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AN EVALUATION OF THE STANDARD SETTING PERFORMANCE OF THE FASB

by

DEVON ROLLERI

A dissertation submitted to the Graduate Faculty in Accounting in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York

2016



2016

DEVON ROLLERI

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Devon Rolleri

This manuscript has been read and accepted for the Graduate Faculty in Accounting to satisfy the dissertation requirement for the degree of Doctor of Philosophy.

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Abstract

An Evaluation of the Standard Setting Performance of the FASB

by

Devon Roller

Adviser: Professor Edward Li

This paper develops a framework for evaluating the effects of various organizational changes on the performance of a regulatory agency in standard setting. I apply this framework to examine whether numerous Financial Accounting Standards Board (FASB) modifications influence the performance of the Board during the standard setting process. These modifications include changes in FASB funding, voting, and Board member characteristics, particularly professional backgrounds and political affiliations. To analyze the performance of the Board, I follow the operations management literature to construct a set of variables that capture team effectiveness and managerial performance. A factor analysis on these variables produces three distinct efficiency factors regarding FASB standard setting: thoroughness, timeliness, and consensus. I find evidence that a change in voting rules from super majority to simple majority is associated with an improvement in timeliness but a decline in thoroughness and consensus. I also find that a change in FASB funding from voluntary contributions to mandatory accounting support fees is associated with reduced timeliness but no significant change in thoroughness and consensus. Finally, FASB members' professional and political characteristics appear to influence the efficiency of the Board in different aspects.

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1. Introduction and Background

1.1 Regulatory Evaluation

In recent years, as part of the response to the financial crisis, there has been an increase in the demand for government accountability and the need to monitor regulatory performance (GAO, 2013). This type of evaluation is a crucial component of public policy and can provide valuable opportunities for governments and regulatory agencies to improve and learn.

Evaluating regulatory agencies is an especially difficult task, given the many variations in the type and form of regulators, as well as the high level of detail and subjectivity involved.

These evaluations involve comprehensive tasks such as reviewing the independence and accountability of the organization, the relationship between the regulator and policymakers, the formal decision-making process, the transparency of the decision-making process, as well as the organizational structure and resource utilization of the regulator (Brown et al., 2006).

Additionally, an evaluator must also consider the goals, outcomes, and objectives of each individual organization. Moreover, due to the specific nature of their work, it is often impossible to compare the performance of one regulator with a similar agency.

However, when investigated further, one can see a broad pattern emerge in the assessment of regulatory organizations. These organizations are typically subject to systematic, independent, and publicly available performance evaluations¹. These evaluations are meant to provide a mechanism for ensuring accountability and improving the design and performance of existing systems within a regulator. Regardless of the difficulties in evaluating the performance

¹ For example, the U.S. Government Accountability Office (GAO) is subject to a peer review every three years (www.gao.gov), the Environmental Protection Agency (EPA) is subject to audits, evaluations, and investigations by the EPA's Office Inspector General (www2.epa.gov), the Internal Revenue Service (IRS) is subject to Treasury Inspector General for Tax Administration audits, investigations, inspections, and evaluations (www.treasury.gov), and the Federal Trade Commission (FTC) is subject to Office Inspector General (OIG) audits, reviews, inspections, and evaluations (www.ftc.gov).

of these organizations, the demand for this type of review continues to grow. This paper cultivates a framework for systematically quantifying the output of a regulatory agency, regardless of the specific industry or regulator under review.

Within the financial sector, there are countless regulatory agencies subject to varying levels of oversight. For example, the Securities and Exchange Commission is audited by the U.S. Government Accountability Office (GAO) every three years, while the Federal Reserve System is subject to near constant oversight by: 1.) Congress, who can call governors and Board staff to testify before the Senate and the House of Representatives, 2.) the Board of Governors' Office of Inspector General, which conducts and supervises independent audits, investigations and reviews of Fed programs, and 3.) the GAO, which retains the broad authority to review and audit the Federal Reserve activities².

Other financial regulators face less prescribed, official oversight, including the Financial Accounting Standards Board (FASB), the private, non-profit regulatory agency tasked with establishing and improving generally accepted accounting principles (GAAP) within the U.S. This paper targets the FASB because of its unique regulatory process, which lacks the formal review, oversight, or other performance measures mandated in other financial sector agencies.

1.2 Background

The significance of the FASB's work is evidenced by the large body of constituents who participate in, attempt to influence, and are ultimately subject to the standards it sets. In the words of former FASB Chairman Dennis Beresford, "Do changes in accounting standards cause behavioral changes? Of course they do. If no one acted differently as a result of new standards, why bother?" (1997). Awareness of the FASB's importance has grown in tandem with the

² www.sec.gov, www.federalreserve.gov.

awareness that publicly reported accounting information has the power to influence behavior, and therefore has the potential to impact stock prices, management decisions, executive compensation and other important outcomes in the business community (Van Riper and Ebrary, 1994). In addition to influencing behavior, there is some evidence that the restrictive nature of accounting standards can increase the social value of public information (Chen et al., 2014).

The FASB recognizes the merits of efficient accounting regulation, and acknowledges that poorly designed, implemented or politically driven standards can have significant economic impacts. This was emphasized by the current Chairman of the FASB Russell G. Golden, when he outlined the Board's top priorities for the future, stating, "First, I believe we need to improve the efficiency and effectiveness of our operations... [through] evaluating our agenda decision process, improving the FASB Accounting Standards Codification, and seeing if we can short the life cycle of our projects while enhancing quality" (2013). It's clear the Board wants to operate more efficiently; however, with numerous objectives and diverse constituent groups, setting accounting standards is a careful balancing act.

Despite the importance of the FASB in accounting regulation, it has consistently faced limited oversight. The Financial Accounting Foundation (FAF) Board of Trustees "...have the responsibility to periodically review the structure and governance [of the FASB] to assess its effectiveness and efficiency" (FAF, 2008)³. Additionally, the FAF is responsible for reviewing, approving, and overseeing the annual performance evaluations for each Board member. Aside from the FAF, the FASB is monitored by the Securities and Exchange Commission, which

³ The Board of Trustees of the FAF is selected by a group of constituent organizations including the American Accounting Association, the American Institute of Certified Public Accountants, Chartered Financial Analysis Institute, Financial Executives International, Government Finance Officers Association, Institute of Management Accountants, National Association of State Auditors, Comptrollers and Treasures, and Securities Industry Association (www.accountingfoundation.org).

formally outsourced the job of setting accounting standards to the Board in 1973⁴. Although the SEC retains the statutory authority to establish financial accounting and reporting standards, the Commission has consistently looked to the FASB for this function. Given that the FASB is able to, "...define the grammar of accounting practice as well as accounting rules and principles, and thus exert considerable influence on observed financial reporting" (Kothari et al., 2010), it is important to subject the FASB to the same level of scrutiny as other political and regulatory organizations.

Over its 43 year life, the FASB has periodically considered and implemented various structural and organizational changes aimed at improving performance. Examples of these changes include funding, voting, Board size, agenda formation, due process, etc. Because of the limited amount of FASB oversight, the effects of these organizational changes on the accounting regulatory process are not known. I examine three of these changes in the context of FASB performance.

The first organizational change I investigate is the change in the funding mechanism of the Board provided by the passage of Sarbanes-Oxley (SOX) in 2002. From 1973 – 2003, the FASB was privately funded through contributions from various sources, including the public accounting profession, industrial companies, banks, and financial institutions. In exchange for contributing, donors received subscriptions to FASB publications, statements, standards, etc. (FAF, 2002). The continued operation of the Board during this time was dependent on these contributions, and donors had no obligation to continue contributing, or to increase contributions from year to year.

⁴ The Commission retains the right to establish accounting standards if the FASB fails to act within a reasonable time or if fair presentation of financial information is not achieved.

In 2002, the passage of SOX permanently altered the funding structure of the FASB by creating a federally mandated fee system, assessed against and collected from all issuers of securities, as defined by the Act. This support fee system fundamentally altered how the FASB is financed, and for practical purposes changed it from a privately funded organization to a publicly subsidized one. The objective of this financial modification was to provide the FASB with, "...an independent, stable source of funding, subject to review by the Commission" (SOX, 2002). The accounting support fees provide for the cash flow needs of the Board, including all recoverable expenses⁵ and are based on the Board's operating and capital budget for each calendar year. The fees are assessed, allocated, and collected based on the average market capitalization of each user. All contribution types⁶ were discontinued for the FASB in 2003, the first year the Board collected accounting support fees (FAF, 2004). Subscriptions and publications still provide about one third of the FASB's total revenue, however the substantial majority of funding comes from support fees.

The funding change from voluntary contributions to mandatory accounting support fees has far-reaching repercussions for both the FASB and all issuers of securities. From an issuer perspective, these fees are not insignificant and represent an additional cost of listing on a U.S. exchange; in 2008, the FASB collected almost \$24 million from over 7,000 publicly traded companies (FAF, 2008). For the FASB, this change represents both a financial windfall and a potential threat to its independence. While the budget under the previous funding system was smaller and not guaranteed, the Board was free to spend the contributions however it saw fit. Now, the accounting support fee system is authorized by SOX and the total budget is larger, but

⁵ Recoverable expenses are the total FASB operating expenses adjusted to excluded non-cash expenses and include other cash requirements. Recoverable expenses are approximately equivalent to operating expenses (www.accountingfoundation.org).

⁶ With the exception of contributed services of FAF members.

there are some strings attached. After SOX passed, the SEC re-confirmed the status of the FASB as the designated private-sector body responsible for setting authoritative accounting standards, and re-emphasized its role in monitoring the activities of the FAF and the FASB. These monitoring activities include approving the FASB's budget and providing input on the Board's activities and appointments, which has the potential to create complications for the Board in the future (SEC, 2003a)⁷.

The second organizational change I investigate involves the number of affirmative votes required by the Board to approve a standard. This number has been altered three times by the FAF to date. In 1973, the voting requirement was originally set at a super majority, requiring at least five of seven votes in order to approve a proposal. In 1977, amidst Congressional concerns that the FASB was not acting quickly enough to meet financial reporting needs, the vote was lowered to a simple majority, requiring at least four of seven for approval⁸ (SEC Historical Society, 2014). Then, after considerable debate, the super majority vote was reinstated in 1991⁹.

