**ABSTRACT**

**Purpose –** This paper provides a theoretical articulation of the subordination and displacement of national sovereignty in favour of supranational organisations and international processes, particularly as it concerns Australia and its accounting standard-setting experience. This articulation is used to illustrate the potential of structuration theory for critical accounting studies, with particular reliance on Stones’ (2005) model of strong structuration.

**Design/methodology/approach -** This paper extends the use of Giddens’ structuration theory (1976, 1979, 1984) by drawing on the work of Stones (2005), and engaging with the globalisation literature through the insights of Manual Castells (1996, 1997, 1998). This theoretical framework is used to explore the Australian decision to adopt International Financial Reporting Standards (IFRS) within the broad spatial and temporal context of ‘new informational capitalism’, through the institutional meso context of standard setting, and with consideration of the micro context of the members of the Australian Financial Reporting Council (FRC).

**Findings –** It is suggested that the Australian FRC decision to adopt IFRS was influenced to a large extent by factors beyond the control of the FRC members. Faced with public outcry over the crisis of corporate collapses in the early 2000s, the FRC responded with apparent haste in choosing the IASB option for the ‘internationalisation’ of accounting standards. However, it is argued that the decision was situated in a much broader movement of history; one that reflected the emergence of a new neoliberal global order comprising networks of multilateral arrangements and strategic alliances, and one embraced by successive Australian governments in their attempt to engage with the global capital market.

**Research implications –** This paper demonstrates the potential of Stones’ quadripartite model of strong structuration, in combination with Castells’ theorising on globalisation, to contribute to future accounting research, not only in the realm of accounting standard-setting, but more broadly in our attempts to understand and critique the manner in which global neoliberal processes have come to impact on our lives in suspect ways.

**Originality/ value –** This paper introduces a novel theoretical approach to exploring the complex processes of international and domestic standard-setting, particularly as they reflect the subordination of nation-state sovereignty to a new supranational architecture shaped by global capital. This paper also extends the structuration literature beyond management and organisational case studies to the financial reporting regulatory domain.

**Sandra Chapple**

**Lecturer**

**School of Accounting, Economics and Finance, University of Wollongong, Australia**

**Address for correspondence: schapple@uow.edu.au**

**1. Introduction**

One of the more salient aspects of accounting’s place in processes of globalisation concerns the processes whereby International Financial Reporting Standards (IFRS) come to displace domestic accounting standards. Both the academic and the practical literature relating these processes is rich and expansive, ranging from the most narrowly practical aspects of accounting (see for example commentaries by Carnegie, 2005 and Jubb, 2005) to the most complex, abstract, and powerful of social-theoretic analyses of global financial processes and accounting’s place within them (see for example, Arnold, 2005). Embedded within most of this work is either an explicit commentary on or an implied assumption about the subordination of and displacement of national sovereignty in favour of supranational institutions and international processes of standard-setting.

The primary purpose of this paper is to provide a theoretical articulation of such subordination and displacement in the context of Australian standard-setting practices. One of the interesting aspects of the Australian experience was the Australian Financial Reporting Council’s (FRC)[[1]](#footnote-1) sudden adoption of IFRS in June 2002 (the adoption decision). That ‘suddenness’ was rather surprising given the slow, deliberative processes through which IFRS adoption has transpired and remains ongoing in other countries. Further, adoption was counter to the existing Australian Accounting Standards Board (AASB) policy of a commitment to long-term convergence with international standards[[2]](#footnote-2). Colin Parker, a member of the AASB 2004-2009, presented a sharply critical view, suggesting that:

…a fatal flaw [exists] in the Australian standard-setting arrangements whereby the secretive Financial Reporting Council can dump Australian accounting standards and replace them with so-called “international accounting standards” by January 1, 2005, without justification or consultation…The Financial Reporting Council’s 2005 position lacks substantiation. There was no due process, there was not a regulatory impact statement identifying costs, benefits and options…It appears that the Australian Accounting Standards Board was not even consulted on the fundamental change in direction of standard setting… The FRC “decree” trumps [the AASB] policy statement [PS4] (Parker, 2002, p51).

Keith Alfredson, the AASB chairman at the time of the decision, concurred:

[It] was as if that document [PS4] did not even exist. It was as if the process we [the AASB] had gone through had not taken place (in Commonwealth of Australia, 2004, p CFS 51).

In addition to incredulity over due process, Alfredson voiced concerns over the premature adoption of IFRS, particularly in respect of the quality of some of the IASB standards on offer, or the “problem around the edges”, such as those on related parties and insurance (in Commonwealth of Australia, 2003, p E153). He commented that in Australia, “we want standards that frankly are better than the international standards” *(ibid)*. At the time of adoption IFRS were quite incomplete, and Europe alone had made a commitment to adoption.

Concerned with accounting regulation, this study fits broadly within a wide-ranging literature that critiques the global spread of neoliberal, political-economic processes (see for example Arnold, 2005; Lehman, 2005; Boyce, 2008; Ravenscroft and Williams, 2009; Andrew et al, 2010; Merino, 2010). The ambiguities of rationales for global accounting standards reflect the almost stealth-like manner in which neoliberal ideology legitimates supranational policy without much argument. Anthony Hopwood called on researchers to probe these rationales and processes, in order to “understand better the processes of supranational accounting policy-making” in the new institutional environment of the late 20th century (1994, p241). Hopwood argued that, contrary to the official discourse of standard setters, the international standard setting domain is awash with complex and competing agendas. Similarly, Cooper and Tinker recognised the need for investigations that surpass the:

…”comfortable" assumptions of market competition and equating social welfare with private profit maximization...to the intractable problems of conflict and power; class, race and gender; state end market; culture and global economy etc…[to] form part of the broader and richer compass of accounting research if we are to have any hope of speaking intelligently about the current concerns of our societies (1990, p2).

As Gallhofer and Haslam (2006) note, accounting scholars did indeed take up such challenges, and a literature emerged to address the accounting/globalisation nexus, with clear attention to the prevailing neoliberal character of regulatory practice and its repression of the local dimensions of accounting, accounting education and professional practice.

As mentioned above, the primary purpose of this study is to provide a theoretical articulation of these events rather than a comprehensively historical one. Assembling a range of concepts from structuration theorists and as well as writings on globalisation, the study develops a theoretical nexus of the work of Giddens (1976, 1979, 1984), Stones (2005) and Castells (1996, 1997, 1998) within the experiential domain of Australian adoption of IFRS’s. This study provides scope for rich interpretation of this adoption decision, moving from the macro-level of the globalisation phenomenon, through the complexities of institutional relationships, to the role of FRC members. The study highlights the influences of structural forces, ideological pressures, and a multitude of actors, temporally and spatially dispersed, at play in the globalisation of accounting standards. Most importantly, the efforts here may prove fruitful to others as we continue to progress our theoretical understanding of and thus our critique of the manner in which neoliberal and global processes have come to act upon our lives in ‘suspect’ ways. In this sense, the study contributes to critical social theory and its emancipatory agenda in the dual context of structuration and globalisation.

Section 2 positions accounting standard setting in the context of globalised neoliberalism. Section 3 takes this global and neoliberal context as an ontological given and articulates the appeal of strong structuration as a fruitful theoretical framework to understand IFRS adoption. Section 4 expands on this framework, and section 5 summarises the contribution of this study, speaks to its limitations, and speculates on how this study may enhance future research and scholarship.

**2. Neoliberalism, Accounting Standards and Manuel Castell’s Theoretical Insights.**

**2.1. Neoliberalism and the historical background for Australian adoption of IFRS.**

The contemporary social context for the internationalisation of accounting standards is the developing force of neoliberalism, a broad and elusive term applied to a range of disciplinary practices, political rhetorics, and social-cultural phenomena. As Bockman states:

Recently, the term “neoliberal” has been extended to a wide range of phenomena: the corporatization of universities, the shift of welfare policy toward philanthropy and entrepreneurship, the spread of “intensive mothering,” the privatization of state companies, the expansion of low-wage service work, the growth of mass incarceration, and so on. While this list may seem excessively broad, the concept of neoliberalism suggests that such economic, political, social, and cultural phenomena worldwide might be connected to larger transformations in global capitalism. Neoliberalism manifests itself differently in different places, and sociologists use the concept to examine the potential connections among these changes around the globe (2013, p14).

When Bockman connects neoliberal phenomena to “. . . larger transformations in global capitalism,” accounting developments like the internationalisation of financial accounting standards are easily seen as central to neoliberalism. Research into the place of accounting within neoliberal transformations is substantial and growing. Lehman (2005), draws on philosophical work to position the harmonisation of accounting standards project within the discourse of dominant, neoliberal perspectives. Arnold (2005) unveils the surreptitious attempts of transnational accounting firms to advocate deregulatory, neoliberal agendas which would certainly enhance their business activity but also be threatening to broader social interests. In a manner that speaks to the salience of financial accounting disclosures to neoliberal processes, Ravenscroft and Wiliams (2009, p770) suggest that the neoliberal project displaces the “. . . centuries-old root metaphor of accountability by the metaphor of information usefulness.” Merino et al (2010) provide elegant historical explanation of various neoliberal tactics to gain leverage in the sphere of financial regulation. These and other studies richly embed the global within the local as they seek to show how neoliberalism depends upon a rather docile acceptance of the need to displace domestic concerns with global ones. In a deeply critical and justifiably provocative way, Lehman speaks to the ‘non-innocent’ force of neoliberalism as it transforms the social into something that continuously becomes more ‘economistic’:

Neo-liberal processes of free-market harmonisation operate in a stealth-like fashion and assume that they are the vanguard force in civilising the global world and its nation states (Lehman, 2005, p986)…

Accounting, and its internationalisation, remains caught within a fundamentally flawed global economic-liberal system that perpetuates poverty, alienation and anomie. The concern is that international accounting processes are part of a limited conception of civil society itself, built on a totalising consumer society which appeals primarily to the economic appetite of consumers (*ibid*, p989).

The 2002 decision to adopt IFRS in Australia was something of a watershed in the roughly 30-year history of political and legal changes that have come to define neoliberal revisions to political history. Neoliberalism was popularised in the policies of Margaret Thatcher, the Prime Minister of Britain from 1979 to 1991, and Ronald Reagan, President of the US from 1981 to 1989. In its early days, it provided the ideological scaffolding for macroeconomic policies such as the abolition of restrictions on international capital flows, privatisation of state enterprises, and the deregulation of financial markets (Perera et al., 2003, p28). It was responsible for “imposing far-reaching programs of state restructuring and rescaling across a wide range of national and local contexts” (Peck and Tickell, 2002, p380). The harsh outcomes of this early phase eventually yielded to the second phase, in which some level of regulation was re-introduced (Godfrey and Langfield-Smith, 2005, p1986) in order to facilitate “the purposeful construction and consolidation of neoliberalized state forms, modes of governance, and regulatory relations” (italics in original) (Peck and Tickell, 2002, p384).

Australian politics has always been strongly influenced by Anglo-American activities, like the advance of neoliberalism as described above. In the Australian context, late 20th century Australian politics dominated by the policies of the Hawke and Keating Labor[[3]](#footnote-3) governments, reflected zealous attachment to neoliberal policies promoting free trade and market liberalisation. As an act of repositioning Australian monetary policy from the local to the global, in 1983 the Australian dollar was floated, followed by the deregulation of the financial system and the lifting of exchange controls over capital movements to and from Australia, irretrievably linking the Australian economy to the trajectories of a global economy. Global free trade was encouraged through legislative and executive acts such as GATT (General Agreement on Tariffs and Trade – forerunner to the WTO) and APEC (Asia Pacific Economic Cooperation Group) (Bell, 1997, p360).

It was in this context that the Labour government initiated corporate law reform, with the *First Corporate Law Simplification Act (Commonwealth)* passed by parliament in 1995. This reform was continued and significantly broadened by the Coalition Government [[4]](#footnote-4) under the *Corporate Law Economic Reform Program (CLERP)*. Coalition policy was very much centred on increasing economic and capital market efficiency (Stoddart, 2000; Godfrey and Langfield-Smith, 2005), and the CLERP proposals were framed accordingly (Commonwealth of Australia, 1998a):

Accounting standards that are responsive to the needs of both the Australian business community and investors will be developed, thus ensuring that Australia maintains an informed and efficient capital market…A key role of the FRC will be to ensure that the AASB is committed to, and works towards, adoption of IASC standards having regard to what is taking place in major capital raising economies” (Commonwealth of Australia, 1998, pp3-4).

