AN EXPLORATORY STUDY OF COUNTRIES PARTICIPATION INTENSITY IN COMMENT-LETTERS: LEASE ACCOUNTING PROPOSAL

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Área temática: A) Información financiera y Normalización contable.

Key words: C: Lease accounting, countries differences, comment letters, IASB, FASB.
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Abstract

This study examines comment-letters' characteristics in order to understand the role of countries to influence lease accounting proposal (IASB & FASB). In this paper, we develop a preliminary study through the analysis of 1,746 comment-letters submitted in response to the two exposure draft of Leases (ED/2013/6 & ED/2010/9) and to the Discussion Paper (2009), elaborated jointly by the IASB and the FASB. Our empirical study is conducted through univariate analysis. The results show significant differences in participation intensity by country related to the lease proposal. The evidence should be considered to identify lobbying behaviour by groups or countries. The research has important implications for standard-setters and contributes to prior lobbying research.
1. Introduction

The standard setting of accounting standards is commonly viewed as a political or economic process, rather than a technical one (Zeff, 2002). Therefore IASB and FASB, as private sector bodies, have established a formal due process for issuing the accounting standards in order to gain legitimacy. Transparency and participation are key elements to achieve this objective.

One of the most accessible participation methods to interested parties is the submission of comment-letters (Georgiou, 2004 & 2010). These instruments permit researchers to understand better the critical matters of a new regulation and let them study the characteristics, behaviour and drivers of parties who submit a comment letter for a given new standard. Moreover they allow us to analyse the connection between the comment-letters and the final standard. This is a worth information for the market, preparers and users.

In this context, we focus on the new leases standard, prepared jointly by IASB and FASB, which is going to replace those currently in force (IAS 17 & ASC 840). We have chosen lease accounting proposal as the subject of this study for several reasons. First, it is a highly controversial standard where there is strong conflict of opinion. Second, it introduces important accounting changes from conceptual and practical perspective. Third, the leasing project would affect significantly the financial information of all companies. Finally, the lease standard setting process comprised three consultation periods since 2009 until now, and has received more than one thousand and seven hundred comment letters.

This project has been very controversial from the beginning. On the one hand, it is supposed the new accounting approach would help user’s decision-making by increasing comparability, but on the other hand, there is a concern about cost and consequences among companies. There has been a strong debate, both in specialized and more generalized forums, like IASB/FASB environment, academic accounting reviews, and economic press as The Economist (2013).

The accounting treatment of leases has evolved from a total lack of registration of assets and liabilities, to the current partial capitalization model. With this new proposal, standards-setters intend to go one step further: to move towards a full capitalization model. Assets and liabilities associated with lease contracts (except short term) would be reflected on the balance sheet. Apart from the adoption of “right-of-use” model, rather than the ownership model (Biondi et al., 2011), this proposal refers to other important accounting notions. Some of them are also object of criticisms as they could present practical and conceptual problems. The critical questions that standard-setters face are related to lease definition, dual model and classification criteria, renewal options and contingent payments,
among others. The standard would affect also other standards like IAS 40. Although, the proposal tries to overcome current standards’ problems, new inconsistencies and structuring opportunities are created at the same time.

Proposed changes in figures would affect financial statements of companies from all industry sectors. In 2005, the SEC founded 1.25 billion of non-cancellable operating leasing out of balance sheet, supported by Franzen et al. (2009). Other authors as for example Beattie et al. (1998), Fülbier et al. (2008) and Fito et al. (2013) have also examined the increase of assets and debt due to lease capitalization and its effects of financial ratios.

The project was launched with the publication of Discussion Paper on March 2009. A total of 303 comment letters were received. Up to date, two drafts have been published (on August 2010 and on May 2013) for the purposes of public discussion, and they have received 786 and 655 comment-letters respectively. It is noted that the number of comment letters of lease project is so high compared to recently accounting standard project, for instance, compared to Insurance Contracts which is being now re-deliberated. The date of final standard was delayed several times, so that the due process of lease accounting has been especially long compared with other projects as Business Combinations standard (IFRS 3) or Joint Arrangements standard (IFRS 11).

