listed entities, which leads to a change in the overall remit, resulting in an extension of the IASB’s hegemony.

This chapter has focused on the political logics of the emergence of *IFRS for SMEs*, the problematisation of differential reporting by different actors and the way that the IASB attempt to re-stabilise their hegemony by placing themselves back at the centre of the regulatory conversation. Throughout the chapter there have been questions about both the social and fantasmatic logics. This chapter identified that, in the creation of *IFRS for SMEs* the IASB have narrowed the debate and regulatory conversation by focusing on full IFRS and dismissing alternatives. Within this extension, the IASB are continuously adapting to changing situations, antagonisms and contingencies to maintain their hegemonic status, this is maintained through their due process, which will be explored further in chapter 8 and 9. As shown in the overview of the empirical chapters, the following chapter moves to consider the due process. This investigates further the necessity for the operation of LoD and LoE simultaneously in the construction, maintenance and extension of hegemony.

Chapter 8: Deconstructing the IASB's 'SMEs' and 'emerging economies'

Chapter 7 outlines the political logics that were involved in the IASB's decision to extend to *IFRS for SMEs*, demonstrating the constant operation of LoE and LoD in this movement. This chapter moves to look at how the IASB operated the extension, by using their current due process to simultaneously delegitimise and incorporate alternative articulations. As the IASB define SMEs, and use the title '*IFRS for SMEs*' they draw in many different definitions and articulations of what an SME is. Additionally, the IASB operate the due process under the assumption that if they meet the needs of SMEs in the standard they will automatically meet the needs of developing countries in the creation of the standard (this will be explored in the second half of the chapter). Throughout the due process the IASB construct a closed debate that is unable to question homogeneity, which ignores local contexts. The operation of difference and equivalence is constructed as logical in the due process, and socially sedimented practices which cover over competing articulations and contestations, by rendering them unnecessary and delegitimised. This has the effect of persuading key political actors that the IASB's expertise and technocracy is required at the centre of standard setting. Indeed, this is the core focus for this thesis, examining how the IASB control regulatory conversations through their processes, to identify how they extended their processes as a technocratic regulator to SMEs and emerging economies. In this, this thesis is not making suggestions for incremental improvements to the IASB's due process, instead this thesis is calling for the acknowledgement of the IASB's role as an agent in the hegemony of advanced financial capital, as the ideologies surrounding this are detrimental to society. The thesis therefore calls for deeper, systematic change, and for the necessity to consider alternatives.

This thesis does not consider every part of the due process, focusing instead on debates that are examples of the technocratic logics employed by the IASB. The first half of this chapter examines the debate surrounding the definition of 'SMEs' and the use of the title '*IFRS for SMEs*', because this demonstrates the IASB's hegemony.

8.1 Defining SMEs

Internationally, there are many different definitions of 'SMEs', which renders the IASB's identification that *IFRS for SMEs* has been 'designed for use by small and medium-sized entities (SMEs), which are estimated to represent more than 95 per cent of all companies', a problematic and contestable claim. This claim rhetorically draws upon design as a metaphor, invoking certain understandings of the standard's development. Moreover, the IASB claim that this 'design' is meant for 'more than 95 percent of companies', which constructs a one-size-fits-all (apart from listed entities) approach, warranting further exploration.

The scope of *IFRS for SMEs* caused controversy and confusion during and after the development, both within the board and externally. The observer meeting notes demonstrate this, as the IASB repeatedly discussed defining SMEs, the standard's scope, and the title, in almost all the board

meetings that discussed *IFRS for SMEs*. This therefore renders the topic crucial for further discussion in four elements:

...the standard setters for years weren't even really sure what they were talking about, are they talking about companies with 50 employees or with 500. And I think that they got the right answer, the right answer is nothing really to do with size... The only sensible distinction is between listed and not listed and that is where they eventually arrived, though of course the title never quite got there, so it stayed as SMEs which is unfortunately misleading (Interviewee 3).

This interviewee points to four separate issues for *IFRS for SMEs* that will be discussed, including: the lack of clarity of scope from the IASB; the discussion of size criteria; the leaving behind of size criteria in the movement to the distinction between listed and unlisted entities; and, the title's reference to size. Therefore, the following sections examine these four interconnected issues.

8.2 Defining SMEs, micro debates and counter articulations

The different definitions that exist globally for SMEs raise multiple micro debates and issues for the IASB, as an international standard setter that reaches across jurisdictions (micro debates on criteria were outlined in chapter 6) (Berisha & Pula, 2015; Di Pietra *et al.*, 2008; OECD, 2010). Whilst the IASB claim not to have focused on size criteria through their definition, there are concerns raised about the size of the entity targeted by the IASB:

...in the exposure draft, we made, what I would look back and say was a political mistake of saying in the basis for conclusions that this standard is intended for companies with fewer than approximately 50 employees, we said that in the basis for conclusions, but we didn't actually put that in the definition of SMEs, well many people wrote back and said well is that your definition, if its 51 then they've got to use full IFRS, and in the end, we said we can't sit in London and say a company with 51 employees has to use full IFRS, but 49 can use SME, we felt we're better off advising the world, think about public accountability, you decide what's publicly accountable... so to me we did say 50, we pulled that out of the final standard, because it was hard to, we had no basis to defend it (Interviewee 11).

This interviewee explains that the size criterion given (50 employees) created confusion and lead to critique, to which the IASB responded with 'public accountability', because the 50 employee focus would not be suitable for 'small entities' which contrasts the title and the IASB's claims:

The 'not public accountable' entities representing the target of the IASB's project have around 50 employees: this threshold appears far from the concept of 'small entities' in many European countries. As a consequence, the standard is too complex for most SMEs, in particular small and micro entities (CL93, 2007: 2-3).

This demonstrates the way that the IASB cover over contingencies, debates and mistakes, combining many understandings of SMEs into one standard. The problem of defining the scope was dominant in the development of the standard, but this becomes masked in the final construction of the standard. Following this confusion and criticism the IASB reversed the focus given in the ED as this narrowed the standard's target and they wanted to reach a wider audience (extending the reach of advanced financial capital as far as possible). However, the IStaR observer

notes (2006e: 21³⁹) state that the standard ‘was aimed at companies with fewer than 50 employees’, whilst the ED says the following (as also described in the staff overview of the ED):

In deciding on the content of the proposed IFRS for SMEs, the IASB focused on the types of transactions and other events and conditions typically encountered by SMEs with about 50 employees. For such entities, the proposed IFRS is intended to be a stand-alone document, with minimal cross-references to full IFRSs (IASB, 2007b: 5).

The nuances in the quotes are important, this does not focus on ‘fewer’ than 50 employees, instead focusing on ‘about’ 50 employees, which led to criticisms and questions about the scope. Even though the IASB removed this focus from their definition, it was drawn upon during the creation of the standard, as can be seen in the ED, and throughout board meetings. For example, in the IStaR (2008k: 24-25) observer notes:

There were some very sensible ideas. They were dealing with very small companies, with fewer than 50 employees. Mr McGregor objected that they had never said they were trying to account for micro entities.

The core problem here is that the focus of the standard is identified, but as this is seen as illegitimate, nonsensical, limited and contingent to external constituents (politically), the IASB attempt to cover over this ‘political mistake’. Indeed, the IASB realised that they could not give this narrow focus because it would limit the standard too much, and they would not have the same impact and adoption:

He [Paul Pacter] thought the Board should discuss what sort of company they were aiming at. It might be that outsiders would say this was good for companies with €50m of turnover, and they could end up with very few companies using the standards (IStaR 2004d: 7).

As explained, there are many different definitions of SMEs globally. These different definitions across individual jurisdictions, which consider turnover, listing, number of employees, amount of assets and other criteria, impact the work of the IASB as they attempt to incorporate the outcome of each of these micro debates over specific criteria into one standard, as demonstrated in the following diagram:

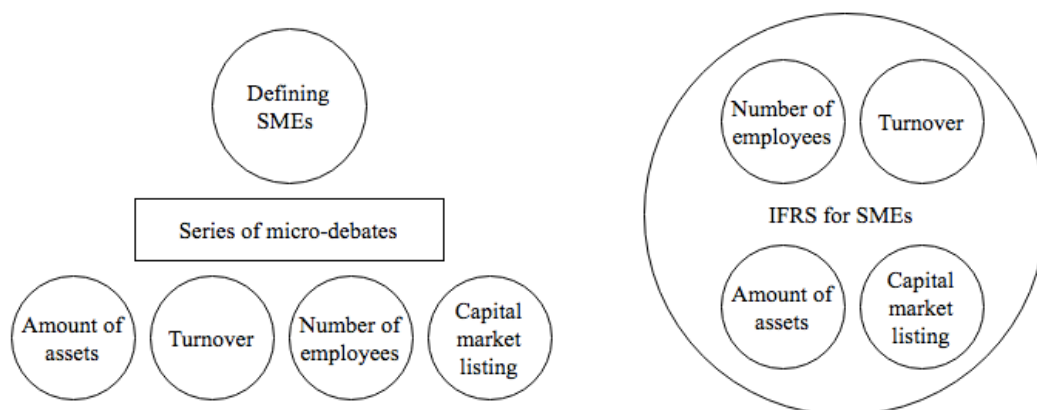


Figure 21: Defining SMEs micro debates

³⁹ These observer notes are labelled according to the month of the board meeting, for example 2008e is the board meeting that happened in May 2008.

This diagram illustrates the contestations concerning the definition of SMEs for the purposes of the standard. While the IASB focused on 50 employees throughout the due process, this diagram illustrates different definitions. Due to an argument concerning the precision of 50 employees, the IASB incorporated a range of alternatives, which brings about more flexibility and increases the potential scope for the use of *IFRS for SMEs*. But it should be noted that the focus on size and capital market listing has the impact of excluding alternative conceptions of SMEs, including a focus on innovation, entrepreneurship, families, cooperatives or community. Indeed, when cooperatives do contribute to the debate they are marginalised in the IASB's meetings.

During the due process the IASB ignore and silence SMEs themselves, as they narrow the debate and then consult on the decisions made, which only tells people the decisions that are made, and does not consider alternative logics (Black, 2008; Quack, 2010). Indeed, the IASB construct SMEs as wanting access to capital, wanting to grow and become bigger and subsequently wanting to become listed (ideologies of advanced financial capital), despite potential alternative aims of SMEs.

When interviewed, board members state that the focus was on public accountability and non-public accountability, but this thesis argues that removing the size threshold from the final standard does not take away from the focus during the creation of the standard. Throughout the due process size criteria were frequently discussed, and there was a focus in many of the board members' minds (not all the same sizes) which is not reflected in the final definition, as observed by interviewee 7:

We want to develop a standard... for around about 50 employee firm... I was amazed really, in hindsight that none ever queried that, so he was saying really, that by developing a standard for 50 would mean that you would capture the needs of medium sized companies and the very small ones, which probably it doesn't... they were very wary, and really they had no sort of, they had very little knowledge I think of what SME was or what, I don't think they're particularly interested you know.

This interviewee highlights four separate points: first that the IASB were identifying a size criterion during the development of the standard, second that no one queried the problem of claiming that a standard created for entities with 50 employees would 'capture the needs of medium sized companies and the very small ones', third that the standard is not suitable for 'very small' entities, and fourth that IASB had little knowledge of SMEs and were not interested in this. Each of these elements highlight the IASB's power as standard setter in regulatory conversations, in which they can go unquestioned, and even once they are questioned and critiqued they mask these questions through rhetoric. This links to the way that the IASB set up the due process, not only did they have 'very little knowledge' but they also were not 'particularly interested' (Interviewee 7 above), showing that the IASB construct their processes and practices in a closed and narrow manner. This lack of interest is arguably because they wanted to retain a focus on full IFRS principles:

‘The goal was to distil the full IFRSs down to the ones that would truly serve small and medium-sized entities around the world, especially in those countries where regulations are less developed.’ Paul Pacter, Director of Standards for SMEs (IASB, 2007e: 10)

This focus on full IFRS (and its inherent neoliberal and advanced financial capital ideologies) shows how the IASB have used their existing due process to delegitimise other standards, as they construct that it is necessary and possible to distil IFRS *to* SMEs. This is concerned with their technocratic ability to distil the standards to SMEs, showing them as the experts, and placing them at the centre of the debate. Indeed, in terms of defining SMEs many believe that there should be a size criterion, because the distinction between listed and non-listed is arbitrary and does not consider differences and localities. Instead, the IASB claim that *IFRS for SMEs* can be everything to everyone, in a manner that is best described as condensation, which leads to many different understandings of the standard’s scope. The IASB consider other definitions of SMEs but these are disregarded in the political move for international recognition. The logics of the due process allow them to undertake this process of ‘considering’ but disregarding.

This thesis is not concerned with the IASB’s focus on 50 employees, 10 employees, 500 employees, 2,500 annual turnover, or 250,000 annual turnover. Instead the problem is that the IASB are trying to create a standard that is many different things to many different people in a one size fits all manner, as this comment letter explains:

We believe that the scope of the standard is currently too wide and tries to be a “one size fits all”. We believe that both the user needs and types of transaction differ too much between the companies that may currently be within the scope of the standard. As a result it will not be possible to come to an appropriate and comprehensive standard. We suggest limiting the scope (e.g. excluding small and micro companies). (CL96, 2007:3).

This creates a politics of condensation, covering over the local. As the IASB becomes threatened by counter articulations, discussed in the previous chapter, they counter these articulations by claiming to meet the needs of all by fusing together various articulations.

The IASB operate this condensation by defining the scope as public accountability:

P9 The IASB develops and issues a separate Standard intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms, including small and medium-sized entities (SMEs), private entities and non-publicly accountable entities... Many jurisdictions around the world have developed their own definitions of SMEs for a broad range of purposes including prescribing financial reporting obligations. Often those national or regional definitions include quantified criteria based on revenue, assets, employees or other factors. Frequently, the term SMEs is used to mean or to include very small entities without regard to whether they publish general purpose financial statements for external users (IASB, 2015b: 7).

This quote demonstrates the IASB’s focus on ‘private entities and non-publicly accountable entities’ publishing ‘general purpose financial statements’. Within this quote, the IASB acknowledge that there are many different terms and definitions (listing many of them in the quote) globally, and try to incorporate and condense all of them through the criteria of non-public accountability. The focus on public accountability raises confusion across jurisdictions, arguably

because the IASB are attempting to make one size fit all (Di Pietra *et al.*, 2008). Alongside the claim to public accountability the IASB also claim to meet the needs of 95 per cent of companies:

The International Accounting Standards Board (IASB) issued today an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs), which are estimated to represent more than 95 per cent of all companies (IASB, 2009a:1).

8.3 '95 per cent of all companies'

As stated, the IASB claim the standard is 'designed' for 'more than 95 per cent of all companies'. This condenses micro, small, medium and large entities into one standard. Despite this claim, interviewee 14 claims that any misunderstandings of the definitions are due to misinterpretations:

The other misuse of IFRS for SMEs is by genuine tiny companies, and what, in fact that's the wrong expression, it's for companies that don't need to prepare what we call... general purpose financial statements... and you see an awful lot of that, South Africa has fixed their system and whenever I speak about it I try and encourage others to do the same, but in many other countries, and Brazil comes to mind, they have not (Interviewee 14).

This interviewee criticises jurisdictions for adopting the IASB's standards for all entities. This is problematic as the IASB claim *IFRS for SMEs* is for all entities that publish general purpose financial statements for external users other than those that have public accountability. So inevitably some of these entities will be micros. Thus, if a country wants to require all companies (irrespective of size) to publish general purpose financial statements, that country cannot be criticised for requiring the use of *IFRS for SMEs* by those companies that do not have public accountability, as there is not an IFRS for micro-level entities (despite the micro-guide by the IASB that is discussed later in this chapter).

The IASB give a further focus through 'general purpose financial statements' that are created for 'external users' (IASB, 2009e: 7). This focus brings 'users' into the rhetoric, to justify the IASB's work, which they define as 'owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies' (IASB, 2009e: 10). The use of the concept of users by standard setters for legitimacy has been critiqued (Young, 2006),⁴⁰ whilst it is an important element in the development of *IFRS for SMEs*, and an aspect of the definition, this concept is also discussed throughout the chapters that follow on the due process, in which the concept of users is used to offer justification.

These different aspects lead to a concern about who the standard is created for, and the way that this ignores other entities, a concern that continues to be expressed in the recent comprehensive review:

20. Some respondents expressed concern that the IASB's primary aim in developing the IFRS for SMEs in paragraph 16 means the reporting needs of larger, more complex non-publicly accountable entities are not effectively addressed (paragraph 17(b)). However, other respondents had concerns that the IFRS for SMEs is still too complex for 'smaller' SMEs (paragraph 17(d)). Such contrasting views have been evident throughout the

⁴⁰ As discussed in chapter 5, section 5.2

development of the IFRS for SMEs and show the challenge the IASB faces in determining the content of the IFRS for SMEs (IASB, 2014a: 7-8).

This shows problems of suitability for small and large entities. This concern is expressed throughout the due process:

The ED treats SMEs as a homogeneous group for which it proposes the same accounting rules with the same exemptions, assuming a common group of users, characterized by the same needs. However, for the largest number of SMEs (particularly the smaller and micro entities) the ED's 200+ pages and extensive requirements and rules may not provide an appropriate cost-benefit balance (Di Pietra *et al.*, 2008: 4 (this was also a comment letter on the ED)).

This generalisation is problematic, and is explained through L&M's politics of condensation. Throughout this section of the chapter there have been various demonstrations of the way that the IASB fuse together disparate articulations under *IFRS for SMEs*. The *IFRS for SMEs* combines many different definitions of SMEs that exist globally, to ignore and mask micro-debates concerned with defining SMEs. This is a political move, in which the IASB condense various significations together to cover over antagonisms and competing articulations of various significations. This condensation forms the nodal point of *IFRS for SMEs*, as the IASB combine, through their due process and rhetoric, small, medium, and large entities, and all the different ways that these entities can or have been defined (such as assets, turnover, number of employees and listing). This incorporates many different and competing understandings of differential reporting, delegitimising others through the claim that their standard is suitable for all, for comparability and high quality, as the IASB construct themselves as the experts with the ability to define SMEs. The claims to expertise and due process allow these forms of condensation to go unquestioned, as the IASB appear to be transparent and open to scrutiny, they gain the ability to operate a politics of condensation without being challenged. This condensation is illustrated in figure 21 which shows that at first the IASB develops *IFRS for SMEs* with a focus on 50

employees, which leads to many antagonisms, some of which are overlapping, and some of which are outside the standard.

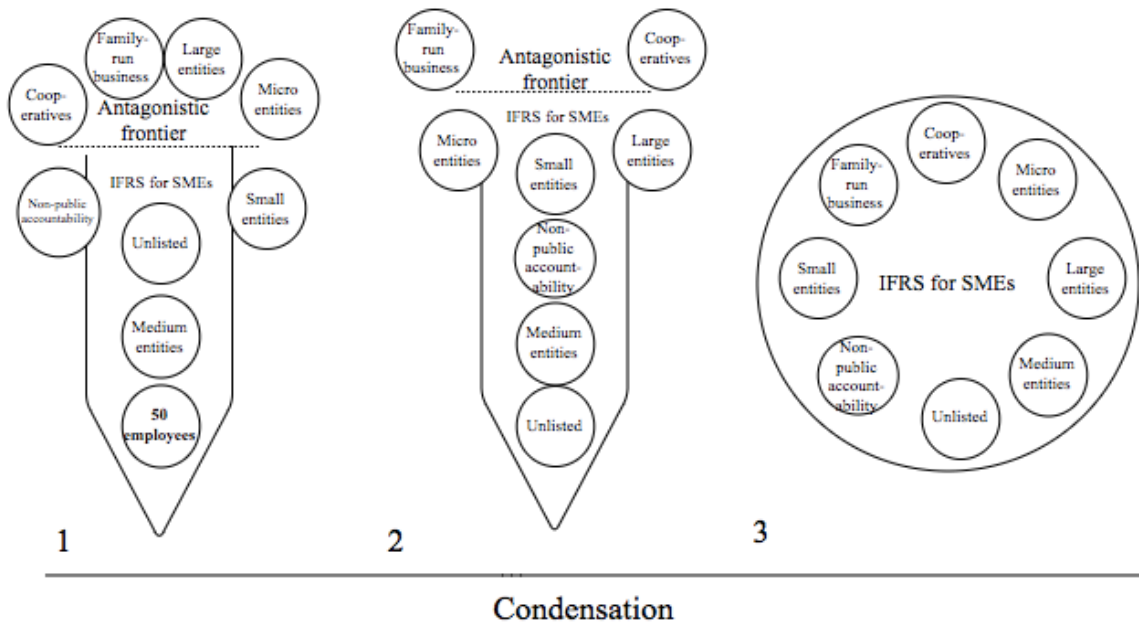


Figure 22: SMEs condensation

Moving across the figure the IASB remove the ‘political mistake’ of 50 employees and condense the standard further to construct one-size-fits-all and draw in all the antagonisms beyond the antagonistic frontier. The elements in the diagram are examples of the condensation by the IASB and are not exhaustive, there are other aspects that could be considered here.

This conceals the primary identity of the dissimilar (*IFRS for SMEs*), which is a lack of suitability and a capital market orientation inherent in *IFRS for SMEs*. Currently, *IFRS for SMEs* condenses many elements together, but this is failing in the long term, as is shown further on in the chapter. The condensation within *IFRS for SMEs* is further evidenced in the contradiction between ‘tailored’ and one size fits all (in terms of both entity size and geographical variations). Moreover, the standard itself condenses all IFRS standards into one standard. Therefore, the way that the IASB use their due process to define the standard’s scope in a manner that is one-size-fits-all is an example of the operation of condensation that is prominent in the IASB’s work. This condensation also leads to a debate over the standard’s title.

8.4 Giving the standard a title

Throughout the development of the standard the title changed many times, and the final decision to name the standard ‘International Financial Reporting Standard for Small and Medium-Sized Entities’ (*IFRS for SMEs*) plays an important role as the term SMEs implies a size criterion for following the standard. Instead, the IASB draw on the criterion of publicly accountable and non-publicly accountable. The following quote shows that during the development of the standard the title was debated extensively, and problems were created by the title. Nevertheless, the final title

shows that the political focus of attempting to create a standard recognised around the world overrides the concerns regarding suitability of the term:

The title of the standard—IFRS for SMEs

The term ‘SMEs’ is widely recognised and used around the world, although many jurisdictions have developed their own definitions of the term for a broad range of purposes including prescribing financial reporting obligations. Often those national or regional definitions include quantitative criteria based on revenue, assets, employees or other factors. Frequently, the term is used to mean or to include very small entities without regard to whether they publish general purpose financial statements for external users.

The IASB considered whether to use another term. Even before publishing the exposure draft in February 2007, the IASB had used the term ‘non-publicly accountable entity’ (NPAE) for several months during 2005. During its redeliberations of the proposals in the exposure draft during 2008, the IASB also used both ‘NPAEs’ and ‘private entities’ for several months. Because the IASB concluded that full IFRSs are necessary for entities with public accountability, the terms ‘publicly accountable entity’ and ‘non-publicly accountable entity’ had some appeal. However, constituents argued that this term is not widely recognised, whereas ‘small and medium-sized entities’ and the acronym ‘SMEs’ are universally recognised. Also, some said that ‘non-publicly accountable entities’ seemed to imply, incorrectly, that the smaller entities were not publicly accountable for anything. Furthermore, the objectives of the IFRS Foundation and the IASB as set out in the Foundation’s Constitution use the term ‘small and medium-sized entities’...

For these reasons, the IASB decided to use ‘small and medium-sized entities’ (IFRSF, 2013a: 2).

This quote explains, the term ‘SMEs’ is ‘widely recognised, which is crucial to the final decision. In the due process, the IASB acknowledge different definitions and factors, but either delegitimise or incorporate these variations. In the first paragraph the IASB delegitimise many different definitions by concluding that these definitions do not give ‘regard’ to ‘general purpose financial statements’ or ‘external users’. This is a political move which constructs the decisions of national standard setters as illegitimate, and covers over the local differences between them.

Following this, in the second paragraph the IASB explain that they did consider other names based on the definition, but claim that constituents did not agree because the term is not widely recognised, whilst SMEs is. Again, referring to the due process and technocracy by mentioning feedback from constituents, which attempts to mask the political necessity to remain close to the constitution and retain international recognition. This demonstrates that there is narrow room for alteration, and instead there is a focus on wide recognition of the name, this is illustrated in figure 23, which shows the problems identified with other titles considered.

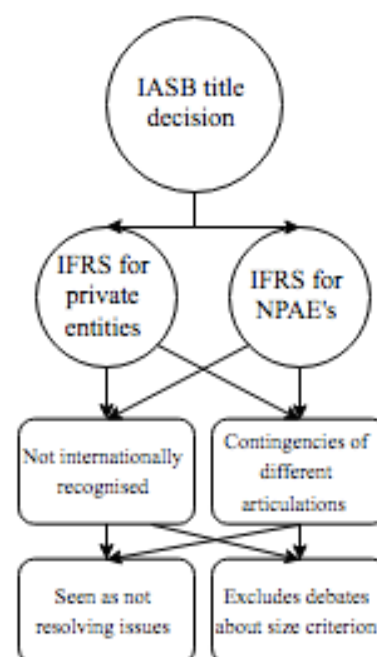


Figure 23: Title Options

Whilst the term ‘SMEs’ is widely recognised and used, the title does create confusion, misunderstandings, disappointment and different understandings of the purpose of the standard, as it is understood in different ways:

...we would observe that the title of the proposed Standard is misleading. To title the Standard 'IFRS for SMEs' when it applies, in fact, not to small and medium-sized entities but rather to those entities which are not publicly accountable, **is not only confusing but totally inaccurate** (CL8, 2007: 1).

This comment letter explains that the title of *IFRS for SMEs* is misleading because 'SMEs' is not the focus of the standard, and the following comment similarly points to this issue:

Although the title of the Standard **refers to SMEs, the scope is actually much broader, encompassing all non-publicly accountable entities publishing general purpose financial statements**. We believe that the IFRS will be very useful for companies in the range which falls below fully listed status and above micro/small. However, it seems that **the title as currently expressed does not adequately indicate that the document should be used for these 'middle ground' entities** (CL 156, 2007: 1).

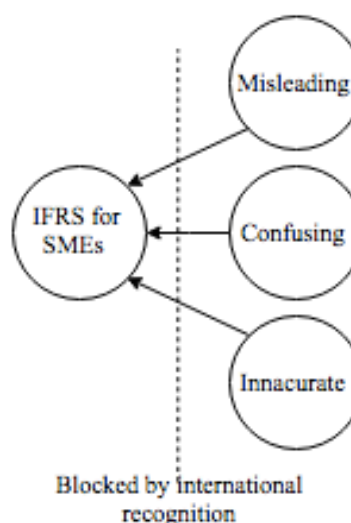


Figure 24: International Recognition of *IFRS for SMEs*

These quotes explain that the title is confusing, misleading and inaccurate, but the IASB ignore issues with the title because of the necessity for international recognition, as illustrated in figure 24.

Similarly, multiple interviewees discussed different understandings of SMEs varying from definitions in 'national legislation' (Interviewee 1), 'size criteria' (Interviewee 10), 'almost every country somewhere in their laws or regulations defines an SME for its own purpose' (Interviewee 11), 'you can't really call them SMEs strictly speaking [laughs] those are, they are bigger than SMEs, not SMEs' (Interviewee 18), 'threshold, revenue, number of employees... private entities' (Interviewee 16), 'European legislation... size thresholds' (Interviewee 2), 'employees' (Interviewee 4). These quotes show that there are many different understandings of the term SMEs. Through the due process and the development of *IFRS for SMEs*, the IASB cover over these different definitions and understandings, and continue to use the title of SMEs, despite the mismatch between this title and the standards scope. This is an example of rhetorical redescription as the IASB attempt to reconceptualise the meaning of the term SMEs, so that they can use the definition and the title that suits them best, politically. By examining the politics of the IASB's construction of *IFRS for SMEs*, the condensation is unpacked, identifying contestation over the definition and the title, which leads to displacement of the 'common' signifier resulting in confusion and disappointment once the standard is promulgated.