This increased regulation is consistent with what Peck and Tickell (2002) describe as the second phase of neoliberalism, where first phase deregulatory policy is followed by increased regulation to improve capital market efficiency. Global financial regulation, including the internationalisation of accounting standards, is most often motivated in terms of lubricating the ‘efficiency’ conditions of capital markets throughout the world. IOSCO, for example, underscored the importance of information in facilitating one of its key objectives, market efficiency (IOSCO, 2003, paragraph 4.1). This objective would be delivered by the timely dissemination of relevant information (*ibid*, paragraph 4.2.2), information that was shaped through the use of accounting standards which are of “a high and internationally acceptable quality” (IOSCO, 2003, principle 16). The political developments within Australia were deeply embedded in this neoliberal, global, practical and ideological agenda, as clearly stated in the CLERP policy proposals.

This paper will work through some rather complex work to wed these practical developments to social theory. Two primary theorists on whom I rely are Manuel Castells and Rob Stones. Castells’ theoretical work, on what he terms ‘the network society’, discussed below, will conjoin nicely with the subsequent discussion of Stones’ work in strong structuration theory to yield the primary contribution of this paper; that is, a comprehensive theoretical framework for understanding the Australian adoption of IFRS.

**2.2. Manuel Castell’s “Network Society” as a theoretical window on the emergence of IFRS.**

Manuel Castells is one of the foremost globalisation theorists of our time, with his work captured in a trilogy under the banner of the ‘*The Information Age’* (1996, 1997, 1998). The calibre of this work was highlighted by Anthony Giddens, who suggested that "it would not be fanciful to compare the work [the trilogy] to Max Weber's *Economy in Society*" (as cited in Castells, 2001, Introduction). Further praise for his work came from Zachary, writing in the *Wall Street Journal,* who positioned Castells’ work alongside that of Adam Smith and Karl Marx (as cited in Castells, 2001, Introduction). Working within the ‘global transformationalist’[[5]](#footnote-5) school, the most important contribution of Castells’ work to this study involves his concept of ‘the network society’. The network society occurred at the historical conjuncture of “…three independent processes: the information and technology revolution; the economic crisis of both capitalism and statism, and their subsequent restructuring; and the blooming of cultural social movements, such as libertarianism, human rights, feminism, and environmentalism” (Castells, 1998, p367).

This network society is organised around the space of flows and timeless time[[6]](#footnote-6) (1996, p476), which provides the context for new relationships of production, power and experiences, relationships that are quite distinct from those of the industrial revolution. Of the independent processes which Castells claims give rise to the network society, the information and technology revolution and the economic crises of both capitalism and statism are profoundly important in a theoretical understanding of the rise of IFRS. The rise of ‘state capitalism’ in former communist countries gave rise to a market for accounting information to serve newly formed capital markets and financial institutions. Traditional capitalist states as well as supranational organizations like IOSCO and the World Bank sought seamless global integration of information about capital flows and investments, providing the practical argument for convergence on a single set of accounting standards[[7]](#footnote-7). Obviously, those desires required an already existing technology capable of more or less contemporaneous access to a range of accounting-based financial information irrespective of one’s ‘global position’. Poullaos positions accountants squarely within this network society, as the “switchers” of the “financial flow switches” (2004, p720) in this space of flows.

An historically different form of capitalism, namely global informational capitalism, necessitated the “multilateralization of power institutions”[[8]](#footnote-8) (Castells, 1998, p377) at the expense of nation-state sovereignty. This phenomenon was reflected in the emergence of supranational organisations, such as the World Trade Organization (WTO), the United Nations (UN), the Group of 7 nations (G7) and the North American Free Trade Association (NAFTA), as vehicles to protect and provide benefits to members in “the new global disorder” (Castells, 1997, pp266-269). Castells suggests that this was not so much about global governance with fully shared sovereignty, but rather about nation-states desiring “platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states” (1997, p268). A “network of nation-states, international institutions, associations of nation-states, regional and local governments, and non-governmental organizations” become tenuously responsible for the political management of the globalised world (Castells,1997, p364-365 and Castells, 2001,p4).

This new transnational architecture reflects networks of powers and counter-powers (Castells, 1997, p305), with nation-states inextricably linked to the fate of international competition, and the obligatory neoliberal policies of deregulation and privatisation. In order to participate in the global market, nation-states, once the classic embodiment of “legitimizing identity” (Stalder, 1998, p305), relinquished much economic sovereignty and allied themselves with global economic interests, forced to abide by global rules favourable to capital flows and to depend on emerging systems of international governance (Castells, 1997, p307). Yet it is important to recall that nation-states remain salient, albeit in a ‘shrunken way’:

…but the degrees of freedom of nation states have shrunk to such an extraordinary degree in the last ten years…So what we have, for instance, in the case of Europe, is a complex system of institutional relations, which I will call the network state, because, in fact, it’s a network of interactions of shared sovereignty. Under different forms, you have a similar situation in most of the world (Castells, 2001, p4).

Although Castells does not specifically address international accounting standards and the IASB, his interpretations certainly resonate within this arena. The Australian decision to adopt IFRS, effectively abandoned any notion of domestic latitude in standard setting, with the requisite authority surrendered to the IASB. The FRC action was in a significant way ‘forced’ as a response to both the global financial crisis and domestic ‘crisis’ related to Australian corporate failures. These conditions are metonymic examples of the broader range of crisis conditions, in realms as far-reaching as welfare, crime, currency exchange markets and communication, where nation-states reach for global solutions and “the policy process disappears into an increasingly abstract arena of international organizations. Essentially, the traditional institutions of democracy are caught in a fundamental *contradiction”* (Stalder, 1998, p305), where “the more states emphasize communalism, the less effective they become as co-agents in the global system of power. The more they triumph on a planetary scale, the less they represent their national constituencies” (Castells, 1997, p308).

The network society was in part and from the outset the result of economic crises and subsequent restructuring of both capitalism and statism (Castells, 1998, p367). Capitalist economies embraced a new form of capitalism, featuring globalisation of core economic activities underpinned by rapidly changing information technologies (Castells, 1998, p368). Further, nation-states became inextricably linked to the fate of international competition, buoyed by the widespread acceptance of neoliberal ideology. Though at first committed to market ‘self-correction’, with little or no government imposed restrictions (Peck and Tickell, 2002, Golob et al., 2009), a ‘second phase’ of neoliberal processes yielded a proliferation of financial regulation in the wake of corporate collapses,[[9]](#footnote-9) rampant financial corruption, and crises of financial capital on a scale yet unimagined. And, of course, all of this required non-obtrusive but nonetheless effective financial disclosure regulation at a global level, with groups like IOSCO, the World Bank, and the IASB focussed squarely on providing that regulation (see Arnold, 2005; Stiglitz, 2000). The nation-state moved deeper into the ‘backbench’ of accounting regulation as the ‘supranationals’ moved to the fore.

**2.3. Supranational organisations, national jockeying, and sovereignty over accounting standards**

This new global economy, globalisation of financial markets and the freeing of international capital flows precipitated the putative demand for a uniform set of accounting standards capable of producing globally comparable financial statements. Furthermore, this would be delivered by the “neoliberal formula” and the mechanisms of the global market (Andrew et al., 2010, p612). The international standard-setting arena in the latter part of the 20th and early 21st centuries witnessed the emergence of multilateral coalitions and alliances, jostling for control over or influence on the setting of international accounting standards. The first such coalition of significance was the IASC, ostensibly established in 1973 to satisfy the economic imperative for the provision of transparent and globally comparable financial statements, but at the same time providing a political vehicle for Western nations (Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK and the US) to protect their underlying philosophies and interests. Impetus for its establishment came from British interests, particularly the accounting profession and Sir Henry Benson[[10]](#footnote-10), who wanted an “institutional manifestation…of the Commonwealth mode of accounting” (Hopwood as cited in Flower, 1997, p288) as the UK entered into the European Economic Community. In Castells’ terms, this exemplifies the nation-state as a participant in networks of “powers and counter-powers” (1997, p305) in order not only to enhance the competitive capabilities of its constituents, but also to secure a platform for standard-setting cooperation.

Beginning in 1992 the IASC was challenged by the G4, a coalition of standard setters from the UK, US, Australia and Canada. As the IASC engaged more actively with IOSCO (International Organization of Securities Commissions), standard setters from these G4 countries “felt a need for collaboration among themselves, to try to influence the future course of the IASCs work” (Camfferman and Zeff, 2007, p443). In 1994 the IASC was granted membership of the group, which became the G4+1, followed by the sixth member, New Zealand, in 1996. This body was increasingly seen as a threat to the future of the IASC, particularly from the point of view of the European members of the IASC (McGregor, 2012, p227). This group ceased in 2001, on the grounds that the newly constituted IASB obviated the need for a separate standard-setting group (G4+1, 2001). IOSCO endorsement of IASB standards for cross-border registration purposes was provided in 2000, and shortly after this the IASC was reconstituted as the IASB, in accordance with the expert model advocated by the SEC, FASB and the G4+1[[11]](#footnote-11) (Godfrey and Chalmers, 2007, McGregor, 2012).

Whether appropriate or not, the success of ‘one set of global standards’ hinges on acceptance by the US. US commitment to IFRS acceptance was solidified with the Norwalk agreement between the IASB and FASB (2002), subsequent Memoranda of Understanding (2006, 2008) (MOU), and a further statement in 2009 committing to completion of MOU projects by 2011.Needless to say, this deadline has passed, although considerable achievements have been made on the convergence agenda. The SEC also vacillated on the IFRS option, before a serious nudge by section 108(d) of the Sarbanes Oxley legislation (July 2002), calling on the SEC to weigh up the pros and cons of principles-based standard setting. It followed up with report to Congress in July 2003 which recommended “that those involved in the standard-setting process more consistently develop standards on a principles-based or objectives oriented approach” (SEC, 2003, Executive summary). In essence, despite a long-term unilateral approach to standard-setting, the US authorities recognised the need to engage in more collaborative efforts to work towards a principles-based approach to standard-setting and some form of convergence with IFRS. The concessions of both standard-setting boards reflected the reciprocal power relations of the two. The IASB was reliant on FASB support both in terms of resources (for the standard-setting process) and US leverage based on the necessity of US commitment to the fulfilment of the goal of ‘one set of global standards’. The FASB was reliant on the IASB and the convergence project as a counter to criticism of US GAAP.

On the European front, the formation of the EU (which Castells refers to as “the Brussels cartel” (1997, p267), and the consequential establishment of a single European market and currency, led to calls for harmonisation of accounting within Europe (Dewing and Russell, 2004). The existing Fourth and Seventh Directives[[12]](#footnote-12) proved to be insufficient for the needs of European companies attempting to list elsewhere, so in 1995 the EC issued a new strategy for harmonisation which favoured the adoption of IASB standards (Dewing and Russell, 2004, p293). Further, the perceived threat from the G4+1, as mentioned above, triggered the establishment in 1996 of yet another supranational body, the European Accounting Study Group (E5+2)[[13]](#footnote-13) as a vehicle for the Europeans to present a united front at IASC meetings; or, in Castells’ terms, an example of nation-states creating “platforms for joint ventures towards a diversity of goals that could hardly be reached by individual nation-states” (1997, p268). Eventually, the Europeans were unable to agree on a common accounting system and, averse to US GAAP[[14]](#footnote-14), saw the IASC standards as the only viable alternative for accounting harmonisation (Flower, 1997; Camfferman and Zeff, 2007; Chiapello and Medjad, 2009; Van Hulle, 2004). In July 2002 the European Parliament and its Council of Ministers affirmed the use of IFRS by all EU listed companies in their consolidated accounts for financial years beginning on or after 1st January 2005. The European adoption decision was seen as a “watershed event” in the IASB’s first ten years (McGregor, 2012, p228), hastening similar decisions in other jurisdictions including Australia, New Zealand, South Africa and Hong Kong[[15]](#footnote-15). Although this shift in governance was initially embraced by the Europeans, it has more recently been challenged with attempts to claw back some domestic sovereignty in the standard-setting arena (Perry and Nolke; 2006; Chiapello and Medjad, 2009). As suggested by Castells (1997, p335), while such initiatives are rationalised in terms of constituent benefits, these very same initiatives may come into competition with nation-states, or in other words, challenge their sovereignty.