⁷ For example, in 2007, the Office of the Chief Accountant refused to sign off on the FASB's budget until the FAF agreed to allow the SEC more say in the appointments of FASB members and FAF trustees, and that same year, the SEC also refused a pay increase for a Board member citing that it wasn't in line with increases at the Public Company Accounting Oversight Board (PCAOB) (Rappeport and Leone, 2007). More recently, the Office of Management and Budget (OMB) determined that the FASB's spending of accounting support fees is sequestrable under the Budget Control Act of 2011 (SEC, 2015). A final example of limitations on the FASB's spending of accounting support fees occurred in 2013, when the National Association of State Boards of Accountancy (NASBA) raised questions and asked for a detailed explanation of a \$3 million payment from the FAF to the IFRS foundation. The NASBA questioned the "appropriateness" of redirecting corporate funds to the IASB, since it is not even recognized as an authoritative standard setter for U.S. public companies (Thomson Reuters, 2014).

⁸ Reasons provided for changing the voting to a simple majority include: increasing efficiency and changing the Board composition and voting blocks.

⁹ Reasons provided for reinstating the supermajority include: improving the acceptability of the standards by improving the process of consensus building, making up for the lack of recourse to the FASB's decisions, and providing stability when simplifying the literature (through the revision of existing standards). Additionally, the change to the super majority voting requirement was an attempt to slow down the issuance of controversial statements (SEC Historical Museum).

Most recently, in 2002, the voting requirement was reduced back down to the simple majority. At the time, the FASB was under heavy criticism in the aftermath of the Enron scandal, particularly for being slow to act and failing to address the issue of Special Purpose Entities on corporate financial statements. The FAF approved the adjustment to a simple majority vote and claimed, "...a change from a five-to-two from a four-to-three member voting requirement would make for a more efficient process without compromising the quality of the FASB's standard setting process" (FASB, 2002).

These voting changes directly affect the outcomes of decisions by the FASB, and changing the number of affirmative votes required to pass a standard has some important implications. For example, the simple majority vote requires a lower level of agreement from the Board to pass a standard, which can decrease the time taken to issue standards and potentially increase the FASB's level of output. Additionally, outside parties looking to influence the standard setting process can attempt to do so by means such as lobbying, governmental control, influencing Board membership, funding favorable research, or financing the FAF, and requiring fewer (more) votes means that fewer (more) Board members need to be influenced in order to sway the pronouncement process (Pasewark, 2000).

The third FASB mechanism I explore is the change in Board member characteristics on the standard setting process. These characteristics include members' professional backgrounds and political affiliations. Initially, the By-Laws of the FAF required that four of the seven FASB members came from public accounting backgrounds, and that the remaining three members should come from other, more diverse backgrounds¹⁰ (FAF Structure Committee, 1983). This requirement was removed from the By-Laws in 1978, and since then the composition of the

¹⁰ The three non-public accounting members of the original FASB included a financial executive, an academician, and a Federal government official.

Board has typically included three or four members from public accounting, one or two from industry, one from academia, and one from regulation. According to the FASB, the present requirement is that each member has, “a concern for investor and public interest in matters of financial accounting and reporting”, and that they collectively possess, “knowledge of and experience in investing, accounting, finance, business, accounting, education and research” (FASB by-law, Chapter A, Article II-A, Section 2. 2014). Additionally, since the FASB is a non-governmental organization, its political makeup and the affiliations of its members have varied over time.

In this paper, I examine whether the above mentioned Board changes and member characteristics impact the performance of the FASB in the standard setting process. The cost of the FASB is ultimately carried by publicly traded companies in the U.S., and thus it is in everyone’s interest to ensure the resulting standard setting process is as efficient and effective as possible. However, the FASB’s numerous objectives and broad constituent base make this difficult. For example, the amount of time taken to generate and issue a standard is often at odds with the degree of complexity and detail that is desired by constituents and required to achieve the necessary level of agreement among Board members. For the purpose of this paper, I examine FASB performance in the context of efficiency, where efficiency is defined as the ability of the Board to produce high quality accounting standards without wasting resources, such as money, time, or energy. Efficiency is closely linked to effectiveness, which I define as the ability of the FASB to produce high quality standards of financial accounting¹¹.

Nevertheless, I am interested in the FASB’s role throughout the standard setting process, not just

¹¹ A common way of distinguishing between efficiency and effectiveness is the saying, “Efficiency is doing things right, while effectiveness is doing the right things” (Drucker, 1993).

the resulting pronouncements, therefore in the forthcoming analysis I focus on efficiency, for which I construct a quantitative measure, determined by empirical statistical analysis.

I use a two-stage approach to analyze the efficiency of the FASB in accounting regulation. First, I employ exploratory factor analysis to identify key underlying constructs from a set of variables, based upon scales of team effectiveness and managerial performance from Kathuria and Davis (2001) and Chong and Mahama (2013)¹². Second, I perform a regression analysis on the retained efficiency factors.

Overall, I find evidence that the FASB funding change from voluntary contributions to mandatory accounting support fees and the change from super majority voting to simple majority voting are associated with decreases in FASB efficiency. Additionally, FASB members' professional and political characteristics do appear to significantly influence the efficiency of the Board during the standard setting process.

The motivation of this study is to subject the FASB to the same level of analysis and oversight as other political and regulatory organizations. Given that the FASB's predecessors, including the Committee on Accounting Procedure (1936-1959) and more recently the Accounting Principles Board (1959-1973) were so short-lived, I'm interested in investigating why the FASB has survived, and how it compares to other, similar organizations. Previous studies on the FASB have focused on the evaluation of economic outcomes rather than the

¹² Kathuria and Davis (2001) use data from multiple levels of employees in manufacturing units in different industries and test how managerial performance impacts the synergy in work force management practices and the quality emphasis. They find that managers who strongly demonstrate certain management practices while emphasizing high quality are perceived as better performers.

Chong and Mahama (2013) study the impact of interactive and diagnostic uses of budgets on perceived collective efficacy and team effectiveness. Their study contributes to the accounting literature that focuses on work teams, as well as the role of team-level motivation and how it differs from individual-level motivation.

regulatory process and procedures. This paper is the first to evaluate the performance of the Board, including the development and passage of financial accounting standards, rather than assessing the impact of finalized standards.

The rest of the paper is organized as follows. Section 2 reviews related literature and outlines the hypotheses. Section 3 describes the data and sample selection process. Section 4 outlines the research design, including factor analysis and multivariate regressions. Section 5 discusses the main findings and robustness tests. Section 6 concludes.

2. Hypothesis Development

2.1 Efficiency in Regulation

The merits of efficiency in regulation can be observed in the work of the Government Accountability Office (GAO), the independent agency providing audit, evaluation, and investigation services to the U.S Congress¹³. The GAO works to “...support congressional oversight by auditing agency operations to determine whether federal funds are being spent efficiently and effectively; investigating allegations of illegal and improper activities; [and] reporting on how well government programs and policies are meeting their objectives...” (GAO, 2015). After completing an audit, the GAO makes recommendations aimed at improving the economy, efficiency, and effectiveness of an agency’s operations (GAO, 2004). This oversight produces measurable financial benefits to the federal government¹⁴, resulting from recommendations that save resources, increase revenues, improve accountability, operations and services, and increase the effectiveness of federal spending.

¹³ The GAO originally performed financial audits examining the economy and efficiency of government operations after World War II, and has since become an independent part of the legislative branch of the U.S. government.

¹⁴ The GAO most recently reported a financial benefit of over \$54 billion for fiscal year 2012 (GAO, 2015).

It's clear that efficiency in government regulation is valued by the GAO, Congress and U.S. taxpayers. Along this same line, efficiency in accounting regulation should be valued by the FASB, the SEC, and the Board's constituents. As the GAO strives to improve efficiency for the benefit of taxpayers, the FASB should strive to improve its efficiency for the benefit of its constituents.

Efficiency in accounting regulation is not a new concept. In fact, when the FASB began operations in 1973, the AICPA Wheat Committee suggested that, "The seven-man Standards Board we are recommending seems to us to be small enough to be efficient and large enough to provide for a variety of views and backgrounds" (1972). It appears that in more recent years, the FASB has become more mindful of the importance of efficiency, or at least the perception of efficiency. In 2007, the FAF established the Trustees' Special Committee on Governance Review, which was tasked with examining the structure, effectiveness, and efficiency of the governance process of the FAF, FASB and GASB (FAF Press Release, 2008). And, as previously mentioned, Chairman Golden has emphasized improving the efficiency and effectiveness of the Board's operations as one of the FASB's top priorities for the future.

2.2 Dependent Variable: Efficiency Measures

There are no obvious or widely accepted empirical metrics in the accounting literature that capture "efficiency," therefore I develop a new measure sourced from operational management literature. To create this efficiency metric I adapt a six-item scale based on measurements of team effectiveness and work force management practices, from Kathuria and Davis (2001) and Chong and Mahama (2013), and apply it to the FASB framework.

The six items incorporated in the scale include:

1. accuracy of work performed
2. quantity of work performed
3. quality of work performed
4. operating efficiency
5. client satisfaction
6. timeliness in meeting delivery schedule.

Using this scale as a guide, I identify a large set of variables that encompass different characteristics of efficiency and collapse those variables into three underlying “efficiency factors”.

I elaborate on each of these six-scale items and collect observable, archival data on the standard-level, in order to estimate the efficiency of the FASB during my sample period as follows.

Accuracy of work performed – Final versions of standards produced by the FASB should be clear, concise and prepared in accordance with GAAP. Subsequent revision of a standard, as well as the provision of additional interpretive materials may be an indication that a standard was unclear or unusable by the financial community (Pasewark, 2000). Data collected to capture accuracy includes the number of paragraphs in a standard superseded by subsequent pronouncements and the number of Other Interpretive Pronouncements issued by the FASB to clarify or explain an existing standard.