Through this redescription, the IASB operate displacement because the wide recognition and various understandings of this title mean that it operates metonymically to conceal the primary identify of the dissimilar (*IFRS for SMEs*). Throughout the project the IASB rename the standard, but the final title attempts to re-conceptualise the term 'SMEs', revising its meaning as they focus on 'non-publicly accountable', but also retain the term because of its wide-spread use. Therefore, 'SMEs' attempts to portray that the IASB have rendered the standard different from full IFRS, and met the needs of many, using SMEs for familiarity and international recognition, when in

fact the standard is very similar to full IFRS, and is not suitable for what many would perceive to be an SME. This is explored further in the following chapter.

Thus, the use of the term SMEs operates in two ways:

1. As there are many understandings that can be taken from the term SMEs, and there are many associations made to the term (in contiguity), as shown in the quotes above, the term invokes an association of the mind because it is in proximity to many different understandings for many different people.
2. The term and the use of this title also operates metonymically because the use of the term SMEs is a substitution for the way that the scope is defined (non-public accountability), instead employing a single characteristic (the reference made to size) to obscure and simplify the complexities of the standard. For L&M, this is the operation of displacement, which is metonymical as it invokes a broad domain of usage and an array of associations. Metonymy rhetorically employs a single characteristic to obscure and simplify complexities, working through a substitution of words and contiguity.

Therefore, the IASB are not ‘tailoring’ as they claim, they are instead using a title in displacement, to give the appearance of reduced complexity and so that many different actors read many different elements into the standard. Arguably this is constructed purposefully so that the term is widely recognised and the standard can claim to meet the needs of many, obfuscating the nature of the standard, and displacing antagonisms by claiming to meet the needs of all, through procedural due process, technical expertise and capital markets (Botzem, 2012; Hines, 1988; Martinez-Diaz, 2005).

In concealing the primary identity of *IFRS for SMEs*, the IASB is concealing the lack of suitability of the standard, and in attempting to become widely recognised they are attempting to cover over the local, and to politically meet all counter articulations and reinstate their role as international standard setter. The IASB have contaminated the identity of *IFRS for SMEs* by claiming to be everything to everyone, through condensation, so the meaning, identity, definition and use of the standard becomes difficult to identify. Thus, the title acts as displacement to remove this complexity, which shows that the use of the ‘*IFRS for SMEs*’ as a title incorporating many aspects for the IASB and displacing different understandings. Nevertheless, these complexities and antagonisms still exist, and after the promulgation of the standard these contingencies re-emerge, as the standard is unsuitable for ‘SMEs’ in many ways, particularly for micro-entities, so the IASB attempt to overcome this threat to legitimacy by constructing the micro-guide.

8.5 The contingency of micro-entities

The IASB’s social practices and due process allow them to operate a form of ad-hocism as it emerges that *IFRS for SMEs* is unsuitable for micro entities. The IASB re-position themselves as able to resolve this problem:

...the micro guide was created because there was, for lack of a better term, a thud factor so what had essentially happened is a lot of people were looking at our 250 page document and saying this is a really long document and we want something simpler and what was kind of recognised in that process was the problem was that a lot of small companies don't have pension schemes, they don't have share option schemes etcetera, and so we thought it might be useful to simply do an extract from IFRS for SMEs, put it into a smaller book and say if you don't have these 10 things, if you don't have a share option scheme and a pension fund and etcetera then you can use this 70 page book and that might actually make your life, you know, make, it is interesting in fact we haven't had as many people use it as we thought (Interviewee 14).

This interviewee explains the simplification of *IFRS for SMEs* and the micro-guide in a pragmatic and technocratic way, which ignores the ideological foundations of the standard, and the IASB's capital market orientation (which shuts down alternative understandings of SMEs). Instead, there is a focus on a check list with pension schemes and share option schemes as examples. As some micro entities do not operate these forms of accounting the creation of the micro guide is constructed to resolve this technocratic problem. The micro-guide is not a separate standard, it is sections of *IFRS for SMEs* that are seen as likely (by the IASB) to be relevant for entities with less transactions, operating as an index for *IFRS for SMEs*, in an ad-hocism that does not consider the deeper problems of *IFRS for SMEs*. The suitability and capital market orientation of the standard is not considered in any further depth, which makes it unsurprising that the above interviewee notes that not 'as many people use it as we thought'. This ad-hocism is illustrated in the following figure:

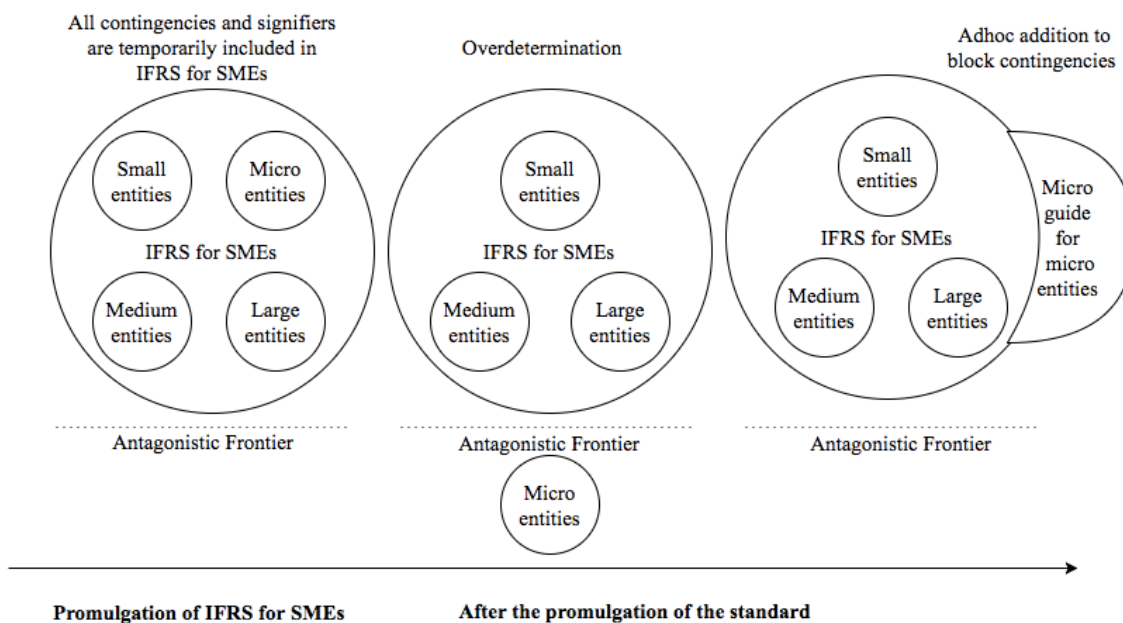


Figure 25: Overdetermination and the micro-guide

Figure 25 illustrates that the IASB attempt to condense the needs of small, medium and large entities into one standard, but this becomes overdetermined and micro entities become antagonistic to the IASB. The IASB then rearticulate and add on the micro guide to continue condensing and to incorporate antagonisms.

The construction of this micro-guide acts as a further restriction on the IASB's debate, as they appear to have resolved the problem in a technocratic manner.

In response to requests from constituents, the IASB has developed guidance both to assist micro-sized entities currently applying the *IFRS for SMEs* and to make the *IFRS for SMEs* more accessible for those considering applying it in the future. The guidance supports the *IFRS for SMEs* and does not constitute a separate Standard for micro-sized entities (IASB, 2013: 1)

This resolution is shown to be important politically:

Tom Jones urged caution, saying that there was tremendous competition from people who wanted to write standards for micros. A lot of the scope queries came from them (IStaR, 2008c: 11).

These adaptations by the IASB are ongoing and continuous (temporary fixations), never allowing the credibility of the standard to be questioned. However, the arguments below show that the standard is not suitable for larger and medium sized entities (despite critiques that the standard is also not suitable for small entities):

...but what we have started to hear now is a demand for companies that are in the middle tier, and I use demand in the economic sense rather than in the petitioning sense [laughs], a demand for companies that are middle tier, that are not big companies but are also not SMEs saying well what about us (Interviewee 14).

And:

We believe that the SME standard will in practice be used by medium sized companies, not the very small ones as – in our opinion – the standard would be far too burdensome for the smallest companies (CL 49, 2005: 1).

And:

IFAC is concerned that the SME project may eventually be steered towards providing an optimal solution to the reporting needs of larger unlisted entities. A focus on the needs of large private entities will likely result in a set of SME standards that are broadly the same as IFRSs, with only token simplification of their recognition and measurement principles. This outcome would result in SME standards ill-suited for application by the great majority of SMEs (CL44, 2005: 2).

Each of the above quotes demonstrates different issues of suitability and shows the struggle that actors have over identifying who the standard is suitable for, thus showing that the nodal point of SMEs holds several meanings and has been represented many times, to the extent that it becomes overdetermined. Despite these critiques, the IASB are clear that they are not going to create standards that acknowledge these differences, as explained by a board member:

I mean the reality is we were not going to go out and produce financial standards, different standards for everyone (Interviewee 14).

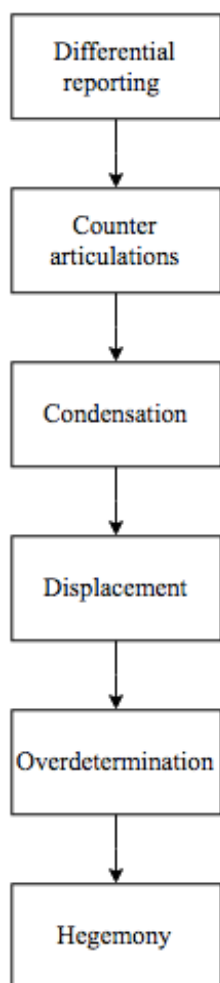
This misses core issues of ideology and clarity, but (as shown in the previous sections) the IASB are wary of giving such clarity, as they are attempting to meet the needs of all. Indeed, Di Pietra *et al.* (2008: 6) (which was also a comment letter on the *IFRS for SMEs* ED) explain that part of the problem of this unsuitability is in the IASB's use of 'a very broad definition' which creates many difficulties:

The IASB uses a very broad definition, which makes it difficult to develop a standard suitable for the heterogeneous group of entities. Though the IASB used entities with 50 employees as a guideline and explicitly states that the ED-IFRS for SMEs is suitable for

micro-entities, the content of the ED seems to suggest that the IASB's focus was on larger SMEs (with more external users or stronger international orientation). The ED suggests that the financial reporting user needs for SMEs are similar or identical to those of bigger... it has been questioned whether the IFRS for SMEs can be suitable for micro entities...

Di Pietra *et al.* (2008) go on to explain that the standard is too complex for smaller entities, who would be better suited to follow standards that fit with their local context and local tax rules (Sian & Roberts, 2006). This thesis is not concerned with technical suitability, but argues that the standard is not suitable for '95 per cent of all companies', and cannot meet the needs of all of those that are unlisted, even with the caveats of general purpose financial statements and external users. The implication that *IFRS for SMEs* is suitable for the 95% of companies worldwide for whom full IFRS was not intended has never been tested through analysis of the experiences of companies using *IFRS for SMEs*, so the claim remains unsubstantiated.

As the standard is promulgated it is perceived by all groups as unsuitable, and the only practical way out of this situation is to publish a micro-guide (as the standard has already been sold and disseminated by the IASB, along with IFIs). This is demonstrated by the opposition to the



standard from developed countries as they believe *IFRS for SMEs* holds deep-seated ideologies and preconceptions of financial reporting. Thus, *IFRS for SMEs* is not a logical addition for these countries, but rather a Trojan horse that is pushing the philosophy of a focus on capital markets and listed entities:

...you know apart from countries like Germany that wanted to do their own thing and there was concern that we were trying to take over the world and everything else, politicians are always weary of that sort of thing... (Interviewee 19).

The inherent ideology within IFRS of neoliberalism means that there can only be one outcome in the construction of *IFRS for SMEs*, which is problematic, as the IASB claim to be neutral.

As the IASB operate this LoD, which further incorporates contingencies into the standard through the micro guide, more significieds surround the nodal point of '*IFRS for SMEs*', rendering it even more difficult for actors to identify meaning. This difficulty of the identification of meaning and purpose is a threat to the IASB and *IFRS for SMEs*, as it highlights further contingencies, contingencies that subsequently have to be drawn into the condensation to obscure them, which is shown in the construction of the micro-guide. Indeed, as Di Pietra *et al.* (2008) point out, the broad definition and the heterogeneity within the standard makes the development and understanding difficult. The political movement of condensation conceals contingencies and covers over local issues with the

standard, but this leads to overdetermination. The creation of the micro-guide does not have the

Figure 26: The hegemonic movement

effect of improving suitability, or changing the nature of *IFRS for SMEs* because this standard was created from full IFRS, with a capital market, neo-liberal orientation to increase access for advanced financial capital. However, there are contingencies and antagonisms, as there are always limits and the standard cannot meet the needs of all. Ignoring these issues leads to a further monopoly over standard setting, extending the IASB's work to prevent counter articulation and alternatives and to reinforce their technocracy (Sunder, 2011; Botzem, 2012). The IASB's discussions are limited to a focus on IFRS, as will be discussed in chapter 9. The IASB believed that other organisations should not be changing or adapting IFRS for other types of entities. This narrows the space and enhances the IASB's brand, technocracy and expertise. The extension of these logics spreads the message that accounting should be done in a certain way, and extends the IASB's logic of expertise and accounting technologies to new areas (Lazzarato, 2012).

The operation of condensation, displacement and overdetermination acts to conceal the broader politics at work for the IASB in which they operate as a geo-political agent for advanced financial capital, and extend this role to SMEs and developing countries in a narrow manner, extending their control. The metonymical displacement within *IFRS for SMEs* masks the political nature and aims of the IASB, through claims that the standard is 'tailored' for SMEs and their users. This excludes alternatives, as nodal points attempt to fix discourse by offering meaning, but it is a partial fixation, operating in the construction and maintenance of the IASB's hegemony.

8.6 Condensation and *IFRS for SMEs*

So far in the chapter (sections 8-8.5) it has been demonstrated that the IASB have condensed many different entities into the standard. The signifier 'SMEs' leads to interested parties reading many different ideas and concepts in to the standard, and the IASB themselves make multi-various claims. Subsequently, the signifier represents many different things to many different people, as the standard claims to meet the needs of a highly heterogeneous group of entities, including small, medium and large entities, across both developed and developing countries. The homogeneity within the standard reaches across many heterogeneous sectors and divisions in an act of condensation. The IASB aimed to provide a technical solution to the problem of differential reporting across the globe, which was in some ways tainting full IFRS, through different adaptations that the IASB had not approved of. Thus, the IASB attempt to meet all of these counter articulations through one standard, covering over alternatives and different perspectives.

The contingencies in full IFRS highlight that the needs of SMEs and developing countries cannot be met, which leads to counter articulations. Indeed, differential reporting threatens the myth of global accounting language that the IASB rhetorically construct. Whilst differential reporting is welcomed onto the market to an extent, the IASB's creation of the standard from full IFRS covers over contingencies and reinforces the rhetoric and ideologies of IFRS. Due to one-size-fits-all and overdetermination the issue of suitability and micro entities emerged, so the IASB added on the micro-guide.

Therefore, this thesis argues that instead of listening to the bottom up demand that the IASB claimed was strong, the IASB worked in conjunction with other IFIs to decide what these countries needed, decide how they were going to meet that need, and implement adoption pressure. The IASB make these claims through the power of their brand as they try to constitute best practice for SMEs and differential reporting through the rhetoric of full IFRS, and claims to ‘due process’, ‘consultation’, ‘high quality’ and ‘internationally recognised’. This leads to the following section, which focuses further on the IASB’s social logics. The way the IASB closes this debate is further explored in the following sections of this chapter and in chapter 9.

So far, chapter 8 has outlined the IASB’s operation of LoD, in which the IASB incorporate many different articulations and understandings into one standard. The creation of *IFRS for SMEs* also operates LoE, as was shown in the overview of the empirical chapters, and this is now explored.

8.7 Developing countries and SMEs

As outlined in Figure 17 this section now moves to the connection that the IASB make from SMEs to developing countries during the due process. The IASB claim to have reflected geographical diversity throughout their due process in various forms: comment letters, field testing and the working group for the standard. Prior research has questioned the geographical diversity of the IASB’s due process, mainly through the quantification of comment letters (Devi & Samujh, 2015; Ram & Newberry, 2013; Singh & Newberry, 2008).

8.7.1 Quantifying comment letters

By analysing comment letters and tallying the responses for geographical diversity, researchers have demonstrated that the IASB’s geographical diversity is inadequate (Devi & Samujh, 2015; Singh & Newberry, 2008). This section extends this quantification by offering detailed analysis. Examining the due process identifies that there were limited opportunities for developing countries to express their concerns, and if concerns were expressed they were disregarded. Devi & Samujh (2015) adapt Singh & Newberry’s (2008) analysis of the responses to the IASB’s discussion paper (DP) in 2004 to highlight a lack of input from developing economies and academics. Singh & Newberry (2008) and Ram (2012) have shown that there is limited input from developing countries, as outlined in the literature review in chapter 6. However, this thesis extends these tallies in three ways, first in the consideration of the qualitative elements of these comment letters, second by considering the social logics in operation within this due process that enable exclusion, and third by offering further theoretical explanations for the lack of geographical diversity.

8.7.2 Extending quantification

a) Capital market orientation

Whilst counting comment letters does reveal limitations, examining the content of these comments reveals further issues. This section considers all comment letters but focuses on those

that fall outside the standard format requirements requested by the IASB, as these letters attempt to open the debate to different perspectives outside the IASB's due process. These comment letters are antagonistic to the debate, but are covered over through LoE and due process rhetoric. There are many comment letters on the ED that discuss the burden that will be placed on SMEs through *IFRS for SMEs*, because it is too complex and unsuitable (for example: CL15, 2004; CL86, 2004; CL3, 2007; CL27, 2007; CL28, 2004; CL35, 2007; CL55, 2007; CL66, 2007; CL152, 2007; CL160, 2007; CL161, 2007). Cairns (2006)⁴¹ discusses the complexity of the ED:

Notwithstanding my support for IFRS for SMEs, I am very concerned about the complexity and length of the draft. This reflects the IASB's apparent policy of making its all its standards as complex and difficult to understand and interpret (while some of this complexity results from the increasing complexity of business transactions, much of it is the IASB's own doing) (Cairns, 2006: 1).

Despite his support for the *IFRS for SMEs*, Cairns is concerned about the complexity of the standard, which is linked to problems of full IFRS complexity:

The draft IFRS for SMEs has been compiled by extracting the relevant parts of other IFRS which were written at different times and in different styles. This is a similar to the "cut and paste" approach adopted by the old IASC with IAS 39. But, as IAS 39 shows clearly, the "cut and paste" approach has many problems. The draft IFRS for SMEs also suffers for its apparent failure to focus on SME issues (Cairns, 2006: 1).

Similarly, many commented on creating the *IFRS for SMEs* from full IFRS and the complexities this creates (CL27, 2007; CL66, 2007; CL96, 2007; CL132, 2007; Devi & Samujh, 2015; Fearnley & Hines, 2007). This was also commented on in the DP, for example:

In a purest sense, we agree with the objectives. However, we have real concerns about the financial reporting standards for SME's being based on the same conceptual framework as IFRSs. The IFRSs framework may not be appropriate or meaningful for SME's. We would need to see the details prior to making any further comment (CL28, 2004: 3).

These comment letters and critiques point to the issue of the standard being created from the unsuitable basis of full IFRS, the problem of the 'top down' approach:

The IFRS for SMEs at hand represents a complex set of regulations, which is difficult to understand for a new user. On the one hand the board is of the opinion the IFRS for SMEs to be an independent standard; on the other hand the full IFRS have to be considered because of numerous references. In many cases the user has to know both sets of regulations to decide which one is more suitable for him. Therefore the medium-sized businesses would have to know two bodies of rules and regulations. This contradicts the stand-alone document. Also the chosen top-down-approach does not lead to the fact that the specific basic conditions for medium-sized businesses are considered sufficiently. With a bottom-up-development of the standard for medium-sized businesses compulsory and specific regulations could have been incorporated (CL66, 2007: 2)

This comment argues that a different approach should have been taken for the standard, with a bottom up focus from SMEs. Arguably the consequence of the top down creation of the standard is that it leads to high cost constraints and burdens:

For these interested companies, an IFRS for SME has to offer more advantages than stresses and strains. Cost-benefit-aspects have to be considered. The exposure draft seems to be still too voluminous and with rules which are not common in SMEs. The IFRS for

⁴¹ This comment letter missed the comment letter deadline but was sent to the IASB and given to the author as a personal document.

SME should include only these financial reporting issues which are routine in an ordinary SME (CL35, 2007: 2).

And, a capital market orientation (CL27, 2007; CL123, 2007; CL, 161, 2007):

Although IFRS for SMEs is aimed at unlisted companies, the proposed IFRS for SMEs is heavily based on the framework of IFRS. Therefore it has a very strong focus on the needs of capital markets and investors (CL151, 2007: 1).

This complexity stems from the social logics of the due process, which enable the IASB to take full IFRS and use what has been described as a ‘cut and paste method’ in the construction of *IFRS for SMEs*. This demonstrates a LoE, in which the IASB claim that IFRS for listed entities can be cut down to create a standard that is suitable for unlisted entities. This limits and narrows the due process, the impact of which is further explored in the following chapter. Here, what is crucial is the dominance of the capital market orientation and advanced financial capital within *IFRS for SMEs*, because the standard was created from full IFRS (Devi & Samujh, 2015). This leads to a disconnection between the standard and the needs of SMEs, which is particularly pertinent within developing countries and countries that are not focused on capital market logics or ideologies (Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Lawson, 2007; Peet, 2009).

b) Ignoring developing countries

The issue of geographical diversity became more prominent during the development of the standard. Responding to the *IFRS for SMEs* ED, CL150 (2007: 2) raised this issue at length:

BC3 refers to the support of the trustees for the IASB’s efforts to “examine issues particular to emerging economies and to small and medium-sized entities”. The SME project initially included consideration of issues peculiar to emerging economies but this objective seems to have been removed at some point. The burden of complying with full IFRS is clearly great for SMEs in developing markets operating in emerging economies. The SME standards as drafted do very little to reduce this burden. The Board’s concern in the SME accounting project should be to develop standards for those jurisdictions where the need is greatest, and not for jurisdictions which already have their own standards and standard-setting bodies.

This comment letter suggests that whilst the IASB did plan to consider issues peculiar to emerging economies, this objective seems to have been removed at some point, and that the SME standard (as it was in the ED) does very little to reduce the burden. Within the due process, the IASB claim to have acknowledged the lack of geographical diversity, and a lack of professional diversity (in terms of users), so special outreach was conducted through the R&M questionnaire, field tests and travelling and consultation by staff members (much of the latter is hidden from public view), to gain input from developing countries. Previous research has argued that a combination of this special outreach⁴² occurring too late (as many decisions had already been made), an overall lack of change from external input, and the top down approach to the development of the standard has meant that this special outreach had little impact (Devi & Samujh, 2015; Fearnley & Hines, 2007; Ram & Newberry, 2013). Whilst the IASB make claims to inclusiveness through token board

⁴² The timing of these outreach activities is outlined in the chronology of development of *IFRS for SMEs* outlined in Appendix 1.

members and meetings with SME financial statement users (both of which are limited), the IASB's due process continues to have a lack of inclusiveness and problems in the identification of who should be included (Quack, 2010).

Indeed, interviewees explain that the IASB did not hear or listen to contributions from organisations in developing countries:

...was I listened to, that's a good question. Maybe I didn't explain enough when I was talking, so they heard but I don't think they understood (Interviewee 18).

This demonstrates that the IASB were not listening to developing countries, as they claimed, which is problematic, as instead the IASB are disseminating their own ideas and ideologies, in an imperialistic manner (Annisette, 2004; Devi & Samujh, 2015; Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Poullaous & Sian, 2010). Importantly, developing countries have been the main countries to adopt the standard, as interviewee 12 explains, when discussing the key beneficiaries of the standard:

... in some developing countries and countries where they might not have the resources to develop their own accounting standards, full IFRS have been required for most entities, even the very small ones, and in some cases entities do not have the expertise to apply full IFRS very well. I think those countries could benefit most from the IFRS for SMEs. In countries where they have got a well-established GAAP for small companies and that GAAP is similar to the local tax requirements, then adopting the IFRS for SMEs might not be so beneficial.

'Developed' or 'advanced' countries with advanced accounting infrastructure have not adopted the standard to the same extent:

...the critical observation is to look around the world at the developed standard setters and ask why none of them have adopted it, none of them, and I think that the critical observation here is, everything depends on where you have been as to whether [IFRS for] SMEs is attractive or not... (Interviewee 22).

This interviewee is explaining that many countries do not see the standard as necessary because of their previous experience with differential reporting, and their 'developed' status. The impact of not considering the local context is more important for SMEs, because SMEs have further exposure to their local context, as CL112 (2007:1) explains:

Another concern is the ability of countries with limited resources to identify circumstances that would render the use of international standards inappropriate, especially given that we are sceptical that even more "sophisticated" countries are doing this well. The ability to do this may be even more critical for SME's than it is for large companies, as SME's are perhaps exposed to and influenced by their local context to a greater extent.

This explains that local contexts and cultures have been ignored by the IASB. Nevertheless, the IASB's rhetoric claims to be helping SMEs and developing countries through helping them to gain access to capital:

Millions of small companies in around 80 jurisdictions are already using the IFRS for SMEs. It is becoming a passport to raise capital on a local or cross-border basis (IFRS, 2012: 1).

However, this rhetoric is disputed as research and interviewees explain that the standard is not suitable for SMEs, particularly because the standard was created from full IFRS (Devi & Samujh,

2015). Nevertheless, the WB, the IMF and the IASB focus on the necessity to adopt for development and growth, structural adjustment and further access to capital, which is concerned with the extension of advanced financial capital. Indeed, interviewees believe that the key beneficiaries of the *IFRS for SMEs* are SMEs, because of their increased access to capital:

...so the number one beneficiary, to me are small companies who get better access to capital, and as a result of that then the economy of their country grows, so that's the big beneficiary (Interviewee, 11).

However, other interviewees explain that the IASB were never clear about if they were talking to developing countries:

... but that's what happens and none of them have the remotest exposure to developing countries, so they acknowledged I think in board discussions that this was an issue that they needed to decide- whether they were talking about developing countries, or whether they were talking about developed countries. In other words were they helping the EU, or were they helping South Africa, and they never necessarily nailed that one publicly, but what in effect happened was that it became really focused on developed countries and they were quite explicit as it went on, that they recognize well we need to know are we writing a standard for 10 employee company or 100 employees, so they fixed on 50 employees as the kind of company that they had in mind, and I, reading some of my own stuff I have seen that I said they were explicit about that in the standard, but I am not sure, you would know, does it say that in the basis of conclusions... (Interviewee 27).

This demonstrates a contradiction in the IASB's rhetoric, and the actual development of the *IFRS for SMEs*, which effectively excluded developing countries and instead constructs a conception of emerging economies that facilitates spreading advanced financial capital (Devi & Samujh, 2016; Ram & Newberry, 2013). This exclusion is problematic because the IASB follow a line of development rhetoric with the WB, which has been critiqued for being imperialistic in nature (Annisette, 2004; Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Lawson, 2007; Poullaous & Sian, 2010). The IASB suggest that capital providers will have further confidence in figures, if entities follow *IFRS for SMEs*. This focuses on external funding, and listing, but many SMEs do not desire this as their end goal. Nevertheless, this is linked to economic 'improvement' (Fortin *et al.*, 2010), a development logic and rhetoric which is critiqued and questioned (Hopper *et al.*, 2017; Lawson, 2007). The empirics have raised issues with the role of experts and the notion of development industry, like Lawson (2007: 41) who critiques development logics for not considering those that are being 'developed' and only acting to reinforce hegemony.

In the case of *IFRS for SMEs*, the IASB are placed at the centre of the discourse, with a focus on the development that they believe should be implemented. This reinforces the IASB's power and role in the 'development industry', through logics of expertise constructed with the WB, to maintain certain development 'truths' (Lawson, 2007). This constructs the IASB as the expert, and is self-referential as they are both identifying what they think the problem is and developing the solutions to these problems (Gallhofer *et al.*, 2011a; Hopper *et al.*, 2017; Lawson, 2007).