The lease international accounting standard would become an international accounting standard, whose aim is to be applied in every country that permits or establishes as mandatory international accounting standards. A vast accounting literature has already shown that the general accounting approach depends on the geographical location (e.g. La Porta et al., 1998; Ball et al., 2000; Hope, 2003; Leuz et al., 2003; Cho et al. 2013; Jorissen et al., 2013). In addition, the impact of the new lease proposal depends on the country too. In concrete, PwC (2010) has performed a study based on the information - FY 2008 - of over 3,000 listed companies in 54 countries worldwide. It assesses the impact of lease proposal on the financial statement and financial ratios, concluding that there are differences across industries and location.

Some prior studies have also focused on one standard (Yen et al., 2007; Holder et al., 2013). In a single-issue approach, constituents’ participation and their drivers to participate in the due process of standard setting are observed by focussing on the challenges in response to one specific standard (Jorissen et al., 2014). The main advantage to examine a single-issue standard is the ease in measuring variables of interest such as the lobbying position (Georgiou, 2005), the sense of comments (Giner& Arce, 2012) and the accurate to examine the contextual and specific variables. For example, some attributes can vary from one standard to other standard, the motivation to participate and the constituent participation can also vary depending on the issue and the effect of the accounting standard.
Consequently the study of a single-issue standard allows us to obtain more accurate conclusions.

As a part of a large research, the main objective of this exploratory study is to analyse how the responses to lease proposal are affected by the geographical location. To test this premise, we conduct a univariate analysis of lease comment letters classifying countries in different groups according to institutional characteristics, economics factors, etc. The results confirm that there are differences in the participation intensity among different countries, considering some country specific factors. The research is timely and would contribute to prior lease accounting literature and also to the previous studies that analyses characteristic of comment-letters. Hypothesis

The structure of the paper is as follows. Section 2 reviews the current theoretical framework. In section 3 the research design is explained and we set out objectives, hypothesis and variables. Section 4 describes methodology, the analysis of comment letters, and the particularities developed. In section 5 and 6 the results are showed and commented. Finally section 7 presents the conclusions.

2. Theoretical framework

In relation to accounting regulation, there is a body of accounting literature that has considered constituent’s behavior in the due process as an essential part of IASB and FASB standard-setting process. Durocher et al. (2007) divide previous research into three groups: the Positive Accounting Theory-PAT, based on the works of Watts and Zimmerman (1978), that links economic motivations to corporate characteristics; the Economic Theory of Democracy – ETDG, initiated by Downs (cited by Sutton, 1984) and Sutton (1984), that measures the probability of participation based in a cost-benefit analysis; and the Coalition and Influence Group - CIG, whose origins lie in the Metcalf report cited by Durocher et al. (2007), that investigates the existence of dominant groups and their influence on the standard setter’s decisions.

Our study focuses on the examination of comment letters submitted by different types of respondent from different countries. We intend to link countries’ characteristic to the participation intensity in order to extract some specific country factors that explain a greater propensity to send comment letters to the lease due process. The phenomenon may be explicated under both theories: PAT and ETDG. In fact, Sutton states in 1984 that ‘raising the cost of noncompliance will increase the level of producer lobbying’. In the future, we could apply also the CIG to see if there are dominant countries and the influence on the standard setters.
There are many researchers that have preceded our work in this field, by studying comment-letters of new standards’ due process (e.g., Holder et al., 2013; Jorissen et al., 2013, among others). Particularly, Kort (2011) and Mora & Molina (2014) have studied comment-letter submitted to lease accounting standard’s due process.

In some papers comment-letter are used as a proxy of lobbying activity because they are observable (Hansen et al., 2011; Giner & Arce, 2012; Bautista et al., 2014). According to Sutton (1984), lobbying are all actions of stakeholders to influence the regulatory process in order to defend their own interests. Holder et al. (2013, 134) also set that “The submission of comment letters has been deemed to reflect lobbying activity”. Therefore for the purpose of the study, we define lobbyists to be all parties who submit a comment letter in response to IASB/FASB discussion paper or exposure drafts (Hansen, 2011).

Stenka and Taylor (2010) identify another manner to confirm lobby pattern prediction from previous studies by concentrating on the regulators’ responses to the lobbyists’ recommendations. Prior studies show that standard-setters are sensitive to users’ and prepares’ preferences. However, others studies do not identify any dominant group. Yen et al. (2007) demonstrate FASB changed some points after received criticism by respondents. In the following lease lobbying works we would deep into this last theory. In future, we would consider analysing lease accounting due process from main standard setters’ perspective.