Quantity of work performed – The amount of FASB output is an important component of efficiency. The Board issues numerous types of official FASB Documents, including Statement

of Financial Accounting Standards, Exposure Drafts, Discussion Papers, Interpretations, Invitations to Comment, Special Reports, Research Projects, etc. Data collected to capture the quantity of work performed includes the total number of documents issued by the Board each year.

Quality of work performed – Standard quality is measured as a function of length, complexity, amount of detail, and level of consensus among Board members. Longer, more detailed standards with a greater number of examples may be indicative of higher quality. The degree of conflict among Board members during the voting process, as well as whether or not a standard is passed with a unanimous vote may be another indication of standard quality. Data collected to capture the quality of work performed includes the word count for the body of each standard, the number of paragraphs, the number of examples provided in a standard appendix, the word count of the appendix, the percentage of dissenting votes for each standard, and whether or not the standard was passed by a unanimous vote..

Operating efficiency – The FASB has a responsibility to deliver its services to the financial reporting community in the most cost effective manner possible while still ensuring high quality standards. Decreasing outputs may be an indication that the Board is misallocating time, money, people, or other resources. Data collected to capture operating efficiency includes the percentage of items completed on the FASB Agenda each year.

Client satisfaction – The Board has constituents in place of clients, but their participation and satisfaction is an important consideration in determining the final versions of accounting

standards. A greater number of comment letters and/or hearing participation may indicate a lower level of satisfaction among constituents. Data collected to capture the client (constituent) satisfaction includes the number of comment letters written by constituents for a standard, whether or not a public hearing was included in the due process, and the number of academic papers published in any of the top accounting journals about a standard.

Timeliness – Globalization, technological change, financial innovation and regulatory competition have increased the pace of change in the financial reporting system. While it has always been necessary for the FASB to respond to emerging issues in financial reporting, the ability to balance both timeliness and quality is more important than ever (SEC, 2003b). I identify two distinct time periods during the standard setting process, the “hatching period”, spanning from the year an item is added to the FASB Agenda to the year an Exposure Draft is issued, and the “finalization period”, beginning the year an Exposure Draft is issued and ending in the year a standard is issued. Data collected to capture timeliness includes the number of days in the hatching period, the number of days in the finalization period, and the total number of days from the placement of an issue on the FASB Agenda to the final standard issuance.

In total, 16 data points are collected for each standard. For a more detailed breakdown the six-item scale, including the variables collected and data gathering process, see Appendix A.

2.3 Hypotheses

There is a dearth of empirical evidence on the FASB standard setting process, particularly relating to output, productivity, or any measure of efficiency. As the economy has changed

through technology and innovation, so has the need for an accounting framework that can quickly accommodate these changes. According to former FASB Chairman Dennis Beresford, “With the increasing speed of change in our business world, I believe the Board must become more serious about its recently adopted strategic direction to set standards in a more efficient and timely way” (1997). My primary objective is to identify the effects of different organizational changes on FASB efficiency in the accounting regulatory process, including funding, voting, and Board member characteristics.

2.3.1 Change in Financial Accounting Standards Board Funding

In 2002, SOX altered the source of FASB funding from voluntary contributions to mandatory accounting support fees collected from all publicly traded companies. The impact of this funding change on FASB efficiency is unknown.

On one hand, the availability of public funding may increase the efficiency of the FASB. Guaranteed financial support frees the FASB from any fundraising obligations or concerns about the continued operation of the Board. In this way, it potentially affords Board members more time for debating and developing standards. The funding change also allows the FASB to increase its annual budget, and in particular, its Board member and employee salaries. This readily accessible cash allows the FASB to remain competitive in attracting and retaining individuals with appropriate technical expertise, which may positively impact standard setting efficiency.

Additionally, the switch to public funding helps reassure the Board remains independent from all constituent groups¹⁵ and avoids regulatory capture. It is possible that the former funding

¹⁵ The FASB has long been aware of potential independence issues arising from the voluntary contribution funding system, in appearance if not in fact. In 1977, the FAF recommended and

arrangement encouraged the FASB to provide special consideration in the standard setting process to important financial contributors. The threat of withdrawal of funds from dissatisfied contributors may have impaired the Board's ability to pass unpopular or controversial standards. The FASB may work more efficiently when it is not faced with the threat of losing constituent support and contributions.

This notion is supported by the discussion and implementation of funding for the International Accounting Standards Board (IASB). At its inception, the IASB was financed through voluntary contributions by over 200 organizations, but similar independence concerns (lack of objectivity, potential to lose funding and disrupt work) were raised by observers. The IASB ultimately decided that, "While neither of these concerns materialized in practice, there was a sense that dependence on voluntary contributions from largely private sources was inappropriate for an organization acting in the public interest..." (IFRS Foundation, 2011). Ultimately, the IASB's funding structure is comparable to the FASB's on an international scale: the majority of funding is based on national financing regimes relative to a country's GDP, with some income from publications and contributions (IFRS, 2015).

On the other hand, it is possible to observe the opposite effect – that the mandatory public fee structure negatively impacts the efficiency of the FASB. The continued survival of the Board is no longer dependent on contributions or publication revenue, therefore the levels of output and overall productivity may decrease. The accounting support fees are essentially guaranteed, so the Board may be less motivated to add items to, or complete items on, the Technical Agenda. While the funding change safeguards Board independence from constituents, it raises new concerns of independence from the government. Empirical literature in political science has

adopted a resolution limiting contributions from any single firm in any single year to \$50,000 in order to, "...maintain the credibility of the FASB and also to provide a sense of assurance for the Board and staff" as well as broaden the base of support for the Board (U.S. GAO, 1996).

shown that Democratic regulators are unsympathetic to regulations that favor corporate interests (Cohen, 1986; Dal Bo, 2006), and Allen and Ramanna (2013) show that Democratic FASB and SEC regulators tend to be more sympathetic to standards that mitigate corporations' information advantage over outsiders through increased "reliability" and decreased "relevance". Since the FASB is subject to oversight by the SEC and Congress, the government could potentially influence the accounting regulatory process.

Since the funding change has the potential to positively or negatively influence the efficiency of the FASB, I present my hypothesis in the null:

H1: The FASB funding change from voluntary contributions to mandatory accounting support fees does not affect the efficiency of the Board in the accounting standard setting process.

2.3.2 Change in Financial Accounting Standards Board Voting Requirements

The FASB has simultaneously been accused by the business community of being too active and passing standards that were not generally accepted, and accused by Congress of not being active enough and being "captured" by the business community (Kirk, 1990). In 1976, the Subcommittee on Reports, Accounting and Management concluded that, "AICPA control over the FASB is carefully written into the charter and bylaws creating the FASB" and that "A 'revolving door' arrangement between the FASB and the big accounting firms supporting it has apparently already begun". Around the same time, the AICPA established the Special Committee on Accounting Standards Overload, to, "Study accounting standards overload and to consider alternative means of providing relief from accounting standards which are found not be

cost effective...” (AICPA, 1983). This committee found that accounting standards overload is a real and pressing problem, caused by a number of factors, including: too many standards, standards that are too detailed, the inability to be selective in the application of standards, requirements for excessive disclosures, etc. These and several other criticisms have led to numerous debates in the accounting community on the advantages of different voting requirements (super versus simple majority) on standard generation, which has led to changes of the voting requirements of the Board. In response to these changes, there has been some research using simulations to examine how these different voting structures affect the outcome of FASB decisions, but overall results have been mixed¹⁶.

On one hand, it is possible that the FASB is more efficient in setting accounting standards when a simple majority vote is required. Pasewark (2000) studies the effect of voting requirements on the time taken to generate standards and the subsequent revision of these standards and finds that super majority voting delays the process. He finds a decrease in the frequency of standards issued and an increase in the amount of time taken to generate standards when the super majority vote is required. A simple majority requires only four affirmative votes, potentially decreasing the amount of time the Board members spend debating issues/standards, and reducing the chance of an impasse. Additionally, other similar regulatory organizations like the PCAOB and the SEC require only a simple majority vote.

In 1977, when discussing the merits of the switch to simple majority voting, the FAF stated before the Senate Committee on Governmental Affairs that, “The new requirement of a simple majority can speed the work of the Board without affecting the quality of its

¹⁶ King (1994) investigates how simple and super majority voting affect committee decisions and finds mixed support; Fields and King (1996) find that simulations support the prediction that supermajority voting maintains the status quo more often than simple majority, but that super majority voting reduces the utility of committee members.

pronouncements”. 25 years later when the voting requirement was again changed from super to simple majority, the FAF echoed these earlier sentiments, claiming, “...the Trustees determined that a change from a 5-to-2 to a 4-to-3 member voting requirement would make for a more efficient process without compromising the quality of the FASB’s standard setting process” (FASB News Release, 2002). The simple majority requirement potentially decreases the FASB’s response time in identifying, discussing and resolving pressing financial accounting issues or requests, thereby increasing its efficiency.

Alternatively, it is also possible that the FASB is less efficient in setting accounting standards when a simple majority vote is required. Supporters of the super majority¹⁷ claim that a five-to-two vote is necessary to induce constituent approval and to reduce the perception that certain standards fail to achieve a high enough level of acceptance/support to constitute a “generally accepted” principal (FAF, 2007). As former Chairman Donald Kirk explains, “If, after extensive deliberations and debate, five of the ‘unquestionably high quality... members of the FASB’ cannot agree, no standard is ‘not such a bad thing’” (1990). If standards are not accepted by constituents, there is an increased likelihood that reporting entities will seek out loopholes or fail to apply the existing standards with the intent with which they are written, perpetuating the need for new standards or more updates.

It’s also argued that the amount of time required to attain the fifth vote is negligible, and will therefore not have much of an effect on the FASB’s due process. At most, obtaining the extra vote only adds a few extra months onto a process that already takes years to complete (Kirk, 1990). Lower quality standards may result from the simple majority requirement, since

¹⁷ In response to the FAF’s 1989 request for comment on the super/simple voting issue, approximately sixty percent of commentators supported that change from simple to super majority voting, including five of the “big six” accounting firms. When the supermajority was reinstated in 1990, the majority of the FAF supported the change, voting 11-5 (Kirk 1990).

less vigorous intellectual debate is required to convince four Board members rather than five. These low quality standards are more likely to be amended, superseded, or require detailed interpretations or subsequent pronouncements, thereby reducing future time commitments of the Board and decreasing FASB efficiency in the long term.