Arguably, the IASB exclude developing countries because of the connection and equivalence that they have drawn between SMEs and developing countries, which is further explored in the following section.

c) SMEs and developing countries

The core extension that occurs here is between SMEs and emerging economies/ developing countries, which can be seen in the original objectives of the organisation:

The objectives of the IASC Foundation and of the IASB are:

(a) to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;

(b) to promote the use and rigorous application of those standards;

(c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and

(d) to bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards to high quality solutions (IASB, 2009e: 6 [emphasis added]).

The IASB claim that alongside fulfilling objectives a and b, they will also take account of SMEs and emerging economies, as a combined objective. When interrogated further it is not clear when it was discussed or decided that they should be combined into the same objective. Indeed, as far back as the IASC, the discussion of SMEs and emerging economies/developing countries is never clear, which is arguably because emerging economies have many SMEs, and often do not have any listed entities in their jurisdiction. However, the lack of questioning of this combination is taken a step further by the IASB.

As they meet the needs of SMEs they do not need to specifically consider developing countries in the due process, and the use of their expertise and technocracy allows them to do this. The IASB are depicted as giving their expertise in standard setting to developing countries, so there is no need to consider them or consider local differences. Indeed, the IASB make no differentiation between the needs of SMEs and emerging economies (and further than this, no differentiation between different emerging economies). The IASB suggests that they will automatically meet the needs of emerging economies/developing countries, a suggestion that was identified by interviewee 4:

Well I think from the IASB's point of view they had this impression that SMEs and developing countries have same problems so if we deal with one you automatically deal with the other one... I did not see them doing any differentiation between SMEs and developing countries.

As explained, the IASB did not differentiate between SMEs and developing countries (similar sentiments are expressed by interviewees 11, 16, 17, 19, with others questioning the connection made). Interviewee 4 in the quote above explains that the IASB did not differentiate between SMEs and developing countries, holding the impression that they have the same problems, so if you deal with one you automatically deal with the other. In taking the analysis in the previous subsection in which there were many suggestions that the IASB did not listen or consider developing countries to the necessary extent, this equivalence arguably explains this issue. This is problematic as the IASB draw an equivalence, from SMEs to developing countries, and instead

of consulting developing countries to understand their needs, the IASB claim to focus on the needs of SMEs (which is also a contestable claim) to meet the needs of developing countries. When asked about SMEs and developing countries, interviewee 11 explains:

I never saw a lot of difference... we defined SME quite precisely... I don't quite know how to think about that in terms of a developing country... I don't exactly, I don't know what the needs of a developing country are, I do know the needs of a micro, and I wouldn't be surprised if people who say you've got to do more for developing countries are really saying, you need to have a separate standard for micros... I said well what do you mean you're a developing country, you've got some small companies sure, so I don't, I never quite understood the idea of what can we do for developing countries, I think it better to focus on what can we do for a class of company, SMEs who don't go to equity markets (Interviewee 11).

Interviewee 11 struggles to articulate whether there are different accounting needs depending on a country's level of development and tends to suggest that companies of a certain size can account in the same way, irrespective of country and context. This fails to consider the complexities of accounting and local contexts. When asked to explain this connection further, interviewees express that it is a logical extension to make, indeed interviewee 19 further explains the logic behind this equivalence:

...how do you simplify without sort of over simplifying, I mean that's one of the difficulties, and what we thought was with the SME standard, look, if you're in Outer Mongolia you have hardly any accounting profession, there is no way you can do IFRSs, this one might help you, so it's more in hope than research, we didn't research it, we were working for small companies, but the basic idea was well if a small company without the accounting skills of the larger ones can do it then probably developing countries can do it as well, I mean there, we didn't specifically do it that way, it was more in hope than research.

Interviewee 19 highlights a lack of research and suggests that they rely on the concept of hope that the standard would support developing countries. This concept of 'hope' is surprising as it runs counter to technocracy and claims of expertise. This LoE covers over many alternatives and differences across different entities and different countries. However, interviewee 4 appreciates this logic:

...if you address the problem of fair value accounting, it is a problem that faces SMEs both in developed and in developing countries, so what extra would you do to support developing countries, I think what they said was that developing countries need to be brought up to speed in terms of infrastructure and technology to use these standards, but they did not feel... [an international standard setter] said I could not be convinced why developing country had a special need, that would be addressed... he also said that... they had some representation of developing countries, or who have some understanding of developing countries, and as they go along, like they've got a board member from China, so as they go along if there are issues that come up, you know, they try to deal with it...

The key points out of this are first, that the interviewees, and IASB, are not convinced that developing countries have special needs. Second, the IASB rely on 'patchy' geographical representation to represent the issues of emerging economies. This constitutes socially sedimented practices, that the interests of developing countries are met by board members, as particular board members are considered to be representative of particular countries or regions.

The equivalence from SMEs to developing countries is claimed to be logical, and this is problematic in terms of the due process, because this question has never been asked or addressed. This identifies that the IASB have already decided about this extension, and so these decisions are presented as complete in the due process. Indeed, the questions surrounding this equivalence are important questions, but they have not been asked.

Through the due process the IASB construct socially sedimented practices which narrow and close debates. It is not clear when the connection was made between SME and emerging economies, and this equivalence is never questioned in the due process. This draws an equivalence, enabling the IASB to effectively ignore developing countries, the impact of which is explored further in the following chapter. Here, a crucial movement was made, and was constructed as natural and logical, which shows a lack of due process and research, and hides the IASB's decisions behind technocracy. This equivalence is political and problematic, but is not presented in that way. As people question this LoE, and question the IASB's ability to consider developing countries, the board members defend this logic. Reliance on the due process and LoE in this way becomes instrumental in avoiding the politics of the extension to *IFRS for SMEs*, drawing on the due process to curtail potential contestation and contingency. Despite claims to open debate and transparency the documents that are issued as part of the due process are limited and shape the ensuing discussion, in particular not raising or considering debates on SMEs and emerging economies. This allows the IASB to shape the needs of emerging economies and claim they are met by meeting the needs of SMEs.

Furthermore, the IASB's construction of 'SMEs' and 'emerging economies' and the homogeneity of these constructions limits and shapes public debates, constructing frontiers and socially sedimented practices. In the case of this equivalence, the IASB do not engage with potential contestation, it is instead instituted as logical and as part of the due process, so this connection becomes instrumental, in the avoidance of politics. This demonstrates that the IASB have the ability to define questions and restrict debates. This constructs socially sedimented practices that become unquestioned logics in the IASB's work, by shutting down the debate, in not asking, so that the debate is lost. If the question was not raised then the IASB do not have to address it, despite the flaws that this creates. In this the IASB are at the centre, defining the debate, and this is the power that they have at the technocratic level. This issue of power and control is a big problem in the due process, as the IASB narrow and close discussion through equivalence and difference, and the ability to name the questions. The IASB name the debate, and define the solution, which happens often as the IASB give a format for answering and guidance for respondents. Therefore, in this case the IASB use their existing due process, which is seen as legitimate to operate the extension to *IFRS for SMEs*.

There are other examples of these limits, therefore the following chapter further investigates due process documents and their limiting nature. Prior to moving to chapter 9, the following section offers a conclusion.

8.8 Conclusion

The first half of this chapter explored the way that the IASB defined SMEs through LoD and condensation, within which there are many micro debates and contingencies, because the term “SMEs” has become a signifier with many different understandings for different people. Whilst the IASB develop the standard for “SMEs” they never become clear on the focus of the scope, because of this heterogeneity, and their attempt to meet the needs of all. Indeed, in attempting to meet the needs of all, the IASB make the political mistake of publishing that they have a focus on entities with 50 employees. However, the focus on 50 employees threatens the political status of the standard, because it limits the focus. This provokes criticisms from many submissions to the due process, so the IASB attempt to cover over this mistake and claim to meet the needs of many more entities through public accountability, but this does not take away from the focus that they had throughout the due process.

The IASB want to construct an extension of one size fits all, so they use condensation to cover over differences and contingencies, to claim that the standard can meet the needs of all. This leads to the use of the rhetorical trope of 95 per cent of companies. This draws a homogeneity across a heterogeneous group, and creates difficulties when giving the standard a title. Therefore, the final title operates displacement because the IASB are focused on international recognition, no matter how confusing, misleading or inappropriate the title is. In this the IASB win their definition of SMEs and their title, through the due process, which shows that they may have listened, but they disregard. Subsequently, once the standard is promulgated there is overdetermination, because of the extent of condensation, which leads to further contingencies, so the IASB ‘add on’ the micro guide in a further attempt to cover over contingencies, but with continued minimal divergence from IFRS. This limits regulatory conversations, which maintain and construct the hegemony of advanced financial capital. This also protects their technocratic ability to disregard others as they are the experts in standard setting.

Linked to this, the second half of the chapter examines the equivalence that is drawn from SMEs to developing countries. This part of the chapter extends previous research which has identified a lack of consideration of developing countries by investigating the due process and quantifying comment letters. In this research, the IASB are identified as ignoring developing countries, but this thesis goes on to explain that the reason for this and justifications given by the IASB are linked to the equivalence that they draw from SMEs to developing countries. The claim is that if they meet the needs of SMEs they will automatically meet the needs of developing countries, because there is no difference, but this covers over local differences, contingencies and antagonisms. In this sense, the promulgation of *IFRS for SMEs* is an example of opening up

opportunities for financial capital investment in SMEs (especially in emerging economies) through an international language of accounting (as the IASB state that meeting needs of SMEs would simultaneously satisfy emerging economies. Moreover, enabling advanced financial capital access to SMEs enables SMEs further access to international capital (debt). Therefore, opening up SMEs and emerging economies to indebtedness. This has the impact of extension and equivalence which protects, enhances and reinforces the IASB's role as a geo-political agent that is extending the access of advanced financial capital. This chapter identifies the extension of advanced financial capital to new areas, which shows that advanced financial capital is not concerned with where it makes money from, only that it makes money, so the IASB as an agent of advanced financial capital is only concerned with extending access.

Thus, this chapter has shown that advanced financial capital has been extended through equivalency. The chapter has raised issues with equivalencies that the IASB has drawn in the development of *IFRS for SMEs*. They draw equivalencies without evidence and hope that it meets the needs of SMEs and developing countries. This runs counter to both claims of technocracy and the due process, so this thesis takes the examination of the due process further in the following chapter.

Chapter 9: Deconstructing the due process

This chapter focuses on the Basis for Conclusion (BC), which was published alongside the final standard as justification. This document constitutes an interesting site of analysis as it contains many decisions and persuasive rhetoric. This chapter investigates the socially sedimented practices of the BC in which the IASB operate both LoD and LoE. The IASB claim in the BC to be simultaneously conducting, considering and incorporating extra outreach, whilst also retaining a focus on full IFRS. These two goals contradict each other, but operate hegemonically to enhance the IASB's brand, expertise and the ability for IFRS to meet the needs of SMEs. This also maintains their inter-relationship with IFIs who want the IASB to produce a high-quality standard. These IFIs also want simplification for SMEs and their financial statement users, so they can comply with and understand standards of a 'high quality'. Therefore, this chapter examines the due process and the socially sedimented practices, as the IASB attempt to control the conversation between regulator and regulated and reinstate their role of being able to fulfil these contradictory aims. The IASB claim that the due process is open and transparent:

In fulfilling its standard-setting duties the IASB follows a thorough, open and transparent due process of which the publication of consultative documents, such as Discussion Papers and Exposure Drafts, for public comment is an important component (IASB, 2016a: 1).

Additionally, the IASB claim to have conducted international consultation:

In developing the IFRS for SMEs the IASB consulted extensively worldwide (IASB, 2009a: 2).

First, this chapter gives examples to illustrate the purpose of the BC and the construction of this document. Second, the chapter moves to consider the way that the focus on full IFRS, narrows the due process. Following this, the chapter moves to consider the extra outreach conducted by the IASB.

9.1 The purpose of the Basis for Conclusion

This BC is a core social logic as it identifies why and how decisions were made within the standard (there is also a basis for conclusions when the ED is published):

This Basis for Conclusion sets out the main issues addressed by the Board, the alternatives considered, and the Board's reasons for accepting some alternatives and rejecting others (IASB, 2009c: 16)

The IASB come to the BC through their due process, offering justification for the ED and final standard.⁴³ The board's decisions are based on the analysis and recommendations of the staff members, with board members voting on different proposals made by staff members. For example, the basis for conclusions for the ED and the final standard for *IFRS for SMEs* explain the decisions made regarding financial instruments:

Many said that the requirements of IAS 39 Financial Instruments: Recognition and Measurement are burdensome for SMEs. They cited as especially burdensome for SMEs

⁴³ The publication chronology of each of these documents is outlined in appendix 1.

the complexities of classifying financial instruments into four categories, the ‘pass-through’ and ‘continuing involvement’ tests for derecognition, and the detailed calculations required to qualify for hedge accounting. The Board agreed that simplifications of IAS 39 are appropriate for SMEs (IASB, 2007a: 27).

This quote is taken from the section of the BC which explains the simplifications made by the IASB in the ED. Based on complex parts of full IFRS, the board agrees that simplifications are necessary. The BC then goes on to explain that there is ‘complexity’ because there are a ‘range of measurement attributes for financial instruments’ which ‘reduce comparability and impose measurement complexity’ (IASB, 2007a: 27). The IASB identifies why burdens and problems occur in IFRS, and the two core logics of justification for the decisions made by the IASB are comparability and complexity. Therefore, they claim that:

The draft IFRS for SMEs enhances comparability and reduces complexity by defining a default measurement attribute and limiting the use of other measurement attributes (IASB, 2007a: 27).

These explanations are linked to the logics of comparability and reliability which construct rhetoric. The BC then lists and explains the key simplifications proposed in the draft *IFRS for SMEs*, which include the classification of financial instruments (fewer categories available for classification), derecognition (a simple principle that does not involve the complex principles in IAS 39), and hedge accounting (focusing on ‘the types of hedging that SMEs are likely to do’, with ‘less strict conditions’ (IASB, 2007a: 28). This section also sees the board consider an alternative, referred to as ‘the shortcut method’, but they conclude that the ‘simplified effectiveness testing is preferable’ because the alternative would be inconsistent with the principles of IAS 39, and the requirements of the alternative would make the ‘accounting a practical impossibility for many, and perhaps most, SMEs’ (IASB, 2007a: 28- 29). Following this, the BC discusses some other elements of simplifications for hedge accounting, each based on what SME’s ‘do’:

SMEs typically sell the cash hedging instrument when the hedging relationship terminates...

Because hedging with options involves incurring a cost, SMEs are more likely to use forward contracts as hedging instruments rather than options...

The Board does not believe that these simplifications will affect SMEs adversely because these are not hedging strategies that are typical of SMEs (IASB, 2007a: 29).

Each point is proposed as logical and common sense about what SMEs ‘do’, but there is little evidence given to support such justifications. There are some other decisions outlined in this BC regarding financial instruments, but for the purposes of example, these points have demonstrated some of the key rhetorical tropes and justifications that the IASB offer within this BC and the work flow that leads to the document. However, the only ‘fall back’ that has remained within the *IFRS for SMEs* is the optional ‘fall back’ to IAS 39 Financial Instruments. Indeed, many of these justifications are repeated in the final standard’s BC, but with further reference to the ED comment letters, and field tests that had been undertaken, and they are further explored within

this chapter. As another example, the IASB also justifies when a simplification was considered but not adopted into *IFRS for SMEs*:

In developing the IFRS for SMEs, the Board considered some recognition and measurement simplifications that it decided not to adopt. Some of those potential simplifications were identified in existing national accounting standards for SMEs. Some were proposed by the Board's constituents in their responses to the 2004 discussion paper or the recognition and measurement questionnaire in 2005. Those proposals, and the Board's reasons for rejecting them, are described in paragraphs BC138–BC150 (IASB, 2009c: 44-45).

This offers some further specifics, explaining where some of the alternatives considered came from. But the logics of the due process and the power they hold stifles the information that is given, and the plurality and subjectivity of contributions from respondents. The BC acts in some ways like the notes to the accounts, giving details on the decision, but it is not always clear how the decisions are made, or any further specifics. The following description gives an example of the explanation given when the simplification is not made:

Fewer provisions

BC143 Provisions are liabilities of uncertain timing or amount. Despite the uncertainties, they are obligations that have met the liability recognition criteria. Users of SMEs' financial statements consistently say they want these obligations recognised in the statement of financial position, with the measurement uncertainties explained (IASB, 2009c: 46 [Emphasis in original]).

This quote explains that the board considered having fewer provisions in *IFRS for SMEs*, but based on users they decided not to reduce provisions. The justification through users here dismisses any consideration of simplification or changes from full IFRS. There are many elements missing here and for the reader to understand further why the decisions were made many documents and recordings would need to be investigated, rendering the transparency of these decisions limited. For example, using terms such as 'they' and 'many' in the previous examples does not give clearer specification. In the case above, which is concerned with provisions they use the term 'users', but it is not clear who the users are, or how many users they are referring to. Moreover, throughout the IStAR documents 'users' are mentioned in many meetings, often giving justifications. When asked for further details on the users that the IASB had contact with to further investigate these claims, interviewee 11 said:

Users... we had at least 3 meetings, I remember a German banker coming, I remember a British banker coming and... a French Canadian banker, I mean these were all people who lend money to SMEs and we had a venture capitalist also, a British company... we asked them very point blank, how do you make a loan, do you use financial statements, do you like what you're getting... the Barclays guy said look if my loan is under 250,000 I don't even look at their financial statements, he said if they're an existing customer with me and they have never had an overdraft, they've never bounced a cheque, he said I know them, I don't care about their financial statements. He said well we will get them we will put them in the filing cabinet, he said for everybody else yeah I look at them, we learned that kind of stuff, we learned what kind of assets they lend money on and which ones they say well sorry we just take it off... so we had education sessions like that, the board members could talk to the lenders...

This demonstrates the limits of the meetings that the IASB had with users, focusing on users from developed countries, ‘bankers’, and one venture capitalist. One of these educational sessions is documented in the observer notes:

Today’s session was educational. Richard Roberts, SME Research Director at Barclays Bank would talk about what information was useful for banks, what lacking and what distinctions they made by size of borrower. Isobel Sharp, a partner at Deloitte and chair of the Committee on Accounting for Smaller Entities (CASE) in the UK would talk about the UK’s Financial Reporting Standard for Smaller Entities (FRSSE) (IStAR, 2005g: 22).

This is focused on the experience of a UK Barclays Bank SME research director. Many of the other interactions with ‘users’ lack transparency:

The staff would bring back a recommendation. That would also be discussed with the working group along with other recommended changes. Although there were only five users in the group and he was not sure if that was enough. They could send a questionnaire to bankers (IStAR, 2008c: 12).

This quote states that the working groups has only five users, and to resolve this issue suggests sending a questionnaire to bankers, highlighting issues with the composition of the working group, which appear to be technocratically resolved through a questionnaire.⁴⁴ This reiterates the construction of the IASB’s identified user, delimits the potential for difference in SMEs, and reinforces the focus on bankers and access to capital, increasing the spread of advanced financial capital. Additionally, these discussions about users, and attempts to interact with users are instrumental and limited as they occur after the IASB have made many of the decisions, especially in the quote from the meeting from 2008 above. These quotes also illustrate the type of users, which is limited, and focused on advanced countries and advanced financial capital.

Moreover, this discussion lack transparency, as many documents are written by staff members, which up until the publication of the ED and the field tests was only one person, after the field tests were completed (mid-2007) a second staff member was added to the project to help with analysis. These issues of transparency are highlighted in the following quote:

He was also due to speak at a conference in Malta, where IFRS applies to all companies. Malta was having second thoughts about having pushed IFRS down beyond listed companies. He added that at the last meeting the Board had asked if he could collect users’ views on a number of issues and since then the German standard setter had organised a user group that was meeting for the first time in January. Jim Leisenring said that was a good idea, but he would want to see more public exposure of user issues – he did not want just a series of meetings behind closed doors. Mr. Pacter said that public meetings would happen as well, but later in the process (IStAR, 2005l: 31-32).

There are two issues of transparency highlighted in this quote, the first is not discussed by the IASB, whilst the second is. Indeed, the conference discussion lacks specificity and transparency, demonstrating a reiteration of problems discussed in chapters 7 and 8 which were shown to pose a threat to the board, but not highlighting further details. The latter shows the lack of transparency

⁴⁴ Over time the IASB had groups that were working on the SME project, the working group had 33 members which then grew to 40 members in 2007, when the second staff member was also recruited. There was also an informal panel of users, that have been referenced to which consisted of 8 members throughout the process.

in discussions with users, and a board member highlights this problem, arguing that further public exposure is necessary in discussions with users, not ‘just a series of meetings behind closed doors’, which is responded to by stating that the public meetings would happen, but later. Again, this is instrumental justification after decisions have been made. This reinforces a problem highlighted by Devi & Samujh (2015) who argue that much of the public exposure happened too late in the process. Many of the decisions have already been made and narrowed by the time there are further public meetings, highlighting an issue with the IASB’s ‘transparency’ and ‘due process’. Indeed, each step further into the due process, the more condensed and limited the responses become, giving the IASB control.

Returning to the claim that there are users on the working group, the public view here is also limited as many of the interactions with the working group are unclear, reference is made to them in meetings, but there is not further specific detail. A document published in 2009 that outlined the projects development stated that the working group for *IFRS for SMEs* met only four times during development of the standard, and submitted recommendations via email. These recommendations are then written as part of agenda papers by the staff members (a process that impacts the transparency of the working group) (IASB, 2009b). As an example of issues that this raises, interviewee 6 explains an ‘altercation’ that the working group (the interviewee refers to this group as the advisory group) had with the staff in the beginning of the process:

...I don’t think they did enough, at times it came across that they weren’t in a listening mood, I remember that something happened with the advisory group... we had a bit of a sort of altercation early on in that we had a meeting and I can’t remember what the views were, but we then discovered that the subsequent report that went to the board didn’t express any of the views that had been expressed by the advisory group, the response [was] well yeah but advisory groups are advisory groups to the staff... I said well yeah but at least the board ought to know what our views were. I think it did change, but even so, some of the people involved weren’t really listening.

This is a complex process as different people have different recollections and interpretations of past meetings, but demonstrates an issue of transparency. This transparency continues to be limited in the work of the SME implementation group (SMEIG):

...we have actually only ever met once... we have only ever had one physical meeting... we do interact with them fairly regularly on email, so if I am looking at this year we have had four interactions with them... it’s really driven by something... that we wanted to understand... how the micro guidance had been used in practice and whether it was worth updating and stuff like that, and that is then something that is sent out to all of them, the responses are they are encouraged to respond not just to us but to the whole group, so we send the email out to the whole group and they’re encouraged to respond to the whole group, they don’t always do that but we try to encourage it so there’s an element of discussion going on (Interviewee 14).

This quote demonstrates the somewhat hidden nature of the interactions that the board members have with the SMEIG, explaining that they do not have physical meetings, but have email interactions. These email interactions would then be analysed by staff members and presented to the board, so there are some limits placed on these interactions, which also has the effect of condensing the feedback.

Further investigation of the BC highlights the limits of transparency of the document. Nevertheless, the document is important for the IASB, because of the justification that it gives:

Mary Barth asked if they had decided not to give SMEs a fair value option. Mr Pacter said they had decided not to. Mr Leisenring said that someone was going to have to write a Basis for Conclusions, this should say something other than they had just made random decisions (IStaR, 2006e: 40).

This quote from the observer notes shows that the BC gives justification for the ED. The decisions reached by the IASB occur through a work flow that the IASB operate, some of which is common to every due process, and some of which is particular to the development of *IFRS for SMEs*, as shown in appendix 1. The examples in this section show how some of the decisions are reached, and show that there are cases where transparency is lacking or inconsistent. In particular, many points of the due process are internal. The work of the IASB including the BC claims to be transparent, but there are limits to this. Often the IASB shows the decision, but not how the decisions were reached, and further investigation into the due process shows that these decisions are focused on attempts to stay close to full IFRS. The purpose of the BC is to give justification to the decisions made for both the ED and the final standard, and there are many sedimented practices within these decisions that can be called into question. Indeed, these problems arise because the IASB are placed at the centre of this development, they construct the questions, they receive the answers, they make the decisions, and at times each of these stages lack transparency, which is justified on the basis that they are technocratic experts. The IASB is the only entity that is involved in the authority position, and every level of the due process works to reinforce the IASB as the expert and to dismiss those outside. Having outlined the purpose of the BC, the following section looks further at the way that the IASB narrow the due process.

9.2 Narrowing the due process

As the IASB develop *IFRS for SMEs* their due process narrows the debate. Despite the open terms of reference, and the construction of transparency, the IASB's 2004 DP (called 'Preliminary views of accounting standards for Small and Medium-sized Entities) limits, shapes and narrows the ensuing discussion. In particular, introducing the term SMEs, and question (f) focus on full IFRS below, shapes the debate:

- BC6 (a) Should the IASB develop special financial reporting standards for SMEs?
(b) What should be the objectives of a set of financial reporting standards for SMEs?
(c) For which entities would IASB standards for SMEs be intended?
(d) If IASB standards for SMEs do not address a particular accounting recognition or measurement issue confronting an entity, how should that entity resolve the issue?
(e) May an entity using IASB standards for SMEs elect to follow a treatment permitted in an IFRS that differs from the treatment in the related IASB standard for SMEs?
(f) How should the Board approach the development of IASB standards for SMEs? To what extent should the foundation of SME standards be the concepts and principles and related mandatory guidance in IFRSs?
(g) If IASB standards for SMEs are built on the concepts and principles and related mandatory guidance in full IFRSs, what should be the basis for modifying those concepts and principles for SMEs?
(h) In what format should IASB standards for SMEs be published?

(IASB, 2009c: 6-7 [emphasis added])

Whilst these questions appear to be open, they limit the discussion. Although there were debates prior to the due process and these questions (as examined in chapters 7 and 8), these discussions and the questions above focus on full IFRS. The questions demonstrate the top down nature of this process, particularly the use of the term SMEs and part (f). Part (f) asks which approach the board should take when creating the standard, but instead of leaving the question open for different perspectives they follow up the question with a focus on full IFRS, as does question (g). As there is little evidence in this area, this is not evidence based-policy, instead this operates a logic of necessity to develop the standard, so they develop it, with little other justification than control and expertise over standard setting. Indeed, once the DP appears the debate is already circumscribed, and various issues are taken for granted, this is true for many standards, but important here because the standard is based on full IFRS. Therefore, much of the draft of *IFRS for SMEs* was already constructed before consultation, which leads CL55 (2005: 4-5) on the R&M questionnaire to question the due process:

The IASB's Project on Accounting Standards for SME's, Issues for Discussion by the Standards Advisory Council, a statement indicating that drafts of some SME standards (i.e., IAS 2, 10 and 19) may have already been written. These revelations weaken our belief that due process will occur. We ask the IASB to clarify how an effective due process can occur under these circumstances... At the outset of this letter we stated that we want to be constructive and honest. Our proposal is as follows: That the IASB, along with the FASB, engage in a careful dialogue with the users of private company financial statements in order to first and foremost determine their needs... From this revised framework, differential accounting standards for private company users should be developed as indicated... we do believe that this approach is significantly different from the approach proposed by the IASB in the questionnaire and will more likely lead to user focused financial reporting standards for private companies.

This letter argues that there should be further dialogue with users and SMEs.

9.2.1 Demand for *IFRS for SMEs*

Throughout the due process the IASB continue to cite demand and support to legitimise the standard (as also quoted in chapter 7):

The IFRS for SMEs responds to **strong international demand from both developed and emerging economies** for a rigorous and common set of accounting standards for smaller and medium-sized businesses that is much simpler than full IFRSs (IASB, 2009a: 1).

The Board discussed the progress on its project on standards for SMEs at subsequent annual meetings of the world's national accounting standard-setters in 2005–2008. Standard-setters continued to support the Board's project (IASB, 2009c: 17).

Following this, the IASB continue to focus on global recognition (IASB, 2012a) and in their education initiative the IASB reiterate the claim that the standard is internationally recognised (IFRSF, 2010). Alongside WB support in their promotion of the standard (shown in previous chapters), the continued reference to 'international support', 'high quality' and 'rigor' narrows the debate, and alternatives. Furthermore, national standard setters are likely to consider and potentially prefer *IFRS for SMEs* because of the impact of full IFRS, so in a circular manner a

demand occurs because of the problems created by the IASB and IFIs from their previous 'one size fits all' approach.