Australian domestic policy, particularly as it relates to the adoption of IFRS, was couched in terms of reform, initiative and responsiveness to the needs of global markets, effectively masking the transfer of control to global forces and international bodies (such as the IASB). Sovereignty in the standard-setting arena was relinquished in return for access to global capital markets, with the promise that the so-called “benefits of corporate ingenuity” would trickle down to Australian citizens (Castells, 1997, p307). This loss of sovereignty triggered the emergence of yet more multilateral arrangements in the form of regional “joint ventures” (Castells, 1997, p268) to more effectively advocate at the international level of standard-setting. Joint ventures such as the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG)[[16]](#footnote-16) and the Asian–Oceanic Standards Setters Group (AOSSG)[[17]](#footnote-17), were established to reflect regional responses to international developments (AOSSG, 2009) and to provide an alternative to the views of the US and EU, “which don’t always agree” (Lucy as cited in IASB, 2010).

Other regional responses are reflected in the establishment of standard setting groups in Europe, namely EFRAG[[18]](#footnote-18) and SARG[[19]](#footnote-19), which are clearly defensive mechanisms to counter the power of the IASB (and that of the FASB) over international accounting standard-setting. In Central and South American, the Group of Latin American Standard Setters (GLASS)[[20]](#footnote-20) was established in 2011 to interact with other regional standard-setters and to present a South American voice in the international arena (GLASS, 2014). In the same year, the African professional accounting body was established to, among other things, “communicate with and participate in the work of IFAC and IASB boards and committees in agreed areas and liaise with other international and regional organizations” (PAFA, 2014).

All of this history makes it clear that the IASB’s ascent to power was not merely a market response to a global market dilemma; more fundamental concerns underpinned the emergence of various alliances and ‘platforms for joint ventures’. Nation-states entered into these arrangements as political moves to protect regulatory spaces and more regionalised interests, or to maintain deeply entrenched cultural values and reporting philosophies. But the impotence of individual nation-states to deal with global economic issues was made most apparent in times of financial and corporate collapses. The Asian Financial crisis of the 1990s, for example, mobilised responses from the G7 countries (Graham and Neu, 2003), whereas the Global Financial Crisis of 2007-2009 (GFC) prompted intervention by the G20 nations to commit to a “coordinated set of policy actions [ to] pull the world economy back from the brink of a depression” (G20, 2009b). As part of this initiative, the G20 leaders called on “…our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard-setting process, and complete their convergence project [between the IASB and the FASB] by June 2011”(G20, 2009a, paragraph 14).

While the emergence of supranational organisations is facilitated by the nation-state[[21]](#footnote-21), it also heralds a loss of the latter’s sovereignty. Alarmingly, this inextricably links nation-states to the fate of international competition and the global network, or what Castells refers to as:

…the G7 countries club, perhaps with a few additional members, and its executive arms, the International Monetary Fund, and the World Bank, charged with regulation and intervention on behalf of the ground rules of global capitalism (1998, p387).

One of these ‘additional’ members is certainly the IASB. Nation-states are left at the mercy of the communities of elites who reside in the space of flows (Castells, 1996). These communities of elites, comprising the technocrats and bureaucrats of these supranational organisations, make the important decisions in this world; they decide what is to count (Neu et al., 2002) and “add their own dose of neo-liberal ideology and professional expertise in the implementation of their broad mandate” (Castells, 1998, p387).

This section of the paper has broadly applied Castells’ work to the recent history of standard setting in accounting. As Poullaos (2004, p716) states, given the historical novelty of the era in which we live, engagement with the globalisation literature is a must for critical accounting researchers. Castells work provides a basis to display the centrality of neoliberalism and supranationals to the globalisation canvas. This canvas not only backdrops the following structuration analysis, it responds to the call of Englund and Gerdin (2014, p176) for theoretical amalgamation to “develop more phenomenon-specific adaptations of structuration theory”, as is the case described above for understanding global standard setting within the theoretical mileau that Castells offers.

**3. Giddens’ Sructuration Theory and Stones’ Model of Strong Structuration**

The take-up of Giddens’ structuration theory throughout the social sciences and humanities has been nothing less than extraordinary (Bryant and Jary, 2001), as it features in hundreds of publications and texts. Within the accounting domain, around 65 published papers are informed by structuration theory, thus becoming “one of the dominant alternative approaches used to explore accounting practices” (Englund et al., 2011, p494). [[22]](#footnote-22) Englund and Gerdin (2008, 2011, 2014) and Englund et al (2011) provide comprehensive reviews of the literature that has developed since MacIntosh and Scapens first introduced structuration theory to accounting research in 1990. They acknowledge the contributions of this literature, particularly its ability to challenge “the functionalist perspectives underlying mainstream research” (2014, p175) and its engagement with the duality approach to social theory, as opposed to previous dualisms of structure and agency. However, this literature is tempered by limitations, including something of a lack of cohesiveness, theoretical critique and empirical insights, as well as a tendency to focus on structure to the detriment of probing the issue of agency (Jack and Kholeif, 2007, Englund and Gerdin, 2008, Englund et al., 2011, Englund and Gerdin, 2014, Roberts, 2014, Coad and Glyptis, 2014). Further, the existing literature focuses primarily on management accounting and/or control issues[[23]](#footnote-23) in the organisational context, with little departure into the realms of financial accounting and regulatory processes (refer Tollington, 2006, and Moore, 2011 for exceptions).

The criticisms relating to the use of the structuration theory have to some extent been addressed by accounting scholars through their uptake of Stones’ (2005) quadripartite model of strong structuration (Jack, 2007; Jack and Kholeif, 2007, 2008; Coad and Herbert, 2009). Stones (2005) comprehensively works through the limitations of Giddens’ structuration theory (for example those articulated by Archer, 1982, 1995, 1996; Mouzelis, 1991, 2000; Sewell, 1992; and Thompson, 1989), and from this he develops a more robust model pitched at the situational ‘meso-context’[[24]](#footnote-24) of social action. Stones takes Giddens abstract concept of duality of structure, in which structure is both the medium and outcome of agency (and internal to the agent), and extends it by acknowledging the role of external forces (external structures) on the actions of agents in their particular social context, and the understanding that these agents have of their context and the conditions of action. Stones’ model presents the concept of position-practice relations as the link between structure and agency, in addition to offering methodological enhancement for the doing of research. Such a model, argues Jack and Kholeif (2007), has significant potential for application in the accounting, management and organisational research. The following previews the defining concepts of Giddens structuration theory by way of introduction to Stones’ (2005) model. Even though Stones’ work is the central contribution to structuration theory in the paper, it is necessary to acknowledge all of Stones (and others) theoretical debt to Giddens.

**3.1 Giddens’ structuration theory – key concepts**

Structuration theory was developed by Giddens over the space of a decade and was presented in three key works (1976, 1979, 1984). He addresses the process of structuration involved in the (re)constitution of social systems, built around a number of concepts that may be used as sensitising devices for the doing of research. Central to his theory is the concept of the *duality of structure*, which acknowledges the role of both agency and structure in the constitution and transformation of social systems. In any action or interaction, agents draw on structures to guide and assist them in their actions and interactions with others. These structures are classified as signification (interpretive schemes of meanings used in communication), legitimation (norms of behaviour) and domination (facilities or resources used in the exercise of power). In turn, these actions and interactions reconstitute or transform those structures. While noting that structures are the medium and outcome of social actions, Giddens suggests that they exist only as *memory traces*, remaining latent until drawn on and instantiated by action[[25]](#footnote-25). However, as these structures are repeatedly reconstituted over longer stretches of space and time, institutionalised features of social systems emerge (Giddens, 1984, p86).

According to Giddens, agency concerns events of which an actor is the perpetrator in the sense that the actor could, at any phase in a given sequence of conduct, have acted differently (Giddens, 1984). *Knowledgeability* is another central concept of the theory; Giddens notes that to be a human being is to be a purposive and knowledgeable agent (1984, p.3) and this knowledge effectively both enables and constrains actions (Yuthus et al., 2004). Knowledge is shaped by the agent’s position in a particular time and space, or social positioning, such as that of gender, wealth, social prestige, class, ethnicity, occupation, generation, sexual preference, or education (Sewell, 1992, p21). Although knowledge of individual actors (or groups of actors) is shaped by context, it is not reducible to it; it is also bounded by unconscious desires and unacknowledged conditions of action (Giddens, 1984, p282).

Giddens’ concepts of *routine* and *critical* provide researchers with concepts to analyse change. He maintains that as people go about their daily lives they will seek ontological security (1984, p23); that is, they strive to maintain a sense of security or familiarity in their daily lives (routine) by constantly monitoring and reflecting on the actions of themselves and others. This concept of routine ensures the longevity of social practices and institutions. A critical situation, on the other hand, is reflected in “circumstances of radical disjuncture of an unpredictable kind which affect substantial numbers of individuals” (Giddens, 1984, p61). MacIntosh and Scapens suggest that this routine/critical demarcation concerns the possibilities for changing social systems, whereby agents abandon old structures and pursue the new (1991, p31).

It has been suggested that Giddens’ structuration theory, while conceptually rigorous, provides little methodological guidance for the researcher, and despite acknowledging the importance of time/space positioning in agency, fails to adequately acknowledge the importance of the societal positioning of the agent (Gregson, 1989; Thompson, 1989; Stones, 2005). These weaknesses are to some extent overcome by Stones’ in his model of strong structuration, with his dedication to in-situ agency and articulation of external structures. For that reason, the paper now turns toward Stones’ theoretical work.

**3.2 An outline of Stones’ quadripartite model of strong structuration**

Fundamentally, Stones’ conceptualisation of the duality of structure is consistent with that of Giddens’, however, he extends his model by the acknowledgement of a more complex terrain of action and structural influences over which the agent-in-focus[[26]](#footnote-26) has little or no control. This broader context is constituted by a complexity of multiple agents-in-context, engaged in multiple processes of structuration, stretching across time and space.

Of particular value to this study is Stones’ conceptualisation of *external structures*, which was alluded to by Giddens but left undeveloped. External structures are the “independent forces and pressuring conditions that limit the freedom of the agent to do otherwise” (Stones, 2005, p108), and may be classified as either *independent causal influences* or *irresistible causal forces*. While independent causal influences are those structures that have complete autonomy from the agent-in-focus, they nevertheless affect social conditions independent of the agent-in-focus’ wants, desires and conduct. For example, the European Union’s decision to adopt IFRS was relatively independent from the FRC[[27]](#footnote-27), but nevertheless added impetus to the FRC adoption decision. Irresistible causal forces, on the other hand, are those by which the agents-in-focus do have the physical capacity to resist but feel that they cannot. Agents compromise their sets of wants, desires, and principles in order to be pragmatic; they sacrifice some things in order to safeguard others, or, as Stones notes, “real agents are less free to ‘do otherwise’ than abstract agents” (2005, p112).

In this study two irresistible causal forces are considered: that of international accounting governance and Australian domestic corporate law. In following its legislative mandate to engage in the international standard setting arena, the FRC had various options before it, including the continuation of existing policy, adoption/convergence with US GAAP or outright adoption of IFRS. However given the particularities of the situation in 2002, the FRC was impelled to embrace the latter. Pressure from the international standard setting domain, overlaid on domestic corporate law reform, proved irresistible for the FRC members in the context of corporate collapses.

External structures are “mediated largely through position-practices” (Stones, 2010, p1288), or those identities or roles that come with particular positions, and which are perpetuated and changed through their enactment by active agents within a network of relationships or “position-practice relations” (Stones, 2010, p1288). In other words, while position-practice relations pre-exist the agents that occupy the various positions, these position-practices are not immutable – in any action the agent-in-focus has the potential to reproduce or transform those position-practices (Coad and Herbert, 2009, p179). Relationships between the position-practices represent the clusters of practices which have their own sets of obligations and prerogatives, institutionalised reciprocities or asymmetric power relations (Stones, 2005, p62; 2010, p1288). This structural context provides the “foundations for the agent’s next move” (Stones, 1991, p681) and serves to either facilitate or frustrate agents’ purposes (Stones, 2005, p85). The agent-in-focus “must always be conceptualised as being caught up in the ebb and flow of position-practice relations” (*ibid*). Thus, in the current study, the FRC was positioned within a complex array of other agents in the global and domestic regulatory spheres, and any decisions were necessarily shaped by the capabilities or constraints of these other agents, the political and economic resources at their disposal, and the nature of the relationships between them (such as that between the FASB and the IASB, or the SEC and the FASB). A diagrammatic representation of this is shown in Figure 1.