Since the simple majority voting requirement has the potential to positively or negatively impact the FASB's efficiency in accounting standard setting, I make no directional prediction:

H2: The FASB voting change from simple majority to super majority does not affect the efficiency of the Board in the accounting standard setting process.

2.3.3 Change in Financial Accounting Standards Board Members' Characteristics

The Board member characteristics I utilize in this study include professional background and political affiliation. Ex-ante, it is unknown if these individual characteristics positively or negatively impact the efficiency of the FASB in the standard setting process.

The FASB is organized as a committee where each member has a single vote and the Chairman of the Board has no veto power. The due process is lengthy and includes many feedback opportunities for constituents, who are invited to write comment letters, participate in roundtable discussions, attend public hearings, etc. For very high profile cases, constituents have been known to rally Congress, the SEC, and the media (Zeff, 2002). It's possible these external forces have a larger impact on FASB efficiency than any individual member contribution, which would reinforce the belief that individual Board members don't significantly influence the accounting regulatory process.

However, there is some evidence that suggests Board member characteristics do influence the standard setting process. Prior regulation literature has found that regulators'

preferences can influence regulatory outcomes. Gormley (1979) studies the voting choices of U.S. Federal Communications Commission (FCC) and finds evidence that the appointment of a former member of a regulated industry to a regulatory agency increases the likelihood of favorable decisions towards that industry. He also finds evidence that former broadcasters are more committed to their former industry than philosophical constancy, consistent with the notions of capture theory^{18,19}. Additionally, he finds that political party differences are more important than differences based on prior employment.

Allen and Ramanna (2013) study how the professional and political characteristics of regulators vary in the nature of Exposure Drafts proposed over the life of the FASB, and document an association between FASB members' collective backgrounds and the trade-off between "reliability" and "relevance" in proposed accounting standards. Jiang et al. (2014b) measure a single Board member's impact on the final passage of a standard, and find that even with joint decision making, individual policymakers make a difference.

Jiang et al. (2014a) investigate the influence of Board members' professional backgrounds, personality traits, and career concerns on their voting decisions and find there are certain individual characteristics that are more or less likely to dissent during the voting process. They observe that when certain member characteristics held differing minority views, they were

¹⁸ Gormley (1979) finds that former broadcasters were more likely to change their opinions and votes on regulation, depending on whether or not regulation would help or hinder broadcasters. Former broadcasters voted to deregulate broadcasting as long as cable was also deregulated, but voted against deregulation when the interests of the broadcasting and cable industries conflicted.

¹⁹ Capture theory assumes that regulators are economic agents who seek to maximize their own utility, usually through a mixture of money and power. The constituents in the industry being regulated "capture" the regulator, who then makes decisions based on these constituents' best interests instead of decisions that are socially efficiency (Stigler [1971], Peltzman [1976]).

less likely to be resolved through compromise and negotiation during Board deliberations and more likely to dissent, consistent with the ideology theory of regulation²⁰.

Anecdotally, former Chairman Dennis Beresford lends support to the idea that members' professional backgrounds influence the standard setting process. He states that, "In general, the issuers [of financial reports] want few standards, or only very broad standards, with plenty of room for the exercise of judgment in their application; auditors are inclined to want more standards, and more specific ones, that will defuse differences of opinion with clients; and users want a maximum of reliable, relevant information" (Van Riper and Ebrary, 1994). The presence or absence of these professional backgrounds, or varying combinations of professional backgrounds co-existing on the Board may impact the efficiency of the FASB during standard setting.

Whether or not Board member professional or political background affects the efficiency of the FASB during the accounting standard setting process is unknown, therefore I again present my hypothesis in the null form:

H3: FASB members' professional and political characteristics do not affect the efficiency of the Board in the accounting standard setting process.

3. Data and Sample Selection

3.1 Statements of Financial Accounting Standards

The observations in this study are based on the standard-level, specifically, the pre-codification FASB Statements of Financial Accounting Standards (SFAS). My sample contains

²⁰ Ideology theory assumes that regulators are exogenously endowed with "ideologies" or beliefs that motivate their decisions and regulatory outcomes are the joint result of these ideologies and constituent lobbying (Kau and Rubin [1979], Kalt and Zupan [1984]).

166 standards issued by the FASB from 1973 – 2008, including SFAS 1-163, plus SFAS 123R, 132R, and 141R, which are revised versions of earlier standards. In 2009, the FASB launched the Accounting Standards Codification, which reorganized previously issued GAAP pronouncements into approximately 90 accounting topics using a new, updated structure. Before the Codification, SFASs were considered to be the most authoritative source of GAAP; however after 2009 new pronouncements issued by the Board are called Accounting Standards Updates (ASUs) and directly change the FASB Codification. In order to maintain consistency, my sample ends in 2008, the final year before the Codification. All of the superseded accounting pronouncements, abstracts, interpretations, and other FASB documents associated with former standards are available in the FASB Reference Library, provided on the FASB website²¹.

3.2 Financial Accounting Standards Board Changes

My first two tests of FASB efficiency in accounting standard setting focus on the funding structure and voting rules of the Board. Data on FASB funding and voting is primarily collected from the Financial Accounting Foundation Annual Reports from 1973 – 2008. Each year, the FAF issues an Annual Report that includes detailed information on the FASB, Financial Accounting Standards Advisory Committee (FASAC), Governmental Accounting Standards Board (GASB), and the Governmental Accounting Standards Advisory Council (GASAC). Content in this report includes complete lists of and short biographies for each FASB member, records of all documents issued by the Board in a given year, and detailed financial information, including Management’s Discussion and Analysis of the Results of Operations and Financial Condition, Statements of Activities, Statements of Cash Flows, Notes to the Financial Statements, and the Report of Independent Registered Public Accounting Firms. There is also a

²¹ www.fasb.org.

section of the Annual Report written by the Chairman of the FASB, which typically addresses issues such as Board performance, short and long term goals, any updates to FASB's due process or mission, etc.

Additional information, such as the proposals for and debate surrounding the funding and voting changes, is collected from various press releases, including FAF News Releases and FASB News Releases, FAF Requests for Comment, responses to the FAF Requests for Comment, and the FASB's "Status Report"²².

3.3 Financial Accounting Standards Board Member Characteristics

In order to test for a relation between Board member characteristics and standard setting efficiency, I draw on previous empirical studies and include the professional and political backgrounds of FASB members (Allen and Ramanna, 2013, Jiang et al. 2014a). I classify FASB members' professional backgrounds into one of two groups: accountant or non-accountant. The first group, "accountant" includes members with public accounting and preparer backgrounds, and the second group, "non-accountant" includes members with financial statement user, regulator, or academic backgrounds. Each of these groups has a different set of incentives and priorities for accounting standards and regulation. I classify each FASB member as accountant or non-accountant based upon his/her most recent (pre-FASB) employment. For example, Donald J. Kirk was a partner at Price Waterhouse & Co. before joining the FASB; therefore he would be categorized as an accountant. Robert T. Sprouse was a professor of accounting at Stanford University before joining the Board; therefore he would be categorized as a non-

²² The "Status Report" was re-named the "FASB Report" in 2002.

accountant²³. The most recent employment information for each Board member is obtained from the FAF Annual Reports, and additional details can be found in FASB News Releases announcing their appointments and/or re-elections to the Board.

I assemble information on FASB members' political affiliations following the methodology of Allen and Ramanna (2013). Members of the FASB are appointed by the non-governmental FAF, and therefore are not political appointees, so the political identity of members' is not directly observable. However, the Federal Election Commission (FEC) collects and archives the data on all campaign contributions made by U.S. individuals in excess of \$200. Therefore, political affiliation can be inferred by examining the history of FASB members' campaign donations. Members who have contributed to the Democratic Party are classified as Democrats, and those that have contributed to the Republican Party are classified as Republicans. Members who have not contributed to either party remain unclassified.

3.4 Control Variables

In order to control for other Board member characteristics outside of the professional and political realm, I collect data on the duration of FASB member service, term limits and term-ends for each member. This data is obtained primarily from the FAF Annual Reports, which lists current Board members each year and includes their term expiration dates. Information relating to member re-elections or departures is also included in these reports. Additional details about Board member elections, retirements, departures, etc., are occasionally disclosed in FASB News Releases or FAF News Releases.

²³ It is important to stress that the accountant/non-accountant classification is based solely on members' most recent former employer. There are likely regulators or members of academia that are CPAs or who have worked in public accounting in the past but have not been practicing in more recent years. The assumption here is that the incentives/priorities of a FASB member will be more closely aligned with the group they have been most recently identifying with.

To control for some of the external political influences on the FASB, I include data on the political affiliation of SEC commissioners, the President, the Senate and the House of Representatives. The party affiliation of SEC Commissioners is declared prior to their appointments, so this information is collected from the SEC's historical archives. I combine the political affiliation of the President, Senate, and House of Representatives into a single political affiliation index in order to capture the strength of Democratic Party influence on the FASB. The index has a maximum value of 3 if all are affiliated with the Democratic Party (i.e. Democratic president and a Democratic majority in both the House and Senate) and 0 if none are affiliated with the Democratic Party.

4. Research Design

To analyze the efficiency of the FASB, I follow a two-stage approach. First, I employ exploratory factor analysis²⁴ to identify the key underlying efficiency constructs that summarize the original set of observed variables based on Kathuria and Davis (2001) and Chong and Mahama (2013). Second, a regression analysis is performed on the retained efficiency factors.

4.1 Factor Analysis

²⁴ There are two types of factor analysis, exploratory and confirmatory:

Exploratory factor analysis – used when there are no a priori constraints on the estimation of components or the number of components to be extracted. Exploratory factor analysis is usually performed in the early stages of research as a tool for consolidating variables (Tabachnick and Fidell, 2007).

Confirmatory factor analysis – used when a researcher has preconceived thoughts on the actual structure of the data, based on theoretical support or prior research. The researcher will assess the degree to which the data meet the expected structure (Hair et al. 1998).