The demand for simplified IFRS for SMEs has arisen primarily in countries which already use IFRS as national standards but which believe that current IFRS are too burdensome for SMEs. They favour the development and use of simplified IFRS that would meet the needs of users of the financial statements of SMEs, allows an easy transition to full IFRS for those entities that grow or seek public capital, facilitate education and training of accountants and facilitate the preparation and audit of the financial statements of SMEs (CL90, 2004: 3).

...the responses to the discussion paper showed a clear demand for an International Financial Reporting Standard for SMEs (*IFRS for SMEs*) and a preference, in many countries, to adopt *IFRS for SMEs* rather than locally or regionally developed standards (IASB, 2004a: 7).

In invoking the imagery of demand and support, the power of developing the standard and making decisions about the content remains with the IASB. The hegemony of capital markets is protected by creating *IFRS for SMEs* out of IFRS. This limits a range of arguments and debates, and marginalises any competing representations of appropriate regulatory interventions in differential reporting. The IASB follow a top down approach as the best methodology for the creation of an SME standard, despite actors arguing that this is inappropriate:

It seems to us that this Discussion Paper has rather lost sight of the fact that the vast majority of SMEs will always be SMEs, will not have international business and will access capital through their proprietor(s) or local bank (CL3, 2004: 1).

The CL states that the DP has ignored the common operations of SMEs. Arguably, the IASB lose sight of this because they are focused on capital markets, global capital movement, international business, expansion and profit maximisation. CLs suggest *IFRS for SMEs* is too complex and does not meet SME needs or user needs (see, CL3, 2004; CL9, 2004; CL15, 2004; CL106, 2004), and that the conceptual framework basis is inappropriate for SMEs (CL28, 2004: 3). CL90 (2004:1) agrees that there is market demand for the project, but also argues this has not been understood:

There seems to [be] confusion about the purpose and nature of the project and a lack of understanding of the market demand for the project. This confusion and lack of understanding should be resolved before the Board undertakes further work. This letter includes other suggestions for moving forward.

Indeed, as the IASB shape and narrow the debate there is little room for understanding what is required in differential reporting, and minimal research.

For many jurisdictions, the proposed IFRS for SMEs would mean a significant change from the current reporting requirements for those SMEs that prepare general purpose financial statements. The nature and extent of that change would depend on the circumstances of an individual entity and the accounting framework that it is currently using:

- (a) in some jurisdictions SMEs are either required or permitted to use full IFRSs.
- (b) in others, they are required or permitted to use full national GAAP.
- (c) some jurisdictions have adopted national SME standards that do not result in general purpose financial statements.

While the proposed IFRS for SMEs is based on full IFRSs, many simplifications have been made in the light of users' needs and cost/benefit considerations. The IASB made great efforts to ensure that the exposure draft is written in 'plain English' to enhance understandability (IASB, 2007c:1)

There are multiple elements at play within this quote:

- The IASB are operating an equivalence from IFRS to *IFRS for SMEs*, by claiming that the *IFRS for SMEs* will be a significant change for SMEs that are overburdened with complex reporting requirements. These complexities enable the IASB to focus on full IFRS, ignore alternative ideas and silence contingencies, because any simplification offered (no matter the limits) constitutes a significant reduction in burden and silences resistance.
- The IASB claim that simplifications have been made considering user needs, relying on the rhetorical construction of users to legitimise the decisions that they have made, despite critiques that users have not been considered to the necessary extent throughout the due process. As already examined, users were considered after many major decisions has been made (with a limited construction of the user), the IASB undertook limited consultation with users and/or empirical research on who the users are.
- This quote also operates cost-benefit rhetoric, which acts to objectify that which may not be able to be objectified and gives rhetorical justification. Moreover, there is no evidence of cost-benefit analysis being presented, the costs and the benefits are just assumed. Throughout the discourse surrounding the standard the IASB use cost-benefit rhetoric in their claims that they have simplified the standard enough for SMEs, but this is limited.
- The final element is the understandability, and the claim that the IASB has made 'great efforts to ensure' the *IFRS for SMEs* ED has been written in 'plain English'. This further constructs the IASB as the expert as it depicts the IASB as understanding the standards so inherently that they can express them in different ways for different people. This constructs the IASB as the experts, and as the only people that can read and explain the standard more simply after 'great efforts', in a condescending manner, which reinforces the IASB's expertise.

9.2.2 Top-down approach to *IFRS for SMEs*

Through rhetorical justifications, the IASB legitimise the methodology of creating the *IFRS for SMEs* from full IFRS, enabling them to draw the equivalence. However, this focus on full IFRS leads to the construction of an unsuitable and confusing standard:

Experience and competence. As far as could be judged, the IASB has its primary experience and competence in dealing with the needs of listed companies. It can therefore be questioned whether the IASB has an appropriate composition in terms of experience and competence to constructively deal with the SMEs project. • Lack of focus. The IASB has struggled with the question which companies that typically should be the users of SMEs and what, if any, the specific user needs related to SMEs are. As far as could be understood from the outside, the IASB has not paid attention enough to this question... Not much seems to have been achieved simply by assuming that such surveys are not

needed for the developing of other standards and therefore not for the developing of standards for SMEs (CL13, 2005: 1).

This comment suggests that not enough research has been conducted to create *IFRS for SMEs*. Therefore, demonstrating that this focus on IFRS has limited the discussion because ‘The IASB has indicated that the SME standards must be based on the same IASB Framework as IFRSs’ (CL44, 2005: 2). CL52 (2005) and CL55 (2005) propose that the SME standards should instead be based on a specific framework for SMEs, because the current framework is unsuitable:

GNC expresses strong reservations on the approach adopted by the IASB. If a set of IFRS standards is to be developed for SMEs, new standards should be elaborated on the basis of the needs of SMEs, they should not be limited to a simplification of the existing IFRS standards (CL56, 2005: 2).

The significantly different nature of the requirements applying to SME accounts calls for a draft standard that is original from bottom up. It was neither purposeful nor sensible simply to base it on full IFRS. We prefer a modernisation of national SME regulations accompanied by a cautious approximation to IFRS principles for certain issues (CL132, 2007: 2).

Instead the IASB narrow the due process, by drawing on the top down approach. This is further narrowed in the ED, as the IASB’s due process operates the process outlined in figure 27. This figure shows that throughout the due process the IASB place themselves at the centre of every aspect of the decisions making process, analysis, questions and solutions. These sections have illustrated this funnelling and have highlighted that the IASB’s due process is mostly internal operating condensation and funnelling (further examples of this are discussed in the sections that follow).

This then continues into the construction of the R&M questionnaire, and the ED. The questions asked in both stages are focused on full IFRS, delegitimising any alternative.

9.2.3 Focus on full IFRS

The IASB focus on full IFRS throughout the ED:

The draft IFRS for SMEs was developed by: extracting the fundamental concepts from the IASB Framework and the principles and related mandatory guidance from full IFRSs (IASB, 2007b: 5).

Are there other recognition or measurement simplifications that the Board should consider? In responding, please indicate:

- (a) the specific transactions, other events or conditions that create a specific recognition or measurement problem for SMEs under IFRSs;
- (b) why it is a problem; and
- (c) how that problem might be solved (IASB, 2007b: 5-6).

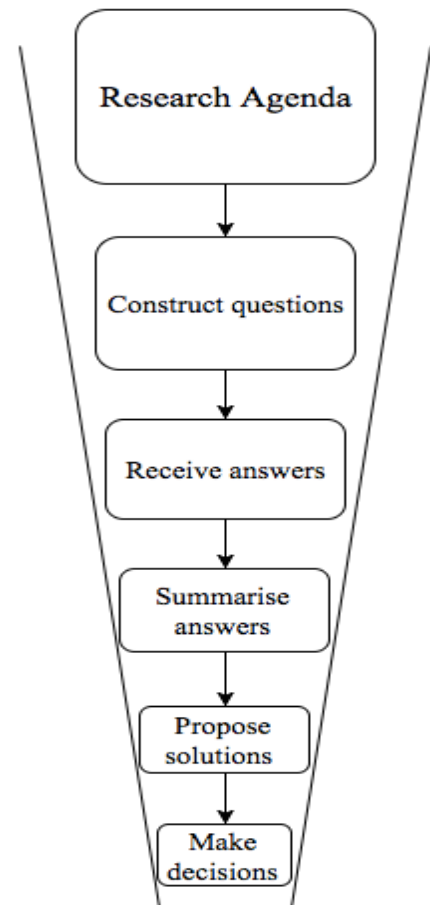


Figure 27: Funnelling the work flow

And the R&M questionnaire:

Question 1:

What are the areas for possible simplification of recognition and measurement principles for SMEs? In responding, please indicate:

- the specific accounting recognition or measurement problem for an SME under IFRSs;
- the specific transactions or events that create the recognition or measurement problem for an SME under IFRSs;
- why is it a problem; and
- how that problem might be solved (IASB, 2009b: 6).

Question 2

17. From your experience, please indicate which topics addressed in IFRSs might be omitted from SME standards because they are unlikely to occur in an SME context.

If they occur, the standards would require the SME to determine its appropriate accounting policy by looking to the applicable IFRSs (IASB, 2009b: 6).

These quotes offer some examples of the way the ED and the R&M questionnaire narrow the focus of the debate to full IFRS. This protects and extends capital market reporting and IFRS, and defends the IASB's due process and technocracy, constructing the IASB as the only people that can determine variations of full IFRS. Having received responses to these questions via comment letters the staff undertake analysis:

But in the exposure draft there was a lot of cross overs, so something like [a] comment on what you wanted or expected to get in question 2 [was presented] in question 5... (Interviewee 12).

Indeed, throughout the due process there are many examples of the IASB dismissing alternative practice or simplification if it is not in line with full IFRS. Furthermore, this quote illustrates that the comment letters were read and analysed with a purpose, which ignores how the answers were presented, and only reflects the answers that they want or expect under each question, demonstrating further limits of the due process.

9.2.4 Focus on full IFRS: The example of Agriculture and fair value

In the due process, SMEs question the incorporation of fair value in *IFRS for SMEs*, using the example of their experience of IAS 41 (Agriculture). There are many criticisms surrounding fair values complexity for both SMEs and emerging economies within IAS 41 through comment letters, the R&M questionnaire, and round table meetings, but the board decided to provide no simplification to IAS 41's principles (Ram, 2012). Of 102 respondents to the *IFRS for SMEs* R&M questionnaire 62 commented on Agriculture. Of those 62 respondents, 35 argued applying the fair value method was too complex for SMEs (Ram, 2012). For example, CL15 (2005: 3) argues that:

Probably, many SMEs in the agriculture industry do not have enough information and expertise to calculate the fair value and apply properly IAS 41 (furthermore, we understand that fair value should not be imposed in any area, as was mentioned before).

Despite the issue being raised by many comment letters, the following discussion is outlined in the 2005 meeting notes:

Mr. Pacter said that a very small number of commentators had addressed agriculture but those that did felt that the standard was a problem for SMEs, mainly because it was

difficult and costly to measure fair value reliably. Others, though, said that some small agricultural companies already use fair value and nothing else. Staff recommended no change to the principles of IAS 41 for SMEs, as the standard already includes a measurement reliability exception. The Board agreed (IStar 2005: 34).

This narrows the discussion about fair value within the agriculture standard, identifying problems with fair value within the standard, but stating that a ‘very small number’ had addressed agriculture. Also, this point relies on ‘reliability’ rhetoric to end the discussion on fair value within agriculture. Indeed, there is rhetorical redescription within this in the claim of a ‘very small number of commentators’, and the recommendation that there should not be a change. This also ignores the crucial point which is questioning the role of fair value in *IFRS for SMEs*, demonstrating the ability to control and determine the regulatory conversation, by delegitimising and ignoring critique.

This continues to the ED, for example, CL10 (2007) CL11 (2007), CL 14 (2007), CL16 (2007), CL 20 (2007), CL21 (2007), CL 25 (2007), CL26 (2007), CL31 (2007), CL32 (2007), CL34 (2007) CL60 (2007), CL84 (2007), CL97 (2007), CL100 (2007), CL104 (2007), CL111 (2007), CL114 (2007), CL134 (2007), CL137 (2007) among others, comment on the complexities of fair value. Specifically, CL111 (2007: 5) commented that

Agriculture... is probably one of standards that pose the most difficulty to SMEs, especially in so far as fair value measurement is concerned. In our view, there should also be an exception in instances where reliable fair value measurement will result in undue cost and effort. In such instances SMEs should be allowed to use cost instead of fair value.

And CL134 (2007: 6):

Certain of the IFRS may not be suitable for local application. For example, IAS 41 Agriculture has been identified as a standard that could cause problems in implementation if it is adopted without amendment.

Despite critique, the IASB decided not to simplify the principles of IAS 41, and the use of fair value is identified as problematic, specifically for SMEs in developing countries:

This measurement requirement may be too costly for SMEs to apply, particularly, in less developed markets where fair value estimates may be difficult to obtain (b). It may be worthwhile to consider providing SMEs with an option to use cost based measurements, without limiting it only to exceptional situations where fair value becomes unreliable (CL85, 2005: 3).

The dominance of fair value in the *IFRS for SMEs* is not surprising, given the dominance of fair value in full IFRS, but the impact of the ideologies of fair value has not been considered to the necessary extent, only focusing on technical components of the standard. Indeed, despite many criticisms the IASB did not have any intention of making changes to these standards, even though this causes problems for both SMEs and emerging economies. This offers just one example of the IASB ignoring the call for simplification, despite the due process (and one example of the issues created by fair value within the standard), because of a necessity to retain focus on full IFRS. Again, the following quote reiterates the reliance on the undue cost and effort exemption to cover over this focus:

Mr Pacter said this came up in almost every letter. They said there was too much fair value in the ED... He thought people were losing sight of the fact that they needed current values to do things like impairment or bad debt reserves. The only non-financial asset that required fair value was agriculture, and they had added an undue cost or effort let out for that. Mr Jones said when investors said they did not want fair value, he was prepared to listen, but not preparers (IStAR, 2008c: 13)

Later in 2008 a decision is made:

Specialised industries - agriculture

Ms Fisher said commentators had argued for the greater use of cost, for example by allowing the cost method as an accounting policy choice or by requiring fair value only in certain circumstances. Ms Fisher said staff felt that fair value measurement was often easier than cost in agriculture because quoted prices were generally available. Fair value was also seen as more relevant. Consequently staff were not recommending that the cost model should be an option.

Jim Leisenring said he did not understand staff's analysis since his understanding of the agriculture standard was that when current prices were readily available you were prohibited from using fair value. Bob Garnett said that was an issue for IAS 41, not this standard. Staff were only being consistent. The Board voted in favour of the staff recommendation (ISTAR 2008i: 25).

This shows further narrowing of the responses gained on the agriculture standard as an example of a lack of simplification by the IASB. This passage shows that those commenting on the standard wanted a greater use of cost (which also shows the narrowing of options between cost and fair value), but the IASB claim that because fair value is more relevant, and easier to gain, so this simplification does not occur. The second paragraph returns to the importance of remaining consistent with full standards. The retention of a focus on full IFRS in the development of *IFRS for SMEs* calls the entire due process into question, as many of the decisions made could have been made without comment or due process, if the IASB were only making a cut down version of IFRS. The sedimented practice behind this, shown in the evidence above, is to retain a focus on full IFRS, and they offer weak justification through terms such as reliability, claims regarding the wants of investors (which the IASB have limited knowledge of in terms of SMEs), consistency and the undue cost or effort exemption. This also weakens the transparency of the due process, as the process shows that many commented in this area, but the ensuing discussion is narrow, limited and de-legitimises alternatives.

Regarding IAS 41, the decisions made are shown in the BC as the following:

BC124 Some preparers and auditors of the financial statements of SMEs engaged in agricultural activities said that the 'fair value through profit or loss' model is burdensome for SMEs, particularly when applied to biological assets of those SMEs operating in inactive markets or developing countries. They said that the presumption in IAS 41 that fair value can be estimated for biological assets and agricultural produce is unrealistic with respect to biological assets of some SMEs. Some proposed that SMEs should be permitted or required to use a 'cost depreciation- impairment' model for all such assets. The Board did not support this approach for the reasons explained in paragraph BC146. However, the Board concluded, both because of the measurement problems in inactive markets and developing countries and for cost-benefit reasons, that SMEs should be required to use the fair value through profit or loss model only when fair value is readily determinable without undue cost or effort. When that is not the case, the Board concluded that SMEs should follow the cost-depreciation-impairment model (IASB, 2009c: 41).

BC146 Not only is fair value generally regarded as a more relevant measure in this industry, quoted prices are often readily available, markets are active, and measuring cost is actually more burdensome and arbitrary because of the extensive allocations required. Moreover, managers of most SMEs that undertake agricultural activities say that they manage on the basis of market prices or other measures of current value rather than historical costs. Users also question the meaningfulness of allocated costs in this industry (IASB, 2009c: 46).

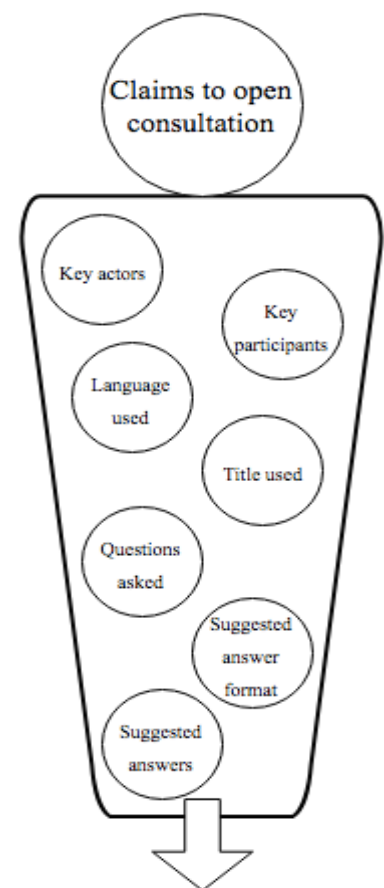
Some of the points made here are not made referenced to in the discussions that are evidenced from the board meetings, but the basis offers justification for the decisions made about agriculture in a pragmatic way, and through the reliance on certain signifiers such as ‘users’ and ‘relevance’. Here, the quote illustrates the IASB attempting to downplay criticism to reinforce technocracy, as the board does not consider the people that are criticising the approach, but believed in their own approach and reinforced fair value. This demonstrates the methodology that the IASB follow to ignore the criticisms of burden and complexity and to reinforce fair value.

The logics of the due process and the power that is held within this process to decide what is talked about, how it is talked about, and then what is published to outline discussions about are problematic. Indeed, the BC shows the decisions, but does little to show how the decisions are made. This gives the IASB extensive power in regulatory conversations.

As explained, the questions asked in the DP are likely to gain supporting comments because of the combination of the IASB’s brand, the many countries that are overburdened by IFRS, and the demand for IFRS to be followed for structural adjustment, development and growth. The due process is narrowed and closed to focus on full IFRS, despite extra outreach (which is examined in the second half of this chapter). This narrowing occurs in various ways, as illustrated in figure 28.

9.2.5 Funnelling the due process

The due process becomes narrowed over time, through the following aspects: who the call for comments is sent to and the key actors that are already considered important in the IASB’s regulatory conversations; those already within the IASB’s processes and recognised commenters; what the call for comments and various other documents are called; when and what questions are asked; the suggested answers; and the suggested format for answering.



Closed consultation
Figure 28: Funnelling in the due process

This is a form of funnelling in the due process, as illustrated in figure 28, which shows that the socially sedimented practices of the IASB’s due process narrow the consultation that occurs. Therefore, the IASB rhetorically impact and narrow responses throughout the due process,

legitimising their work and their focus on full IFRS (Botzem, 2012; Gallhofer & Haslam, 2007). The questions asked, suggested format and suggested answers act to delegitimise any alternatives. This funnelling is further shown through interviewees discussion of the commenting processes that their organisations undertake. For the average SME, there are many limits to resources and time to comment, funnelling the ability to comment. In comparison, when large bodies comment they have a long process and a schedule for preparation, as explained here:

...we have a committee called the financial reporting committee which takes the lead on these things and is part of our financial reporting faculty... The head of our financial reporting faculty... effectively leads our representation work to people like the IASB, and normally when something comes in from the IASB, we always respond to it: I think it is very rare for us not to respond. And the normal route that we use is to set up a working party to prepare a draft response and either people who are on our financial reporting committee or, usually people on the FRC plus some others if we can find them outside the committee who are interested in the topic and want to help prepare our comments on it...(Interviewee 1).

Whilst this may be useful if the body has experience with SMEs, or gains information from SMEs during the process, this shows that the commenting process for this body is detailed and complex, and therefore other CLs would not have the same influence, similar sentiments are made by interviewee 2:

...so there is a lot of discussion that goes into it, so our comment letters tend to be quite persuasive and highly regarded because of all that effort that goes into them (Interviewee 2).

Interviewee 2 explains that the comments constructed by a large professional body are persuasive and highly regarded. Of course, this may be legitimate 'because of all the effort' from the professional body. This reinforces the narrow and limited aspects of the groups that the IASB consider, and shows limits of their 'public interest'. Indeed, it is likely that the public that the IASB engage with is so limited that many SMEs do not know that a rule is being made about them as the rule is being made. This is concerned with the IASB's construction of technocracy and the method of seeking comment and communication which construct a certain user and respondent group. This also has the impact of delegitimising alternatives, and allowing the dominance of certain actors, voices and organisations, usually those in support of the IASB, their decisions and their expertise. Indeed, the IASB acknowledge the limits in the 'type' of actors that commented on the standard:

Consistent with other outreach on the IFRS for SMEs, the vast majority of respondents were accounting organisations, ie standard setters, accounting firms or accounting bodies, with very limited direct participation from preparers themselves. Furthermore, the IASB did not receive any direct responses to the ED from investors, analysts, providers of credit to SMEs or other users of SME financial statements. This in part reflects the relatively limited capacity and resources in both preparer and user organisations that operate within the SME space (IASB, 2014c: 4).

This quote confirms that most respondents to the comprehensive review of *IFRS for SMEs* were large accounting organisations (which is consistent with the full due process), and explains that there is limited capacity for those outside these organisations to contribute. The IASB did conduct extra outreach (which is discussed in the second half of this chapter), but this addition and extra

outreach ignores the issues of the due process and the way the due process narrows and closes. So, the due process undertaken is still seen as legitimate by not changing the due process but adding ad-hoc extra outreach. Indeed, the extra outreach occurs after many decisions are made, and reinforces the existing due process. This links to the IASB's technocracy, as these bodies are also seen as holding the necessary expertise, delegitimising other comments.

9.2.6 Expertise

Within this, the construction of expertise surrounding the IASB and their due process, impacts the constituents that comment, and constructs legitimacy. Interviewee 23 discusses the importance of this construction of expertise:

I think the core still is the idea that expertise and carriers of expertise are being organised and organise themselves in the field and hold up the claim of self-regulatory standard setting...its a self-mandated body of experts that can only survive if it successfully upholds this image of being apolitical.

This interviewee explains that the core of the IASB is the idea that they are the carriers of expertise, which needs to continue to reinforce this expertise to uphold their image of being apolitical. In the case of *IFRS for SMEs*, as they have been criticised for not having expertise in SMEs, there is a necessity to draw equivalence from IFRS to *IFRS for SMEs*, and construct the due process in a manner that excludes alternatives and claim that it is their role, as IFRS can respond to the contingencies and meet the needs of all through only small adaptations. Thus, the IASB are central in every element of the due process, and every level acts to reinforce the IASB as the expert.

This highlights a process problem because the IASB are not applying a rule, they are creating the rule, and throughout the due process and development of *IFRS for SMEs* they are continuously creating rules. In creating these rules, they narrow the space through their public documentation which is based on limited evidence. This protects their image of a body of experts, to dismiss alternatives, as any other technique is not good enough, which defends their technocracy, as they created IFRS, and they therefore are the only people that can determine any variation on IFRS. Thus, with limited expertise and little evidence in the area, the IASB move forward with developing the standard, with a focus on the due process and their standard setting expertise, alongside continuous referral to the IASC's foundation constitution and the necessity to have comparability. In a section of the BC titled 'Should others do it?', this is demonstrated:

... the Board noted that its mission, as set out in the IASC Foundation's Constitution (see paragraph BC42), is not restricted to standards for entities that participate in public capital markets. Focusing only on those entities is likely to result in standards or practices for other entities (which are over 99 per cent of all entities in virtually all jurisdictions) that may not address the needs of external users of financial statements, are not consistent with the IASB's Framework for the Preparation and Presentation of Financial Statements or standards, may lack comparability across national boundaries or within a country, and may not allow for an easy transition to full IFRSs for entities that wish to enter the public capital markets. For those reasons, the Board decided to undertake the project (IASB, 2009c: 17).

This statement refers to the IASC's constitution to reinforce the IASB's role as standard setters, and the way that standard setting for listed entities leaves a large contingency of entities that are outside this focus. This also refers to the rhetoric of comparability, and its necessity (despite critiques that comparability is not necessary for SMEs). Moreover, the necessity for an easy transition to capital markets (despite critiques that many SMEs do not have any hope of doing so) legitimises a focus on capital markets and advanced financial capital within the standard. Giving this reasoning legitimises the IASB's decision to develop *IFRS for SMEs*, but as shown there are many flaws in these logics.

These aspects of the due process construct social logics and socially sedimented practices within the IASB's due process, which also act to legitimise the IASB, their decisions, and the lack of suitability of the *IFRS for SMEs* for SMEs. However, operating alongside this LoE, there is also a LoD as the IASB claim to have conducted extra outreach to incorporate different perspectives.

9.3 Extra Outreach

The IASB conducted extra outreach for the *IFRS for SMEs* due process:

The Board recognised that, typically, SMEs and their auditors and bankers have not participated in the IASB's due process. With the objectives of encouraging such parties to become familiar with the IASB and to consider and respond to the exposure draft, the staff undertook a comprehensive outreach programme on this project (IASB, 2009c: 13).

The staff and the board identified that their perceived preparers (auditors) and users (bankers) had limited participation in the development of *IFRS for SMEs* so the IASB conduct extra outreach in the form of a R&M questionnaire, field testing, conferences, roundtables and presentations.

Extraordinary outreach effort

Consultations

The IASB's Director of Standards for SMEs has made presentation and participated in round tables or other meetings... The IASB launched a programme for field testing the proposals in the exposure draft... It will help to identify aspects of the proposals that may need reconsideration. It focuses especially on the potential operation of the proposals in smaller companies and organisations in emerging economies and developing countries (IASB, 2007e: 12).

Within this extra outreach (both in terms of more outreach and unusual forms of outreach compared to the usual due process) there is a focus on the director of standards for SMEs and the presentations and meetings the director has participated in. Thus, the transparency of this extra outreach is lost, but a moral element of this outreach is presented, in the use of the term 'extraordinary'. These logics of effort are also found in the press release for *IFRS for SMEs*:

For the first time, SMEs will have a common high quality and internationally respected set of accounting requirements. We believe the benefits will be felt in both developed and emerging economies.

I thank Paul Pacter for his tireless efforts in leading the project, as well as the hundreds of people and SMEs worldwide who have assisted in the development of the IFRS. (IASB, 2009a: 2-3).

This quote refers to ‘tireless efforts’ and ‘hundreds of people and SMEs worldwide’, this links to a moral element of the construction of *IFRS for SMEs*, there is some elements of missing transparency and issues with the due process, but these are unquestioned and ignored because of the efforts of good people to develop the standard. This is not limited to documentation. Interviewees 2, 3, 4, 5, 6, 7, 8, 10, 17, 19 and 27 all refer to the efforts of the staff on the project. To the extent that interviewees who were critical of the outcome of the standard reduced their concerns by acknowledging the project leader’s efforts. Whilst this thesis is not focused on the role of different personalities within the development of *IFRS for SMEs*, there is an element of moral construct, by reinforcing tireless efforts as well as others who have helped. This group is constructed as being good people motivated for good reasons, but this is a problematic way of patching over gaps in transparency and the due process.