The main objective of international accounting standards is to make comparable the financial information for participants in the world’s capital markets. However each country has particularities that may affect the accounting approach. Therefore, the accounting literature about specific country factors pre-IFRS and post-IFRS is also relevant for this paper. Nobes (2006) reviews the literature about different accounting approach among countries, specifically between continental European countries and Anglo-Saxon countries. He mentions three issues that could influence the accounting system: legal system, taxation system and financing system and he also wonders if they are still important in the IFRS transition context.

In this sense, there are other variables that measure differences among countries and can be linked to accounting approach. Economic and institutional variables as capital market development and investor protection (Leuz et al., 2003; Cho et al., 2013) have to be also among variables that define countries differences. The cultural variables identified by Hofstede (2001)such as individualism, power distance, uncertainty avoidance or masculinity can be linked to Gray’s(cited by Knospe et al., 2014) accounting values, professionalism, uniformity, conservatism and secrecy.

Prior literature on earnings management (Hope, 2003; Leuz et al., 2003) and quality of earnings (Ball et al., 2000) provides evidence that the cost of noncompliance differs among countries (La Porta et al., 1998). Moreover it is highly demonstrated that accounting
practices are influenced by variables such as capital market development, nation's legal system, enforcement systems, investor protection, etc. (Leuz et al., 2003).

In this sense it is important to distinguish between regulation of accounting rules and accounting practice. Related to the first one, we situate the lobbying behaviour to the due accounting process of IASB and FASB. Jorissen et al. (2006, 2013 & 2014), Larson & Herz (2013) and Knospe et al. (2014), have include these variables in their model to explain the lobbying participation intensity of countries in the IASB’s accounting due process. In particular they employ a set of variables to measure a country’s level of economic development, variables representing country cultural dimensions, proxies’ variables of financial, law and government system, and also variables as language, reliance on IFRS, etc.

Our preliminary study takes some of these variables in order to explain country intensity participation through comment letters in the lease proposal due to the international controversial status of this standard.

3. Research design

3.1. Objectives and working hypothesis

The aim of our paper is to determine the impact of country specific factors in the lease due process, in terms of numbers of comment letters submitted. As we explain in previous section, prior accounting literature has shown that specific country factor influence the accounting approach.

For example, Wehrfritz& Haller (2014) choose two representative countries of Anglo-Saxon and continental countries, UK and Germany, to investigate the adoption and application of IFRS. The evidence shows differences in practical application of IFRS by German and British accountants.

This affirmation is also valid for lobbying in accounting due process. As we said above, seminal researchers in the field as Sutton (1984), already state the different cost of noncompliance in countries affects the level of producer lobbying. Jorissen et al. (2006) continues with this hypothesis adding some specific variables as enforcement, rule of law, judicial efficiency, earning management, legal origin, tax compliance etc… Subsequent studies retake the idea and analyse the influence of the countries in the submission of comment letters, confirming the initial evidence reported by Jorissen et al. (2006) (e.g. Jorissen et al., 2013& 2014; Larson & Herz, 2013; Knospe et al., 2014).

The rich population that has submitted comment letters in response to lease project allow us to examine some interesting positions among countries. That is, our objective is to
investigate the participation intensity of each country in order to explain if there are significant differences in participation intensity distribution by country related to the lease proposal.

Knospe et al. (2014) distinguish two categories of variables that may affect the country lobby intensity: economic development and cultural dimension.

Economic development has been considered in several previous works (e.g. Jorissen et al., 2013 & 2014; Larson & Herz, 2013). Larson & Herz (2013) choose equity market capitalization and gross domestic product per capita as explanatory variables. The evidence shows a significant and positive correlation with market capitalization. Jorissen et al. (2014) use the capital market development and gross domestic product per capita and detect differences between countries. For this preliminary study we consider some economic factors. We will deep into cultural factors in the next phase. So, we set the following hypothesis in alternative terms:

H1: The wealth level of a country influence different levels of participation intensity in their comment letters submitted to lease proposal.

