

Impactful Research: Informing Accounting and Auditing Standard Setting

IAAER's Contribution

Professor Donna L. Street
Mahrt Chair in Accounting University of Dayton
IAAER Director of Research and Educational Activities

IAAER mission

- **...maximize the contribution of accounting academics to the development and maintenance of high quality, globally recognized standards of accounting practice**
- Achieved via collaborations with
 - Standards setters (**IASB, IAASB**, IIRC, then IAESB)
 - Others (UNCTAD ISAR, IFAC)
- In affiliation with
 - Funding partners (e.g., KPMG, ACCA)
 - Journal of International Financial Management and Accounting (JIFMA)
 - Gordon and Street coeditors of Institutional Perspectives

JIFMA institutional perspectives to inform IASB

Gordon and Street (2013) JIFMA 24:2

Building IASB research capacity: A commentary

- Discusses issues emerging from IAAER roundtables including
 - Whether academic research is relevant to standard setters
 - Types of academic research that would be most relevant to accounting standard setters
 - Perceptions on why academic research is not more useful to standard setters
 - Challenges to academic researchers' engagement in standard setting
- Need to bring academic work, literature, and researchers to IASB's attention and address issues such as
 - How to make academic research findings available to standard setters in a timely manner while managing delays associated with quality control and peer review
 - How to assist researchers in gaining access to certain types of information, knowledge, and data sources such as CFOs, analysts, and others involved in the financial reporting process
- IAAER is willing to continue its participation in efforts to increase the research activities and research capacity of the IASB
 - KPMG IAAER grant program to inform the IASB

IAAER and KPMG evidence-supported standard setting – Research grants to inform IASB (see IAAER.ORG (Grants))

Round 7 call for proposals

- Promotes research directed at developing theory and evidence to inform the IASB's decision process
 - Proposals pertinent to **any IASB standard setting project or research project** welcomed, including
 - Financial instruments with characteristics of equity
 - Accounting for extractive industries
 - Dynamic risk management (macro-hedging)
 - Disclosure and disclosure effectiveness and primary financial statements.
 - Proposals welcomed for research to **inform the IASB's post-implementation reviews (PIRs)**, which are generally performed 2-3 years after a standard has become effective
 - IFRS 9 Financial instruments
 - IFRS 15 Revenue from contracts with customers
 - IFRS 16 Leases
 - Research that provides **evidence on the effects of recognizing items in other comprehensive income rather than profit or loss**, either because of a mandatory requirement or an option in an IFRS Standard

IAAER and KPMG Evidence-Supported Standard Setting – Research Grants to Inform IASB – Round 7

Financial Statement Comparability in Extractive Industries: International Evidence

Niclas Hellman (Stockholm School of Economics)
Mariya N. Ivanova (Stockholm School of Economics)
Zeping Pan (Stockholm School of Economics)

Income Statement Presentation and Forecasting Quality

Elaine Henry (Stevens Institute of Technology)
Steve Yang (Stevens Institute of Technology)

The Impact of Hedging and Hedge Reporting on Managers' and Investors' Decisions

Roshan K. Sinha (Indiana University)
Donald R. Young (Indiana University)

Are Non-GAAP Measures Running Amok?

Evidence on the Proliferation of Non-GAAP Adjustments and the Quality of the Related Disclosures

Denise A. Jones (College of William and Mary)
Kimberley J. Smith (College of William and Mary)

An Assessment of Corporate Disclosures of IFRS 15: Revenue from Contracts with Customers

Mahmoud El Haj (Lancaster University)
Kim Trottier (HEC Montréal)

Examples of IASB references to KPMG IAAER grant program

<https://www.ifrs.org/academics/academic-overview-of-the-primary-financial-statements-project/>

International Accounting Standards Board members Ann Tarca and Tom Scott provide an overview for academics of the Primary Financial Statements project

⁷Paper presented to the Board as part of the KPMG/IAAER research programme. Greg Clinch, Ann Tarca and Marvin Wee, '**The Value Relevance of IFRS Earnings Totals and Subtotals and Non-GAAP Performance Measures**', 8 March 2018. Available at SSRN: <https://ssrn.com/abstract=3178567> or <http://dx.doi.org/10.2139/ssrn.3178567>

⁸Paper presented to the Board as part of the KPMG/IAAER research programme. Jan Barton, Thomas Bowe Hansen and Grace Pownall, '**Which Performance Measures Do Investors Around the World Value the Most—and Why?**', *The Accounting Review*, May 2010, 85(3), pp. 753–89

Examples of IASB references to KPMG IAAER grant program

<https://www.ifrs.org/news-and-events/2019/03/academic-evidence-contributing-to-discussions-at-the-iasb-march-2019-meeting/>

11 March 2019 Academic evidence: Contributing to discussions at the IASB March 2019 meeting

2 Primary Financial Statements—Unusual items 21B. The paper by Denise Jones and Kim Smith published in **The Accounting Review** in 2011 is cited. Preliminary work on this paper was presented as part of the KPMG IAAER Research Grants Program Round 1 - Research to inform standard setters