Moreover, the claims to extra outreach are in contradiction with some interviewees who talk about the way that the project was ‘sold’ during this outreach:

...they were quite happy to go around selling what they’d done but weren’t very good at listening (Interviewee 6).

...we have kind of got the easy wins, it wasn’t really easy to do and [a staff member] did a huge amount of work to actually promote it to people, but a lot of the people for whom this is the easiest thing to do, have already done it (Interviewee 14).

These quotes explain that the standard was ‘sold’ and ‘promoted’ in many countries, and for interviewee 14 in many cases this was ‘the easiest thing’ for countries to do (as explored this was because many countries were overburdening all entities with full IFRS). But this selling and promotion limits the consultation, as the first quote from interviewee 6 explains.

Further investigation of the due process identifies critiques of the extra outreach from comment letters:

In the course of the second consultation we recognized that most of the SME were not able to answer the questionnaire. The reasons are: SME are interested in IFRS because the topic is omnipresent in newspapers, presentations and other information material. However, the general SME does not know enough about the general IFRS to answer the specific questions of the questionnaire. Their knowledge is based on the application of the national German GAAP. For these reasons a detailed answer on your questionnaire is not possible (CL 39, 2005: 2).

The issue raised here is that comments are limited because many SMEs are unable to comment, limiting discussions, and ignoring and covering over alternatives. Similarly, the IFAC (in CL44, 2005: 2) is concerned that the SME project is going to be steered too much towards large unlisted entities as the standard is developed to be: ‘broadly the same as IFRSs, with only token simplification’, which would create standards that are ‘ill-suited for application by the great majority of SMEs’. The use of outreach demonstrates how the IASB claim draw in differences and contingencies, but these are token simplifications to enhance legitimacy.

Another way that the IASB claim to have improved outreach is through an overview of the ED that was provided in ‘non-technical language’ on the website. The providing of a document such

as this does not mean that the IASB have opened-up the due process, and does not render them accountable or transparent within the due process, as this is still a monological act. Similarly, token simplifications do not take away limits on consultation and transparency. These simplifications are further explored in the following sections. Throughout the due process, the EFRAG was a key advocate for this for R&M simplifications:

EFRAG believes there is an extremely wide range of SMEs ... This creates difficulties for the IASB in developing its standards for SMEs. EFRAG is concerned that it also makes it more likely that the IASB will conclude that its SME standards should contain few if any differences on recognition and measurement from existing IFRSs, because differences will generally not be appropriate for entities that are almost identical to listed entities. This would be a great shame, because we believe that the users in a SME environment generally require less complex and less sophisticated financial reporting than users of listed entity financial statements since they are less capital market oriented (CL72, 2004: 3).

This demonstrates the EFRAG's attempt to persuade the IASB of the importance of changes to R&M. This can be seen as a positive movement for creating a suitable standard. However, by trying to keep *IFRS for SMEs* the same as IFRS, and simultaneously attempting to make it different from full IFRS, issues are created. These are further explored in relation to the R&M questionnaire.

9.4 Outreach: Recognition and measurement questionnaire

The IASB staff identified that:

... most respondents to the discussion paper said that simplifications of the principles for recognising and measuring assets, liabilities, income and expenses were needed... (IASB, 2009c: 7).

But, 'few specifics were proposed' and 'when some specifics were proposed, the commentators generally did not indicate the particular transactions or other events or conditions that create the R&M problem for SMEs under IFRSs or how that problem might be solved' (IASB, 2009c: 7). This explains that respondents were requesting simplifications but were not specific enough, which gives the IASB substantial power in making their own decisions about simplifications, internally, with minimal research or external input to support decisions (ICAEW, 2015). The lack of research by the IASB is critiqued:

...we feel that more effort could have been made to more systematically and rigorously research and consultation during its development, in particular research into users' needs (CL93, 2007: 2).

The extra outreach is shown to lead to limited changes, as shown in the following comment letter which was also published as an article, DiPietra *et al.* (2008:6) explain:

However, the recognition and measurement simplifications of the ED-IFRS for SMEs are generally considered very minor... and do not adequately take into account the specific business models and activities of SMEs as well as their shareholder and governance structures...

The rhetoric purported by the IASB that not many specific suggestions were made by constituents continues throughout the due process:

Most respondents to the Discussion Paper felt that recognition and measurement simplifications were needed, but few specifics were proposed. And where some specifics were proposed, the commentators generally did not indicate:

- a. the specific accounting recognition or measurement problem for a private entity under IFRSs;
- b. the specific transactions or events that create the recognition or measurement problem for private entity under IFRSs;
- c. why is it a problem; and d. how that problem might be solved (IASB, 2009b: 5).

Many field test entities did not highlight specific problem areas, but, where they did, these are listed by section below. Several field test entities commented that overall the language in the ED could be simplified. Some field test entities stated they would prefer to use full IFRSs if international accounting standards were deemed necessary since the ED provides little relief from full IFRSs and could be perceived by users as “second best” (IASB, 2008b: 6).

This generalises across responses, whilst simultaneously incorporating differences into the standard, ignoring comments regarding the lack of suitability, the complexity of the standard, and suggestions. In the above quote, and throughout the BC there are various logics of persuasion invoked to rhetorically justify the decisions that the IASB make, drawing on words such as most, about, half and majority:

Most respondents to the discussion paper (IASB, 2009c: 7).

About half of the field test entities identified no, or only one or two issues or problems (IASB, 2009c: 10).

Many respondents were of the view that the IFRS for SMEs should be based on existing IFRS (IASB, 2009c: 11).

The great majority of the respondents addressing the issue (IASB, 2009c: 38).

In the BC, the IASB also use percentages as a logic of persuasion which are misleading and have the effect of collapsing differences in the responses. This gives the IASB the power in analysis and the construction of support, as the percentages cover over the potential antagonisms, and differences.

This gives the appearance of being open, but draws equivalences across the comment letters, and ignores those that were not in favour of the IASB’s decisions. For example, the responses outside these majorities may have been received from developing countries or SMEs, but these equivalences and persuasions do not show this. This is particularly important for *IFRS for SMEs* because there is scarce research on SMEs and the impact of the IASB’s decisions (Devi & Samujh, 2015; ICEAW, 2015; Ram & Newberry, 2013).

... were the ones making the decisions of what doesn’t, isn’t necessary for them, were not qualified to do that... that board wasn’t qualified to decide what transactions SMEs was going to make... (Interviewee 17).

Interviewee 17 identifies a focus on capital markets and argues that board members do not have the ability to make such decisions. With a lack of research and limited attention paid to external constituents, despite the claims to ‘extra outreach’, and the incorporation of some changes to R&M the unsuitable basis of full IFRS is not resolved:

We do not see any value in approaching the development of accounting standards for private companies in this manner. Nor do we see this as creating “differential”

accounting. This approach appears to lead only to a condensed version of full IFRSs and does not provide any relief to SMEs from current reporting standards. In addition, we once again fail to find focus on the users of financial information... We believe the end result of the approach specified in Question 2 is shortsighted and may result in private company financial statement users erroneously assuming that the IASB is developing differential accounting, but learning after the fact, and too late, that nothing has changed (CL55, 2005: 3 [Emphasis in original]).

In the construction of 'extraordinary' effort and outreach, the IASB attempt to portray that the issues created by the unsuitable basis are resolved through the incorporation of difference (LoD). This CL contends that the board's approach is not differential reporting, and there is not enough focus on users of SME financial statements, only considering full IFRS which cannot be adapted to fit SMEs, therefore leading to a condensed version of IFRS. CL55 also explains this may lead those external to the IASB to believe that the IASB is developing differential reporting but when it is 'too late' learn that 'nothing has changed'. This is important, as the extra outreach conducted by the IASB portrays *IFRS for SMEs* as different from the full IFRS, but this is not the case. Furthermore, SMEs do not appear to have been considered, only extra outreach to users and preparers was focused on, not SMEs themselves.

The board conducted round table meetings, and the R&M questionnaire informed the focus of those meetings, narrowing the dialogue:

The IASB concluded that it needed further information to assess possible recognition and measurement simplifications... The board instructed the staff to develop and publish a questionnaire as a tool to identify issues that should be discussed at those round-table meetings (IASB, 2009c: 7).

The BC then explains that the responses were discussed with the Standards Advisory Council, the SME Working Group, World Standard Setters Meetings and Public round tables (IASB, 2009c: 8). The IASB asked the following questions:

1. What are the areas for possible simplification of recognition and measurement principle for SMEs?
2. From your experience, please indicate which topics addressed in IFRSs might be omitted from SME standards because they are unlikely to occur in and SME context... (IASB, 2009c: 7).

This outreach demonstrates the IASBs attempts to claim the standard is different to full IFRS in terms of R&M, but the standard is still focused on full IFRS and a capital market orientation, as demonstrated. The capital market and full IFRS focus creates an unsuitable standard:

Clearly, the conceptual framework upon which IFRSs are based evolved over time and the evolution transcends over a century during which businesses evolved and the forms of organisations transformed. In the mid-twentieth century, capital market participants and their needs became central to financial reporting and hence the fundamental premise of capital markets... Therefore, it is clear that the full IFRSs that are premised on capital market participants' needs may not be suitable for all entities. It is important that IASB issue a separate set of financial reporting standards suitable for SMEs (CL96, 2005: 2)

In practice the standard is limited to full IFRS. Nevertheless, the R&M questionnaire and subsequent simplifications draw in some differences. This sees the IASB attempt to create a standard that is simultaneously different to full IFRS (through simplification), to convince communities that the IASB are recognising their position and their interest through LoD, whilst

also falling within the same brand. This LoD incorporates alternatives to persuade constituents and cover over the unsuitable basis of full IFRS. This continues in field testing.

9.5 Field Testing

Another form of ‘extra outreach’ conducted by the IASB is ‘field testing’, which was undertaken to identify, among other aspects, the needs of developing countries and SMEs, users and micro entities, with the following goals:

Goals of field testing

Assess understandability... Assess scope... Assess burden... Assess impact... Assess accounting policy choices... Assess micro and developing country problems... Assess the adequacy of implementation guidance... (IASB, 2007c: 2-3).

Additionally, interviewee 19 explains the purpose of the field test:

... well I think it's a case of... you know what's your problem... its often a difficulty, can you do this if we require this, and what's stopping you doing it, and it's often rather, I can't be bothered writing a letter sometimes, you know they send us a ferocious letter but they haven't explained exactly what the problem is and when it's written a) with passion, or b) with a sort of measure of this is just impractical, or this is not reflecting how it is, you know that is always a dangerous one, if we get that it means the standards could be flawed, because you are trying to portray economic reality, even if you're simplifying it, and that is the sort of reasons for the field test... let's go out and get a few companies and say could you do this? if this is what it is, you know rather than just put it out and everyone say well it's garbage, we can't deal with that, so you really want the exposure draft to be you know reasonably sure it has a good chance of getting through...

This interviewee explains that the field test was undertaken because often the letters received needed to be more specific, and the IASB wanted to discover if the standard led to a true reflection operating some complex notions. The field tests requested respondent companies to prepare their accounts under *IFRS for SMEs* alongside their local GAAP, and ‘... respond to a series of questions designed to identify specific problems ...’ (IASB, 2009c: 10). These questions act to further narrow the responses that the field testers can give:

ED Section	Question	Response/comment
1 Scope	SME definition. Did you encounter a problem in determining whether you met the definition of SMEs?	
	General purpose financial statements. Are your most recent financial statements 'general purpose financial statements' as defined in the glossary in the exposure draft?	
	Any other problems in applying Section 1?	
2 Concepts and Pervasive Principles	Concepts. In preparing financial statements required by the draft IFRS for SMEs, did you look to the concepts in paragraphs 2.1–2.31 for specific guidance? If yes, please explain.	
	Pervasive principles. In preparing financial statements required by the draft IFRS for SMEs, did you look to the pervasive recognition and measurement principles in paragraphs 2.33–2.45 for specific guidance? If yes, please explain.	
	Any other problems in applying Section 2?	

Figure 29: IASB (2007f: 14) Field Test Questionnaire

Nevertheless, these field tests act as LoD by acknowledging the necessity for change. The field tests were conducted by 117 companies in Argentina; Australia; Barbados; Denmark; France; Germany; India; Italy; Kenya; Malawi; Malaysia; Netherlands; Nigeria; Poland; South Africa; South Korea; Tanzania; Tunisia; United Kingdom; and the United States (IASB, 2008b). Not all of the companies completed the full requirements requested by the IASB: a 'significant number did not provide certain documents, for example financial statements were provided without the IASB's questionnaire or the questionnaire was provided without any financial statements' (IASB, 2008b: 4). Some submitted their own questionnaire or a memo, and some did not complete the financial statements in full, missing out certain statements as it was too 'time consuming' (IASB, 2008b: 4). Commonly, the field testers did not include 'the cash flow statement, or the statement of changes in equity... and certain note disclosures' (IASB, 2008b: 4). So, at times there were problems identifying issues and some field testers suggested that there may be further problems when the financial statements were not being prepared outside field testing (IASB, 2008b: 4). These issues could be indicative of bigger problems with the standard (IASB, 2008b: 4-5). The IASB staff admit that this renders it difficult for them 'to make a precise statement regarding how thoroughly the field test entities were able to apply the requirements' (IASB, 2008b: 5). However, the staff also state the following:

Overall impression. Although this agenda paper sets out to summarise the problems field test entities encountered, it's worth noting from the outset that about half of the field test entities listed no, or only one or two, issues or problems. In addition, even while identifying a few problems they encountered, several of these field test entities specifically said they found the ED to be understandable and appropriate (IASB, 2008b: 5-6).

This quote shows limits in the transparency and detail of the staff member's descriptions, whilst the agenda paper does go on to give further detail this quote attempts to generalise away from the difficulties previously identified.

There were reports from the field tests in which the respondents outlined their concerns, for example the accounting standards committee of Germany (ASCG) explained the following:

To the understanding of the participants, the acceptance of an IFRS for SMEs will heavily depend upon further reductions of complexity of the IFRS for SMEs in order to reduce the burden to prepare those financial statements but also the general acceptance of an IFRS for SMEs will be crucial (ASCG, 2008: 21).

These issues of complexity are focused on within the field test and throughout the analysis of the field test results, highlighting the complexities of the standard:

25. Disclosures are too burdensome. The second most significant area causing problems is the nature, volume and complexity of disclosures. a. A significant number of the field test entities commented that the required disclosures are too onerous to prepare, in terms of time and costs. Many field test entities did not prepare some of the notes for field testing purposes for this reason. b. A few field test entities noted that, in some cases, they were required to publicly disclose sensitive information. c. One field test entity, currently applying full IFRSs in their annual financial statements, commented that the ED does not provide much presentation and disclosure relief from full IFRSs because many areas of full IFRSs are not relevant to small firms, so migrating to the IFRS for SMEs gives almost the same outcome (IASB, 2008b: 6).

This explains that field test entities believed the requirements of *IFRS for SMEs* are too onerous because of the time and costs, which is linked to the previous points that some did not prepare parts of the standards because of these complexities. Moreover, field testers struggle to identify clear benefits of moving to *IFRS for SMEs*. Thus, they require 'further simplifications' as currently there is 'undue effort', that 'would increase costs' and the field test entities 'staff do not have expertise and costly outside experts would have been necessary' (IASB, 2008b: 6). Therefore, there is a simultaneous request placed on the IASB to make the standard different from full IFRS, alongside reference back to the importance of the IFRS brand:

...Some field test entities stated they would prefer to use full IFRSs if international accounting standards were deemed necessary since the ED provides little relief from full IFRSs and could be perceived by users as "second best" (IASB, 2008b: 6).

Finally, the field test report states we should: 'Make IFRS for SMEs stand-alone and improve its structure' (IASB, 2008b:6). This issue of stand-alone and the ED is crucial in the extra outreach as a LoD, as it is a focal point of change from the ED to the final standard, and will now be further explored.

9.6 Exposure draft and stand-alone

The core change from the ED to the final standard was to make the standard 'stand-alone':

The main changes from the recognition, measurement and presentation principles proposed in the exposure draft that resulted from the Board's redeliberations were: (a) making the final IFRS a stand-alone document (eliminating all but one of the 23 cross-references to full IFRSs that had been proposed in the exposure draft, with the one remaining cross-reference providing an option, but not a requirement, to follow IAS 39

Financial Instruments: Recognition and Measurement instead of the two financial instruments sections of the IFRS for SMEs) (IASB, 2009c: 13).

Prior to this there were 'fallbacks' within the standard, meaning that if the organisation needed to they could look to IFRS, but this fallback was debated:

Mandatory fallback The Board discussed the WG recommendation for a stand-alone, self-contained IFRS for SMEs - with designated fallbacks to full IFRSs on specific matters, but not a general mandatory fallback. The Board decided:

Standards in full IFRSs that address transactions, events or conditions commonly encountered by SMEs should be included in the IFRS for SMEs, either directly or by cross-reference back to the full IFRS. Standards relating to transactions, events, or conditions not generally encountered by SMEs should not be included in the IFRS for SMEs. The goal would be to minimise the circumstances in which an SME would need to fall back to full IFRSs in the absence of guidance in the IFRS for SMEs.

If the IFRS for SMEs does not specifically address a transaction, event or condition, an SME should be required to look to the requirements and guidance elsewhere in the IFRS for SMEs dealing with similar and related issues (that is, select an appropriate accounting policy 'by analogy'). Failing that, the SME should be required to look to the requirements and guidance in IFRSs and Interpretations of IFRSs dealing with similar and related issues (IASB, 2006: 3).

This demonstrates the debate and changing decisions about the fall back requirement. Subsequently, there are many references to the discussion of stand-alone or fall back within the board meetings, for example, in IStAR (2006a: 18-19):

Mr Pacter said the cross-references in the draft were there for the Board's benefit and he was not sure that they should be included in the ED or final standard. He added that his aim was that the SME standard should stand alone as far as possible. Hans Georg Bruns said he would prefer not to see the cross-reference included in the final standard as they could be more confusing than helpful. Geoff Whittington asked whether it would be possible to include a derivation table without cluttering the draft.

The core issue is the focus on remaining with the concepts and principles within full IFRS:

On the question of the concepts and pervasive principles section, Mr Pacter said it had not been his intention in extracting the concepts from the Framework to change any of the concepts. The only change he had made was new wording for the objective of financial statements, which was taken from the conceptual framework project. One of the issues was the number of standards in which there is a reference to assets, liabilities, income or expense. It did not seem to him that it would be possible to ignore the definitions.

He added that he did feel that a glossary was necessary and it was possible that some of the terms could be defined in that. But overall he did not think that the concepts and definitions question could be avoided. The idea of pervasive principles came from the working group, he added, who were concerned about a comprehensive mandatory fallback to full IFRS. The pervasive principles were a way of dealing with that (IStAR, 2006a: 19).

This shows attempts to persuade the board members that cross-references to full IFRS should be removed, but retain the focus on conceptual frameworks concepts and principles, through pervasive principles. This focus on the conceptual framework and pervasive principles is problematic as stand-alone portrays that the standard is 'different' from IFRS. The aim of stand-alone is based on critiques from different aspects of the due process:

Over 60% of the comment letters that addressed the 'stand-alone' issue would eliminate all cross-references to full IFRSs thereby making the IFRS for SMEs a fully stand-alone Standard (IASB, 2008c: 2).

Another 35% of the letters either (a) would keep the number of cross-references to an absolute minimum or (b) were indifferent between having minimal cross-references and removing all cross-references (IASB, 2008c: 2).

Field tests. All relevant requirements should be within the IFRS for SMEs, and all cross-references should be removed. Needing to refer back to full IFRSs to apply certain options was found to be problematic (IASB, 2008c: 2)

Therefore, the due process identified the necessity for the standard to be 'stand-alone'. The core understanding of the term stand-alone is a technical understanding of the necessity to look at *IFRS for SMEs* to prepare their accounts:

...to my mind it means a standard which is the only standards you're required to make reference to when preparing a set of GAAP accounts and certainly that contrasts with IFRS where you have multiple standards and accompanying interpretations and other literature. Certainly I think the idea of the IFRS for SMEs, is that it would be a sole book, a sole point of reference incorporating all the requirements that an SME would need to be aware of, which obviously is a great benefits, its much shorter that IFRS (Interviewee 2).

...well of course they're not stand-alone in a sense, but what we mean by stand-alone is that you can read them and nothing else and do your accounts, on the basis of it, you don't have to refer to other documents, but of course, that when I say they're not stand-alone, they can't be stand-alone for everybody (Interviewee 5).

However, this thesis argues that making the standard stand-alone has a bigger impact on the discourse surrounding the *IFRS for SMEs*. By making the standard 'stand-alone' this draws in criticism, covering over the lack of suitability, the capital market orientation, and issues surrounding scope. By drawing in this difference (identified in the due process), the IASB are able to ignore other critiques and appear to be drawing in difference. This is shown in the following comment letter from the EFRAG, as an example, which agrees that the IASB has made good progress in making the standard stand-alone:

EFRAG believes that the IASB has made good progress towards these objectives with the ED. For example, we think that the IASB has got it exactly right by deciding that the standards should be a stand-alone document, accepting recognition and measurement simplifications, and separating the ongoing maintenance of the standards from the revision process for full IFRS (CL161, 2007: 1).

But CL161 (2007: 1-2) continues that this is not enough:

However EFRAG also believes that the proposed standard can be—and needs to be—further improved. Our detailed comments are set out in the attachments in this letter, but a summary of the main areas in which we think improvement is both desirable and achievable is set out below... We have argued previously about the need for a thorough analysis of the information needs of users of SMEs' financial statements. That is because we believe that the information needs of users should play a fundamental role in determining the standards that are set, and we suspect that the needs of users of SMEs' financial statements are different from the needs of users of listed entity financial statements. ³ For example, our perception is that: (a) Users in a SME environment generally require less complex and less sophisticated financial reporting since they are less capital market oriented. (b) As users of SME financial statements may have limited resources to devote to an in-depth analysis of financial statements, they value standardisation in the preparation and presentation of financial statements more.

Whilst the EFRAG is pleased that some of the differences have been drawn into the standard, making some of the necessary changes, they argue that this is not enough as the IASB have not researched SMEs or users to the necessary extent. The issue of stand-alone is important as 60% of comment letters focused on the stand-alone issue, showing the IASB drawing in a LoD from

these comment letters, and covering over other elements:

Staff comments. The two most pervasive issues confronting the Board in redeliberating the ED are whether the final IFRS for SMEs should be completely stand-alone and whether SMEs should be allowed to use the more complex options currently available by cross-reference. These two issues are related... Staff recommend that the final Standard should be fully stand-alone for the following reasons:

a. A stand-alone document would be more understandable and easier to use. It would also be perceived as a more user-friendly document and hence improve acceptance by jurisdictions considering adoption and by entities within the scope. Many respondents to the ED felt that the cross-references require SMEs to be familiar with both the IFRS for SMEs and full IFRSs – a requirement even more burdensome than for an entity following full IFRSs... There would be version control... There is an issue of where the cross references end... A key disadvantage of making the IFRS for SMEs stand-alone is that this may significantly increase the length (IASB, 2008c: 2-3).

The move to stand-alone by the IASB is a prominent issue in the development of the standard:

Responses to the exposure draft

BC26 The Board received 162 letters of comment on the exposure draft. All letters were made available to Board members and posted on the IASB's website. Paragraphs BC36–BC158 discuss the Board's reasoning on the chief technical issues in the project. Here is a brief summary of the main issues raised in the letters of comment on the exposure draft: (a) Stand-alone. The single most pervasive comment was to make the IFRS for SMEs a fully stand-alone document, or nearly so. Over 60 per cent of the respondents would eliminate all cross-references to full IFRSs. Virtually all of the remaining respondents either (i) would keep the number of cross-references to an absolute minimum or (ii) were indifferent between having minimal cross-references and removing all of them. The exposure draft had included 23 cross-references to full IFRSs (IASB, 2009c: 11).

This is a key LoD because the stand-alone rhetoric indicates that the *IFRS for SMEs* is separate to full IFRS, despite the top down approach from full IFRS, being contained within the same brand, and being very similar:

Indeed, IFRS for SMEs are based on full IFRS: the implementation and use of IFRS for SMEs would require a knowledge and understanding of the full IFRS, which would be difficult for small and medium-size entities which financial and human resources are far less developed than those of listed companies. We are concerned that the cost and burden of preparing financial statements compliant with IFRS for SMEs would be too high for many SMEs, and not counterbalanced by clear benefits (CL143, 2007: 1).

Full IFRS had been a starting point in the development of the proposed standard for SMEs. In fact, were all direct references to full IFRS retrieved from IFRS for SMEs, the link between both standards will remain. In consequence, any significant changes to full IFRS will impact IFRS for SMEs (CL 21, 2007: 3)

Within the *IFRS for SMEs* this is important as the due process gains significant criticism (as explained), but these criticisms are blunted through the LoD of stand-alone, and this as a key change from the ED to the final standard. This is core to the LoD, as Howarth (2010: 321) explains:

It is here that proponents of poststructuralist discourse theory employ the logic of difference. The logic of difference involves the loosening-up or disarticulation of equivalential chains of demands and identities via various practices of challenge, institutionalization, deflection, or negation. This logic is marked either by the differential incorporation or even co-optation of claims and demands, where their cutting edge may be blunted, and/ or it is accompanied by the pluralizing or opening-up of a regime or practice to new demands and claims, where those in a social field acknowledge and accommodate difference. Policies may thus be devised and implemented to disarm challenges to the status quo by addressing some (or all) of the concerns expressed by

various groups or subjects, thereby preventing the linking together of demands and dampening their impact.

In this case, the IASB incorporate a difference that they did not previously want to incorporate in order to blunt the cutting edge of criticisms. This thesis demonstrates that the term ‘stand-alone’ constructs a signifier that different people can identify with differently. This thesis argues that the standard would only be stand-alone if the IASB had created a new framework, but *IFRS for SMEs* was created from full IFRS. The IASB construct this stand-alone signifier to rhetorically portray that the standard is different from full IFRS, employing claims of understandability and ease of use. However, this claim is unsupported, as the standard was created from full IFRS, still links to full IFRS and is supported by many other documents for guidance. The pervasive use of cross-references to full IFRS in earlier drafts of *IFRS for SMEs* was a key issue raised in comment letters. The IASB acknowledged the criticism, and prepared the final version of the standard as a ‘stand-alone’ document, without fallback references to full IFRS. This is an extension of subjectivation and hegemony because they incorporated this antagonism and opposition into the standard through a LoD, in a manner that attempts to cover over other antagonisms. This demonstrates limits of the due process, because the IASB never talks outside full IFRS and places themselves at the centre of the debate. This reinforces their role as technocratic and enables the extension of advanced financial capital, with little consideration of the needs to SMEs.

This thesis argues that the IASB undertake a limited debate, in which they have already made decisions before undertaking consultation. Nevertheless, there are some CLs that attempt to reopen the debate, and discuss a different aspect that the IASB did not ask for discussion of, in both the DP and the ED. When the IASB staff members analyse these CLs they draw on logics of persuasion, rendering their analysis limited, covering over CLs that fall outside the structure of their debate, and highlighting the power that the IASB staff hold.

9.7 Conclusion

This chapter has examined the combination of LOD and LOE within the due process through a focus on the BC, as this document simultaneously identifies a focus on full IFRS in the development of *IFRS for SMEs* which operates a LoE by claiming that IFRS can be extended in equivalence to be suitable for SMEs, whilst also claiming to conduct and incorporate extra outreach which operates a LoD to incorporate criticisms, limits and different perspectives.

As explained, there was extra outreach within the due process, and this draws in contingencies and antagonisms through LoD. The IASB state that a ‘five year development process’ was undertaken with ‘extensive consultation’ of ‘SMEs worldwide’ (IASB, 2009a). In this, the IASB draw on the due process to legitimise *IFRS for SMEs*, and construct democratic logics of open consultation and transparency.

This rhetoric contributes to the IASB’s brand, giving legitimacy and justification to their decisions. The due process, including the BC, constitutes a significant social logic within the *IFRS*

for SMEs. Further examination of the due process enables the identification of key debates, contradictions, and can contribute to understanding what was not said. The focus on full IFRS constructs a limited debate for *IFRS for SMEs*. Indeed, the way that the IASB raises questions, and their ability to define the question, the outcome and the analysis restricts the debate. In the BC, justifications are given for the decisions that the IASB have made, but there are many limits to transparency within these decisions and the subsequent explanations. There are logics and socially sedimented practices that are ignored by the IASB, particularly through the focus on full IFRS. Within this the IASB shut down debates, which is the power that they have at the technocratic level because they are constructed as the experts that have complete control over the questions, the debate and the outcomes.