Prior research argues that language barriers could discourage the participation in the standard setters’ due process (Standish, 2003; Burlaud & Colasse, 2011; Jorissen et al., 2013; Larson & Herz, 2013; Knospe et al., 2014). We expect constituents from English speaking countries are less likely to face language barriers in assessing due process documents of the IASB and the FASB. The language of a country, mostly if we divide between English speaking countries and others is correlated to legal origin, distinguishing civil law countries and common law countries, and also to the classification as Anglo-Saxon or not. It is important to mention that Mora & Molina (2014), using the lease project, show that countries belong to common law regime are more involved, looking the participation and the support of the proposals, than countries belong to code law regime. Therefore, we extend this study using two exposure drafts of Leases and to the Discussion Paper (2009). In particular, we formulate the next hypothesis related to the speaking language of the country:

H2: Language barriers influence different levels of country participation intensity in their comment letters.

The convergence projects, like lease one, are embedded in a complex political, normative and institutional context (Königsgruber, 2013). Even these international standards have been made with a global spirit; each country has a particular background and framework. Previous evidence shows that participation is unaffected by a country’s level of institutional reliance on IFRS (Knospe et al., 2014). In this case, for the lease project, we formulate the next hypothesis.
H₃: The reliance on IFRS of a country may influence different levels of country participation intensity in their comment letters.

Finally, other institutional factors such as the legal system, the financing system, the tax system and national accounting traditions, etc, may influence the application of IFRS directly (e.g. LaPorta et al., 1998; Nobes, 2006). In this context, Cho et al. (2013) find that creditor protection have a significantly negative effect on the use of long-term debt: on average, a one-unit increase in the creditor rights index of Djankov et al. (cited by Cho et al., 2013) is associated with a decrease in the long-term debt ratio of approximately two percentage points or more, depending on the model specification. If the lease proposal is moving forward a total capitalization of leases, creditor protection level in a country could influences the participation intensity. We set the next hypothesis:

H₄: The level of creditor rights may influences different levels of country participation intensity in their comment letters.

3.2. Definition and measurement of variables

For the analysis of constituents’ geographic distribution, we use those comment letters that we could assign to a single country. We include items that do not belong to a single country or geographical zone but work on a worldwide scale as the International Auditing and Assurance Standard Board, IOSCO or Big 4 audit firms. The sample comprises some items categorized as indeterminate, therefore they are not considered to test the hypothesis related to geographical location.

We have chosen the participation intensity variable as the dependent variable. Jorissen et al. (2013) used also this variable to quantity the level of participation activity of a country. Similarly to the IASB they proposed to scale the number of letter by GDP to define the financial contribution of a country to standard setters (IASCF cited by Jorissen et al., 2013). We define the variable as the number of comment letters written from a country during a period scaled by population of the country for that year measured in thousands. It is noted that we do not use GDP as deflator due to the fact GDP is an important independent variable that explains differences in affluence of comment letters from countries (Larson & Herz, 2013; Knospe et al., 2014, Jorissen et al., 2014). The ratio is showed below:

\[
\text{Participation Intensity} = \frac{\text{Number of letters submitted by country}}{\text{Population by country}}
\]
In the next paragraphs, we explain the definition and measure of the independent variables.

Firstly, we categorize countries based on their per capita GDP, provided by the WorldBank (2012). We split the countries into two groups according to the level of income: Middle income, and high income. It is noted that we disregard the classification of low income due to the fact that in our sample there is only a country: Kenya.

Secondly, prior research argues that language barriers could discourage the participation in the standard setters’ due process (Standish, 2003; Burlaud & Colasse, 2011; Jorissen et al., 2013; Larson & Herz, 2013; Knospe et al., 2014). In consequence, we include a dummy variable on the English language proficiency, coded one if English is a major or an official language in participants’ country of origin, and zero otherwise, consistent with Larson & Herz (2013). In line with the conclusion of previous studies, we expect constituents from English speaking countries are less likely to face language barriers in assessing due process documents of the IASB and the FASB. This variable may be closely related to other variables such as legal origin.

Thirdly, we classify countries considering their reliance on IFRS. We categorized the variable in three values (one, two and three) depending on the mandatory adoption of IFRS (code as one), the permitted adoption of IFRS (coded as two) and the not permitted adoption of IFRS (coded as three), respectively (see Knospe et al., 2014). The data source is from Deloitte website (2014).