In order to extract meaningful information from the efficiency data, I utilize exploratory factor analysis²⁵. Factor analysis is a multivariate technique useful in summarization and data reduction, which can derive the underlying dimensions that describe data into a much smaller number of concepts than the original variables (Tabachnick and Fidell, 2007). Through factor analysis, I am able to retain the nature and character of the original variables in the dataset, but reduce their number to simplify the subsequent multivariate analysis. I anticipate the efficiency of the FASB may vary with respect to the phase of standard generation taking place (the hatching period versus the finalization period), therefore, I analyze each period separately.

Summary statistics for each of the 16 variables collected in the hatching and finalization period are presented in Table 1 Panels A and B. Data descriptions and the collection process are detailed in Appendix A. Observations are made on the standard-level, so many of the values in the hatching and finalization period do not change (for example, the number of paragraphs contained in a standard does not change between the two periods), but those variables that differ

²⁵ Factor analysis is a method of data reduction that seeks underlying unobservable (latent) variables that are reflected in the observed variables. Factor analysis is similar to another multivariate procedure, Principal Component Analysis. Although both procedures analyze correlation matrices, there are major differences in the analysis and interpretation of the variance in the data. The two methods are used for different reasons, are not mechanically the same, and have different underlying linear models.

Factor Analysis – assumes that observed variables are linear combinations of some underlying (hypothetical or unobservable) factors. In FA, only the shared variance is analyzed. Factors are interpreted as the underlying (latent) variables that cause the covariation between the observed variables (Kim and Mueller 1978a).

Principal Components Analysis – all variance of the observed variables (shared, unique and error variance) is analyzed. The components are interpreted as empirically determined aggregates of the variables without any presumed theory (Jolliffe, 2002).

Since the purpose of my procedure is to condense the information contained in my original variables into a smaller set of (unobserved) dimensions with minimal information loss, I utilize FA.

(for example, the total number of documents issued in the year of the Exposure Draft versus the year the final standard is issued) are significantly different. This supports the idea that the efficiency of the FASB varies between the two periods. Correlation matrices are included in Panels C and D, and show that observations in both periods display relatively strong associations. This pattern of correlation suggests some of these variables may capture the same underlying constructs and can potentially be consolidated into new variables, supporting the use of factor analysis²⁶.

The initial, unrotated factor solution from the factor analysis is included in Appendix B. In determining how many factors to extract, I rely on the Kaiser test and the Scree test²⁷, which provide guidelines on balancing the tradeoff between simplicity (by retaining as few factors as possible) and completeness (explaining as much of the variation in the data as possible). Both tests support extracting three factors which together explain about 90% of the total variance of the original dataset. The first factor (Factor1) can be viewed as the single best summary of linear relationships exhibited in the data. The second factor (Factor2) is the second-best linear combination of the variables, subject to the constraint that it is orthogonal to the first factor. The third factor (Factor3) is the third-best linear combination of the variables, subject to the constraint that it is orthogonal to the first two factors, and so forth (Hair et al. 1998).

²⁶ There are a substantial number of correlations greater than 0.3, supporting the application of factor analysis. A second measure used to quantify the degree of intercorrelations among the variables and the appropriateness of factor analysis is the measure of sample adequacy, MSA (this is also referred to as the Kaiser-Meyer-Olkin, or KMO index). The KMO index for the hatching and finalization period is 0.74, and 0.75, respectively, both of which qualify as “middling”, meaning it is sufficient for factor analysis (Hair et al. 1998).

²⁷ According to the Kaiser test, only factors with an eigenvalue of 1.0 or greater are meaningful and should be retained. The Scree test uses graphical criteria to determine which factors to keep (Jolliffe, 2002).

This unrotated factor solution achieves the objective of data reduction, but is not easily interpretable for the variables under consideration. In order to simplify the interpretation of these factors, I apply an orthogonal Varimax rotation to the initial factor solution²⁸. After the rotation, I am able to identify three underlying efficiency constructs, present in both the hatching and finalization period: Factor1, Factor2, and Factor3. The results of the rotated solution are presented in Table 2 Panels A and B. These factors are intended to capture the efficiency of the FASB during the accounting standard setting process.

From here, I am able to more easily interpret and name the three factors retained from the analysis. The higher a factor loads, the more relevant the factor is in defining the factor's dimensionality (Tabachnick and Fidell, 2007). Results for the hatching and finalization period are very similar. The variables contributing to each factor are identical in both periods, the order (by size of factor loadings) in which the variables contribute to the factors are also the same, and all of the factor loadings are quantitatively similar.

Factor 1 loads most significantly on the number of paragraphs included in a standard, the standard word count, the number of paragraphs in a standard superseded by subsequent pronouncements, whether or not a public hearing was held during the due process for a standard, the number of academic papers published involving a standard, the number of comment letters received for a standard, and the standard appendix word count. This factor captures the overall thoroughness of a particular standard, as measured by the attention to detail, length, and meticulousness of the FASB while drafting the standard. I will refer to Factor 1 as "Thoroughness".

²⁸ Rotation is used after extraction to maximize high correlations between factors and variables and minimize low ones. I utilize the VARIMAX rotation. It is important to note that no method of rotation will improve the degree of fit between the data and the factor structure – the different rotation methods only aids in interpretation (Tabachnick and Fidell, 2007).

The second factor loads most significantly on the number of days from the addition of an item on the Agenda to the standard issuance, the number of days from Agenda to Exposure Draft issuance, and the number of days from the Exposure Draft to the final standard issuance. This factor reveals the importance of time management for the FASB in the standard setting process; therefore I will refer to it as “Timeliness”.

The third factor loads significantly on the percentage of dissenting votes for a standard, and whether or not a standard is passed unanimously. This factor captures the underlying level of agreement among Board members (ideological, professional, political, or other) during the standard setting process. I will refer to Factor 3 as “Consensus”. These three efficiency factors are used as dependent variables in the subsequent multivariate analysis.

4.2 Multivariate Model

I assess how my measures of FASB efficiency vary with the changes made to the FASB’s funding and voting structures, as well as changes in Board member characteristics.

Consequently, the dependent variables in my regressions are the efficiency constructs identified in the previous section by factor analysis: *Thoroughness*, *Timeliness*, and *Consensus*.

I test for an association between the dependent variable (efficiency) and FASB changes in funding, voting, and Board members’ professional and political backgrounds. The formal specification for these regressions is given by:

$$\text{Factor } N_{i,t} = f(\text{IssuerAccSuppFees}_t, \text{SimpleMjrty}_t, \text{Accountant}_t, \text{RepMember}_t, \text{Tenure}_t, \text{PctReElect}_t, \text{PctTermEnd}_t, \text{PctDemSEC}_t, \text{DemInflnce}_t) \quad (1)$$

Where:

Factor $N_{i,t}$ is one of the three efficiency factors identified by factor analysis, Thoroughness, Timeliness or Consensus, measuring FASB efficiency for the passage of standard i in year t .

IssuerAccSuppFees _{t} is the total dollar amount of mandatory accounting support fees paid to the FASB by issuers of securities, expressed as a percentage of total operating revenue.

SimpleMjrty _{t} is an indicator variable equal to one if a standard was passed in a year with a simple majority voting requirement and zero otherwise.

Accountant _{t} is a measure of the proportion of Board members with most recent former employ as public accountants or preparers.

RepMember _{t} is a measure of the proportion of Board members making campaign contributions to the Republican Party.

Tenure _{t} is a measure of the average tenure in years of extant Board members.

PctReElect _{t} is a measure of the proportion of Board members who are up for re-election.

PctTermEnd _{t} is a measure of the proportion of Board members who are in their terminal year of service. *PctDemSEC _{t}* is the proportion of SEC Commissioners affiliated with the Democratic Party.

DemInflnce _{t} is an index that measures the level of Democratic influence on the Board from the Senate, House of Representatives, and President.

All Board mechanisms and member characteristics are computed at the standard-level for the hatching and finalization periods. Coefficients are estimated using ordinary least squares (OLS).

5. Empirical Analysis

5.1 Statements of Financial Accounting Standards Summary Statistics

See Appendix C for a summary definition of all the variables used in the study. Table 3 presents more detail on the 166 standards passed by the FASB from 1973-2008. Panel A shows that on average, the hatching period (Agenda date to Exposure Draft date) lasts 879 days. The finalization period (Exposure Draft date to issuance) lasts about 257 days. Panel C presents the frequency distribution of the initiation and completion of the standards. The largest number of standards issued in a single year is 18, occurring in 1982, and the lowest number of standards issued in a single year is 1, occurring in both 2005 and 1973. To give some idea of the content of each SFAS, Panel D uses standard theme classifications from Wallace (2001) and presents the number of standards in each theme category. The most common standard themes include: specialized practices/industry guidance, debt and securitizations, pensions and other compensation, marketable securities, derivatives and hedging, and leases.

5.2 Descriptive Statistics

Descriptive statistics on explanatory and control variables for the hatching and finalization periods are included in Table 4. The dependent variables retained from factor analysis, Thoroughness, Timeliness and Consensus, are standardized and do not differ significantly between each period. The mean value of the mandatory accounting support fees paid to the FASB by issuers of securities, IssuerAccSuppFees, is significantly larger in the finalization period, which is expected since the payment of these fees was not mandated until 2003, and this period covers a larger portion of the later years in the sample. The hatching period spans from the time an item is added to the FASB Agenda, beginning in 1973 to the time

an Exposure Draft is issued, so any Exposure Drafts created before 2003 will have a zero balance for this measure.

For FASB voting, one can see the mean for SimpleMjrty is higher in the finalization period than the hatching period, which suggests that more standards were finalized and issued when the simple majority vote was in place. Table 4 also illustrates that some standards added to the FASB Agenda during a super majority voting year were finalized and issued during a simple majority voting year.

When examining the professional and political backgrounds of Board members, I find that the mean proportion of Board members with public accounting/preparer backgrounds, Accountant, is significantly higher in the hatching period than in the finalization period. This suggests that a higher percentage of accountants are involved in the formation/creation of standards than in the finalization/passage of standards. I also find that the tenure of Board members, Tenure, and the percent of Board members up for re-election, PctReElect, are higher, on average, during the finalization period. It appears that more experienced Board members or members that are up for re-election are more likely to be involved in the finalization of a standard, possibly because they are more likely to compromise.