The last two chapters have examined how the IASB operate their existing due process to simultaneously delegitimise and incorporate alternatives and differences. This also retains their legitimacy and reinforces their expertise, and their role as an agent of advanced financial capital. Throughout this process, logics of advanced financial capital are dominant, showing how the IASB construct who the regulated are and how they control the regulatory conversations. Throughout this due process, the IASB self-define all aspects of the due process, which highlights issues of power, transparency and accountability. This reinstates the IASB's role as technocratic expert in standard setting, and extends their role to SMEs and emerging economies whilst retaining a focus on the hegemony of advanced financial capital. The question of how the regulated are constructed is further explored in the following chapter which examines the way that the IASB construct subjects to capture them ideologically, constructing conceptions of SMEs and emerging economies.

Chapter 10: Fantasmatic logics and critique

This chapter reflects on the fantasmatic logics and ideological presuppositions constructed by the IASB to grip subjects, particularly constructing SMEs and emerging economies as subjects, for the purposes of advanced financial capital and to sustain the IASB's identity. These ideologies are attached to the social and political logics operated by the IASB. The fantasmatic logics are linked to the social logics, because the social logics allows the IASB to extend the object of their hegemony and sell their fantasy. Therefore, the fantasmatic logics examine the way that subjects are constructed for the purposes of this extension.

To institute *IFRS for SMEs*, the IASB construct subjects, constructing SMEs and emerging economies as subjects that need 'help' from the IASB, to extend the expropriation of advanced financial capital. However, ideologies are not without contingencies and attempts to smooth over those contingencies, which is explored in this chapter. Therefore, this chapter follows the order of looking at how the IASB constructs subjects, why they construct subjects in that way, the contingencies in this construction and the way that the IASB attempts to smooth over contingencies. This includes logics of technocracy, helping SMEs, access to capital and comparability, which enables the IASB to enact their role as an agent of advanced financial capital, and to spread this hegemony to a new area.

10.1. How the IASB and advanced financial capital constructs subjects

In the development of *IFRS for SMEs* the IASB legitimise their work and sustain their identity by constructing fantasies that grip subjects. The IASB construct emerging economies and SMEs as needing and wanting to gain access to capital to develop and expand. In terms of SMEs, the IASB construct SMEs as wanting to gain access to capital to grow, expand and maximise profit. The fantasy constructed here is that the goal of an SME is to become a big listed entity, and this is problematic because most SMEs are not interested in becoming listed, external funding and/or external funding from capital markets. Whilst the IASB do go some way to recognise that there are different types of entities, they do not move towards the idea that they have different goals, which may not be to become a large listed entity. The IASB does not recognise any goal except growth towards becoming a large listed entity. This is evidenced in the IASB's refusal to move away from full IFRS, which dismisses alternative aims, goals and structures. The role of fantasy, therefore is to ensure that radical contingencies and political dimensions remain in the background (Glynos & Howarth, 2007).

The IASB present the standard in various ways, they state the *IFRS for SMEs* is 'good financial reporting made simple' (IFRSF, 2010: 2). This claim is made on the basis of creating *IFRS for SMEs* from IFRS, which is the 'good financial reporting', and 'simple' is concerned with simplifications made in the due process, which construct the equivalence from IFRS to *IFRS for SMEs*. The IASB also state that *IFRS for SMEs* has been 'designed specifically for SMEs' and is

‘tailored for SMEs’ (IFRSF, 2010: 2). This is problematic because the standard is not ‘tailored’ for SMEs, as it has been created by drawing from full IFRS which was created for listed entities, so the *IFRS for SMEs* is unsuitable for many non-publically accountable entities. Instead of considering that SMEs may have different aims or needs, the IASB continue to function a capital market orientation within *IFRS for SMEs*. For example, many entities are not focused on capital markets, growth or profit maximisation in the same way as listed entities.

The IASB also claim that the *IFRS for SMEs* is internationally recognised (IASB, 2012a; IFRSF, 2010). The logic of expertise that surrounds the IASB (Botzem, 2012), and the importance of this international recognition, rhetorically places pressure on countries to adopt the standard, and provides ideological cover for the IASB to ignore local needs.

The IASB construct the fantasy that SMEs and emerging economies need to improve, get better and develop, which sells a logic of meritocracy. This is constructed through logics of a dominant class of influential and well educated people (the IASB), that need to teach others how to improve, which is by following the IASB’s languages. This is shown through the continuous focus on access to capital in the standard, which depicts the IASB as helping others to speak their language and gain access to capital and development. As shown in the previous chapters ‘access to capital’ is core to the development of *IFRS for SMEs*, as the standard is seen as helping both individual SMEs gain further access to capital (debt) and developing countries to gain further access to capital for development (Lazzarato, 2012). Indeed, as shown in chapter 8, emerging economies and SMEs are linked together by the IASB, also highlighting this point.

Through this the IASB, and IFIs are selling the fantasy that IFRS adoption (along with other structural adjustments), will lead to emerging economies becoming like Western developed countries, which constitutes pressure to adopt. This pressure holds that emerging economies need to become developed, in the image of Western Developed countries, which attempts to remove local differences through standardisation and harmonisation. This leads to the claim that emerging economies and SMEs can only achieve their aims (aims that the IASB construct them as desiring) through the adoption of the language of IFRS and *IFRS for SMEs*. The following section suggests why the IASB attempt to construct subjects in this manner.

10.2 Why the IASB and advanced financial capital constructs subjects

The IASB construct subjects in this manner for the purposes of advanced financial capital, and their role as technocratic expert (Black, 2008; Quack, 2010). Emerging economies and SMEs are constructed in a similar way to listed entities and capital markets so that they can become subject to the mechanism of expropriation from advanced financial capital. In this the IASB construct both SMEs and emerging economies as subjects who need advanced financial capital, which expands the area of profiteering for advanced financial capital. Within this, the way that the IASB construct themselves as technocratic is crucial to the construction of fantasies that cover over this political goal. They claim to be the experts, in all areas of standard setting, despite critiques that

they are not experts in SMEs shown in previous chapters. Within this the IASB construct themselves as neutral and apolitical, but this thesis has politicised the IASB's technocracy, demonstrating that they are not acting neutrally, and are instead focused on the political goal of extending advanced financial capital's hegemony.

Indeed, the IASB claim that their expertise was crucial in the creation of a credible, high-quality standard:

Enhancing quality and credibility...

So something had to be devised that retained the same underlying conceptual framework. 'It was a question of following the same principles', said Garnett, 'but applying them in a different way that would satisfy users.' The IASB entrusted Paul Pacter, a seasoned professional and enthusiastic promoter of IFRSs, with the leadership of the immense task to develop accounting standards for SMEs... Asked about what he perceived as the main goal of the project, Pacter said 'We want to enable SMEs to have better access to capital. Good financial reporting standards for SMEs are the key to enhancing the quality and credibility of the financial information that SMEs report—this is especially true for emerging and developing countries.' (IASB, 2007e: 10-11 [Emphasis in original]).

This quote explains several elements about the *IFRS for SMEs*, suggesting that the standard is going to enhance reporting quality and the credibility of financial reporting. It demonstrates that the *IFRS for SMEs* is still following the IFRS conceptual framework, following the same principles. Through this, and the due process, the IASB continue to claim expertise. These logics of expertise and technocracy construct organisational legitimacy as a rhetorical strategy which constructs their 'public interest' claims and masks their focus on advanced financial capital and capital markets (Black, 2008; Quack, 2010). These logics mask the politics of regulation and their non-democratic nature through technocratic governance. The concepts of tailoring for SMEs, helping SMEs, and acting in the public interest are attempts by the IASB to reinforce their technocracy. This ideology represents *IFRS for SMEs* in a certain way, within which the IASB focus on spreading the 'IFRS Mindset' (IASB, 2016b), through a standard that claims to be tailor-made for SMEs and to meet the needs of emerging economies, but minimizes their role in the due process.

The IASB is a geo-political player, but the perceived neutrality, objectivity and technocracy of advanced financial reporting more generally, and the IASB's work in particular, obfuscates the politics of accounting as an instrument of exploitation and expropriation (Botzem, 2012; Gallhofer & Haslam, 2003; Hines, 1988; Lazzrato, 2012). This technocracy belies the focus within *IFRS for SMEs* on capital markets, which extends the hegemony of financial capital. To hide this power, the IASB continue to reinforce their expertise for creating standards and the importance of their high-quality brand through the links between IFRS to *IFRS for SMEs*. This links to the construction of the IASB's brand, and the impression that the brand gives. The brand informs the decision to adopt, as actors see the standards as high-quality and important for development. This provides ideological cover to ignore antagonisms, contexts and local differences. Moreover, as the brand becomes an integral part to structural adjustment and development plans there is increased pressure to adopt and enforce both IFRS and *IFRS for SMEs*.

Through their rhetoric, the IASB alongside IFIs claim that *IFRS for SMEs* is the best and only option, and therefore should be adopted, so that countries can fit into the global accounting language and gain access to capital.

The IASB construct subjects in this manner to cover over radical contingencies and to stop counter articulations of differential reporting that may destabilise them. The IASB construct fantasies, and when these fantasies are questioned they respond through technical, procedural and process responses. Alongside claims to the necessity for comparability and increasing access to capital, these responses ignore ideological impacts, so radical contingencies emerge. Thus, the radical contingencies of these fantasies are now explored.

10.3 What are the contingencies in these fantasies?

The construction of subjects and ideologies is not without contingencies. There are many contingencies in the IASB's conceptions of SMEs and emerging economies. With regards to their construction of SMEs, the IASB ignore the idea that SMEs could be different to listed entities and not have the aims of gaining access to capital, expanding and become listed for profit maximisation. This does not consider that SMEs may have other aims or goals. Many SMEs are family held firms that want to remain family held, whilst the IASB acknowledge that SMEs are slightly different to listed entities, they do not consider that their end goal may be different, or should be different.

In this the IASB do not consider that SMEs may want to remain closely held, and the only end goal that is considered is that entities want to grow and eventually become big, listed companies. Chua (1986) discusses the role of the positivist, which is to be an expert that can give instructions for achieving a desired end, giving technical answers to preconceived questions. In this, the technocratic idea is to provide the means for answering the question and reaching the desired end. However, in the case of *IFRS for SMEs* the IASB extend this technocracy a step further, to normatively giving a prescription of both the means and the end, prescribing how the whole of the emerging world and how all SMEs should account. In some ways, this is the fantasy of technocracy, as the IASB are prescribing what the end goal of an SME should be (to become a big listed company, and to become rich). This is the fantasy of technocracy because the IASB are acting politically and determining what the end should be, at the same time as providing the means to the end. The role of the positivist is to provide research that is value-free, and within the means-end dichotomy these researchers do not comment on ends, as commenting on the ends would involve a value judgement, which would remove rationality and would be wholly subjective (Chua, 1986). Whilst the IASB claim to operate a due process and hold technical expertise, they are constructing both the means and the ends, in a subjective manner. Through this they suggest that SMEs and emerging economies are wrong, and that the whole world should instead account through their language, in a normative prescription, as part of their role as an agent of advanced financial capital hegemony. The end goal of financial reporting for listed entities is to provide

information for economic decision usefulness, for investors. So, the IASB extend this end goal to SMEs and emerging economies, with no consideration of alternative ends or goals. This operates an extension which redefines the end goal of SME financial reporting. A listed entities goal is to provide the best mechanism to attract external investment. Here, the IASB extend this by saying that the purpose of being an entity is to attract investment, which is defining the end. However, this is contingent because many entities are not focused on this end, as shown in the previous empirical chapters.

The IASB focus on logics of development and improvement, portraying that if SMEs and emerging economies follow *IFRS for SMEs* they will be able to improve, gain access to capital and grow. This also constructs the second contingent fantasy which is focused on opportunity and the fantasy that both SMEs and emerging economies can get to the 'top of the pyramid'. In terms of emerging economies becoming developed, and SMEs becoming large and/or listed and profit maximising. Through meritocracy and the idea of a ruling or influential class of people in society, this constructs the fantasy that if you have skill then you will be able to reach this high level. The IASB construct their languages of IFRS and *IFRS for SMEs* as the language that needs to be followed in financial reporting to achieve this. This fantasy that you can reach the top is constructed through logics of emergence, logics of opportunity and logic of development. However, this fantasy is contingent in two ways, first as it does not recognise that for some to get to the 'top' others have to fail. Second, it does not recognise that if you are funded by the outside (through access to capital) then large chunks of your profit will go outside, which is not something that many SMEs want. In terms of both SMEs and emerging economies this fantasy ignores that money leaving the community is not development, and that access to capital is access to debt (Lazzarato, 2012).

Another contingency within the IASB's fantasies is that the benefits outweigh the costs. The IASB identify benefits of adoption in many ways, throughout the due process and throughout the published documentation surrounding the *IFRS for SMEs*. However, this thesis has shown that this is not empirically driven. Indeed, many of the decisions that the IASB make throughout the due process are not empirically driven, so they create a standard that leads to many burdens and costs. Although, they construct the idea of access to capital as a benefit, to depict that benefits outweighing the costs, this is also an aspect of the fantasy that is constructed.

In terms of benefits and costs, and more generally, a clear case is not made for the development of *IFRS for SMEs* by the IASB, aside from the depiction that they are the only experts in standard setting with a strong enough brand to do so. Hence the commitment by the IASB to reinforce their technocracy and control and the spread of advanced financial capital through normativity and minimal empirical support. Interviewee 6 comments:

...it was very clear to me early on in the advisory group that those people in the IASB that wanted to do this project, you know, they decided it would be done and we will encourage countries to use it (Interviewee 6).

Indeed, many of the contingencies in the fantasy that the IASB construct are very loosely covered over, and follow statements of how the IASB think that the world should be. Indeed, as the IASB try to claim that the creation of the standard is a process, uncovering the radical contingencies highlights the levels of normativism within the IASB's work. In many ways, the IASB assert validity and logic. This is deductive in that there are few empirical elements, mainly claims to truth values and logic.

10.4 How these contingencies are covered over

a) Technocracy

Despite contingencies, the IASB continue to reinforce fantasies and ideologies surrounding *IFRS for SMEs*. As explained, the way that the IASB cover over many of these contingencies is through technocracy, and claims to superior expertise that others need. So, SMEs and emerging economies need their expertise and help, and those not following the standards are constructed as lesser. Indeed, the IASB appear to be helping SMEs in presentations that are given after the development of *IFRS for SMEs* which state that the benefits of following *IFRS for SMEs* are:

Improve access to credit... Improve access to equity capital... Educating and training...
Auditing efficiencies... Ease burden where full IFRS is required... Improved comparability... Improved quality of reporting as compared to existing national GAAP
(IFRSF, 2011: 5, 19 (powerpoint slides))

These claims also construct national GAAP as lesser. Therefore, the IASB construct themselves as the body that will help the IASB to improve the quality of financial reporting, improve access to capital and help emerging economies to develop. However, this covers over the costs and debt that SMEs and emerging economies will incur.

Different organisations constructed standards for SMEs, or state that they will if the IASB does not, so the IASB responds by claiming that they can construct a higher quality standard. This defence is not through research or evidence, but instead through their claims to technocracy and expertise (Botzem, 2012; Gaffikin, 2008). Additionally, this is a normative presupposition, concerned with how the IASB want the world to be. The lack of research and evidence is highlighted after the standard is promulgated and it is discovered that extensive education is necessary as many entities and actors do not understand the standard, as shown in the literature and empirically. Therefore, the education initiative constructed by the IASB constitutes a further site of research in this area.

b) Top down focus on full IFRS

The contingencies in ideologies are also covered over through a form of model building, which is demonstrated in the top down nature of the standard. As a traditional listed entity follows full IFRS, the IASB identify (as experts) what listed entities should disclose, how they should disclose, the best measurement system for that disclosure and the best information for that disclosure. In this, the end goal has already been defined, which is to provide information that is

useful for the interests of economies. This steps outside acceptability and due process, and constructs inevitability and normativity. The focus by the IASB on full IFRS and their role as an agent of advanced financial capital means the it does not matter what happens in the due process, as the *IFRS for SMEs* was always going to be a cut down version of IFRS, they would never have created something different, so the claims to difference are problematic and misleading. In this, the IASB have moralised the right way of doing financial reporting which is where the problem lies (as illustrated empirically). This further shows the importance of extending traditional regulatory theory, as examined in chapter 3, as this examination of the fantasies and subjects constructed constitutes a critique of theories and research that depicts the IASB as purely economic regulators. Instead, this thesis identifies that the IASB attempt to institute the outcome which is beyond neutrality, and further highlights the necessity to draw on political theory, hegemony and the examination of regulatory conversations.

c) Comparability

When justifying the development of *IFRS for SMEs*, the IASB also focus on the necessity for comparability, despite comments and research that states that SMEs do not require comparability in the same way that listed entities do:

The IFRS objectives, aimed at ensuring international comparability of balance sheets and increasing transparency for the financial market, may not be relevant for a majority of SMEs, and even less so for cooperatives. Cooperatives, and a majority of SMEs not operating in a logic of financial market, their needs are not focused on international comparability of balance sheets, but rather on simple financial reporting helping them to identify new contributors to the entity (whatever the form of the economic contribution) and reduce the cost of financing (CL103, 2007: 1)

The Exposure Draft of an IFRS for SMEs is generally in the interest of some SMEs in Europe, those active at international level. However, international comparability of financial statements is not relevant for the smaller companies, which represent the majority of the SMEs, since they perform on the domestic market and follow the local General Accounting Standards (CL55, 2007: 2)

Nevertheless, the IASB draw equivalence of comparability from IFRS to *IFRS for SMEs*, by stating that focusing on capital market entities hinders comparability across the globe because, as already quoted, there are many entities that are SMEs so not considering these entities may lead to a:

...lack [of] comparability across national boundaries or within a country, and may not allow for an easy transition to full IFRSs for entities that wish to enter the public capital markets. For those reasons, the Board decided to undertake the project (IASB, 2009c: 17).

The necessity for comparability is another fantasy that the IASB construct to sell *IFRS for SMEs*. Comparability and the 'global accounting language' informs the IASB's rhetoric, constructing an ideology of the necessity to follow the IASB's standards to be a part of that comparability, which excludes those that are not. This comparability is important to the IASB's construction of hegemony and is constructed as desirable and necessary for SMEs. Despite the differences that impact comparability the IASB need to portray that there is comparability within their standard and across countries that adopt their standards, in support of the myth of global accounting

standards. As this comparability is unachievable the IASB are constructing a hegemonic myth. Moreover, comparability is not concerned with benefits to entities, it is instead concerned with access for advanced financial capital (Lazzrato, 2012).

d) No enforcement power

In response to critiques, the IASB reiterate a focus on their lack of enforcement power, and refer to high voluntary adoption, but this disregards the multifaceted nature of the power that the IASB hold, and ignores the role of IFIs. Empirically, this thesis showed that there was a lot of pressure placed on developing countries to adopt from IFIs, and an increasing pressure of globalisation. Nevertheless, interviewees and the IASB continue to claim that the IASB do not have enforcement power, and instead that adoption occurs because countries and entities want to adopt because 'it works':

I have never understood the logic of saying we must have national standards when the world is globalized, and you know if you've got the best standard, well we should have those, the argument, and that caught on you've got 130 countries using IFRS and 80 odd using this, it works (Interviewee 19).

The reliance on listing all of the countries that have adopted the standard and stating that this adoption is because 'it works' offers a technocratic response which ignores the IASB's multifaceted power and its ideologies. Further, interviewee 12 explains that the IASB 'don't decide which entities should be applying [the standards]', this removes the ability to claim that the IASB have an impact on countries and entities, through the claim that they are not making the decisions. Whereas, interviewee 4 sees the IASB as an independent private body that does not have any power to force countries to adopt, but the interviewee agrees that other bodies advocating have an influence:

... the IASB as such does not have any power, it is just an independent body, private body that is setting standards, and the IASB cannot force any country to adopt its standards, so as such it does not have any power to enforce over any country to adopt IFRS or the standards. But then there are other bodies like IFAC, World Bank and they are sort of advocating that the, you know international standards should be adopted, adopted by countries, so there are other pressures they force countries to adopt standards...

Whilst this interviewee does go some way to acknowledge that there is pressure placed on countries to adopt the IASB's standards by IFIs, which is important and similarly acknowledged by other interviewees, this quote still dismisses the multifaceted power that the IASB themselves hold. This thesis is not concerned with technical responses, as these miss the ideological argument. Constructing the IASB as an independent, private body with no enforcement power enables the IASB to wash their hands of the impact that they have. This leaves the question, 'why would countries choose to adopt' unanswered which is concerned with the risk that countries face if they do not adopt. Indeed, IFIs and structural adjustment do hold the direct power over countries to adopt the standard, but the IASB do have power in their role as agents of advanced financial capital. This highlights that power takes multiple forms, so it is too simplistic to state that the IASB do not have any enforcement power. The empirical chapters have shown that the IASB hold

a moralising power, a coalition power, power around comparability and access, and power from the discourse of development. Therefore, there are many discourses of power that the IASB use but the construction of them as a private, independent and neutral body of experts that simply set standards attempts to mask this political power and dismantles the conversation about the power that they hold.

10.5 Conclusion

This chapter has illustrated the way the IASB construct subjects for ideological control. The fantasies that the IASB construct, build conceptions of SMEs and emerging economies so that the IASB can grip subjects and increase their hegemony in standard setting. Each of these elements reiterates the importance of seeing the IASB as an agent of advanced financial capital, and their role in increasing access for advanced financial capital. This leads to the conclusion for the thesis which considers the exploration undertaken in this thesis and the core contributions.

Chapter 11: Conclusion

11.1 Overview

To examine the IASB's role as rule maker for regulation it was necessary to consider regulatory theory. This demonstrated the necessity to consider the IASB's political power and processes which operate to reinforce their role. Therefore, this thesis proposed that Laclau and Mouffe's discourse theory was suitable for two reasons a) the theoretical lens for examining the work of the IASB, and b) the core theoretical concepts which enable explanations of the IASB's work and regulation as hegemonic practice. In particular, Logics of Equivalence and Logics of Difference have been used to frame the empirical chapters. Whilst the flexibility of Laclau and Mouffe is integral to this thesis, it also led to the necessity to follow Glynos and Howarth's Logics of Critical Explanation, which offered further tools for the empirical investigation. This was outlined in Chapter 4, alongside the data collection, and details on empirical analysis. The following chapters (5 and 6) examined the relevant literature in the area, highlighting, first, literature that critiqued the IASB, and, second, literature that has examined *IFRS for SMEs*. These chapters highlighted some key themes for the empirical investigation including the impact of the IASB and *IFRS for SMEs* on accounting, the deconstruction of the rhetoric drawn upon by the IASB, the importance of the due process to the IASB and the necessity to deconstruct these processes, and the constructs of technocracy, public interest, accountability, comparability and geographical diversity that the IASB draw upon as signifiers. Moreover, chapter 6 also highlighted the importance of further interrogation of the IASB's geopolitical role with other IFIs.

After this literature review, the empirical chapters (7 to 10) interrogated the research material. These empirical chapters highlight the constant interplay of LoD and LoE, as the IASB attempt to maintain and extend their role as hegemonic agent. Indeed, this conclusion brings together the research findings and demonstrates how the social, political and fantasmatic chapters complement each other to construct the key thesis contributions.

This chapter will now return to the core research questions for this thesis:

Why did the IASB create IFRS for SMEs?

Chapter 7 examined the political logics in order to give an explanation as to 'why' the IASB decided to create the *IFRS for SMEs*. This chapter offered insight into the IASB's movement in the creation of the standard, and argued that this movement acts to protect and enhance the IASB's roles, as both technocratic regulator with superior expertise, and as an agent for spreading the hegemony of advanced financial capital. The increasing proliferation of differential reporting standards was (and still is) in opposition to the IASB's construction of a global language of financial reporting, so as the IASB identify these threats, they have to act in order to counter these articulations and restabilise their command and control. The IASB restabilise this through LoE that construct IFRS as being able to be extended to the needs of SMEs, and LoD that draw in

counter articulations. This chapter also highlighted the interconnected nature of the IASB with the WB and the IMF, and the necessity for the IASB to respond to their calls in order to maintain their expert legitimacy in the geo-political space. As these threats could have had the impact of dislocating the IASB's role as experts, but the IASB prevent this through their creation of *IFRS for SMEs* in their due process, which leads to chapter 8.

How did the IASB extend their work to IFRS for SMEs?

Chapter 8 examined the social logics and socially sedimented practices that the IASB operate to extend their standard setting role from full IFRS to *IFRS for SMEs*, focusing on 'how' the IASB operate this extension (which responds to the second research question for this thesis). This is concerned with interrogation of the due process and focuses specifically on the political contestation surrounding the definition of SMEs. This chapter demonstrates the politics of condensation and LoD that the IASB operate within this definition of SMEs. This chapter also examined an equivalence drawn by the IASB from SMEs to developing countries. This equivalence appears to have little political contestation as it is constructed as logical and technocratic. This began the interrogation of the IASB's due process and the way that they construct SMEs and emerging economies, which led to further interrogation of the due process in chapter 9.

Chapter 9 identifies the simultaneous operation of equivalence and difference in the due process and the construction of the basis for conclusions. The basis for conclusions offers justifications for the standards that the IASB create. In the creation of *IFRS for SMEs* there is a simultaneous attempt to focus on full IFRS, and draw equivalence from the needs of listed entities to the needs of 'SMEs', whilst also operating a claim that there was extra outreach, and that the standard is different from full IFRS. This operates for the maintenance and extension of hegemony, which is also undertaken by the IASB through the construction of subjects and fantasies, which leads to chapter 10.

What is the inter-relationship between the IASB, advanced financial capital and IFRS for SMEs?

Chapter 10 offers analysis of the fantasies that the IASB construct and explores the contingencies that the IASB attempt to cover over. The IASB construct SMEs and emerging economies in a certain way in order to grip subjects through logics of advanced financial capital, neoliberalism, technocracy and meritocracy. This chapter further deconstructs the IASB's claims to technocracy and the way that they extend from listed entities to SMEs. There are some contingencies in these constructions, but the IASB continue to mask these contingencies through their rhetorical claims. Moreover, Chapter 10 offers a crucial contribution to the literature in the examination of subjects and ideologies that grip those subjects, extending previous literature that has examined the political role of the IASB. These contributions and extensions to the literature and theory are explored further in the following section.

11.2 Extensions and contributions

This thesis extends the literature in multiple ways:

- Through L&M and G&H the thesis further challenges and develops the interface of politics and accounting. Whilst this has been raised previously in the literature, the use of L&M extends this and enables the interrogation of the IASB's role as a geopolitical agent in the hegemony of advanced financial capital. Within this, this thesis extends literature by further illustrating the interconnected nature of the work of the IASB and IFIs in the development of *IFRS for SMEs*.
- Previous literature identified that emerging economies were marginalised by the IASB during the creation of *IFRS for SMEs*, and this thesis extends this research by identifying that the IASB marginalise emerging economies through equivalence. With regards to *IFRS for SMEs* there is limited theoretical exploration into the IASB's creation of *IFRS for SMEs*, so this thesis makes a contribution by offering theoretical explanations for the phenomena observed.
- Therefore, this thesis also extends previous regulatory theory by drawing on a flexible, pluralistic approach to the analysis of regulation and standard setting, and by identifying the role of regulation as hegemonic practice. In particular, this extends traditional regulatory theory which sees the IASB as purely economic regulators and literature that depicts the IASB's role as neutral. This also extends literature that sees accounting as objective and neutral, by demonstrating the political and social impact of accounting. Whilst the extensions to traditional theory and literature are more obvious, this thesis also extends more critical depictions of the IASB as political and technocratic, as many of these studies do not consider the impact of this interface of politics and technocracy.
- This thesis also extends the understanding of hegemony within the accounting literature through L&M (2001), by presenting the conception of hegemony as constantly changing, evolving and adapting, and identifying the constant interplay of LoE and LoD within this case of hegemony. This hegemony is seen as always incomplete and antagonised. This is demonstrated in the case as initially differential reporting is seen by the IASB as irrelevant, but as the construct of different reporting regimes becomes threatening to the IASB they move to restabilise their role. This thesis shows that the development of *IFRS for SMEs* is an example of the 'politics of condensation' as the IASB condense the needs of all developing countries, and all non-publicly accountable entities into one standard. In this, the IASB claims that meeting the financial reporting needs of SMEs will automatically meet the needs of developing countries, and through the extension of international accounting standards to new entities in a 'one size fits all' manner, the IASB constructs the 'politics of the same' through a LoE. This thesis identifies the IASB's role as focused on the facilitation of advanced financial capital and global capital movement,

which has the impact of expropriating from and exploiting the poor (particularly in emerging economies) to increase the wealth of a few.