Stones’ conceptualisation of *internal structures* is consistent with Giddens’ conceptualisation of, simply, structures. For Stones, internal structures are those which the agent draws upon in any action or interaction or, in other words, the medium of agent’s conduct. They are embedded within the agent, “represented as a phenomenological and hermeneutical inheritance,…[sharing a]…complex and mediated connection” with those structures that are “out there” in the social world (that is, external structures) (Coad and Herbert, 2009, p181). Internal structures may be analytically partitioned into the general dispositional and the conjuncturally specific.

*General dispositions* are:

…those transposable skills and dispositions, including generalised worldviews and cultural schemas, classification, typifications of things, people and networks, principles of action…habits of speech and gesture, and methodologies for adapting this generalised knowledge to a range of particular practices in particular locations in time and space (Stones, 2005, p88).

*Actors draw on internal structures…*

*…to reproduce /transform structures* **Outcomes – intended or unintended**

**Agency**

**Internal structures -** General dispositional

**Internal structures -** Conjuncturally specific

FRC

**Action horizon of the agent-in-focus ie. the network of position practice relations –** multiple other agents-in-context

***International*** *terrain of action – international accounting governance structure*

***Domestic*** *terrain of action – corporate law*

**Figure 1 The agency of the FRC and position-practice relations**

Although Jack and Kholeif (2007, p213) suggest that Giddens’ three modalities of structure, namely signification, legitimation and domination, have been downplayed in Stones’ strong structuration, they have been retained for illustrative purposes in the current study. Without access to the FRC members, *supposition from afar[[28]](#footnote-28)* was used to sketch out these structures*.* Briefly,the *signification* structure was reflected in interpretive schemes of meaning drawn on by the FRC members, that is, the language and rules of business, accounting and financial reporting. Their behaviour was tempered by shared understanding of regulatory and professional protocols – the structure of *legitimation* – and the sanctions that would operate in the event that such rules or norms were broken. They were able to do what they did by drawing on the *domination* structure; that is they had the power to act by virtue of their professional expertise and connections within industry and government. While separated for analytical purposes, the reality of every-day life suggests more complex relationships between the three structures. As Stones notes, “issues of power and communication will also clearly be involved in the determination of whether negative sanctions or positive rewards ensue from the individuals’ (or the group’s) norm related practices” (2005, p19).

*Conjuncturally specific structures,* on the other hand, relate to the positional, that is:

…the notion of a role or position which has embedded within it various rules and normative expectations. Different roles or positions will have particular kinds of ‘games’ that they are oriented towards (Stones, 2005, p89).

Conjuncturally specific structures refer to the specific knowledge and capabilities required to deal with a situation, shaped by the agent-in-focus’ perception of the context of action and the “ghosts of networked others” with whom they act and interact (Stones, 2010, p1288; Stones, 2005, p93). They “point both outwards and inwards” (Stones, 2005, p123); that is, outwards to the external environment (external structures), and inwards through the “critically reflective and pre-reflective processes of sifting and sieving” through their knowledge of the external structures (Stones, 2005, 124). In the current study, conjuncturally specific structures are those that come with and that are shaped by the job; the language of standard setting (eg. adoption, convergence, international best practice), legitimacy through legislative mandate and due process, and the political and financial resources that enable or constrain agency. They will always be seen through the lens of the external structures and the myriad of relationships in the domestic and international terrains of action. Coad and Herbert (2009, p180) highlight the significance of this element of the structuration process, and it is quite significant in circumstances of pressure from external forces or in times of crisis. Although these internal structures are separated from agency in this paper for analytical purposes, the duality of structure necessarily means that they are mutually constitutive: structures are (re)created by agents, and agency is shaped by structure. Further, given the nature of standard setting and the skills/knowledge required for the job, any interpretations of the agency of the FRC members are necessarily influenced by the prevailing ideology of the time, neoliberalism.

The third component of Stones’ model relates to *active agency*, in which the agent-in-focus draws on internal structures, either routinely or strategically, in their actions and interactions. Actions/interactions cannot be reduced to the actor’s knowledge of the structures; what they actually do will depend on a host of specificities which cannot be predicted in advance; the action horizon of the actor, the particularities of the external structures, the actions and knowledge of others, unacknowledged conditions of action, unintended consequences of action, and the constraints of time and space (Stones, 2010, p1288). Further, Stones (2005, p195) notes that the agency must always be situated in what has come before. The internal structures drawn on by the agents have to some extent been created and shaped by their context; their conjuncturally specific knowledge (ie. the knowledge specific to the position-practice they occupy) is explicitly linked to the external structures (conditions of action), and their general dispositional knowledge is shaped over the longer term by diffuse societal influences. Thus, this paper affords heightened awareness of external structures and the manifestations of globalisation as they concern the internationalisation of accounting standards.

The fourth element of Stones’ model relates to *outcomes* of conduct, which may be the production or reproduction of internal and external structures; however, the effects on the latter are likely to be minimal due to their independence from the agent. Outcomes may be intended or unintended; the consequences on any decision or action in a particular situation cannot be completely anticipated, especially over longer stretches of time and space. In this study, one of the major transformations related strongly to the internal structures of the FRC and ultimately the system of financial reporting in Australia. The Australian policy of selective convergence with international best practice, which allowed for domestic discretion, was supplanted by adoption of IASB standards. These standards were supposedly shaped in accordance with a principles-based approach to standard setting, but in reality were shaped by a mixed bag of principles and rules-based standards, heavily influenced by the US Financial Accounting Standards Board (FASB), which was itself subject to the pressures from the largest capital market in the world. Legitimacy for the standard setting process previously located in the domain of domestic due process was relinquished to that of the IASB, a supranational organisation situated in and shaped by the forces of global capital. And significantly, sovereignty for the standard-setting function moved from a national public sector body (the FRC) to an international private sector organisation (the IASB).

As will be explored more fully below, the FRC was situated within the broader temporal and spatial context of globalisation, at the intersection of two *external structures*, namely international accounting governance and Australian domestic corporate law. These external structures imposed irresistible force on the FRC as the domestic crisis of corporate collapses imposed an urgency to the internationalisation question. In order to make a decision, these agents drew on their general and job specific knowledge, or, in structuration terms, as *general dispositional* and *conjuncturally specific structures*. However, as will be shown, this *agency* was to some extent hijacked by the omnipresence of neoliberalism and global capitalism. The explicit *outcome* was a system of financial reporting which privileged the global capital market and rendered domestic perspectives latent. This theoretical model is articulated in figure 2.

*Actors draw on internal structures…*

*…to reproduce /transform structures* **Outcomes – intended or unintended**

eg. new system of financial reporting - IFRS

**Agency**

Affected by:

* the unconscious
* how knowledge and resources combined
* sorting of priorities
* ability to be purposive and reflective

**Internal structures -** Conjuncturally specific (categorised into signification, legitimation and domination)

eg. legislative mandate via S225 of ASIC Act to pursue internationalisation

**Internal structures -** General dispositional (categorised into signification, legitimation and domination) eg. general knowledge of accounting practice and principles, professional norms of conduct

**External structures**

* Independent causal influences – eg. transnational regulations, EU adoption decision
* Irresistible causal forces – eg. international accounting governance, domestic corporate law

*The context of action of the agent-in-focus (the FRC)*

**Globalisation** – the spread of neoliberal ideology and the emergence of supranational organisations, including the IASB

**Figure 2 The structuration process of financial reporting**

**4. The structuration of financial reporting in Australia**

**4.1. External structures**

As emphasised by both Giddens and Stones, the examination of context is integral to any structuration study, as a specific time/space conjuncture will either facilitate or constrain the actions/interactions of agents. External structures reflect the intermediate context of action faced by the agent-in-focus, the FRC. The two external structures relevant to the FRC were:

1. International accounting governance, and

2. Australian domestic corporate law.

These external structures emerged in the context of the new global economy as identified in Section 2. The FRC straddled both of these structures; the FRC was created by and situated within the context of domestic corporate law reform, and it was thrust into the international domain by virtue of its mandated statutory functions. Both of these are seen as *irresistible causal forces* on the actions of the FRC members; that is, although the structures were independent of the FRC members, they found them to be irresistible forces in their context of action[[29]](#footnote-29). These external structures have their own processes of structuration, with various agents-in-focus and agents-in-context, but these processes are not subject to a structuration analysis in this paper. However, given that they reflect the strategic terrain of FRC action, a brief sketch of each, including the key agents-in-context, is provided. It is acknowledged that in this sense, any structuration analysis, is partial and incomplete.

The s*tructure of international accounting governance* reflects a complex network of agents-in-context, headed by the IASB, but heavily influenced by US and European constituents. The emergence of the IASB, along with the uptake of its standards in a relatively short time span after decades of limited success and strident competition from US GAAP, can only be understood in the context of shifting and complex relations with an array of actors-in-context. The following provides a brief outline of the more notable of these, and in some instances may necessarily overlap with the previous discussion of supranational organisations.

As indicated, the IASB (IASC) took the lead role in this structure, particularly from the late 1990’s to date. The relationships that the IASC (IASB) maintained with various US interests, especially the FASB (Financial Accounting Standards Board) and the SEC (Securities and Exchange Commission) were instrumental to the emergence of this structure. The first serious push for the US into the international domain came in 1991 after what amounted to a reprimand by SEC Commissioner, Philip Lochner (1991 , p19):

The FASB, at the very least, has a duty to seriously consider IASC positions and the international consensus they represent…To the extent the US appears to be simply stonewalling the [harmonization] process in hopes that its own standards will prevail, other countries will rightfully be suspicious that for the US, harmonization means that every other country must harmonize to the US tune.

In 1991 the FASB formulated its first strategic plan for international activities, recognising the IASC as the logical point for harmonisation efforts (Godfrey and Chalmers, 2007, p65). From that time the FASB began active collaboration with the IASC along with other national standard setters, becoming a major contributor to the debates of the G4+1. The chairman of the FASB and previous part-time member of the IASB, Robert Herz (2002), acknowledged that:

…[t]he U.S. cannot go it alone in terms of development of accounting standards and, on the other hand, the development of international standards across the major capital markets of the world requires that the U.S. be a very active participant in the process, for there can be no truly international accounting standards if the largest capital market in the world, the U.S., is not part of their development.

This, however, would prove to be an elusive outcome expedited only by the shadow cast over US GAAP with the corporate collapses in 2001/2002, in particular its inability to forewarn or prevent a collapse such as Enron (Bhimani, 2008; Baker and Hayes, 2004). The Enron crisis increased the receptivity of US regulators to the possibility of convergence with IFRS and a principles-based approach to standard-setting (Bhimani, 2008). Significantly, Robert Herz (2002), chairman of the FASB, suggested that the time was ripe for consideration of alternative models of financial reporting regulation.

In September 2002, the FASB and the IASB solidified their joint intent by entering into the Norwalk Agreement, in which they each gave a commitment to the development of high quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting (IASB, 2009). This commitment was reinforced in subsequent memoranda of understanding (MOUs) between the two bodies, one in 2006 and another in 2008 (IASB and FASB, 2006, 2008), and in November 2009 the two bodies issued a statement outlining their plans for achieving major MOU projects by mid-2011 (IASB and FASB, 2009).