Another significant difference detected between the two periods is the external political influence of the Democratic Party on the FASB, DemInflnce, which is significantly larger in the hatching period. A potential explanation for this observation is that a Democratic majority Senate or House of Representatives is more likely to assert influence on the FASB Agenda, or the decision of the Board to address an accounting issue (hatching period) than on the specific details of a standard (finalization period). Another possible explanation is that the Democratic Party is more likely to attempt to influence the content or ideology of a standard than the

Republican Party. Overall, these results suggest that some FASB characteristics and member characteristics do vary between the hatching and finalization periods.

Table 4 Panels C and D report the Pearson correlations among the variables of interest. Consistent with prior research, there are some moderate correlations between FASB members' professional and political characteristics. This is observed in both the hatching period and finalization period.

5.3 Main Analysis

Table 5 reports OLS estimation results where each of the three efficiency factors, Thoroughness, Timeliness and Consensus, serves as the dependent variable. For ease of exposition, I flip the signs for Timeliness and Consensus so that a higher number means more timeliness/consensus. Panel A presents results for the hatching period, and Panel B presents results for the finalization period.

For the hatching period, when testing for an association between the FASB efficiency and the change in funding, I find no significant results for Thoroughness, Timeliness or Consensus. The results are positively signed for Thoroughness and Consensus and negatively signed for Timeliness, but statistically insignificant. These results are inconsistent with the argument that under the previous funding structure, Board members wasted substantial amounts of time and/or money with fundraising activities and other engagements designed to increase the FASB's exposure in order to ensure continued contributions. However, the results are also inconsistent with the opposing viewpoint that guaranteed funding for the Board would reduce motivation/output/productivity and slow down the standard setting process. It is possible that both of these influences are observed in the data and the results offset each other, translating to

no significant, observable affect. Overall, it appears that while the change from voluntary contributions to mandatory accounting support fees may have bolstered FASB independence, it did not have a significant impact of the efficiency of the Board in the standard setting process.

When testing for an association between FASB efficiency and the change in voting, I find a significant, negative relation between the simple majority vote and Thoroughness. This is consistent with the prediction that lowering the number of votes necessary to pass a standard may lead to inferior standards, and that the simple majority vote may allow lower quality votes to “squeak through” by a single vote. Interesting, I find no significant relation between the simple majority vote and Timeliness, which contradicts the commonly held argument that requiring fewer votes to pass a standard speeds up the accounting regulatory process. I also find a significant, negative relation between the simple majority vote and Consensus, confirming that the overall level of agreement among Board members is reduced when the number of votes required to pass a standard is reduced.

When professional characteristics are examined, I find a significant, negative association between Accountant and Thoroughness. This suggests that FASB members with public accounting or preparer backgrounds may be less concerned with providing specific, detailed guidance in standards and more interested in providing conceptual rules or guidelines. It’s also possible that Board members with accounting backgrounds exhibit a preference for accounting changes, particularly since the production of new standards can increase the demand for audit services and professional expertise, which is consistent with Accountants wanting to push new standards through as quickly as possible, at the detriment of Thoroughness. This tradeoff between Thoroughness and Timeliness is supported by the significant, positive coefficient observed for Accountant and Timeliness.

I find a significant, negative relation between the percentage of Republican members on the Board, RepMember, and Thoroughness, which is congruous with the more hands-off, limited government ideals of the Republican Party. These members appear to support shorter, more limited standards with less specific guidance and examples. I also observe a significant, positive relation between RepMember and Consensus, which suggests these Republican ideals tend to be in the majority among Board members.

Another significant characteristic is Board member tenure, which is negatively associated with Thoroughness. This result suggests that Board members with more experience may be less concerned with specifics and details of standards, such as the standard length or number of examples included. I also find a positive association between the proportion of Board members in their final year of service, PctTermEnd, and Thoroughness, as well as a negative association between PctTermEnd and Consensus. It's possible that Board members in their final years attempt to be more accommodating of constituent viewpoints (increasing Thoroughness) or that they separate themselves from any unpopular or controversial standards (reducing Consensus) in order to improve their employment prospects upon re-entry into the workforce. It's also possible that internal politics exist within the FASB which create a hierarchy or other dynamic that make it less likely for outgoing members to compromise with newer members.

It appears that the SEC exerts a considerable amount of influence on the FASB during the hatching period, particularly in the areas of Thoroughness and Consensus. These results are consistent with the more hands-on, pro-government ideals of the Democratic Party, which have the effect of improving Thoroughness, likely in the form of standard length, detail, number of examples, etc. while decreasing overall Consensus of the Board.

For the finalization period, results are qualitatively similar. When examining the change in FASB funding and efficiency, Panel B shows a negative and significant association between IssuerAccSuppFees and Timeliness. This suggests that the change from voluntary contributions to mandatory support fees may have decreased the response time and increased the life-cycle of standard generation, at least in the finalization period. The observed coefficient for IssuerAccSuppFees and Thoroughness supports this decrease in efficiency but is not statistically significant.

When examining the change in FASB voting and efficiency, the results are consistent with the hatching period. The negative association between SimpleMjrty and Thoroughness and between SimpleMjrty and Consensus are quantitatively smaller in the finalization period, which suggests that once an agreed-upon Exposure Draft exists, the voting requirement matters somewhat less than in the hatching period. It is interesting to again note the simple majority voting requirement does not appear to improve Timeliness, which directly contradicts its perceived advantage.

When professional and political characteristics are examined, I again find a positive and significant association between Accountant and Timeliness, which supports the idea that members with accounting backgrounds are able to issue standards more quickly. It's also possible that because these members have similar professional backgrounds, they are more likely to share similar ideologies, reducing the amount of time spent debating the specifics of standards.

Similar to the hatching period, I find Tenure to be significantly, negatively associated with Thoroughness. I also find more evidence supporting the idea that the SEC exerts some influence on the FASB, although to a lesser extent in the finalization period.

Overall, to summarize the key findings, it appears that the FASB funding change from voluntary contributions to mandatory accounting support fees and the change from super majority voting to simple majority voting are associated with decreases in FASB efficiency. Additionally, FASB members' professional characteristics do appear to significantly influence the efficiency of the Board during the standard setting process.

5.4 Robustness Tests and Limitations

Because the sample size in this study is relatively limited, I conduct a jackknife procedure to test whether any single standard is driving the observed results. Specifically, I successively eliminate each standard used in the regression, and then reconstruct all independent variables accordingly, in order to determine whether the statistical inferences from Table 5 continue to hold. I find the unreported results to be robust to the jackknife procedure, consistent with the assumption that no single standard is critical to my conclusions.

Another potential issue relating to the limited sample size is that this study only includes data from FASB Pronouncements that were eventually approved – there is no available data for pronouncements that were generated and failed to gain the required number of votes for approval within the FASB²⁹. Any information relating to standards that were not approved by the FASB, such as passage time, voting records, constituent letters, etc., could provide additional insight and opportunity for future research.

It is also possible that efficiency is endogenously influenced by the explanatory variables in the regression specification. These endogeneity problems can confound the inferences drawn

²⁹ Due to the systematic standard setting process followed by the FASB, it is unusual for a standard that makes it to the final vote to fail to gain approval from the Board. Board members are asked their opinions throughout the standard setting process, and their positions on these issues are typically known before a vote. Issues that do not earn enough support to pass a vote are likely to be dropped (Pasewark, 2000).

from the FASB changes in funding, voting and Board member characteristics. In unreported tests, I rerun the regressions from Table 5, lagging (leading) all explanatory variables by one year in order to mitigate these potential endogeneity concerns. The lagging (leading) results are robust to this procedure.

Other endogeneity concerns include the extent which the FAF may influence the standard setting process, since it's possible that the FAF can make it easier or more difficult to generate (and successfully pass) standards. Although prevented by its own bylaws from interfering with the standard setting work of the FASB, the FAF has the power to appoint and reappoint members to the Board, which allows the trustees indirect influence on the standard setting process in the long run.^{30,31} Therefore, "...it is at least theoretically possible that a Board member may modify a position on an issue to ensure reappointment..." (Miller et al. 1994).

5.5 Future Research

As there is limited empirical research on the accounting regulatory process, there are a number of potential extensions to the current paper. One such extension is to study the effects of the funding change for the Governmental Accounting Standards Board (GASB) caused by the passage of Dodd-Frank. Similar to SOX modifying the funding structure of the FASB, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 allows for GASB accounting support fees to be collected from broker dealers for the GASB (FAF, 2015).

³⁰ This is similar to the way the President of the United States may influence future decisions of the Supreme Court by appointing the Justices.

³¹ For example, in 1990, when the FAF voted to increase the minimum number of votes needed for the FASB to adopt a Statement or issue an Exposure Draft from four to five, members of the accounting community felt the change stemmed from an external desire of the FAF to control the frequency of standards issued (Kirk 1990).

Another potential extension of the current paper is to study the effect of individual regulators on the regulatory process of another private-sector regulatory accounting body, the Public Company Accounting Oversight Board (PCAOB). The PCAOB was created by SOX and is responsible for overseeing the audits of public companies and issuers. It would be interesting to see if the same professional and political affiliations that influence the efficiency of the FASB in the standard setting process are observed in the five-member PCAOB during its oversight process.

An additional extension the present study is to examine the efficiency of the FASB in more recent years, specifically after the new Accounting Standards Codification became effective in 2009. Around the same time, the FASB also spent a considerable amount of time and resources participating in the development of IFRS and working towards convergence with the IASB. The effects of these major projects are not captured in the current study.

6. Conclusion

I examine how FASB organizational modifications and Board member characteristics influence the performance of the Board during the accounting standard setting process. I find a negative relationship between the change in funding of the FASB and its standard setting efficiency, specifically in the area of Timeliness. These results fail to provide justification for the change in the FASB funding mechanism from voluntary contributions to accounting support fees as mandated by SOX, and suggest the change may have negatively impacted accounting regulatory efficiency. I also find evidence of a negative association between the simple majority voting requirement and FASB efficiency, particularly in the areas of Thoroughness and Consensus. Additionally, Board member characteristics, particularly professional backgrounds

and political affiliations, do appear influence efficiency in accounting regulation. Collectively, these results indicate that organizational changes made to the FASB and changes in Board member characteristics do impact the efficiency of the Board during the accounting standard setting process.