Finally, several studies use creditor protection to discriminate between countries (LaPorta et al., 1998; Leuz et al., 2003; Cho et al., 2013). Creditor rights have an important negative effect on long-term debt (Cho et al., 2013). In prior lease accounting literature, researchers have demonstrated that the leverage ratio is the most affected by the new proposal (e.g. Beattie et al., 1998) and therefore the analysts and investors’ options (Altamuro et al., 2009). This effect could be increase by the creditor protection policy of the country. Based on previous studies, we define this variable as a dummy variable that takes the values from one to two, that is, from the weakest creditor protection to the strongest creditor protection.

As a context variable, we analyse all periods together as a pool, comprising the consultation period after the DP 2009, after de ED/2010/9; and the ED/2013/6.
Table 1 summarizes the main variables used in the study. We include the definition of variables and a brief literature review.

Table 1. Variable description

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation intensity</td>
<td>Number of comment letters for each country/population</td>
</tr>
<tr>
<td>Income</td>
<td>Per capita GDP (two groups: high income, middle income): dummy variable coded one if the country belongs to high income group; and, and two is the country belongs to middle income group.</td>
</tr>
<tr>
<td>Language</td>
<td>Dummy variable on the English language proficiency, coded one if English is a major or an official language in participants’ country of origin, and zero otherwise</td>
</tr>
<tr>
<td>Reliance on IFRS</td>
<td>We categorized the variable in three values (one, two and three) depending on the mandatory adoption of IFRS (code as one), the permitted adoption of IFRS (coded as two) and the not permitted adoption of IFRS (coded as three), respectively.</td>
</tr>
<tr>
<td>Creditor rights</td>
<td>Dummy variable that takes the values from the weakest creditor protection coded as one, to the strongest creditor protection coded as two.</td>
</tr>
</tbody>
</table>

4. Sample and descriptive statistics

We focus on the analysis of the comment letters sent by participants during the three consultation periods since 2009 until nowadays, the Discussion Paper published in 2009 (IASB, 2009), the ED/2010/9 (IASB, 2010) and the ED/2013/6 (IASB, 2013). We collect the 1.746 comment letters from the IASB website to test the hypotheses. We categorize the letters by country of origin.

First, we show the descriptive statistics of the comment letters by geographical area. Second, we use several univariate tests to detect statistically differences between respondent type and also between countries. Specifically, we use the non-parametric Mann-Whitney-U test and Kruskal–Wallis test. The Mann-Whitney-U test is used when the reference variable takes two values and the Kruskal–Wallis test is used when the reference
variable takes more than two values. For the analysis of data we use SPSS 19 software for quantitative analysis.

Table 2 shows the descriptive statistical of the comment letters intensity by geographical area. Our descriptive outcomes indicate differences in constituents’ participation among interest countries. On average, constituent from Australia, New Zealand and United States participate most, in terms on population. Also in absolute terms, the majority of the remaining letters are from the United States. The large number of letters from this country is likely attributable to convergence projects that are currently ongoing between the IASB and FASB (Hansen, 2011). Large firms from this country, which may need to use IFRS in a next future, are very interested in monitoring the due process.

<table>
<thead>
<tr>
<th>Countries grouped by geographical location</th>
<th>Mean</th>
<th>Observations</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>.897767</td>
<td>3</td>
<td>.5071527</td>
</tr>
<tr>
<td>Europe</td>
<td>.625733</td>
<td>60</td>
<td>1.9616394</td>
</tr>
<tr>
<td>Asia</td>
<td>.186571</td>
<td>45</td>
<td>.4301357</td>
</tr>
<tr>
<td>Canada</td>
<td>.735067</td>
<td>3</td>
<td>.3124539</td>
</tr>
<tr>
<td>Australia/New Zealand</td>
<td>1.084700</td>
<td>6</td>
<td>.6886070</td>
</tr>
<tr>
<td>Latin America</td>
<td>.028238</td>
<td>21</td>
<td>.0806499</td>
</tr>
<tr>
<td>Africa</td>
<td>.036667</td>
<td>9</td>
<td>.0400246</td>
</tr>
<tr>
<td>Total</td>
<td>.396390</td>
<td>147</td>
<td>1.3124447</td>
</tr>
</tbody>
</table>

5. Results

This section presents the results in relation to the participation intensity variable by countries.