Support from the SEC was no less important to the IASB. Again, what meaning did ‘global’ have without recognition from the US market? The SEC, along with the FASB, was influential in the restructuring of the IASC in 2000 in accordance with the expert model of membership (refer to footnote 11). While the IASB depended on IOSCO for endorsement and thus access to the global capital market, the “linchpin” for this arrangement was support from the SEC (McGregor, 1999, p160). The SEC was forced to take the convergence issue seriously with the directive in section 108(d) of the Sarbanes Oxley legislation (July 2002); namely, that the SEC undertake a study on the “adoption by the US… of a principles-based accounting system” (Cox, 2007, p1). In response to this the SEC submitted its initial report to Congress in July 2003 (SEC, 2003), recommending “that those involved in the standard-setting process more consistently develop standards on a principles-based or objectives oriented approach” (SEC, 2003, Executive summary), thus facilitating greater convergence between US GAAP and international standards. This view was supported early in 2007 by the SEC chairman, Christopher Cox (2007, p2), who noted SEC commitment to the process of convergence of IASB and FASB standards. This commitment was subsequently reflected in the removal from 2007 of the reconciliation requirement for non-US companies listed on US stock exchanges. Despite these events, in its final staff report regarding global accounting standards, the SEC outlined reasons why outright adoption in the US would be problematic: namely, the lack of a specific mechanism to incorporate IFRS into the regulatory framework, the burden of conversion for US companies, and the significant, if not impossible effort to change from GAAP to IFRS given the extent to which references to US GAAP are embedded throughout US laws, regulations and private contracts (SEC, 2012, p3-4).

The IASC (IASB) relationships with various European bodies vacillated over the years. The EU grasped at the concept of a European set of accounting standards for many years (via the Fourth and Seventh Directives) before conditionally yielding its standard-setting responsibilities to the IASB in 2002, a move designed to maintain a European voice at the international level and to avoid the alternative of US GAAP. European countries established various transnational organisations (E5+2, EFRAG, PAAinE, SARG as discussed in Section 2) as counter measures to the increasing US influence with the IASB. The Europeans maintained a right of veto over individual standards, and instituted a long and unwieldy due process for endorsement, involving the technical expert group of EFRAG, the Accounting Regulatory Committee and SARG, and finally the EC (Zeff, 2008, p279). They made themselves heard on various issues such as IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 9 *Financial Instruments*, and IFRIC 3 *Emission Rights* (Chand and Cummings, 2008; Wagenhofer, 2009; Sanderson and Hughes, 2010), not to mention the extreme lobbying of the IASB during the GFC on issues of fair value accounting (Howieson, 2011; McGregor, 2012). Underpinning much of this dissent was the aversion of the continental Europeans to fair value accounting, and its threat to the tradition of financial reporting as a vehicle for economic stability (Perry and Nolke, 2006; Sanderson and Hughes, 2010). This resistance was so strong in the EU that the internal market commissioner, Mr Barnier, suggested that future funding of the IASB might be dependent on a more sympathetic view of the European perspective (in Sanderson and Hughes, 2010).

The foregoing provides a glimpse into the network of position practice relationships that mediated the external structure of international accounting governance, and which served to shape the decisions of the FRC early in the 21st century. This structure represented more than an economic response to a global market demand; it reflected a complex arrangment of relationships and alliances, often hatched in terms of underlying philosophies and percieved allegiances. Thus, at the time of its establishment in 2001, the FRC was immediately positioned in this international context, charged with pursuing the international agenda.

The international trajectory was hastened in Australia via *domestic corporate law reform*, cast within the rhetoric of global market participation. Commonly known as the Corporate Law Economic Reform Program (CLERP), it aimed to “improve Australia’s business and company regulation as part of the Coalition Government’s drive to promote business, economic development and employment” (Commonwealth of Australia, 1998, p iii). Although initiated by successive Labor governments (refer to footnote 3) in the early 1990s, CLERP was spearheaded into the 21st century by the then Coalition government (refer to footnote 4), whose parties had traditionally been advocates for free market philosophies and engagement with the global economy. This ideology pervaded corporate reform that addressed an array of issues including the regulation of accounting and financial reporting. The Prime Minister, John Howard, and the Treasurer, Peter Costello, were both staunch advocates of global participation. Prime Minister Howard commented that:

The world has indeed changed forever and any notion that the changed world can be turned back, any notion that somehow or other we can shrink away into a corner and ignore the globalised environment in which we exist is completely ill founded. Our challenge is not to avoid or resist globalisation (as cited in Conley, 2004, p6).

To the treasurer, Peter Costello, globalisation was inevitable: “[r]ant against globalisation and you might as well rant against the telephone. And, what is more, you will not reverse this process” (2001, p202). Costello pushed ahead with corporate law reform in order to give a “greater commercial and international focus to the accounting standard-setting process and ensuring that accounting standards are responsive to the needs of both business and investors” (Costello, 1998, p1). His persistence was clear:

If it had not been for the Treasurer’s significant commitment to a major overhaul of Australia’s Corporations Law, it would not have happened. He took a very close personal interest in it (Senator Ian Campbell in Commonwealth of Australia, 1999, p9862).

The resultant CLERP reforms brought standard-setting responsibility within the departmental realm of Treasury (and thus within the ambit of the executive arm[[30]](#footnote-30) of government and Federal economic policy), away from the Attorney’s General Department (the legislative arm of government), and even further away from the Australian accounting profession. The most strident support in the late 1990s came from the Australian Securities Exchange (ASX) and relevant representatives, including its CEO, Richard Humphrey, its Chairman Maurice Newman, and director Michael Sharpe, the latter also holding down the position of Chairman of the IASC at the time. The ASX was itself in the process of demutualising and listing, and international standards were seen as a way of attracting foreign capital to the market (Howieson, 1998; Godfrey and Langfield-Smith, 2005).

It was apparent that the political and financial resources in the hands of Treasury and the ASX were more than a match for other participants. Despite years of influence in the standard-setting realm and considerable expertise, the professional accounting bodies, whilst supportive of long-term harmonisation, appeared powerless in extending the time frame for adoption. Similarly, the AASB with its concerns over premature adoption was impotent in deliberations[[31]](#footnote-31). Other parties such as the G100 (Group of 100), the AICD (Australian Institute of Company Directors) and ASIC (Australian Securities and Investment Commission) also favoured long-term harmonisation but were opposed to adoption of IASC standards in the short-term (Stoddart, 2000).

The ensuing legislation, specifically section 225 of the *ASIC Act, 2001* outlined the functions of the FRC, including oversight of the standard-setting process in Australia (ie. the processes of the AASB), the monitoring of the development of international standards and furthering the development of a single set of worldwide standards, keeping in mind the best interests of the private and public sectors in Australia. Thus, in the early 21st century, the FRC held a legislative mandate to manage the internationalisation trajectory of the Australian reporting framework. Significantly though, the legislation was silent on form and timing. The FRC members had before them a number of options; namely, retain and develop domestic standards, pick and choose from among best practice offerings around the world, adopt US GAAP, or converge with or adopt IASB standards (refer to Zeff and Nobes, 2010 for various options). Current AASB policy, which the FRC had ratified in April 2002, favoured long-term convergence (refer to footnote 2).

Superimposed on the domestic context was that of the international context: IOSCO had given endorsement for the IASC standards, the Enron collapse had extinguished any chance of US GAAP being adopted on a global basis, and the EU made its decision to adopt IFRS. Another layer was added to the story with public outrage over high profile corporate collapses, such as that of HIH[[32]](#footnote-32), and the contributory role of financial reporting in creating those crises (Haswell and McKinnon, 2003; Howieson and Langfield-Smith, 2003; Cooper and Deo, 2005). The FRC, under pressure from the Government, was in a position where it had to respond expeditiously. The FRC chairman acknowledged that “this very intense focus on corporate accounting and reporting in Australia [in the wake of corporate collapses] has created an environment where more reform has been achieved than otherwise might have been possible” (FRC, 2002c, p7).

The official rhetoric of the FRC, supported by the Government, was that the adoption decision was made in response to a similar decision by the EU and that “Australia could not contemplate to be out of step with both Europe and the US” (Commonwealth of Australia, 2002a, p104). However, given that the decision was made in June 2002 shortly after the FRC had ratified the AASB policy for long-term harmonisation (22nd March 2002), this justification appears superficial. Furthermore, the situation in the EU was extremely different to that of Australia, and US acceptance of IFRS was a long way off.

Giddens and Stones both suggest that crisis is instrumental in change; in such a state agents will seek alternatives to the status quo. In the crisis of corporate collapses, the FRC members decided that it was no longer appropriate to pursue the long term policy of convergence; rather they opted for almost immediate adoption. Irrespective of whether or not crises are mediated by actions, the actions themselves ‘shift the terms of discussion’ and thus render crises less salient. That was precisely the case with ‘sudden’ adoption of IFRS.

**4.2. The adoption decision - agency and internal structures**

The FRC was one of the earliest domestic regulators to mandate the use of IASB standards, making the formal adoption decision at its meeting on 28th June 2002 (FRC, 2002a). The IASB standards were effective for all Australian reporting entities for reporting periods beginning 1st January, 2005. This decision was necessarily situated in a particular spatial and temporal context however, as suggested in the foregoing, it would appear that any agency was somewhat hampered by the power of broader structural influences. Nevertheless, as pointed out by Coad and Herbert, with reference to Cohen (1989), agents have the capacity to move outside of the assumed trajectory; that is, they “can take, modify and abandon roles, rather than necessarily acting within the roles assigned to them” (2009, p179).

Thus, while the FRC members were assigned the role of pursuing the international agenda, they still had scope to modify how and when this was done. As experts in the field of standard setting, they had the capacity to draw on a repertoire of knowledge, skills and resources to shape the international trajectory, or in structuration terms, they had the capacity to draw on a range of general dispositional and conjuncturally specific knowledge. The former refers to the general knowledge and capabilities that the FRC members brought to the job, while the latter refers to the knowledge and capabilities specific to the job of standard-setting and strategic oversight. Further, any agency was relative to that of the other agents-in-context; that is, the FRC members required an understanding of the ‘who, what, why and how’ of other participants in the global and domestic arenas. This understanding was to some extent bounded by the lack of critical distance displayed by the FRC members when making their decision – the pressure from external structures in the context of corporate collapses imposed urgency to their decision. In this state of crisis, the FRC members transitioned from the ‘safe’ position (that of ontological security) to one in which they embraced ‘adoption’ and all that accompanied that – a new arbitrator of standards, loss of control and influence, and exposure to world politics. In structuration terms, the agency of the FRC reflected the drawing on of the rules and resources of signification, legitimation and domination, and the reconstitution of those in a different form.

As indicated in Section 3, I make *suppositions from afar* with respect to the internal structures of the FRC members. The retrospective nature of the study precludes an in-depth hermeneutic analysis and the ability to ‘get inside the minds’ of the agents; and, in such circumstances, Stones proposes the use of suppositions from afar or *theorists conduct analysis* to gain insight into situational tendencies (2005, p144). These internal structures are categorised as either *general dispositional* or *conjuncturally specific,* and further, classified into *signification, legitimation,* and *domination structures.* Note that this distinction is analytical; in day-to-day life agents are involved in multiple processes of structuration, and structures may be complex, competing or merging.

**4.2.1 General dispositional structures**

The members of the FRC are appointed by the Federal Treasurer, in some instances on the basis of nominations presented by key stakeholder groups (*ASIC Act 2001* s235). Given the roles and responsibilities of the FRC, it is inevitable that the membership of the FRC is drawn from a relatively narrow segment of the community and composed of persons with the requisite knowledge, skills and connections. A brief examination of the backgrounds of FRC members at or around the time of the adoption decision (refer to Appendix 1 for a list of members) reveals a group of highly qualified and experienced Australian citizens drawn from the corporate, professional and public sectors (the ‘big end of town’). Many of them had extensive experience in the large chartered accounting firms (eg. Deloitte, PriceWaterhouse Coopers), the more senior ranks of the Australian public sector (eg. ASIC, Department of Finance) and various corporations (eg. The Commonwealth Bank of Australia). On the face of it, the nature of the membership precluded contributions from other voices (Brown, 2006), and was also contrary to the initial proposal document regarding the establishment of the FRC (Commonwealth of Australia, 1997), which called for broad representation. Further, a group such as the FRC is always and already part of the powerful elite, established within the ‘dominant discourse’ - they are the ones who set boundaries to constrain the production and dissemination of knowledge and alternative ways of doing things (Mitchell et al., 2001, p529). They are also the torchbearers of the neoliberal agenda; this way of doing things and appointing members was the neoliberal way. Federal government economic policy rested on engagement with the global market economy, and the selection of FRC members by the Treasurer reflected persons committed to such a vision. In short, the members were from ‘big business’ or the public sector, and favoured a ‘big business solution’ consistent with Federal government policy.