- In some ways, this identifies a story of inevitability as despite comment letters and the due process there is a focus on advanced financial capital within the IASB and IFIs. So, the development of *IFRS for SMEs* in the manner that it was developed is inevitable because of the analytical framework and ideologies of the IASB. The IASB focuses on remaining close to full IFRS and advanced financial capital. Arguably, no matter the good intentions of some members of the IASB to help SMEs and those in developing countries, the narrow approach that the IASB has towards standard setting means that *IFRS for SMEs* was bound to be one size fits all. Additionally, with the involvement of other IFIs this inevitability is increased as IFIs are focused on trying to get entities to behave like Western advanced financial capitalist entities.
- When the IASB published *IFRS for SMEs* they extended their work beyond standard setting for listed entities and the board's discourse presented an image of democratic ethos and technocratic expertise. This thesis shows that this presentation obfuscates the ways that the IASB controls the regulatory conversation to advance its role as an agent of advanced financial capital.

In undertaking this thesis, the core investigation was concerned with why and how the IASB constructs and controls regulatory conversations (as considered important in my research questions). In this work, the IASB self-defines many aspects of the regulatory conversation: who it will talk to and how it is going to talk to them by speaking on behalf of many different actors. This thesis examines the way the IASB self-defines the regulated, regulator relationship, which links to deconstruction of the IASB's due process. The deconstruction of the due process exemplifies the "politics of condensation" as the IASB condense the needs of all developing countries and all non-publicly accountable entities into one standard. Moreover, within this the IASB claim that meeting the needs of SMEs will automatically meet the needs of developing countries. These logics create an extension of the one size fits all approach that the IASB adopt and construct logics of equivalence and difference. Therefore, this thesis contributes an interrogation of the IASB's political processes, which also contributes a politicisation of the IASB's technocracy. This considers how and why the IASB extend their work to SMEs and emerging economies, in which the IASB recreate emerging economies and SMEs as an area for extending the ability for advanced financial capital to profiteer and hegemonise. In this extension, the IASB constructs conceptions of SMEs as profit-maximising entities and emerging economies as requiring development along "Western" lines that reflect advanced financial capital ideologies. This also identifies the way that the IASB is becoming further integrated as a geo-political player with IFIs, examining the influential role of the WB and the IMF in the development, promotion, adoption and enforcement of *IFRS for SMEs*. This leads to a gradual, ever-changing and adapting

hegemony as *IFRS for SMEs* acts as a master signifier that speaks to many and extends the hegemony of advanced financial capital.

1. This thesis has drawn on L&M's DT and the LOCE in the area of financial accounting, showing the importance of this political examination within this area, and the importance of the application of this methodology to examine the grip of ideologies.
2. This thesis has also politicised technocracy through the interrogation of the impact of the IASB's technocracy, looking at what this technocracy does for the IASB politically.

This thesis has offered theoretical explanations for the IASB's extension to *IFRS for SMEs*, identifying the role of neoliberalism, advanced financial capital and the examination of the IASB's construction of the subject. Whilst the contributions are clear, there are some limitations and areas for further research.

11.3 Limitations and further research

This thesis has various limitations. From the perspective of positivism this thesis cannot be replicated, as this research is influenced by my own experiences, but this was not the aim of my post-structural research. Where possible the work has been affirmed in interviewees and with documentary sources, but the methodology was never intended to offer positivistic conclusions. Indeed, qualitative research attracts criticisms from positivistic research because the research process is openly subjective, and is not intended to be generalised. However, the methodologies employed are suitable for the approach adopted.

There are also theoretical limits in this research as many of the theoretical concepts can appear complex, and the empirical data is rich. These concepts and analysis are open to varying interpretations that can be challenged. The concepts at times are complex and confusing, but the research is intended to show the political messiness, and not to oversimplify the IASB's work and the contestations surrounding their work. Moreover, this thesis has focused on deconstructing the IASB's construction of *IFRS for SMEs* and the impact of this extension. However, this thesis has not focused on analysis of the way that the standard was received by constituents, this would be an area for further research.

There are some elements within this thesis that are beyond the focus of the work, but are sites for further research. For example, the education initiative is imposed on many countries by the IASB and the WB, so the work within this initiative warrants further interrogation. Another element that could be explored is the comprehensive review that the IASB undertook after the promulgation of the *IFRS for SMEs*, this attempts to further legitimise the creation of the standard and is a further area for deconstruction of their due process. Theoretically, it has been noted by some research that the IASB is acting imperialistically, this warrants further exploration as a hegemonic strategy for the IASB, especially in the case of the *IFRS for SMEs* because this standard is focused on developing countries, but it is not the focus of this thesis.

Overall, this thesis recognises the IASB's role as a hegemonic agent for advanced financial capital, and interrogates the processes and strategies that are used to stabilise, maintain, adapt and extend this role through a constant interplay of logics of equivalence and logics of difference. By uncovering the IASB's hegemonic role, the thesis has shown how the IASB's self-image of technocratic superiority and ideology of neoliberalism blinds the Board to the demands of SMEs and developing countries for accounting standards that serve their needs rather than those of advanced financial capital.

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CL28	National Public Practice Committee of the Institute of Chartered Accountants of New Zealand, New Zealand.
CL86	Federacion Argentina de Consejos Profesionales de Ciencias Economicas (FACPCE), Argentina
CL115	Federation des Experts Comtables Europeens, Europe
CL6	Deloitte Touche Tohmatsu International, International
CL106	European Association of Corporate Treasurers (EACT), Europe
CL15	Goudsmit, Eric, Belgium
CL3	Chartered Institute of Taxation, UK
CL93	Zambia Institute of Chartered Accountants in Zambia, Zambia
CL55	Swedish Accounting Standards Board, Sweden
CL90	David Cairns International Financial Reporting, UK
CL72	European Accounting Association, Europe
CL01	Winningtons, Chartered Accountants, UK
CL9	Chamberlain SJ, Henry, Italy

Recognition and measurement questionnaire letters referenced (2005)	
CL65	Financial Accounting Standards Committee of the American Accounting Association, USA
CL72	European Financial Reporting Advisory Group, EFRAG
CL96	University of Malaya, Malaysia
CL13	Sigvard Heurlin, no further details given
CL44	International Federation of Accountants (IFAC), International
CL52	DGRV German Cooperative and Raiffeisen Confederation, Germany
CL55	Financial Executives International (FEI), International
CL49	Danish Institute of Certified Public Accountants (Denmark)
CL56	The Groupement National de la Coopération (GNC)
CL15	Ordem Dos Revisores Oficiais De Contas
CL85	United Nations Conference on Trade and Development (UNCTAD)

CL39	The Association of German Chambers of Industry and Commerce (DIHK) Germany
Exposure Draft comment letters referenced (2007)	
CL66	Bundessteuerberaterkammer, Germany
CL27	Zentralverband des Deutschen Handwerks (ZDH), Germany
CL55	Eurochambers, Europe
CL161	EFRAG, EU
CL160	German Accounting Standards Committee (DRSC), Germany
CL3	Association of the Bavarian Chambers of Business, Bavarian Chamber of Industry and Commerce, Bavarian Association of Cooperatives, Association of Bavarian Savings Banks, Germany
CL152	Sunil Goyal - S.R.Goyal & Co., Chartered Accountants, India
CL132	DGRV e.V, Germany
CL96	The Dutch Accounting Standards Board (DASB), Netherlands
CL127	Danish Companies and Commerce Agency, Denmark
CL8	Kingston Smith LLP, UK
CL123	Cooperatives Europe, Belgium
CL 21	III WG ON IFRS IMPACT AND CBSO DATABASES Spain
CL151	Association of Finnish Accounting Firms, Finland
CL35	New York Society of CPA's (NYSSCPA), US
CL93	Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri, Italy
CL150	Institute of Chartered Accountants Barbados, Barbados
CL112	University of Manitoba, Canada
CL156	ICAEW
CL35	New York Society of CPA's (NYSSCPA), US
CL11	CPA Australia, Australia
CL25	Fiji Institute of Accountants (FIA), Fiji
CL26	The Society of Accountants in Malawi, Malawi
CL60	Accounting Standards Board-South Africa, South Africa
CL84	Malaysian Accounting Standards Board (MASB), Malaysia
CL97	National Accounting Standards Board of Russia (NASB), Russia
CL100	Association of Accounting Technicians, UK
CL104	Financial Reporting Standards Board (FRSB), New Zealand
CL111	Eastern, Central and Southern Federation of Accountants (ECSAFA), Kenya
CL114	Deloitte Touche Tohmatsu, Global
CL134	CAPA, Global
CL137	PricewaterhouseCoopers, Global
CL143	International Co-operative Alliance, Global
CL103	GNC, France
CL55	Eurochambers, Europe
CL10	Anangu Accounting Agency, Australia
CL14	Charity commission, UK
CL16	Organismo Italiano di Contabilita, Italy
CL20	Interamerican Accounting Association, Canada/America
CL26	The Society of Accountants in Malawi, Malawi
CL31	Korea Accounting Association (KAA) (IFRS Review Committee), Korea
CL32	Bundesverband der Deutschen Industrie e.V. Germany, Germany
CL34	Leaseurope, Europe

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Appendix 1: The development of IFRS for SMEs

<i>Month/ year</i>	<i>Developments</i>
<i>1990's and 2000's</i>	Discussion and debates on differential reporting occur Discussion of a project specific to SMEs is discussed by the IASC
<i>Dec/2000</i>	IASB-IASC transition report stated that a demand for a special version of accounting standards for small entities.
<i>March/ 2001</i>	The IASB was established.
<i>April/2001- June/2001</i>	SAC and NSS discussions surrounding SME accounting
<i>July/2001</i>	The accounting for SMEs project is extended to 'Accounting for SMEs and Emerging Economies'.
<i>Aug/2001- May/2002</i>	Continued discussions surrounding SMEs
<i>June/2002</i>	Project is added to IASB's research agenda as 'Accounting for SMEs and Developing Countries'.
<i>April/2003</i>	Working Group meeting about SMEs
<i>July/2003</i>	IASB deliberations begin; Paul Pacter is appointed as SME project director
<i>Sept/2003</i>	Meeting of the World Standard Setters
<i>July/2003- Feb/2007</i>	Issues begin to be deliberated in public board meetings until the ED was published in 2007 There are also 7 SAC meetings in this time
<i>June/2004</i>	Discussion paper 'Preliminary Views on Accounting Standards for Small and Medium-sized Entities (SMEs)' is issued.
<i>April/2005</i>	Staff questionnaire 'Possible Recognition and Measurement Modifications for Small and Medium-sized Entities (SMEs) is issued.
<i>June/2005</i>	Working Group meeting
<i>Sept/2005</i>	Meeting of the World Standard Setters (WSS meetings were also held 2006, 2007 and 2008).
<i>Oct/2005</i>	Public round-table on R&M simplifications
<i>Jan/2006</i>	Staff present a completed copy of the Exposure draft to the board
<i>Feb/2007</i>	Exposure Draft published
<i>April/2007</i>	Exposure Draft Staff Overview issued
<i>June/2007</i>	Exposure draft field testing with a deadline of Nov/2007 that was extended from Oct/2007
<i>Nov/2007</i>	Comment letter deadline changed to this date from the previously deadline of Oct/2007
	Various translations published across 2007
<i>March/2008</i>	Overview of comment letters presented to the board, educational in nature
<i>April/2008</i>	Working Group meeting; board work further on IFRS for SMEs
<i>May/2008</i>	Issues discussed presented to the board; Re-deliberations began until Feb/2009
<i>April/2009</i>	Draft Ballot of the ED
<i>March/2009</i>	Decided not to re-expose
<i>April/2009</i>	Final name decided
<i>May/2009</i>	Near-final draft published
<i>July/2009</i>	IFRS for SMEs standard issued
<i>Review period</i>	
<i>2010</i>	The SME implementation group (SMEIG) was set up
<i>2012</i>	Initial Comprehensive review began
<i>June/2012</i>	IASB issues a request for information (RFI)
<i>Nov 2012</i>	Comment letter deadline
<i>Feb 2013</i>	SMEIG Meeting
<i>October 2013</i>	Exposure draft issued
<i>March 2014</i>	Exposure draft comment letter deadline
<i>May 2015</i>	Conclusions drawn: basis of conclusion
<i>March 2016</i>	Editorial Amendments

Appendix 2: Consent form terms

1. I understand that the interview will be audio recorded. The researchers will be the only ones with access to these recordings and subsequent raw transcripts.
2. I understand that the material included in any audio recordings may be used in scholarly publications derived from the research project. In the case of such publications, in the form of journal articles, books, or otherwise, I will be given the opportunity to comment on any proposed publication where my interview is quoted, as these will be attributed. However, if I have requested anonymity then these quotes will not be attributed and the anonymity will be ensured by keeping consent forms separate to transcripts.
Please delete as appropriate:
I do not request anonymity
I request anonymity
3. I understand that all of the material including audio recordings will be kept in a secure place.
4. I have read and understand the explanation of the project provided to me above. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.
5. I am aware that I can terminate the interview at any time and that I may withdraw my consent to being quoted in any output from this research at any time prior to publication. Following this the data will be destroyed.
6. I have been given a copy of this consent form.

Appendix 3: IFRS and IFRS for SMEs similarities and differences

Key difference between full IFRS and IFRS for SMEs adapted from Perera and Chand (2015: 6) and Ernst & Young, (2010) and IASB (2009e).

<i>IFRS for SMEs</i>	IFRS		Key areas of difference or similarity
Scope	IAS 1	Simplified	Has to meet the non-public accountability definition, has to publish general purpose financial statements for external users. Must complain compliance with the standard complied with.
Financial statement objectives	IAS 1	No difference	No difference in objectives. Acknowledges different users.
Qualitative characteristics	IAS 1	No difference	Also no difference in the qualitative characteristics interpretation, only less detail. Consistent in underlying messages.
Elements of financial statements and recognition of elements	IAS 1	No difference	Abbreviated but no difference in interpretation or application. Recognition follows IFRS framework.
Measurement	IAS 1	Slight difference	IFRS for SMEs: amortized historical cost and fair value, and specified throughout. IFRS can have different measurement basis.
Accrual basis	IAS 1	No difference	Both Accrual basis
Offsetting	IAS 1	Slight Difference	Specifically disallows unless requires or permitted in relevant section. IAS 1 contains specific disclosures.
Fair presentation	IAS 1	No difference	Application of standard would result in fair presentation
Going concern	IAS 1	No difference	Both have to make an assessment as to whether they are a going concern.
Frequency, consistency, comparative information, materiality and aggregation.	IAS 1	No difference	All requirements are the same for each of these aspects of the standards. Annual reporting, only change to consistency when significant changes or the standard requires a change, comparative information required, each class disclosed separately.
Financial statements set and identification of financial statements	IAS 1	Slight difference	No third balance sheet requirement in IFRS for SMEs. Also aggregation or omission is allowed in certain circumstances. Same requirements for identification, IFRS for SMEs slightly reduces disclosure.
Additional information	IAS 1	Simplified	Do not require the same disclosure of certain items.
Information to be presented in SOFP	IAS 1	Simplified	Simplified lists.
Current and non-current distinction	IAS 1	Slight difference	Same requirements, less disclosure requirement if liquidity option chosen.
Additional information in SOFP	IAS 1	Simplified	Simplified disclosure requirements

Presentation of total comprehensive incomes	IAS 1	Slight difference	Differently set out but requirements should provide similar results
Other comprehensive income	IAS 1	Simplified	Simplified items outlined.
Analysis of expenses	IAS 1	Slight difference	There is an extra materiality disclosure in full IFRS, but the same requirements other than that.
SOCE and SOIE information to be presented	IAS 1	Slight difference	Only an extra point in full IFRS about dividend.
Statement of changes in equity and statement of income and retained earnings	IAS 1	Simplified	New statement: "Statement of income & Retained earnings" can be used in particular cases.
Cash equivalents	IAS 7	Slight difference	Similar concepts, but full IFRS adds a requirement about risks of changes in value.
Statement of cash flows	IAS 7	No difference	The same classification of cash flows.
Cash flow from operating activities	IAS 7	No difference	Same presentation requirements.
Cash flow from investing and financing activities	IAS 7	Simplified	IFRS for SMEs does not have the same benefit of net presentation of certain cash flows as IFRS does, less disclosure but the IFRS for SMEs are seen as more onerous for preparers.
Foreign currency cash flows; Interests and dividends and income tax	IAS 7	No difference	Same requirements
Non cash transactions and Other disclosures	IAS 7	No difference	Same requirements
Components of cash and cash equivalent	IAS 7	Slight difference	Disclosure relief
Note to the financial statements: structure of the notes	IAS 1	Slight difference	Reduction in disclosable items.
Notes: accounting policies	IAS 1	Slight difference	IFRS has slightly increased guidance
Accounting policies, estimates and errors	IAS 8	Simplified	If not addressed management can use judgement in creating accounting policy by considering similar issues and definitions, criteria, measurement concepts and principles. Could select different policies through IFRS for SMEs. No difference in estimates. Full IFRS has additional relief in errors, but other than this they are accounted for on a similar basis.
Events after the End of the reporting Period Definition; Recognition and measurement	IAS 10	No difference	No difference in the classification or treatment.
Events after: Dividend	IAS 10	Simplified	IFRS for SMEs allows segregation of retained earnings.

Related party disclosures: Scope; Definition	IAS 24	No difference	Scope and Identification are the same. Slightly different outline in the definition but not expected to have an impact.
Subsidiary relationships	IAS 24	No difference	Same requirements.
Key management personnel compensation	IAS 24	Simplified	Less disclosure requirements, no need to further analyse.
Related party transaction Disclosures	IAS 24	Slight differences	Same disclosure requirements. Less disaggregation of the disclosures. Different exemptions from disclosures.
Hyperinflation: Scope and indicators	IAS 29	No difference.	Same scope and same indicators.
Hyperinflation: restatement of financial statements	IAS 29	No difference.	Same requirements.
Hyperinflation: Gain or loss on net monetary position; economies ceasing to be hyperinflationary	IAS 29	No difference	Same requirements.
Business combination and goodwill: Scope	IFRS 3	Slight difference	Extra exclusion in IFRS 3.
Business combination and goodwill: Definition	IFRS 3	Simplified	Narrower scope in definition in IFRS. IFRS for SMEs refers more broadly to bringing together entities or businesses. Similar definition of business, but IFRS definition is broader and does not have to consider outputs, therefore more cases would be treated as business combinations under IFRS.
Business combination and goodwill: Method of accounting	IFRS 3	Simplified	IFRS for SMEs uses cost based approach, whereas IFRS uses fair value. No difference in identifying the acquirer. IFRS includes more costs when calculating the costs of business combination, therefore IFRS for SMEs goodwill may be higher than IFRS.
Contingent consideration	IFRS 3	Simplified	Different treatment for changes in amounts.
Allocating cost of business combination	IFRS 3	Simplified	Both require fair value, but IFRS has more exemptions, and there are differences in recognition criteria.
Provisional accounting for business combinations	IFRS 3	Slight difference	No limitation in IFRS for SMEs to adjustments of provisions.
Non-controlling interests	IFRS 3	Slight difference	Option removed.
Definition of goodwill	IFRS 3	No difference	No practical difference in the definition.
Measurement of goodwill	IFRS 3	Simplified	Different computations, IFRS for SMEs adopts cost based approach. IFRS for SMEs requires amortization, over useful life, and if there is not a reliable useful life then 10 years must be used. Alongside impairment. IFRS does not have amortization.

Bargain purchase	IFRS 3	Slight difference	The substance of the requirements are the same but the wording is simplified.
Consolidated and separate financial statements: Scope	IAS 27 SIC 12	Simplified	Similar Scope Combined financial statements are permitted in IFRS for SMEs.
Exemption from preparing consolidated statements	IAS 27	Simplified	Similar exemptions, but there are specific differences.
Definition of control	IAS 27	No difference	Same, slightly simplified wording
Special purpose entities	IAS 27	Slight difference	Same conditions, wording for decision making delegation is a little different.
Currently exercisable options	IAS 27	Slight difference	Similar requirements.
Consolidation procedures	IAS 27	No difference	Same procedures.
Disposal and separate financial statements	IAS 27	Simplified	The treatment in IFRS for SMEs has been simplified, which will lead to a different outcome.
Non-controlling interest	IAS 27	No difference	Same requirements.
Separate financial statements	IAS 27	Simplified	Simplified accounting for financial instruments and simplified impairment leads to differences in accounting for investments and jointly controlled entities.
Investment in joint ventures: Scope	IAS 31	Simplified	Simplified exemptions, often unable to apply the standards
Investment in joint ventures: Definitions	IAS 31	No difference	Slightly simplified wording but the same
Jointly controlled operations; jointly controlled assets; definition of jointly controlled entities	IAS 31	No difference	Same definition and requirements
Measurement of jointly controlled entities	IAS 31	Difference	Permits the cost model, and allows use of the fair value model, neither of these models are available under IFRS. No requirements for assets classified as held for sale.
Transactions between a venture and joint venture	IAS 31	No difference	No difference apart from a difference in terminology
Investments in Associates: Scope	IAS 28	Slight difference	Less exemptions in what can be included
Investments in Associates: definition	IAS 28	No difference	Same definition
Investments in associates: measurement	IAS 28	Simplified	Permits the cost model and allows fair value, both not allowed in IFRS. No requirements regarding assets held for sale.
Equity method: adjustments to the carrying amounts; potential voting rights	IAS 28	No difference	Same requirements.

Equity method: implicit goodwill and fair value adjustments	IAS 28	No difference	There is no difference in the requirements, but accounting for goodwill does differ due to amortization previously outlined.
Equity method: Impairment	IAS 28	No difference	There is no difference in these requirements but impairment requirements differ, as already outlined.
Equity method: investor transactions with associates	IAS 28	No difference	Same requirements.
Equity method: date of associates financial statements	IAS 28	Simplified	IFRS for SMEs less restrictive. IFRS is stricter. Both have an impracticality exemption.
Equity method: Accounting policies	IAS 28	Slight difference	There is an impracticality exemption in IFRS for SMEs.
Equity method: Losses in excesses of investment	IAS 28	Simplified	IFRS for SMEs does not need to include investors interest in the associate.
Discontinuing the equity method	IAS 28	Simplified	IFRS for SMEs makes different distinctions to IFRS
Investment in associates: Classification	IAS 28	No difference	Same classification
Property Plant and Equipment (PPE): Scope; Definition; Recognition	IAS 16	No difference	Same in IFRS for SMEs as IFRS.
PPE: Initial Measurement	IAS 16	Slight difference	Not much difference aside from capitalization of borrowing costs under full IFRS.
PPE: Subsequent measurement	IAS 16	Simplified	IFRS for SMEs does not permit revaluation; no difference in depreciation, the depreciation method selection process is the same, but only reviewed under IFRS for SMEs if there is indication that there is necessity (not every year); residual value only reviewed if there are indicators that it is necessary, not every year like full IFRS; no difference in component patterns.
PPE: Derecognition	IAS 16	Slight difference	Same result, some additional guidance in IFRS.
Investment property: Scope	IAS 40	Simplified	Undue cost or effort exemption for SMEs if fair value cannot be measured reliably.
Investment property: definition and initial measurement	IAS 40	Slight difference	No difference apart from borrowing cost capitalization under IFRS.
Investment property: Subsequent measurement	IAS 40	Simplified	IFRS for SMEs requires the fair value model, if it can be measured without undue cost or effort.
Transfers	IAS 40	No difference	Same result, IFRS has some additional guidance.
Intangible assets and goodwill: Scope	IAS 38	Slight difference	IFRS excludes more intangible assets.
Definition of intangible asset	IAS 38	No difference	Same definition.
Intangible assets and goodwill: Recognition and measurement	IAS 38	Simplified	IFRS for SMEs does not allow for capitalizing internally generate intangible assets. Same measurement for intangible assets apart from

			government grants which IFRS for SMEs requires fair value. Also IFRS for SMEs does not permit revaluation.
Intangible assets and goodwill: Amortization	IAS 38	Simplified	Intangible asset does not have indefinite life, only useful life of 10 years, other than that there is no difference.
Intangible assets and goodwill: Residual values	IAS 38	No difference	Same requirements.
Review of amortization	IAS 38	Difference	No requirement to review every year under IFRS for SMEs.
Intangible assets and goodwill: derecognition	IAS 38	Slight difference	IFRS has some additional guidance.
Leases: Scope; definition.	IAS 17	Slight difference	Wording differs but same application; definition only had minor explanation differences
Leases: recognition	IAS 17	Slight difference	No difference, but IFRS has additional guidance.
Initial measurement for different types of leases: Lessees: finance and operating	IAS 17	Slight difference	No difference bit additional guidance in IFRS for SMEs for operating.
Lessors: Finance and operation	IAS 17	Slight difference	No difference for finance, for operating there is recognition of structured payments related to inflation.
Sale and Leaseback: Operating and finance	IAS 17	No difference	No difference.
Subsequent measurement for finance leases	IAS 17	No difference	Same requirements.
Derecognition of leases	IAS 17	No difference	Same requirements
Impairment of assets: Scope	IAS 36	Slight difference	Wording in the scope differs but no difference in practice.
General principles	IAS 36	Slight difference	No difference on when impairment occurs, but IFRS for SMEs does not permit revaluation model.
Indicators of impairment	IAS 36	Slight difference	No difference in indicators, but under IFRS for SMEs, there is only impairment if there is an indicator, not yearly as in IFRS.
Fair value less cost to sell; value in use; goodwill impairment	IAS 36	No difference	Same requirements.
Impairment reversal	IAS36	Slight difference	IFRS contains some additional guidance and distinction of reversal, but same result in application.
Inventories: Scope; definition; Measurement; cost of inventories; impairment; derecognition	IAS 2	No difference	No difference, some wording differences but same substance. Additional guidance on estimates of net realizable value in IFRS but not difference in application.
Income tax: Scope	IAS 12	No difference	Same scope.
Tax base	IAS 12	Simplified	Different tax base calculation requirements

Recognition of deferred tax assets	IAS 12	Simplified	Have to record deferred tax assets that were not required to be recorded under IAS 12. Need additional tracking and documentation.
Uncertain tax positions	IAS 12	Simplified	Different measurement, need further data and more effort from SMEs.
Backward tracking	IAS 12	No difference	Same requirement, only slide difference in wording.
Initial recognition exemption	IAS 12	Simplified	Does not describe how to account for temporary differences as IAS 12 does.
Income tax: Investments	IAS 12	Simplified	Further requirements in IFRS for SMEs and further work for SMEs.
Income tax: classifications	IAS 12	No difference	No difference in classification.
Applicable tax rate	IAS 12	No difference	No difference, some further detail.
Disclosure	IAS 12	Simplified	IFRS for SMEs has more onerous requirements for disclosure than IFRS.
Liabilities and Equity: Scope	IAS 32	Slight difference	Some differences in scope, but in line with full IFRS. No application guidance in IFRS for SMEs.
Liabilities and Equity: Definition	IAS 32	Slight difference	Some differences in the definition, also definition in appendix of IFRS for SMEs.
Liabilities and Equity: Classifications as a liability and equity	IAS 32	Slight difference	Similar concepts, less guidance in IFRS for SMEs, could lead to different interpretations.
Equity transactions	IAS 32	Slight difference	Similar requirements, some greater detail in IFRS for SMEs but some extra guidance missing.
Convertible debt	IAS 32	Slight difference	No difference in concept, but less application guidance in IFRS for SMEs.
Liabilities and equity: Distribution to owners	IAS 32	Slight difference	IFRS for SMEs more prescriptive, some difference requirements.
Non-controlling interests	IAS 32	No difference	Aligned with revised IAS 27.
Financial instruments: Accounting policy	IAS 39	Simplified	Relief of some disclosures provided to SMEs
Financial instruments: scope	IAS 39	Simplified	Scoping is similar but there are differences, some aspects added in to IFRS for SMEs and some scoped in.
Financial instruments: Embedded derivatives	IAS 39	Simplified	No concept of embedded derivatives as there is in IAS 39. Simplifications for de-recognition and hedging.
Financial instruments: classification	IAS 39	Simplified	All based on the classification. Reclassification not considered under IFRS for SMEs.
Financial instruments: Recognition	IAS 39	No difference	Same recognition.
Financial instruments: initial measurement	IAS 39	Simplified	Simplified measurement for IFRS for SMEs. Different basis and proxy.