JIFMA institutional perspectives section to inform IASB

- The Impact of Segment Reporting under the IFRS 8 and SFAS 131 Management Approach: A Research Review,” Nichols, Street and Tarca, 2013, 24(3), 261-321
- The IASB’s Discussion Paper on the Conceptual Framework for Financial Reporting: A Commentary and Research Review,” Gordon, Bischof, Daske, Munter, Saka, Smith and Venter, 26(1), February 2015, 72-110
- Commissioned piece for 2021 stemming from Round 6 of IAAER KPMG Grant Program to Inform the IASB

IAAER ACCA evidence-supported standard setting – research grants to inform IAASB – examples from round 1

International Consistency and Convergence in the Application of International Auditing Standards: Evidence from Going Concern Modifications

Per Christen Trønnes, University of New South Wales

Elizabeth Carson, University of New South Wales

Roger Simnett, University of New South Wales

The Implications of XBRL for the Financial Statement Audit

Roger Debreceeny, University of Hawaii at Manoa

Stephanie Farewell, University of Arkansas at Little Rock

Hans Verkruijsse, Tilburg University

Use of Business Risk Audit Perspectives by non-Big 4 Audit Firms

C. M. van Nieuw Amerongen, Northeastern University

J. P. van Buuren, Nyenrode Business University

A. Wright, Northeastern University

C. Koch, University of Mannheim

IAAER ICAS Evidence-Supported Standard Setting – Research Grants to Inform IAASB – Examples from Round 3

- ICAS along with IAAER and IAASB commissioned research on global group audits (Downey, Gold, and Trotman)
- **IAASB was seeking evidence to direct its work on group audits, to inform improvements in relevant auditing standards**
- See <https://www.icas.com/professional-resources/audit-and-assurance/policy-and-influence/improving-the-quality-of-group-auditing>

Ongoing IAAER and IAASB discussions regarding potential research collaborations

- **Covid-19 related audit areas of focus (e.g. auditing estimates, going concern, audit reporting, key audit matters)**
- **Non-financial information disclosures / Assurance of non-financial information**
- Critical reviews of ISAs in general
- Forwarding looking pieces (i.e., areas where academic research is underway that might not yet be on the IAASB's radar screen but that could inform the agenda setting at the front end)
- PIRs (e.g., ISQM 1 Quality Management at Firm Level)
- Quality Control Management (perhaps an academic team could work with one of the global networks)
- Evidence from users and investors of the IAASB's work or output (e.g., ISA 701 Key Audit Matters, ISA 260 Communication with Those Charged With Governance)
- Current plan is to continue the dialogue in December

IAAER contribution to UNCTAD ISAR and IAASB

- 16 June 2020 UNCTAD-ISAR and WBCSD Webinar
Assurance on Sustainability Reports: Current Practices and Challenges
 - <https://isar.unctad.org/blog/2020/06/03/unctad-isar-wbcds-webinar-16062020/#Recording>
- Research underway to inform UNCTAD ISAR and IAASB – Forthcoming JIFMA 2021
 - Van Eck and Venter
 - Research on Extended External Reporting Assurance: Trends, Themes and Opportunities (will be open access)
 - Objective to generate ideas for academic researchers that may be informative to the IAASB's EER project
 - Krasodomska, Simnett, and Street
 - Assurance on Extended External Reports (EER): Current Practices and Challenges

Research to inform PIRs

- To help focus each PIR, IASB staff are required to identify topics particularly challenging or controversial at the time the Standard was developed and review whether the actual effects of the changes to the financial reporting requirements are consistent with the IASB's expectations at the time the Standard was developed and issued.
- **Feedback Statement** (summary of main issues considered at the time the standard was issued) can help researchers identify topics likely to be of interest to the IASB and provide an assessment of what the IASB anticipated the likely effect would be.
- Authors might also find related sections in the **Basis of Conclusions** accompanying the Standard helpful, because it provides a more detailed discussion of why the IASB made a particular decision.
 - An Analysis of the Impact of Adopting IFRS 8 on the Segment Disclosures of European Blue Chip Companies," Nichols, Street and Cerola, *Journal of International Accounting, Auditing, and Taxation*, 21(2), 2012, 79-105.

Research to explore anticipated impact of a standard

- *Adoption Of IAS 19R By Europe's Premier Listed Companies: The Corridor Approach Versus Full Recognition*, Fasshauer, Glaum, and Street, ACCA research report, 2008 (86 p),
<http://www2.accaglobal.com/documents/3134936>
- “Stock Option Compensation: Impact of Expense Recognition on Performance Indicators of Non-Domestic Companies Listed in the US” Cerola and Street, *Journal of International Accounting, Auditing, and Taxation*, 13 (1), 2004, 21-37

When selecting a research topic

- Standard setters need/desire help
- Visit their websites
- Talk to them
- Stay on the lookout for the call for papers for the 2021 IFRS Research Forum

Q&A

- At present, limited empirical research evidence exists on the relation between the accountancy profession and economic development, including specifically whether that relation is causal, and if so, the direction of causality. Policymakers, the donor community, and the accountancy profession, accordingly, have little empirical evidence on which to base decisions about actions directed at strengthening and supporting the accountancy profession and assessing the extent to which their actions have yielded the desired effect of enhancing economic development. Accounting researchers, thus, have an opportunity to provide objective evidence on the role of the accountancy profession in contributing to economic development.
- See Role of accounting and the accountancy profession in economic development: A research agenda
 - *Venter, Gordon and Street, Journal of International Financial Management and Accounting*, 2018,29, 195–218.