***General dispositional signification structures***

The FRC members spoke the language of business, markets, efficiencies, globalisation and deregulation, that is, a neoliberal discourse. The FRC chairman, Mr Lucy, for instance commented on “…the importance placed by business on the FRC being seen as active in the marketplace” (FRC, 2002d, AI 1)[[33]](#footnote-33). Later, when discussing the strategic direction of the AASB, the FRC noted that this “should be consistent with the objectives of accounting standard setting…in relation to the characteristics of the financial information as required by accounting standards, *facilitation of the Australian economy and maintenance of investor confidence*” (italics added for emphasis) (FRC, 5/9/02, AI 2, Appendix B). This lens of meaning was so very entrenched, so taken-for-granted, that it “defuse[d] or obfuscate[d] critical debate and discussion while promulgating the position of the new right: the language of markets, property rights and individualism” (Sydee and Beder, 2006, p83). Nowhere in the minutes of the FRC is there evidence of an alternative view. Compounding the efficacy of the neoliberal voice to permeate current debate is the potential for domination through tacit acceptance; it “may be enacted and reproduced by subtle, routine everyday forms of text and talk that appear natural and quite acceptable” (Van Dijk, 1993, p254). The FRC members were able to ‘talk the talk’, and thus place themselves in a position of authority in the standard-setting domain.

***General dispositional legitimation structures***

The general dispositional legitimation structure of the FRC members is that of professionalism mediated via the norms of the accounting profession. The members of the FRC were all professionals and members of relevant professional bodies such as the ICAA[[34]](#footnote-34), CPA Australia and the AICD[[35]](#footnote-35), subject to the ethical codes of the respective bodies as well as the informal norms of their profession. The FRC members were able to draw on the legitimacy provided by their professional status and their knowledge of the signification structures (ie. the dominant discourse) to justify decisions, including those made as members of the FRC. Potentially, failure to act according to the norms of their profession could have resulted in sanction via disciplinary action or exclusion, or a loss of public faith. It should be noted, however, that this legitimacy placed the members in a position of such authority that it would have been almost impossible for ‘outsiders’ to challenge their actions, a situation reinforced by the nature of the composition of the FRC. Therefore, in structuration terms, the structure of legitimation is intimately intertwined with the signification structure and “plays a major part in coordinating forms of domination” (Giddens, 1979, p106).

***General dispositional domination structures***

As indicated, the professional status and expertise referred to in the foregoing provided the FRC members with the authority to “organize and coordinate the activities of social agents” (MacIntosh and Scapens, 1990, p461). Members of the FRC, particularly the Chairman, Mr Lucy, were well connected and thus in a strong position to negotiate with relevant interest groups, including corporations, politicians, regulators and other standard-setting bodies. The FRC members drew on this authority to ‘push through’ adoption, even though they did not always comply with the norms of legitimation such as due process. Stones suggests, “social elites often have more resources to find ways not to comply and to do so with impunity” (2005, p115).

**4.2.2 Conjuncturally specific structures**

Conjuncturally specific internal structures reflect specific knowledge and capabilities required by actors in their specific positions; how to communicate and act in a particular situation, how to deal with certain people or how to negotiate alternative courses of action. This is distinct from the agent’s general knowledge, and involves knowledge of external structures and of the strategic terrain (Stones, 2005, p90).

***Conjuncturally specific signification structures***

Communication in the standard-setting domain is understandably couched in ‘professionalised’ language; for example, internationalisation, international best practice, high-quality standards, convergence, adoption and principles-based standard-setting. The FRC members embraced such language - international governance mechanisms were considered in terms of “participation in international bodies” (FRC, 2000, AI 1), “international cooperation” (FRC, 2002c, AI 3), and “prospects for the convergence of standards issued by the IASB standards with US GAAP” (FRC, 2002c, AI 1). IFRS were discussed in terms of ‘principles-based standards’ and ‘international best practice’. However, the exact meaning of ‘international’ was not fully articulated. Did the FRC interpret this to mean consensus among a number of regulatory authorities, including that of Australia? Was best practice in terms of capital market needs or from some other perspective? How likely was convergence between IASB and FASB standards? And what form exactly would principles-based standards take?

Despite a lack of clarity around these terms on the part of the FRC, it seems that the IASB interpreted ‘international’ in terms of expediency and compromise. The original suite of standards were described by Tweedie as a “cut and paste [job with] bits of accounting standards mostly from the US and UK rule books lifted and rammed into place” (as cited in Sawers, 2008), while the IFRS that emerged from the IASB/FASB convergence project some years later reflected a decidedly US flavour; outcomes that could hardly be described as ‘international’. Further, the oft-quoted rhetoric of principles-based standards did not play out. The extent to which a ‘principles-based approach’ was maintained was challenged (Schipper, 2003; Nobes, 2005; Alexander and Jernakowicz, 2006; Haswell, 2006), and it became apparent that many of the standards were based on US GAAP, filled with prescriptions and rules. Inevitably, the influence of FASB in the IFRS convergence project led to compromise, a fact that the Chairman of the IASB, Sir David Tweedie reluctantly acknowledged (2007). By extension, this also meant that IFRSwere not immune to the political forces of corporate America and the SEC (as were US GAAP) (Wyatt as cited in Street, 2008, p206; and Zeff as cited in IASC Foundation, 2008).

Similarly, while the terms of ‘convergence’ and ‘adoption’ were often used in FRC meetings, there was lack of clarity as to what exactly was meant. Early minutes were framed in terms of convergence, and in fact the convergence approach the AASB suggested in its *International Convergence and Harmonisation Policy PS4* (and ratified by the FRC) clearly favoured long-term convergence. On the face of it, this approach allowed for some domestic latitude in the choice of standards in the event that IASB standards were not appropriate for Australian use. However, at the June 2002 meeting, merely three months after the FRC had confirmed PS4, the FRC introduced the concept of ‘full *adoption*’ (emphasis added) (FRC, 22/3/02, AI 3), which immediately removed the aforementioned latitude and privileged the international over the domestic. Thus appears evidence of change at a particular conjuncture; that is change in the language used and the loss of control over the setting of standards.

Significant change was most evidenced in the realm of signification structures. The signification structure which privileged the domestic was transformed to one that favoured the international. Staged convergence with ‘international best practice’ and the capacity for selective pickings was replaced by adoption of the IASB suite of standards as influenced by the FASB. The focus was very much on the needs of the global capital markets and dialogue outside of this - the provision of different types of information about different entities to different users - was silenced for some time. Notably, this reflects the capacity for a dominant discourse “to bring into being the very realities that it describes” (Fairclough, 2001, p6). In using the vocabulary of ‘internationalisation’, ‘adoption’ and ‘principles-based standard-setting’, the FRC members were creating that reality in the Australian context.

***Conjuncturally specific legitimation structures***

Although section 225 *ASIC Act* (2001) directed the FRC to pursue the internationalisation path, it was silent on nature and timing. As Senator Conroy (in Commonwealth of Australia, 1999) noted:

…the international landscape is quite fluid as to who will be the driving force for the development of truly international accounting standards. Therefore the legislation should not lock us into the verbatim adoption of any one set of accounting standards.

Given a decision of this magnitude and the aforementioned latitude, it would seem reasonable to assume due process, with robust debate of alternatives and opportunities for consultation with stakeholders. However, this was not evidenced in the FRC minutes, with the IASB alternative the only option considered by the FRC. In defending the FRC decision, Mr Macek (chairman of FRC from 2003) (in Commonwealth of Australia, 2004, p CFS24) maintained that there was a lengthy and robust discussion on the *day of the decision* (emphasis added), however details of this were absent from the minutes. Although this position was challenged by one of the agents-in-context, the chairman of the AASB, Mr Keith Alfredson in that “the 2005 decision was made without any FRC paper that firmly debated the issues or all of the arguments in favour or against” (in Commonwealth of Australia, 2004, p CFS51), the FRC was able to push the decision through. In structuration terms, a relative power differential existed between the FRC and the AASB, with the FRC taking the upper hand by drawing on legislative mandate, political support and their ‘elite’ status.

The imperative of consultation with stakeholders was flagged by the FRC in its first meeting (FRC, 1999, AI 1), but this failed to be borne out in subsequent meetings. In most instances, specific stakeholders were not identified, and on the few occasions that they were, they were inevitably representatives of large listed companies, the government or other standard setters, and in all cases the views presented were consistent with those of the FRC. No dissenting views were evidenced. Furthermore, there was no discussion evident of the complexities underlying these other voices. For example, the minutes noted that the FRC Chairman had visited Europe and held discussions regarding the EU adoption decision, however background to the EU decision was not provided (FRC, 2002c, AI 1). The underlying historical, political and cultural conditions of the European decision were complex and vastly different to those in Australia.

How was it then that the tradition of due process was flouted without sanction? It is argued that the FRC were able to rely on their status as members of the elite, and “issues of power and communication [were] clearly involved in the determination of whether negative sanctions…ensue[d] from the…group’s norm-related practices” (Stones, 2005, p19). Further, the imperative of internationalisation was a given; in the context of global neoliberalism, the capital market required comparable financial statements, and the market would deliver via the most efficient means. Thus, we see subordination of the existing structure of legitimation, due process, to the international imperative.

***Conjuncturally specific domination structures***

Domination structures are mediated through two categories of resources, allocative (political) and authoritative (economic), and must always be seen relative to that of other agents-in-context. That is, any agency of the FRC was both enabled and constrained by their relative power in its context-of-action. The FRC was positioned at the intersection of two external structures – that of international accounting governance and of domestic corporate law. Despite earlier participation by Australian representatives in international standard-setting processes, the FRC and other Australian representatives were relatively small players, minnows to US and European participants. Participants such as the SEC and the FASB brought with them the full financial and political force of the larger capital markets, and by default their indispensability from the global conversation. European participants drew on their bargaining power with the IASB by virtue of the scope of European adoption and their early entry into the IFRS stable.

On the domestic scene, the FRC and AASB were supported politically and financially by the Federal and State Governments, and corporate Australia[[36]](#footnote-36). A further indication of this support was given in June 2002 with an Australian Federal Government pledge for AUD 2 million over two years to the IASB in its efforts to develop IFRS (Howieson and Langfield-Smith, 2003, p18). Such politically visible government support left little scope for the FRC to move. Earlier support for CLERP by the ASX (refer Section 4.1) was carried into the new millennia. Mr Nottle (ASX Deputy Managing Director, Supervision) for example, indicated that the ASX “strongly supports” harmonisation with international standards, noting that it was “crucial for the development of Australian capital markets and the competitiveness of Australian corporations” (1997, p1).

So, despite reservations relating to premature adoption (ie.prior to the major capital markets) from a number of stakeholders in the domestic standard setting arena (eg. the AASB, the professional bodies - CPA Australia and the Institute of Chartered Accountants in Australia, the G100 [[37]](#footnote-37), and the AICD[[38]](#footnote-38)) the FRC agreed with immediate adoption of IFRS. The FRC drew on the political and financial support of the government and the ASX, support unmatched by other parties. Enhancing their power was the capacity of the FRC members to influence and silence the voices of others by virtue of their professional status and their membership of the ‘powerful elite’.

**4.3. Outcomes**

A picture thus emerges of a decisive, yet suspect action on the part of the FRC. The structuration of the financial reporting system in Australia resulted in a new way of standard setting: Australia’s long term vision for convergence with some form of international standards was cast aside in the crisis of corporate collapses, and replaced by wholesale commitment to IFRS. The FRC had been created in the context of Australia’s fervent desire to participate in the ‘new global economy’, an economy resonating with unprecedented transformations, including fundamental realignments of power, and often favouring organisations that transcended national boundaries. The FRC was situated at the intersection of the terrains of international standard-setting and domestic corporate law; in structuration terms, the *external structures* that comprised a multitude of agents-in-context, each with their own capabilities and constraints. These external structures imposed such force on the FRC that it was faced with an almost *irresistible* option – to adopt IFRS. Any agency that the members had was perhaps irretrievably given over to the global neoliberal order; discourses of globalism have the potential to erase issues of agency, and to focus on particular fields at the expense of those at the periphery (Neu et al., 2002, p272-273). The composition of the FRC, carefully drawn by the Federal Treasurer from the ‘big end of town’, narrowed the path of the members, and any obstacles were discarded to the bin of history. The members shared *general dispositions;* they were group of accounting professionals, conversant in the language of the market, leaders of their profession, and part of the elite, or as Castells suggests, the ones who make the decisions in this world (1998, p181-2). In the *specific conjuncture*, local latitude in standard setting made way for international consensus, due process was subordinated to international processes and, authority for standard-setting was abrogated to an international body. The transformation of financial reporting in Australia was on a one-way trajectory. Although not addressed in this study, the consequences of this may well indeed turn out to be unintended. So much of the story was not clear at the time of the Australian adoption decision; what decision, for example, would the US make in respect of convergence? Recent indications are that the US market is reluctant to give up its comprehensive GAAP, an outcome that does not sit well with the notion of one set of global standards. Will the EU retreat from its ongoing resistance to IFRS? Rumblings on many fronts suggest that the whole notion of the European Union is on shaky ground. Further, what of the emerging powers of India, South America and China, and possible influence over IFRS? Only time will tell.