In Table 3 we analyse the influence of GDP per capita in the country participation intensity. The Table 3 shows that countries with high income submitted more comment letters (mean = 0.6) to the lease project than countries with middle income (mean = 0.03). The Mann-Whitney-U test reveals statistical significant differences between countries due to the income variable ($p < 0.01$). The evidence is consistent with H1 prediction and also with the accounting literature (see, e.g. Jorissen et al., 2014).

<table>
<thead>
<tr>
<th>Income</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>U de Mann-Whitney</th>
<th>Z</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Income</td>
<td>96</td>
<td>.60</td>
<td>.59</td>
<td>83.01</td>
<td>719.50</td>
<td>-6.037</td>
<td>.000</td>
</tr>
<tr>
<td>Middle Income</td>
<td>42</td>
<td>.03</td>
<td>.06</td>
<td>38.63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Subsequent, we analyse the influence of the language in participation intensity by country. Table 4 exposes remarkable differences in the variable depending on the country of origin. The average number of letters by country scaled by population is diverse considering countries that have English as official or maternal language than others. English speaking countries are more likely to submitted comment letters than non-English speaking countries. These results are consistent with previous research (Standish, 2003; Burlaud & Colasse, 2011; Jorissen et al., 2013; Larson & Herz, 2013; Knospe et al., 2014). The Mann-Whitney-U test shows statistically significant differences between the two groups ($p < 0.01$) during all the consultation periods. The evidence supports the $H_2$ that predicts non English speaking countries are less likely to submitted comment letters to the lease proposal due to language barriers.

Table 4. Results of the participation intensity by language (All consultation periods)

<table>
<thead>
<tr>
<th>Language</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>U de Mann-Whitney</th>
<th>Z</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>English speaking countries</td>
<td>45</td>
<td>.87</td>
<td>2.27</td>
<td>84.49</td>
<td>1418.00</td>
<td>-3.08</td>
<td>.002</td>
</tr>
<tr>
<td>Non English speaking countries</td>
<td>93</td>
<td>.20</td>
<td>.32</td>
<td>62.25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5 indicate there are not differences in participation intensity by reliance on IFRS. This evidence is consistent with prior lobbying research. In general, countries where IFRS are not permitted are less likely to submit comment letters. However there is an exception: United States. In absolute terms, this country is the one that has sent most comment letters, even if in this country, they have other accounting standards. This resistance could be caused by the convergence project between IASB and FASB, its own standard-setter. The Kruskal-Wallis test does not shows statistically significant differences between the three groups ($p > 0.01$) during all the consultation period. Thus, the results do not support the hypothesis that country participation intensity is influenced by the level of reliance on IFRS ($H_3$).

Table 5. Results of the participation intensity by reliance on IFRS

<table>
<thead>
<tr>
<th>Reliance on IFRS</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>Chi-cuadrado</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18</td>
<td>.29</td>
<td>.47</td>
<td>60.39</td>
<td>.802</td>
<td>.670</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>1.61</td>
<td>4.33</td>
<td>70.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>105</td>
<td>.32</td>
<td>.45</td>
<td>69.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6 shows there are differences in rankings among countries with different level of creditor protection. The Mann-Whitney-U test shows statistically significant differences
between the two groups \((p < 0.10)\) during all the consultation periods. The results show that the strongest creditor protection influenced the major average intensity participation by country for every period and also for the comment’s letters submitted since the first draft until the last one. Thus, the results support the hypothesis that country participation intensity is influenced by the level of creditor protection in the country \((H_4)\).

Table 6. Results of the participation intensity by creditor protection

<table>
<thead>
<tr>
<th>Creditor rights</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>U de Mann-Whitney</th>
<th>Z</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low creditor protection</td>
<td>60</td>
<td>.33</td>
<td>.42</td>
<td>48,59</td>
<td>1085,50</td>
<td>-1714</td>
<td>.087</td>
</tr>
<tr>
<td>High creditor protection</td>
<td>45</td>
<td>.49</td>
<td>.57</td>
<td>58,88</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Sensitivity analysis

In this section, we report the results of the several sensitivity tests. First, we use an alternative dependent variable to assure the evidence of the above tests. Second, we remove the countries that do not summit comment letters to avoid potential bias. Finally, we eliminate USA country due to the high comment letter submitted compared to the rest of the countries.