These findings should be of interest to the FASB, its constituents, and the FAF, and may have potential policy implications. Changes made to the FASB organizational structure could significantly affect future Accounting Standards Updates, Board negotiations, voting outcomes, Agenda items, etc. It's possible the extensive due process of the FASB is so onerous that it mitigates any attempts at improving the Board's efficiency or that truncating the due process in some cases may lead to improvements in Thoroughness, Timeliness or Consensus.

This study also provides evidence on the role of Board member characteristics in standard setting efficiency. In addition to showing that the professional and political background of Board members matter during the standard setting process, I demonstrate that certain backgrounds may positively or negatively influence the standard setting process, in all three areas of efficiency, Thoroughness, Timeliness and Consensus. To the extent that these member characteristics are desirable or undesirable, it's possible for the FAF to adjust the efficiency of the FASB through future nominations and re-elections. The current findings may also be of interest to other accounting regulatory agencies, such as the GASB, PCAOB, or IASB.

Table 1

Summary statistics of efficiency variables for the hatching and finalization periods

The sample is based on 166 SFAS issued between 1973 - 2008.

Panel A: Summary statistics for hatching period						
Variable	Obs	Mean	Median	Std. Dev.	Min	Max
lnParaSupsd	166	1.01	0.69	1.06	0.00	4.58
lnOthrIntPrn	166	0.26	0.00	0.48	0.00	2.94
AgndaCmpltd	166	0.30**	0.29	0.08	0.11	0.50
NumDocs	166	19.77***	19.80	8.45	2.00	36.00
lnNumPars	166	2.68	2.60	0.80	1.10	4.74
lnWrdCnt	166	7.46	7.48	0.96	5.19	9.55
ExmplsAppdx	166	2.39	0.00	4.75	0.00	35.00
lnAppWrdCnt	166	7.90	8.32	2.49	0.00	11.64
DisntVote	166	0.14	0.14	0.15	0.00	0.43
UnanPass	166	0.48	0.00	0.50	0.00	1.00
lnCmntLtrs	166	4.46	4.38	1.11	0.00	9.56
lnNumPapers	166	0.37	0.00	0.70	0.00	2.77
PubHear	166	0.34	0.00	0.48	0.00	1.00
lnDaysAGtoED	166	6.35	6.63	1.08	1.39	8.57
lnDaysAGtoISSU	166	6.72	6.88	0.87	3.93	8.73
lnDaysEDtoISSU	166	5.23	5.29	0.90	0.00	7.03

Panel B: Summary statistics for finalization period

Variable	Obs	Mean	Median	Std. Dev.	Min	Max
lnParaSupsd	166	1.01	0.69	1.06	0.00	4.58
lnOthrIntPrn	166	0.26	0.00	0.48	0.00	2.94
AgndaCmpltd	166	0.29	0.29	0.09	0.08	0.50
NumDocs	166	21.01	20.50	9.12	2.00	38.00
lnNumPars	166	2.68	2.60	0.80	1.10	4.74
lnWrdCnt	166	7.46	7.48	0.96	5.19	9.55
ExmplsAppdx	166	2.39	0.00	4.75	0.00	35.00
lnAppWrdCnt	166	7.90	8.32	2.49	0.00	11.64
DisntVote	166	0.14	0.14	0.15	0.00	0.43
UnanPass	166	0.48	0.00	0.50	0.00	1.00
lnCmntLtrs	166	4.46	4.38	1.11	0.00	9.56
lnNumPapers	166	0.37	0.00	0.70	0.00	2.77
PubHear	166	0.34	0.00	0.48	0.00	1.00
lnDaysAGtoED	166	6.35	6.63	1.08	1.39	8.57
lnDaysAGtoISSU	166	6.72	6.88	0.87	3.93	8.73
lnDaysEDtoISSU	166	5.23	5.29	0.90	0.00	7.03

Panel C: Correlation Matrix for hatching period

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) lnParaSupsd	1.00															
(2) lnOthrIntPrn	0.34	1.00														
(3) AgndaCmpltd	-0.02	0.26	1.00													
(4) NumDocs	-0.11	0.02	0.49	1.00												
(5) lnNumPars	0.70	0.28	-0.06	-0.11	1.00											
(6) lnWrldCnt	0.62	0.26	-0.17	-0.16	0.87	1.00										
(7) ExmplsAppdx	0.47	0.02	-0.13	-0.28	0.42	0.39	1.00									
(8) lnAppWrldCnt	0.51	0.04	-0.29	-0.27	0.51	0.54	0.37	1.00								
(9) DisntVote	0.16	0.16	0.17	0.21	0.09	0.08	-0.09	0.10	1.00							
(10) UnanPass	-0.12	-0.17	-0.12	-0.15	-0.10	-0.10	0.06	-0.09	-0.85	1.00						
(11) lnCmntLtrs	0.45	0.19	-0.13	-0.23	0.48	0.41	0.33	0.45	0.30	-0.28	1.00					
(12) lnNumPapers	0.55	0.32	0.04	-0.18	0.55	0.48	0.26	0.35	0.19	-0.16	0.52	1.00				
(13) PubHear	0.59	0.27	-0.07	-0.21	0.60	0.49	0.33	0.47	0.27	-0.27	0.60	0.51	1.00			
(14) lnDaysAGtoED	0.30	0.10	-0.11	-0.07	0.34	0.32	0.22	0.29	0.04	-0.08	0.20	0.20	0.16	1.00		
(15) lnDaysAGtoISSU	0.36	0.08	-0.18	-0.09	0.43	0.42	0.26	0.38	0.08	-0.14	0.28	0.23	0.26	0.95	1.00	
(16) lnDaysEDtoISSU	0.36	0.00	-0.21	-0.12	0.44	0.44	0.28	0.49	0.12	-0.18	0.43	0.20	0.38	0.44	0.64	1.00

Panel D: Correlation Matrix for finalization period

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) lnParaSupsd	1.00															
(2) lnOthrIntPrn	0.34	1.00														
(3) AgndaCmpltd	-0.03	0.23	1.00													
(4) NumDocs	-0.10	0.07	0.26	1.00												
(5) lnNumPars	0.70	0.28	-0.03	-0.11	1.00											
(6) lnWrldCnt	0.62	0.26	-0.13	-0.11	0.87	1.00										
(7) ExmplsAppdx	0.47	0.02	-0.12	-0.33	0.42	0.39	1.00									
(8) lnAppWrldCnt	0.51	0.04	-0.24	-0.26	0.51	0.54	0.37	1.00								
(9) DisntVote	0.16	0.16	0.13	0.14	0.09	0.08	-0.09	0.10	1.00							
(10) UnanPass	-0.12	-0.17	-0.11	-0.12	-0.10	-0.10	0.06	-0.09	-0.85	1.00						
(11) lnCmntLtrs	0.45	0.19	-0.07	-0.27	0.48	0.41	0.33	0.45	0.30	-0.28	1.00					
(12) lnNumPapers	0.55	0.32	0.10	-0.18	0.55	0.48	0.26	0.35	0.19	-0.16	0.52	1.00				
(13) PubHear	0.59	0.27	0.01	-0.18	0.60	0.49	0.33	0.47	0.27	-0.27	0.60	0.51	1.00			
(14) lnDaysAGtoED	0.30	0.10	-0.18	-0.07	0.34	0.32	0.22	0.29	0.04	-0.08	0.20	0.20	0.16	1.00		
(15) lnDaysAGtoISSU	0.36	0.08	-0.25	-0.06	0.43	0.42	0.26	0.38	0.08	-0.14	0.28	0.23	0.26	0.95	1.00	
(16) lnDaysEDtoISSU	0.36	0.00	-0.24	-0.05	0.44	0.44	0.28	0.49	0.12	-0.18	0.43	0.20	0.38	0.44	0.64	1.00

Table 2

Rotated factor analysis with 3 factors retained

Panel A: Factor analysis and factor loadings for hatching period

Factor	Variance	Difference	Proportion	Cumulative
Factor1	4.341	1.853	0.440	0.440
Factor2	2.489	0.624	0.252	0.693
Factor3	1.864	.	0.189	0.882

Rotated factor loadings (pattern matrix) and unique variances

Variable	Factor1	Factor2	Factor3	Uniqueness
InParaSupsd	0.765			0.382
InOthrIntPrn				0.836
AgndaCmpltd				0.789
NumDocs				0.766
InNumPars	0.835			0.244
InWrldCnt	0.768			0.328
ExmplsAppdx				0.694
InAppWrldCnt	0.588			0.543
DisntVote			0.840	0.242
UnanPass			-0.805	0.292
InCmntLtrs	0.652			0.532
InNumPapers	0.661			0.553
PubHear	0.742			0.426
InDaysAGtoED		0.915		0.150
InDaysAGtoISSU		0.959		0.033
InDaysEDtoISSU		0.589		0.496

(blanks represent abs(loading)<.5)

Order in which variables contribute to factors (by size of loadings)

Factor 1:	Factor 2:	Factor 3:
<i>Thoroughness</i>	<i>Timeliness</i>	<i>Consensus</i>
InNumPars	InDaysAGtoISSU	DisntVote
InWrldCnt	InDaysAGtoED	UnanPass
InParaSupsd	InDaysEDtoISSU	
PubHear		
InNumPapers		
InCmntLtrs		
InAppWrldCnt		

Panel B: Factor analysis and factor loadings for finalization period

Factor	Variance	Difference	Proportion	Cumulative
Factor1	4.316	1.814	0.449	0.449
Factor2	2.502	0.691	0.260	0.709
Factor3	1.811	.	0.188	0.898