Financial instruments: Subsequent measurement	IAS 39	Slight difference	Same forms of measurement but dependent on classifications.
Financial instruments: Amortized cost	IAS 39	Slight difference	Similar definitions, similar basis, but some different wording.
Impairment of basic and other financial instruments	IAS 39	Slight difference	Similar provisions for impairments and triggered by loss events, but some different requirements in IAS 39
Fair Value	IAS 39	No difference	Same principles but IAS 39 has more application guidance.
Derecognition	IAS 39	No difference	Same risk and reward principles, but IAS 39 has further guidance.
Hedge accounting	IAS 39	Simplified	Similar requirements but less onerous in IFRS for SMEs, and more restrictive for SMEs.
Hedge risks Hedging instruments	IAS 39	Simplified	<i>IFRS for SMEs</i> is much more restrictive
Hedge of a fixed interest rate risk Hedge of a variable interest rate risk	IAS 39	Slight difference	Treated in a similar way to fair value hedges, the latter is treated in a similar way to IFRS cash flow hedges.
Discontinuing hedge accounting	IAS 39	No difference	Same criteria
Share based payment: scope	IFRS 2	Simplified	The scope is different, IFRS 2 includes different transactions and treatment is different.
Share based payment: recognition	IFRS 2	No difference	No different in general recognition principles.
Share based payment: Recognition of vesting conditions	IFRS 2	No difference	Principles are the same.
Share based payment: Measurement	IFRS 2	Slight difference	General measurement principles are the same apart from incases of optionality, classifying differs.
Fair value of equity instruments	IFRS 2	Sight difference	Both require fair value, but IFRS for SMEs can use directors valuation if the fair value is not observable, but the circumstances for this are unclear.
Modifications and cancellations	IFRS 2	Slight difference	Similar but some wording differences
Provisions and Contingencies: Scope	IAS 37	No difference	Only minor differences in explanation
Provisions and contingencies: Definitions; Recognition; Initial measurement; subsequent measurement; contingent liabilities; contingent assets; derecognition.	IAS 37	No difference	There is no difference, only minor explanation differences. Treatment of contingent liabilities in business combinations has some differences, outlines in business combinations.
Employee benefits: Scope; recognition; short term employee benefits; post-employment benefit plans	IAS 19	No difference	There is no difference in each part.

Defined contribution plans	IAS 19	Slight difference	Same requirements but there are provisions for discounting under full IFRS.
Defined benefit plans	IAS 19	Simplified	Differences in the recognition and measurement, and an undue cost or effort exemption for IFRS for SMEs. There is also a difference in the recognition of actuarial gains and losses, IFRS for SMEs requires them to be recognized in full, but entities have a choice for where to recognize them.
Other long-term employment benefits	IAS 19	Slight difference	Same requirements for recognizing a liability, but IFRS for SMEs does not specify measurements.
Termination benefits	IAS 19	Slight difference	Principles are similar, but greater guidance in IFRS.
Specialized activities: Agriculture: Scope	IAS 41	Slight difference	Not identical but similar.
Specialized activities: Definitions	IAS 41	No difference	Same definitions.
Specialized Activities: Recognition	IAS 41	Slight difference	Only difference is the undue cost or effort exemption.
Specialized Activities: Measurement	IAS 41	Slight difference	Similar requirements, IFRS for SMEs gives more detail on what can be used on fair value.
Specialized Activities: Grants	IAS 41	Slight difference	Recognition is the same, but significant costs to sell can be deducted under full IFRS.
Specialized activities: extractive industries	IFRS 6	Simplified	Different recognition criteria under IFRS for SMEs, different recognition of assets.
Specialized activities: Service concession arrangements: Scope	IFRIC 12	No difference	Similar Scope
Concession arrangements	IFRIC 12	No difference	Same categories
Financial asset model	IFRIC 12	Difference	Considerable differences.
Intangible asset model	IFRIC 12	No difference	No difference in measurements, similar requirements.
Revenue: Scope	IAS 18; IAS 11	Simplified	IFRS for SMEs combines other components into the scope of this part of the standard.
Definition of revenue; Definition of construction contract; Recognition; Measurement; Sale of goods; Rendering of services; Interest, royalties and dividends; construction contracts; Percentage of completion method; Barter transactions; Discounting of revenues; Agreements for the construction of real estate; Customer loyalty programmes.	IAS 18; IAS 11	No difference	No difference in each part. IAS 11 Construction contracts has additional guidance.

Foreign Currency Translations: definitions; functional currency; foreign currency translations	IAS 21	No difference	No difference between IFRS for SMEs and IFRS.
Recognition of exchange differences	IAS 21	Slight difference	Some different recognition and classification between IAS and IFRS for SMEs.
Change in functional currency; presentation currency	IAS 21	No difference	Same requirements.
Borrowing costs: Scope	IAS 23	Slight difference	There is no difference but IFRS for SMEs has less scope exemption.
Borrowing Costs: Recognition	IAS 23	Simplified	Major difference between the two standards, some entities may find this difference disadvantageous, because of expensing the borrowing costs.
Government grants: Scope	IAS 20	Simplified	There is no difference in definition. The main scope difference is that under IFRS for SMEs the governments grant scope relates to agriculture. This is dealt with separately under IFRS. Disclosure requirements are reduced under IFRS for SMEs.
Government grants	IAS 20	Simplified	Simplifications under IFRS for SMEs.
Transition to IFRS for SMEs		Simplified	Different requirements for the first time adopter of IFRS for SMEs, in an attempt to simplify the transition.
Investments in associates and joint ventures	IAS 28 & 31	Simplified	IFRS for SMEs permits only fair value (no equity method), can use cost if no price quotation.
Investment Property	IAS 40	Simplified	Investment property measured at fair value if there is a reliable fair value and there no undue cost or effort. All other uses cost-depreciation-impairment model.
Property, plant and equipment	IAS 16	Simplified	Measured at cost less accumulated depreciation and accumulated impairment. Only historical cost, no revaluation.
Intangible assets other than goodwill and business combinations and goodwill	IAS 38	Simplified	Intangible assets: Cost less accumulated amortization and impairment, no revaluation model. Goodwill and Intangible assets: amortized over useful life, if no useful life then 10 years.
Leases	IAS 17	Simplified	Additional guidance. Straight line basis and expensed for operating leases. Or other if it represents the assets use. If increase with inflation, then expensed when payable.
Government grants	IAS 20	Simplified	Recognized according to the grants nature. Measured at fair value.
Borrowing costs	IAS 23	Simplified	All expensed in P&L within the period incurred.

Share-based payments	IFRS 2	Simplified	Hierarchy to determine the fair value of shares issued.
Employee benefits	IAS 19	Simplified	All gains and losses recognized in full. Defined benefit plan has different recognition and measurement.
Income tax	IAS 12	Simplified	Deferred tax asset recorded with offsetting valuation allowed, also incorporated measurement and recognition for "Uncertain tax positions".
Foreign currency translations	IAS 21	Simplified	Exchange differences recognized in P&L except for investment. These differences are recognized in other comprehensive income and reported as component of equity.

Appendix 4: Research on the impact of promulgation and adoption of IFRS for SMEs

Country	Pre IFRS for SMEs	Post- IFRS for SMEs	Country specific research
United Kingdom	SMEs were first regulated by the FRSSE in 1997, with an impact from EU directives, attempted to accommodate for SME needs through simplified options and exemptions, with many changes relating to companies acts ⁴⁵ (Nobes, 2010; Napier, 2010; Fearnley & Hines, 2007; Baldarelli <i>et al.</i> 2007).	FRS 102 has been based on <i>IFRS for SMEs</i> (IFRS UK, 2016).	Prior to SMEs being part of the IASB's agenda, research in the UK found that statutory accounts were not considered useful to small businesses (Jarvis & Collis, 2003). However, they do act to confirm reliability, and maintain relationships with banks (Jarvis & Collis, 2003). Research also questioned the FRSSE's suitability, critiquing the UK ASB for not considering user needs to the necessary extent (Samujh, 2007; Fearnley & Hines, 2007). Similarly, in analysis of <i>IFRS for SMEs</i> , Fearnley & Hines (2007) find that actors are concerned with the standards complexity, but the desire for consistency and comparability within the IASB dominates.
Australia	Differential reporting, with special conditions for unlisted entities, debated since 1980's (Faux & Wise, 2004).	There is no convergence with <i>IFRS for SMEs</i> in Australia, the AASB construct a reduced disclosure framework (IFRS Australia, 2015).	Potter <i>et al.</i> , (2013) research Australia's differential reporting, which modifies IFRS by considering differential reporting needs to construct requirements, as the AASB in Australia have already completed this task they see <i>IFRS for SMEs</i> as unnecessary in the Australian context (Goodwin & Ahmed, 2006).
New Zealand	Exempt company scheme and differential reporting framework, exempting SMEs from full requirements, reduced burdens similar to Malaysia, Australia and Canada (Samujh, 2007). SME's have to adhere to <i>The Financial Reporting Order</i> to meet tax requirements and core information needs (New Zealand Legislation, 1994).	New Zealand have retained the tier approach with reduced disclosures which is partly based on disclosure concession in IFRS for SMEs (IFRS New Zealand, 2014; Samujh, 2007). Many SMEs are not required to prepare general purpose statements (IFRS New Zealand, 2014).	Despite approving of the IASB's harmonization objectives, Samujh (2007) argues <i>IFRS for SMEs</i> is not relevant nor appropriate for New Zealand's SMEs, because of the full IFRS basis which creates complexities and costs. Thus Samujh (2007) argues the current approach should be retained, but this research is hypothetical.
Canada	SMEs follow Canadian GAAP the AcSB developed separate standards for private entities, claiming they are tailor-made (IFRS Canada, 2013; Briciu, Groza & Ganfalean, 2009; Maingot & Zeghal, 2006).	Considered converging with <i>IFRS for SMEs</i> but decided to continue using their own GAAP (IFRS Canada, 2013).	There is currently no empirical research that has looked at IFRS for SMEs and Canada.

⁴⁵ Focusing on the UK, in 1907 the Companies Act was published, which exempted private entities from complying until 1967 (Nobes, 2010). During this time, in 1948 there was a 'consolidating' act which combined together all previous Companies Acts, to ensure that this exemption would not affect group accounts (Roberts, Weetman, & Gordon, 2008). In 1967, the Companies Act exemption was abandoned, so all UK entities followed the same rules (Napier, 2010). During 1981, the UK enforced EU accounting directives, which contain SME exemptions (EC Commission, 1978; Nobes, 2010). These exemptions (e.g. presentation) enable member states to introduce alternative SME reporting (Baldarelli *et al.*, 2007).

USA	SME regulation is flexible, considering cost burdens, and debates regarding ‘little GAAP’ (Baldarelli <i>et al.</i> , 2007; Samujh, 2007; Maingot & Zeghal, 2006).	Not adopted IFRS or <i>IFRS for SMEs</i> (Baldarelli <i>et al.</i> , 2007; Maingot & Zeghal, 2006).	Pacter (2013) argues that <i>IFRS for SMEs</i> would be beneficial to the US SMEs and their stakeholders, due to the differences from the full standard (that consider SMEs and user needs), and the extra guidance provided. However, Pacter (2013) advocates adoption as the project leader and this is not based on empirical research.
France⁴⁶	French SMEs follow French GAAP (IFRS France, 2013).	Not adopted <i>IFRS for SMEs</i> (Albu <i>et al.</i> , 2010).	Albu <i>et al.</i> (2010) state Conseil National de la Comptabilite concluded SMEs do not need <i>IFRS for SMEs</i> . There is no further empirical research in this area, and Albu <i>et al.</i> , (2010) do not focus further on SMEs.
Germany	Different requirements and exceptions based on size for disclosure, presentation, recognition and measurement (Nobes, 2010).	Not adopted <i>IFRS for SMEs</i> (IFRS Germany, 2017).	Eierle and Haller (2009) focus on the impact of company size within Germany through a questionnaire, finding that size and structure impacts adoption of <i>IFRS for SMEs</i> due to cost-benefit considerations. Thus, when adopting <i>IFRS for SMEs</i> , organizational size would be considered, but their conclusions remain hypothetical. Furthermore, Eierle & Haller (2009) argue SMEs have no need for comparability, rendering <i>IFRS for SMEs</i> obsolete to German companies.
Italy	Prior to IFRS Italy followed SME company law exemptions, alongside abridged annual accounts options, introducing Fourth Directive alternatives (Baldarelli <i>et al.</i> , 2007).	Italy has not adopted <i>IFRS for SMEs</i> (IFRS Italy, 2015).	Baldarelli <i>et al.</i> (2007) compare the applicability of <i>IFRS for SMEs</i> in Croatia and Italy, concluding that the standard would only add administrative burdens in Italy, recommending that they continue with their national framework. Similarly, recommending that Baldarelli <i>et al.</i> (2007) agree with the IASB that SMEs are not separate from large companies, but argue that <i>IFRS for SMEs</i> is too complex for European SMEs.
Croatia	Entities that do not follow full IFRS prepare financial statements following Croatian financial reporting standards (IFRS Croatia, 2017).	Not adopted <i>IFRS for SMEs</i> (IFRS Croatia, 2017).	Originally, Croatia decided SMEs should prepare information with full standards, but later decided this was unsuitable, acknowledging <i>IFRS for SMEs</i> but requesting further simplification (Baldarelli <i>et al.</i> , 2007). Sačer <i>et al.</i> , (2015) investigate the impact of simplifications on micro entities, focusing on Croatia, arguing the standard is not suitable for micro entities, only increasing their administrative burden, due to unsuitable topics and the full IFRS basis. Like Italy, Baldarelli <i>et al.</i> , (2007) recommend that Croatia continues with national frameworks rather than <i>IFRS for SMEs</i> because of complexities and burdens, despite pressures to globalize and harmonize.
Poland	SMEs follow national accounting standards from the Polish Accounting Standards Committee (KSR) (IFRS	Not adopted <i>IFRS for SMEs</i> (IFRS Poland, 2013).	Grabinski <i>et al.</i> (2014) do not focus empirically on <i>IFRS for SMEs</i> , instead drawing together other research, concluding that <i>IFRS for SMEs</i> could be suitable in Poland but there are doubts and concerns

⁴⁶ There are compatibility problems between *IFRS for SMEs* and the EU directives, meaning that anyone within the EU has to adapt *IFRS for SMEs* to follow the standard without breaking EU Directives, leading to extensive modifications (Christodoulou, 2010).

	Poland, 2013).		surrounding suitability and timing.
Spain	General Accounting Plan for SMEs (IFRS Spain, 2013).	Not adopted <i>IFRS for SMEs</i> , consolidated statements can choose EU IFRS, or the General Accounting Plan for SMEs (IFRS Spain, 2013).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and Spain.
Japan	Historically, Japan had centralized control, but no codified commercial legal system, recently they have converged with full IFRS, differing to their government influence (Nobes & Parker, 2012).	Japan have not yet adopted <i>IFRS for SMEs</i> , perhaps due to large differences (IFRS Japan, 2014).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and Japan.
China	China's history is similar to Japan, but recently undertook economic reforms, transforming Chinese financial reporting, during which Anglo-Saxon accounting has been influential but there are still many differences (Nobes & Parker, 2012).	Chinese SMEs follow accounting standards for small entities published by the ministry of finance in 2011, influenced by <i>IFRS for SMEs</i> (IFRS China, 2014).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and China.
Fiji	All entities in Fiji followed accounting standards by the Fiji Institute of Accountants, influenced by Britain and other Commonwealth countries (Hussain <i>et al.</i> , 2012).	Fiji requires <i>IFRS for SMEs</i> , effective 2011, without modifications (IFRS Fiji, 2013).	Chand and White (2007) argue entities within Fiji are unlikely to be compatible with <i>IFRS for SMEs</i> . Similarly, Hussain <i>et al.</i> , (2012) investigate practitioner's perceptions in Fiji, suggesting that the standard is not applicable in emerging economies such as Fiji, due to a lack of training and guidance, and reporting burdens from <i>IFRS for SMEs</i> . This study only focuses on Fiji, so conclusions are difficult to generalize, nevertheless, Hussain <i>et al.</i> (2012) believe these problems are discovered in Fiji because the standard does not accommodate developing countries, so argue that the conclusions could be extended to other developing countries.
Turkey	Historically Turkish accounting was effected by the Turkish Commercial Code, bank and tax requirements (Türegün & Kaya, 2014; Balsari & Varan, 2014).	Turkey adopted <i>IFRS for SMEs</i> , without modification, but depending on size some do not follow the standard (micro entities follow SMEGA), and follow Turkish National GAAP (IFRS Turkey, 2013).	Many researchers have examined the adoption of <i>IFRS for SMEs</i> in Turkey because they were at the forefront of adoption (Türegün & Kaya, 2014; Alp & Ustundag, 2009; Balsari & Varan, 2014). Türegün and Kaya (2014) conduct questionnaires with 109 Turkish accountants, finding that there is a lack of knowledge so Turkish accountants require further education and a gradual adoption process. Balsari and Varan (2014) concur, but also question why the IASB created the standard, as there are problems with application in Turkey, because there are too many complexities and Turkish SMEs require further differential reporting. Balsari & Varan (2014) focus on fair value and tax within

			<p><i>IFRS for SMEs</i>, also arguing that further education is needed, alongside increased guidance and accessibility through collaborations with other organizations (Larson & Street, 2011; Adela & Silvia, 2009). Uyar and Güngörmüş (2013) identify proponents, and similarly discover that a lack of training hinders implementation and understanding. However, these Turkish studies pontificate, forming obvious conclusions surrounding a lack of education, without a deeper analysis. Similarly, Kılıç <i>et al.</i>, (2016) finds that Turkey is ill-prepared for <i>IFRS for SMEs</i>, as different firm characteristics of size and auditing independence impact preparedness. They agree that there is a demand for standards for unlisted entities, to increase access to capital, but they believe that Turkish SMEs are not prepared for <i>IFRS for SMEs</i> (Kılıç <i>et al.</i>, 2016).</p>
Nigeria	<p>SMEs followed standards set by The Financial Reporting Council of Nigeria (FRNC) (Balsari & Varan, 2014; IFRS Nigeria, 2013). Prior to adoption of <i>IFRS for SMEs</i>, SMEs were required to use full GAAP or IFRS as endorsed by the FRCN/NASB (Bohušová & Blašková, 2012).</p>	<p>The FRNC adopted <i>IFRS for SMEs</i>, effective 2014 (Balsari & Varan, 2014; IFRS Nigeria, 2013). The micro entities may choose to use the UN's SMEGA (IFRS Nigeria 2017).</p>	<p>Adetula, Owolabi and Ifemo (2014) assess the suitability of <i>IFRS for SMEs</i> in Nigeria, and obstacles in adoption, identifying that Nigeria feels a globalization pressure towards IFRSs, to increase comparability. However, they identify high implementation and training costs, so Nigeria should not adopt and education is necessary (Adetula <i>et al.</i>, 2014; Hodgdon <i>et al.</i> 2011). There is currently limited empirical research that has looked at <i>IFRS for SMEs</i> and Nigeria. Kanu <i>et al.</i>, (2014) who draws on Bohušová (2011) to argue that Nigeria would similarly benefit from increased access to finance, but this is not empirical research, only an assumption.</p>
South Africa	<p>In 1993, South African GAAP harmonized with IFRS, SMEs were not monitored to ensure compliance, but there was differential reporting within South African GAAP (Schutte & Buys, 2011ab; Stainbank & Wells, 2005; Stainbank, 2008; IFRS South Africa, 2013).</p>	<p>Adopted <i>IFRS for SMEs</i>, from the Exposure Draft (IFRS South Africa, 2013).</p>	<p>Schutte and Buys (2011ab) conducted research in South Africa, comparatively examining South African SMEs financial statements and IFRS requirements. They demonstrate that due to different objectives and the focus on full IFRS the adequacy of the <i>IFRS for SMEs</i> standard is doubtful for SMEs in South Africa, as this leads to a capital market orientation (Schutte & Buys, 2011ab). Thus, questioning the relevance of the standards framework through comparative analysis, and analysis of SME user needs (Schutte & Buys, 2011b). Schutte & Buys (2011ab) argue that the standard is not suitable in South Africa, as the IASB lack input from South Africa and Africa, not considering the needs of developing countries to the necessary extent, as the majority of responses came from within Europe. Furthermore, this research criticizes the manner in which South Africa has become a representative for the whole of Africa (Schutte & Buys, 2011a;b). Schutte and Buys (2011b) find that South African SMEs have different needs, for example, the balance sheet and income statements are more commonly used than the statement of cash flows, statement of changes in equity and the financial statement notes. The diversified nature of</p>

			SMEs within South Africa also means that specialized activities are not considered in <i>IFRS for SMEs</i> (Schutte & Buys, 2011b). Determining that the standards adoption will be complicated and costly due to limited international engagement (Schutte & Buys, 2011b). Alternatively, Stainbank's (2010) contextual analysis shows <i>IFRS for SMEs</i> is suitable for South African SMEs, reducing the burden.
Swaziland	Swaziland had national standards for SMEs or they follow full IFRS (IFRS Swaziland, 2017).	SME's can elect not to publish financial statements, but if they do they can follow IFRS or <i>IFRS for SMEs</i> (IFRS Swaziland, 2017).	Sithole (2015) conducted questionnaires to analyze if <i>IFRS for SMEs</i> is a suitable solution for Swaziland, communicating with those that have direct and indirect interest in SMEs. Through this research, they found that there are stakeholders that see <i>IFRS for SMEs</i> as relevant, but they are inconclusive as they also found that stakeholders see the standard as inapplicable, and believe their current framework is more suitable (Sithole, 2015). However, they also found that there was little knowledge or interest in the standard (Sithole, 2015).
Kenya	Olango and Kerongo (2014) state Kenyan SMEs followed reporting standards for listed entities, until 2011, creating many burdens.	Currently, in Kenya non-publicly accountable entities are permitted <i>IFRS for SMEs</i> , but can also use full IFRS (IFRS Kenya, 2013).	Olango and Kerongo (2014) identify that financial reports have improved in Kenya, however the study is limited and had a limited number of respondents. There is not further research in Kenya.
South Korea	In South Korea SMEs follow Korean GAAP (Accounting standards for Non-Public Accountable Entities), or choose full IFRS (IFRS South Korea, 2013).	Not adopted <i>IFRS for SMEs</i> , they use Korean GAAP, new SME accounting standards or can choose full IFRS (IFRS South Korea, 2013).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and South Korea.
Brazil	Brazilian SMEs could follow BR GAAP or IFRS Standards (IFRS Brazil, 2016). Prior to <i>IFRS for SMEs</i> they were following either full GAAP or full IFRS.	Adopted <i>IFRS for SMEs</i> with one exception, micro's can use another simplified set of standards, SMEs can also choose to use full IFRS (IFRS Brazil, 2016).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and Brazil.
Ghana	Prior to the adoption of <i>IFRS for SMEs</i> , SMEs were required to use full GAAP or IFRS (Bohušová & Blašková, 2012).	Adopted <i>IFRS for SMEs</i> in 2010, mandatory for all SMEs, or they can opt to use full IFRS (Bohušová & Blašková, 2012).	There is currently no empirical research that has looked specifically at <i>IFRS for SMEs</i> and Ghana. Bohušová & Blašková (2012) state that based on secondary research from Bohušová (2011) in less developed countries, it is assumed that IFRS for SMEs will improve access to finance and help them to gain access to financial markets. However, this research is based on attitudes and assumptions, offering limited evidence.

Jamaica	Prior to the adoption of <i>IFRS for SMEs</i> , SMEs were required to use full GAAP or IFRS (Bohušová & Blašková, 2012).	Adopted <i>IFRS for SMEs</i> in 2011 for all companies without public accountability, except those who choose full IFRS, or government owned entities (Bohušová & Blašková, 2012; IFRS Jamaica, 2017).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and Jamaica.
Peru	Prior to <i>IFRS for SMEs</i> , SMEs followed the standards set by the Consejo Normativo de Contabilidad (CNC) [Accounting Standards Council] and they endorsed IFRS for all companies (IFRS Peru, 2017).	Adopted <i>IFRS for SMEs</i> in 2012, all companies except large SMEs or publicly traded entities (Bohušová & Blašková, 2012).	There is currently no empirical research that has looked at <i>IFRS for SMEs</i> and Peru.

Appendix 5: Documents analysed

Type of document	Year of publication
IASB publications: IFRS for SMEs	
Due process documents, such as: Request for information, Discussion paper, Exposure Draft, Field test details and reports, Questionnaires, full standards, basis for conclusion, working group information, agenda papers	2002-2009
Comprehensive review documents	2012-2015
Press Releases	2002-2009 (related to IFRS for SMEs and relevant issues of due process and structure)
Information for observers	2002-2010
Project history	2009
Update newsletters	2001-2016
Annual reports	2009
Insight Newsletters	2001-2009
Training materials and guidance and Implementation issues and SMEIG Q&As	2009 onwards
SMEIG documents	2013 onwards
Guidance for Micro-sized entities	2013
Educaiton initiative: Train the trainers documentation	2010-2015
Presentations about IFRS for SMEs	2010-2014
Staff overviews and snapshots	2002-2015 (related to IFRS for SMEs)
IASB webpages, such as "What are IFRS?", "How we are structured"	Many webpages over time, both new and archived
IASB publications	
	2001-2009
Due process handbooks	2006, 2008, 2010
Constitution documents	2003, 2004, 2005
Constitution review documents	2003-2004
IFRS as global standards: Pocket guide	2015 & new editions
Who we are	2015 & new editions
Working in the public interest	2012
Comment letters	
R&M Questionnaire	101 comment letters
Discussion paper comment letters	120 comment letters
Exposure draft comment letters	161 comment letters
IASB/ IFRS Foundation publications	
Meeting Agenda documents	
IFRS Jurisdiction profiles	Multiple jurisdictions 2013-2017
Private documents	Given by interviewees from various points in time

IstaR	IASB Meeting observer notes	2003-2009
EFRAG	Annual review	2002-2015
	Webpages	2014 onwards (once I started the project)
European Commission	Green papers	2015
IOSCO	Document on their work with IFRS foundation	2005 onwards
World Bank	ROSC reports and overviews of ROSC program	2002-2009 (every month that discussed IFRS for SMEs in a meeting)
	Accounting for Growth in Latin America and the Caribbean	2010
	Implementation of International Accounting and Auditing Standards: Lessons Learned from the World Bank's Accounting and Auditing ROSC Program	2004
	Small and Medium Enterprises: Overcoming Growth Constraints	2012
UNCTAD	Promoting Transparency and Financial Disclosure: Accounting by Small and Medium-sized Enterprises	2000
	Annual reports	2003-2009
	Reports and presentations on SMEs and IFRS	2000 onwards
	SMEGA standard relevant documents	2009 onwards
	UNTAD IFRS joint workshop documents	2013
	Webpages	2014 onwards (once I started the project)
IFAC	Documents on the public interest and IFRS	2009 onwards
IAS Plus	Webpages relevant to IFRS for SMEs	2014 onwards (once I started the project)
ICAEW	Webpages relevant to IFRS for SMEs	2014 onwards (once I started the project)
	Report: SME accounting requirements: basing policy on evidence	2015
Ernst & Young	IFRS for SMEs relevant documents	
KPMG	IFRS for SMEs relevant documents	
Deloitte	IFRS for SMEs relevant documents	