**5. Contributions, limitations and future research**

The task of capturing the intricacies and complexities of the agency and structural components of the internationalisation of accounting standards is beyond the scope of one, or indeed many, papers. Not only is the context of study broad, stretching across many decades and continents, but it is shifting with the nuances of social, economic and political relationships as well as historical contingencies. Further, as much as we would like it, manifestations of social systems, institutions, processes and interactions will not always fit neatly within the conceptualisations and categorisations of social scientists. With this caveat in mind, I have attempted to frame a structuration analysis of the Australian adoption decision, within the broader phenomena of the internationalisation of accounting standards. It is suggested that this is but one example of the subordination and displacement of national sovereignty in favour of global processes and supranational organisations, with “accounting, and its internationalisation…caught within a fundamentally flawed global economic-liberal system that perpetuates poverty, alienation and anomie” (Lehman, 2005). It is only when we scrutinise such processes both theoretically and pragmatically that we facilitate the emancipatory agenda of critical accounting research.

This paper has provided a theoretical articulation of such phenomena, drawing on a nexus of concepts from the work of Giddens, Stones and Castells. As a starting point, Giddens’ structuration theory provides a minimalist framework for the analysis of social systems, or as Giddens suggests, concepts to be used as sensitising devices for the doing of research (as cited in Bryant and Jary, 1991, p213). However, it falls short in terms of the delivery of more substantive methodological guidance for the researcher. Stones’ model of strong structuration fills this gap, as well as providing more rigorous articulations of internal and external structures to guide the researcher. But, as noted by Stones, there is a practical limit to how far any structuration study can go in the treatment “of each and every aspect of the subject matter” (2005, p127), especially where the study is historically and geographically expansive. For this very reason, a broader framework of analysis is warranted, which in this study was shaped with reference to the globalisation narrative of Castells, and his work on the multilateralisation of power institutions and the force of neoliberal global processes.

While relying on such a framework for understanding, we must also avoid the “temptation to think too easily and prematurely of the broader frame as necessarily containing practices and situational logics that are somehow inevitable and immutable…all of these involve structures and agents in open systems engaged in quadripartite processes of structuration” (Stones, 2005, p142-143). In this vein, the paper contextualises the adoption decision within neoliberal global processes and the external structures of international accounting governance and domestic corporate law, but refrains from claims concerning inevitability or permanence. As with any social structures or processes, such structures are in a state of ongoing reconstitution or transformation, and thus subject to their own processes of structuration.

As outlined in the paper, the globalisation phenomena, as interpreted though the work of Castells (1996, 1997, 1998), has been reflected in the transformation of our society to what he refers to as the network society. This society is fundamentally different to that of the first part of the 20th century, with the emergence of networks of powers and counter-powers acquiescent to the global flows of capital, nourished by the incessant spread of neoliberalist ideology. In many instances nation-states have relinquished sovereignty to a new breed of supranational organisations, as is clearly seen in the domain of international accounting standard-setting and the emergence of the IASB. Although the IASB sits at the head of international accounting governance, it is but one of many actors in this networked global terrain. Driven by the aim to achieve acceptance of one set of global standards, the IASB is buffeted by organisations like the FASB, SEC, IOSCO, the EC and EFRAG, and to some extent by lesser players such as the Australian FRC.

In the Australian context, Federal economic policy from the 1970s, informed by the neoliberal project, cast the die for corporate law reform, which saw the establishment of the new accounting standard oversight board, the FRC, and movement along the irrevocable path of international accounting standards. In structuration terms, the foregoing may be interpreted as the influence of external structures or, more specifically, irresistible causal forces on the agency of the FRC. The FRC was the common agent-in-focus of both of these external structures, surrounded by a complexity of agents-in-context. This strategic terrain served to facilitate and constrain any actions that the FRC might have taken.

This new network society also meant that crises in one part of the world reverberated across the globe, with Australia quite susceptible given the openness of its boundaries to world trade. The collapses of corporate giants such as Enron, Worldcom, Parmalat and Swissair were mirrored in a string of collapses in the Australian context: HIH, OneTel, Harris Scarfe and Ansett to name a few. This crisis of corporate collapses precipitated responses by the Australian government in the form of CLERP legislation, and the somewhat sudden decision by the FRC to adopt IASB standards. This decision was framed in terms of better quality and more comparable financial reporting as a strategy for participation in the global market.

One might ask why the FRC members favoured this option over the more conservative and gradual convergence option, especially given the reticence of many Australian constituents in the absence of adoption in other major markets (eg US, Japan). The members had some discretion in the path they took, but as suggested in the foregoing, the very nature of FRC membership privileged a neoliberal response – that is, the members brought with them the dispositions of elite professionals immersed in the world of big business and global interactions. In the specific conjuncture, that is, at a time of corporate collapses, the FRC transitioned from structures that privileged the domestic to those that favoured the global. No longer did the Australian AASB and FRC have any say over the nature and scope of domestic standards; the traditions of domestic due process were thrown over to the processes of international compromise, and authority for standard-setting moved to an international body.

Clearly, this study sacrifices detail for the sake of a broad perspective. As suggested by Stones, such a study inevitably reveals:

…massive gaps in contiguity…[but it]…acquires a broader and longer perspective by means of floating over the surface of events, as if in a hot-air balloon, from which one’s view is extensive but lacking in detail…[there is] the dominance of the perspective from altitude, the surveying of vast expanses of time-space from up on high (Stones, 1996, p76 -77).

Further, as Stones notes, “there is a lot going on out there in the world in terms of hermeneutics, meaning and contiguity…that even in relation to a specific question from a specific perspective…we can still not hope to be thoroughly exhaustive of our object of study” (1996, p76). More generally, no theoretical or practical articulation can exhaust the interpretive and descriptive potential of experience. While attention to the question of agency has rounded out the structuration analysis, I present only broad suppositions; FRC members were appointed and operated in the neoliberal way, and their decisions were framed in terms of global neoliberal processes. Obviously, the question of agency is fundamental to an understanding of the transformations in society that we now witness, and far greater attention is due to the motivations, intentions and meanings of key players. Here lies enormous scope for future study.

Past structuration studies in accounting have tended to be located within the organisational domain. The theoretical framework proposed in this paper has the potential to move the value of structuration theory and research beyond organisational foci into the broader reaches of experience. It attends to the rationales and processes underpinning “the processes of supranational accounting policy” (Hopwood, 1994, p241), which were so sorely lacking in the accounting literature, and to the “need to develop a more self-reflexive and contextualised accounting literature which recognises the interconnections between society, history, organisations and accounting theory and practice” (Lodh and Gaffikin, 1997, p433). This framework doesnot make any claims to “the right and final solution” (Jack and Kholeif, 2007, p217) as such claims are always preposterous. Rather, it facilitates the partial contributions to knowledge as called for by Jack and Kholeif (2007), with respect for all the hermeneutic, pragmatic and conceptual contingencies that we live within.

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**Appendix 1 List of FRC members at or around the time of the adoption decision**

|  |  |  |  |
| --- | --- | --- | --- |
| ***Name*** | ***Occupation*** | ***Nominated by*** | ***Term*** |
| Jeff Lucy (Chairman) | Financial consultant - Adelaide | The Institute of Chartered Accountants in Australia | 17/7/01 to 17/7/04 |
| Michael Ullmer (Dep. Chairman – resigned 15/5/02) Position vacant at 22/6/02 | Group General Manager, Financial Risk and Management, Commonwealth Bank, Sydney | Business Council of Australia | 6/1/00 to 15/5/02 |
| Tom Pocket (alternate to Mr Ullmer) | Deputy Chief Financial Officer, Commonwealth Bank, Sydney | *(informal nominee of Business Council of Australia)* | 2/10/00 to 15/5/02 but continuing as informal nominee |
| Elizabeth Alexander | Partner, PricewaterhouseCoopers, Melbourne, Company Director, Melbourne | Australian Institute of Company Directors (AICD) | 20/9/99 to 20/9/02 |
| Don Challen | Secretary, Tasmanian Department of Treasury and Finance, Hobart | Heads of State and Territory Treasuries | 20/9/99 to 20/9/02 |
| Leigh Hall | Company Director, Sydney | Investment and Financial Services Association | 20/9/99 to 20/9/02 |
| David Jackson | Director, Australian Shareholders Association | Australian Shareholders Assoc. | 20/9/99 to 20/9/02 |
| Charles Macek | 2000-01 Chairman of County Investment Management,  From August, Company Director, Melbourne | Securities Institute of Australia | 20/9/99 to 20/9/02 (note; elected deputy chairman 5/9/02) |
| Graeme McGregor | Company Director, Melbourne. | CPA Australia | 20/9/99 to 20/9/02 |
| Ian Mackintosh | Chief Accountant, Australian Securities and Investments Commission, and Chairman, Public  Sector Committee, International Federation of Accountants. | ASIC | 13/9/01 to 7/6/02. |
| Doug Niven | ASIC deputy chief accountant  Previously national technical director Deloitte Touche Tomatsu | Informal nominee of ASIC | June 2002-September 2002 |
| Robert Nottle, CBE | Until May 2001, held the position of Principal Adviser, Supervision, ASX. From that date, was Director, ASX Supervisory Review Pty Ltd, ASX, Melbourne. | Australian Stock Exchange. | 20/9/99 to 20/9/02 |
| Gary Potts | Executive Director, Markets Group, Department of the Treasury, Canberra. | Commonwealth Treasury | 6/1/00 to 14/2/02. |
| Phillip Prior | First Assistant Secretary, Property Group, Dept of Finance and Administration. | Commonwealth treasury | 13/9/01 to 13/9/04 |
| *Source: FRC (2000, 2001, 2002c, 2003, 2004), Costello (1999), Costello (2001a), The Commonwealth of Australia (2002b, p95).* | | | |

1. The Financial Reporting Council of Australia is the statutory body charged with oversight of the standard-setting process in Australia. The Australian Accounting Standards Board (AASB) has responsibility for developing accounting standards. [↑](#footnote-ref-1)
2. PS4 *International Convergence and Harmonisation Policy* prepared by the AASB and approved by the FRC in its meeting on 22/3/02 (AI 5). In this document convergence was defined as “...working with other standard-setting bodies to develop new or revised standards that will contribute to the development of a single set of accounting standards for worldwide use (AASB, 2002, paragraph 2). It was also acknowledged in the same document that convergence was not likely to be achievable in the short-term and further, that in some cases international accounting standards may not even be appropriate for the domestic environment (AASB, 2002, paragraph 6). [↑](#footnote-ref-2)
3. The Honourable Robert James Lee Hawke, AC, Prime Minister of Australia, 11/3/83 to 20/12/91 (member of the Australian Labor Party). The Honourable Paul John Keating, Prime Minister of Australian 20/12/91 to 11/3/96 (Member of the Australian Labor Party) (Commonwealth Australia, 2010).