The sensitivity analysis using an alternative dependent variable is conducted because previous empirical studies have used a variety of proxies to measure the participation intensity. For example, Jorissen et al. (2013) use as proxy to participation intensity the number of letters submitted by country deflated by GDP. Other authors as Jorissen et al. (2012) and Knospe (2014) use the number of comment letters per group in absolute terms for some analysis. In consequence, we run the above tests using an alternative dependent variable, the number of letters submitted by country.

Table 7 shows the results of the participation intensity driven by the country income, the country language and the reliance of IFRS. It is noted that we do not report the variable related to creditor rights due to the variable is significant at 10% and further control is required.

Table 7 reveals there are differences statistically significant in the participation intensity by country income \((p < 0.01, \text{panel } A)\) and by the country language \((p < 0.05, \text{panel } B)\). In contrast, we do not find differences statistically significant by the reliance on IFRS \((p > 0.10, \text{panel } C)\). The results are consistent with previous test.
Panel A: participation intensity by the country income

<table>
<thead>
<tr>
<th>Language</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>U de Mann-Whitney</th>
<th>Z</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Income</td>
<td>96</td>
<td>16.41</td>
<td>54.15</td>
<td>76.24</td>
<td>1081.00</td>
<td>-3.886</td>
<td>.000</td>
</tr>
<tr>
<td>Middle Income</td>
<td>39</td>
<td>1.77</td>
<td>2.36</td>
<td>47.72</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel B: participation intensity by the country language

<table>
<thead>
<tr>
<th>Language</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>U de Mann-Whitney</th>
<th>Z</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>English speaking countries</td>
<td>45</td>
<td>28.42</td>
<td>77.50</td>
<td>79.67</td>
<td>1635.90</td>
<td>-2.105</td>
<td>.035</td>
</tr>
<tr>
<td>Non English speaking countries</td>
<td>93</td>
<td>3.94</td>
<td>5.34</td>
<td>64.58</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel C: participation intensity by reliance on IFRS

<table>
<thead>
<tr>
<th>Reliance on IFRS</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Mid-range</th>
<th>Chi-cuadrado</th>
<th>Sig. asintót.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18</td>
<td>48.22</td>
<td>118.71</td>
<td>66.92</td>
<td>.882</td>
<td>.643</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>6.08</td>
<td>5.58</td>
<td>78.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>105</td>
<td>6.70</td>
<td>13.09</td>
<td>67.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Second, we remove the countries that do not submit comment letter (the minimum of the sample) because could bias the results. Finally, we eliminate the country that submit more comment letters (the maximum of the sample), USA, to assure the evidence of the above tests.

The evidence supports previous evidence (results not reported). We find differences statistically significant in the participation intensity by the country income and the country language. In contrast, we do not find differences statistically significant by the reliance on IFRS.

7. Conclusions

In this paper we analyse whether the variable participation intensity by country is influenced depending on characteristic of country of origin. To do this we take the comment letters submitted to the lease proposal in the three consultation periods: the DP 2009, the ED/2010/9 and the ED/2013/6. The results show that the participation intensity is influenced by income, language and creditor protection of country of origin.

Kort (2011) and Mora & Molina (2014) studied also comment letters of lease proposal, but focusing on comment letters submitted in response of DP 2009 and ED/2010/9, while we focus on comment letters submitted in response of the ED/2013/6, the most recent draft. Kort (2011) analyzed global position of preparers depending on their characteristic. Mora & Molina (2014) studied other variables as the level of agreement, the type of arguments and the participation in IASB activities. Our exploratory study focuses on the
analysis of the variable intensity of participation by country depending on specific factors of country origin named above.

The evidence has implications for standard setters, accounting professions and researches by providing ex ante insights into prospective reactions to proposed lease accounting changes. The research contributes to the extant accounting literature that has examined the accounting treatment of leases. Also it provides empirical evidence to the further research on lobbying.

8. References


Jorissen, A., Lybaert, N., Orens, R., & Van der Tas, L. (2013). A geographic analysis of
constituents' formal participation in the process of international accounting standard setting: Do we have a level playing field? Journal of Accounting and Public Policy, 32,237-270.