   Australian Labor Party – a social democratic party, with traditional policies of social intervention and more recently economic liberalism (Australian Labor Party, 2010). [↑](#footnote-ref-3)
4. Coalition Government - the Government was formed by a coalition of the Liberal and National Parties of Australia who traditionally espouse centre-right conservative policies. The leader of the Coalition government was the Honourable John Winston Howard, Prime Minister 11/3/96 to 3/12/07 (Commonwealth of Australia, 2010). [↑](#footnote-ref-4)
5. The global transformationalists may be represented by Kenichi Ohmae (1990, 1995) and other writers such as Robert Reich (1991) and Martin Albrow (1996) (as suggested by Martell, 2007, p173). These writers resist the notion that trends in cross border flows of trade, investment, cultural artefacts and the like are indicators of global convergence or the emergence of a single world society, but rather a complex historical process without predictable outcomes. Globalisation is seen as “the overall consequence of closely interlinked processes of change in the areas of technology, economic activity, governance, communication and so on. Developments in these areas are mutually reinforcing or reflexive, so that no clear distinction can be drawn between cause and effect” (Castles, 2000, p9). [↑](#footnote-ref-5)
6. Time becomes timeless through the use of technology. At any one time, people can draw on multiple media from multiple genres and multiple time frames. Information is not organised chronologically or alphabetically, but rather is drawn on via technological means as and when a person desires. The overall effect is non-sequential time of cultural products available from the whole realm of the human experience, as people have access to “the culture of real virtuality associated with electronically integrated multi-media system” (Castells, 1996, p462). This timelessness is also reflected in “split second capital transactions, flex-time enterprises, variable life working time and the blurring to the life cycle, in which tenses are mixed in their occurrence” (Castells, 1996, p464). [↑](#footnote-ref-6)
7. For example, IOSCO was committed to furthering the cause of one set of global standards as articulated in its founding principles, namely “the full, timely and accurate disclosure of financial results and other information that is material to investors’ decisions” (IOSCO, 2003, principle14) and the requirement that “accounting and auditing standards should be of a high and internationally acceptable quality” (IOSCO, 2003, principle16). [↑](#footnote-ref-7)
8. Multilateralisation of power institutions – Castells (1998, p377) argues that as nation-states fail to maintain legitimacy and authority, social actors and citizens at large “maximise the chances of representation of their interests and values by playing out strategies in the networks of relationships between various institutions at various levels of competence”. These institutions may emerge at the supranational level (eg. the IASB), at the regional level (eg. regional standard setting bodies such as EFRAG – the European Financial Reporting Advisory Group) or the local. [↑](#footnote-ref-8)
9. The Sarbanes-Oxley Act 2002 is probably the best example. It has correctly and repeatedly been described as the most important and powerful piece of financial regulation in the United States since the Securities Acts of 1933 and 1934. Similar legislation has appeared throughout Western countries. In Australia for example, the comparable legislation, commonly called CLERP 9, was the Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Act 2004. [↑](#footnote-ref-9)
10. Sir Henry Benson – chairman of the Institute of Chartered Accountants in England and Wales, founder of the Accountants Study Group (forerunner to the IASC), and inaugural chairman of the IASC. [↑](#footnote-ref-10)
11. Expert model – this model favoured an independent full-time, small, international board with membership based on technical expertise, overseen by a group of trustees (Bhimani, 2008, Godfrey and Chalmers, 2007). The alternative, a geographical ‘representative body’ was favoured by the EC and continental European countries (Richardson and Eberlein, 2011). [↑](#footnote-ref-11)
12. Fourth Directive 78/660/EEC 25 July 1978– this is a directive from the EEC (European Economic Community) which concerns the presentation and content of annual accounts and annual reports of limited liability companies, the valuation methods used and publication (Europa, 2012a).

    Seventh Directive 83/349/EEC 13 June 1983– coordinates national laws on consolidated accounts (Europa, 2012b).Europa (2012b). [↑](#footnote-ref-12)
13. E5+2 – The European Study Group, set up by the Federation des Experts Comptables Europeans (FEE), comprising representatives from national standard setters in France, Germany, the UK, the Netherlands and the Nordic Federation, plus the EC and IASC (Camfferman and Zeff, 2007, p445). [↑](#footnote-ref-13)
14. The Continental European countries demonstrated a preference for financial reporting as a means of statutory and state control (Flower, 1997; Nobes, 1998; Dewing and Russell, 2004; Perry and Nolke, 2006; Chiapello and Medjad, 2009). [↑](#footnote-ref-14)
15. As of October, 2014 114 jurisdictions require the use of IFRS for domestic publicly accountable entities (listed companies and financial institutions) in their capital markets (IASB, 2014). [↑](#footnote-ref-15)
16. TTAASAG – established in 2004 by the Australian and New Zealand Governments. It initiated the Regional Policy Forum with the inaugural forum held in Sydney in 2005 and attended by representatives from China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand, Australia and New Zealand (TTAASAG, 2005). [↑](#footnote-ref-16)
17. AOSSG - Members include representatives from standard setters in Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Thailand, Uzbekistan, Vietnam (AOSSG, 2009). [↑](#footnote-ref-17)
18. EFRAG – European Financial Advisory Group established in 2001 as a private sector body to advise the EC on the appropriateness and endorsement of IFRS (EFRAG, 2009). [↑](#footnote-ref-18)
19. SARG – Standards Advisory Group established in 2006 to review EFRAG opinions on IFRS. Seen as a political move on the part of the EC to re-establish come control over standard setting (Chiapello and Medjad, 2009, p463-4). [↑](#footnote-ref-19)
20. GLASS - locally known as GLENIF (The Grupo Latinoamericano de Emisores Standards Información Financiera). Includes standard-setter members from the following jurisdictions: Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. Costa Rica and Honduras have observer status (Deloitte, 2014). [↑](#footnote-ref-20)
21. The IASB has no regulatory authority within individual nation-states, and as such relies on them for enforcement mechanisms in the local environment. In Australia, for example, IFRS are brought within the Corporations Law by being rebadged as AASBs. Sections 296 and 297 of the Corporations Act requires companies to present true and fair financial statements in accordance with Australian Accounting Standards (AASBs). [↑](#footnote-ref-21)
22. Bryant and Jary (2001, pp287-320) provide a comprehensive list of studies which discuss Giddens and/or make explicit use of his structuration theory, as well as his work on historical materialism, high modernity and globalisation. This list extends to 717 publications, including 125 which have specifically used structuration theory to frame various analyses. Given that the list included publications in English only up to 2000, it is suggested that it may now reach well over a thousand publications. [↑](#footnote-ref-22)
23. Refer Englund and Gerdin (2008, 2014) and Englund, Gerdin and Burns (2014) for comprehensive listings and analyses of Structuration informed published papers. [↑](#footnote-ref-23)
24. This level of analysis falls between the micro and the macro levels of analysis. In this paper, a meso-level analysis is used to link the micro (that is the agency of the FRC members) and the macro (the globalisation phenomenon and the broad external structures). Stones also uses the term ‘meso’ to refer to that level of analysis between the abstract (such as that presented by Giddens) and the in-situ ontic (the empirically informed specificities). This meso-level of analysis makes it possible to link the abstract with the empirical (Stones, 2005, p77-78). [↑](#footnote-ref-24)
25. This notion of structures, as memory traces that are only instantiated in action, has received considerable attention in the literature. Despite Giddens conceptualising structures as virtual, he also refers to allocative resources; that is material sources of power including physical artefacts (1984, p373). Stones in his discussion of this issue suggests that the term virtual “has caused more trouble than clarity for structuration”(2005, p21), and by way of resolution suggests that the virtual qualities of the two dimensions of structure, memory traces and material artefacts, remain latent and thus virtual until drawn upon. Jack (2007) explores this issue using land as an example of an allocative resource, suggesting that apart from its physicality, it only becomes a resource when it is used that way by an actor. Other structuration scholars, such Englund and Gerdin (2011) and Conrad (2005), clearly reject the notion of structures as external to the agent with any material substance, insisting instead that they can only be within the agent, momentary and outside of time and space. In doing so, they reject the arguments of authors such as Tollington (2006), who classifies accounting artefacts ie. accounting standards, as structures. It is argued in this paper that the act of capturing an accounting principle in an accounting standard, for example, does not necessarily preclude it from being a signification structure and thus subject to a structuration analysis. Prior to any action (say the application of the standard to a particular accounting situation) the agent will draw on that standard, but in order to do this must necessarily interpret that standard. In each instance, that agent takes a particular meaning from that standard, and in applying it may either reconstitute it or change it. Further, as Giddens clearly articulates allocative resources as material, this study accommodates both material rules and resources, such as accounting standards, legislation, professional codes and monetary funding. [↑](#footnote-ref-25)
26. Stones makes the distinction between the agent-in-focus and agents-in-context. The former relates to the agent involved in the structuration process (in this paper the FRC) and the latter relates to the other actors who play some role in the external structures that influence the actions of the agent-in-context (in this paper a multitude of bodies involved with international accounting standard setting eg. the IASB, IFAC, FASB, SEC, IOSCO; and those involved with standard setting and governmental policy at the domestic level eg. the Department of Treasury, the professional accounting bodies, industry groups, the ASX, ASIC). [↑](#footnote-ref-26)
27. While such clear distinctions are made for the purposes of this paper, the reality of contemporary global processes reflects far more complex relationships and blurred boundaries of action. [↑](#footnote-ref-27)
28. Stones suggests that in some instances a close hermeneutic analysis is not possible, or perhaps not even desirable, so it is quite acceptable for the researcher to make supposition from afar to identify situational tendencies (Stones, 2005, p144). In other words, sometimes we need to be able to see the ‘wood from the trees’. This concession fits nicely with what he terms “a floater analysis”, especially in the analysis of “broad-scale questions and problems-to-be-investigated” (Stones, 1996, p77). [↑](#footnote-ref-28)
29. While these structures are analysed as largely independent from the FRC, it is suggested that the very nature of globalisation blurs the boundary between the global and the local. The IASB for instance, while established independently from the FRC and Australian corporate law, effectively relies on both for acceptance and enforcement in the Australian domain. [↑](#footnote-ref-29)
30. The Australian Government is divided into 3 arms – the *legislature* (or parliament) is responsible for debating and voting on new laws; the *executive* is responsible for enacting and upholding the laws established by the legislature; the *judiciary* is the legal arm of the Australian Government. It is independent of the other two arms, and is responsible for enforcing the laws and deciding whether the other two arms are acting within their powers. Australian Government (2015).  
     [↑](#footnote-ref-30)
31. Although the AASB supported harmonisation with international accounting standards, as per its Policy Statement 4, ‘International Convergence and Harmonisation Policy’ it was reluctant to embrace full scale adoption in the short-term. In its submission to the original CLERP1 proposals, it noted “...serious concerns about the proposal for the AASB to be committed to issue identical pronouncements to those issued by the IASC from 1 January 1999...The AASB is not aware of any key stakeholders in the accounting standard-setting process (including groups representing business, investors and others) other than the Australian Stock Exchange Ltd that does not share this concern (Spencer, 1997). Its concern related to adoption prior to the US, Japan and the UK, which comprised 75 per cent of the world’s capital markets; and further that early adoption by Australia could affect the ‘credibility’ of the Australian capital market (Spencer, 1997, p5). [↑](#footnote-ref-31)
32. The collapse of HIH Ltd was the largest corporate collapse in Australian history, and resulted in losses estimated in the vicinity of $5.3 billion. Approximately 30000 shareholders, two million policy-holders and 3000 employees were directly affected. Policy holders were left uninsured, particularly in the home building industry, legal fraternity, the small business sector and community groups. Federal and State governments were faced with rescue schemes from several collapses amounting to approximately $2 billion. Other prominent collapses were that of Ansett Ltd, Harris Scarfe and OneTel (White, 2001). [↑](#footnote-ref-32)
33. References to FRC minutes are in the form (FRC, Year of meeting, Agenda Item number) [↑](#footnote-ref-33)
34. ICAA – Institute of Chartered Accountants in Australia (now known as Chartered Accountants Australia and New Zealand). [↑](#footnote-ref-34)
35. AICD – Australian Institute of Company Directors [↑](#footnote-ref-35)
36. The Annual Reports of the FRC and AASB reveal consistent funding from the Federal Government ($1.5m per annum), State Governments ($500000 per annum), professional accounting organisations (between $700000 and $800000 per annum) and various voluntary contributions from corporate Australia (FRC 2001, 2002, 2003, 2004). [↑](#footnote-ref-36)
37. The G100 is an association of senior finance executives from Australia’s largest business enterprises with the purpose of advancing Australia’s financial competitiveness (G100, 2009). [↑](#footnote-ref-37)
38. The AICD – Australian Institute of Company Directors represents the interests of company directors in Australian with over 35000 members AICD (2009). [↑](#footnote-ref-38)