Rotated factor loadings (pattern matrix) and unique variances

Variable	Factor1	Factor2	Factor3	Uniqueness
lnParaSupsd	0.772			0.373
lnOthrIntPrn				0.842
AgndaCmpltd				0.839
NumDocs				0.866
lnNumPars	0.848			0.229
lnWrdCnt	0.774			0.329
ExmplsAppdx				0.677
lnAppWrdCnt	0.587			0.553
DisntVote			0.866	0.224
UnanPass			-0.858	0.238
lnCmntLtrs	0.641			0.529
lnNumPapers	0.663			0.545
PubHear	0.728			0.428
lnDaysAGtoED		0.900		0.171
lnDaysAGtoISSU		0.950		0.041
lnDaysEDtoISSU		0.597		0.489

(blanks represent abs(loading)<.5)

Order (by size of loadings) in which variables contribute to factors

Factor 1:	Factor 2:	Factor 3:
<i>Thoroughness</i>	<i>Timeliness</i>	<i>Consensus</i>
lnNumPars	lnDaysAGtoISSU	DisntVote
lnWrdCnt	lnDaysAGtoED	UnanPass
lnParaSupsd	lnDaysEDtoISSU	
PubHear		
lnNumPapers		
lnCmntLtrs		
lnAppWrdCnt		

Table 3

Analysis of Statements of Financial Accounting Standards

Panel A: SFAS timelines

Variable	Obs	Mean	Median	Std. Dev	Min	Max
DaysAGtoED	166	879	755	799	4	5279
DaysAGtoISSU	166	1135	973	894	51	6209
DaysEDtoISSU	166	257	198	209	0	1126

Panel B:

Figure 1. Days from Agenda date to ED date (hatching period):

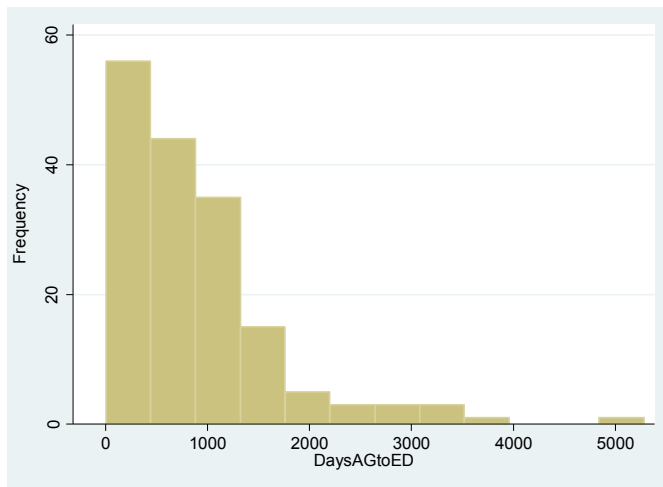
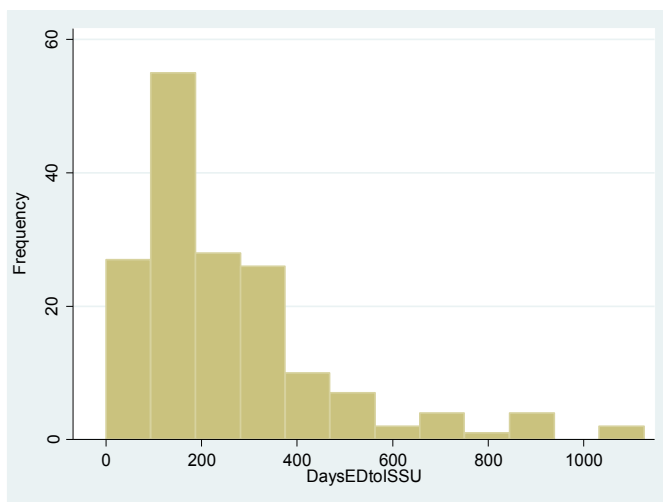


Figure 2. Days from ED date to issue date (finalization period):



Panel C: Frequency Distribution of SFAS

Year	# SFAS Initiated (Agenda Year)	Percent	# SFAS Completed (Issue Year)	Percent
1973	10	6.02	1	0.60
1974	6	3.61	2	1.20
1975	6	3.61	9	5.42
1976	11	6.63	2	1.20
1977	4	2.41	6	3.61
1978	17	10.24	4	2.41
1979	14	8.43	10	6.02
1980	4	2.41	10	6.02
1981	6	3.61	9	5.42
1982	7	4.22	18	10.84
1983	5	3.01	7	4.22
1984	6	3.61	4	2.41
1985	5	3.01	6	3.61
1986	10	6.02	3	1.81
1987	2	1.20	6	3.61
1988	3	1.81	4	2.41
1989	5	3.01	3	1.81
1990	0	0.00	2	1.20
1991	1	0.60	2	1.20
1992	3	1.81	5	3.01
1993	4	2.41	4	2.41
1994	3	1.81	2	1.20
1995	3	1.81	5	3.01
1996	7	4.22	3	1.81
1997	3	1.81	4	2.41
1998	3	1.81	3	1.81
1999	0	0.00	3	1.81
2000	1	0.60	3	1.81
2001	3	1.81	4	2.41
2002	5	3.01	4	2.41
2003	5	3.01	3	1.81
2004	2	1.20	4	2.41
2005	2	1.20	1	0.60
2006	0	0.00	4	2.41
2007	0	0.00	3	1.81
2008	0	0.00	3	1.81
Total	166	100.00	166	100.00

Panel D: SFAS Themes

Standard themes are classified using the 23 mutually exclusive themes identified by Wallace (2001).

A single classification is selected for each SFAS, according to the primary thrust of the statement.

Theme	SFAS #	# of SFAS in Theme Category
Specialized Practices/Industry Guidance	19, 32, 50, 51, 53, 60, 61, 63, 65, 67, 69, 71, 73, 90, 92, 101, 113, 120, 122, 143, 146, 151, 152, 153, 162, 163	26
Debt and Securitizations	4, 6, 15, 47, 49, 64, 76, 77, 78, 84, 105, 114, 118, 125, 129, 134, 140, 156	18
Pensions and Other Compensation	35, 36, 43, 74, 81, 87, 88, 106, 110, 112, 123, 132, 123R, 132R, 148, 158	16
Marketable Securities, Derivatives, and Hedging	12, 20, 80, 107, 115, 119, 133, 138, 149, 150, 155, 157, 159, 161	14
Leases	13, 17, 22, 23, 26, 27, 28, 29, 91, 98	10
Changing Prices	33, 39, 40, 41, 46, 54, 70, 82, 89	9
Deferrals	59, 75, 99, 100, 103, 108, 127, 137	8
Business Combinations	10, 72, 94, 141, 141R, 147, 160	7
Research and Development	2, 7, 44, 68, 86, 142	6
Income Taxes	9, 31, 37, 96, 109	5
Accounting Changes/Prior Period Adjustments	3, 16, 56, 83, 154	5
Segments and Major Customers	14, 18, 24, 30, 131	5
Not-for-Profits	93, 116, 117, 124, 136	5
Exclusion of Certain Groups from Reporting	21, 25, 79, 102, 126	5
Revenue Recognition	45, 48, 66, 97	4
EPS and Comprehensive Income	55, 85, 128, 130	4
Capitalization of Interest	34, 42, 58, 62	4
Rescission/Elimination	111, 135, 139, 145	4
Contingencies	5, 11, 38	3
Foreign Currency	1, 8, 52	3
Cash Flow	95, 104	2
Impairment of Long-lived Assets	121, 144	2
Related Party Disclosures	57	1
Total		166

Table 4

Summary statistics for hatching and finalization periods

Panel A: Hatching period						
Variable	n	Mean	Median	Std. Dev	Min	Max
Thoroughness	166	0.00	-0.23	0.96	-1.83	2.50
Timeliness	166	0.00	0.19	0.98	-3.40	2.28
Consensus	166	0.00	-0.10	0.93	-1.73	1.84
IssuerAccSuppFees	166	0.05***	0.00	0.16	0.00	0.68
SimpleMjrty	166	0.67**	1.00	0.47	0.00	1.00
Accountant	166	0.71**	0.71	0.07	0.57	0.86
RepMember	166	0.14	0.14	0.08	0.00	0.38
Tenure	166	4.40***	4.64	1.29	1.00	6.43
PctReElect	166	0.06**	0.07	0.04	0.00	0.14
PctTermEnd	166	0.13	0.14	0.08	0.00	0.43
PctDemSEC	166	0.46	0.45	0.15	0.00	0.75
DemInflnce	166	1.71***	2.00	0.85	0.00	3.00

Panel B: Finalization period						
Variable	n	Mean	Median	Std. Dev	Min	Max
Thoroughness	166	0.00	-0.24	0.96	-1.74	2.70
Timeliness	166	0.00	0.20	0.98	-3.36	2.28
Consensus	166	0.00	0.13	0.93	-1.73	1.67
IssuerAccSuppFees	166	0.07	0.00	0.20	0.00	0.70
SimpleMjrty	166	0.71	1.00	0.45	0.00	1.00
Accountant	166	0.70	0.71	0.07	0.49	0.86
RepMember	166	0.15	0.14	0.09	0.00	0.43
Tenure	166	4.71	5.00	1.34	1.00	6.71
PctReElect	166	0.07	0.07	0.06	0.00	0.29
PctTermEnd	166	0.13	0.14	0.09	0.00	0.43
PctDemSEC	166	0.45	0.45	0.17	0.00	0.75
DemInflnce	166	1.51	1.00	0.84	0.00	3.00

Panel C: Correlation Matrix for *hatching* period regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Thoroughness	1.00											
(2) Timeliness	0.03	1.00										
(3) Consensus	0.01	0.00	1.00									
(4) IssuerAccSuppFees	0.06	0.08	-0.24	1.00								
(5) SimpleMjrty	-0.27	-0.07	0.25	0.21	1.00							
(6) Accountant	-0.01	-0.23	0.15	-0.01	-0.20	1.00						
(7) RepMember	-0.11	0.11	-0.19	0.05	0.10	-0.27	1.00					
(8) Tenure	-0.17	0.16	-0.02	-0.20	0.04	-0.48	0.39	1.00				
(9) PctReElect	0.00	0.17	-0.20	0.44	-0.11	-0.11	0.06	0.13	1.00			
(10) PctTermEnd	0.16	0.00	-0.09	0.03	-0.04	0.03	0.17	-0.02	-0.28	1.00		
(11) PctDemSEC	-0.16	-0.06	0.22	-0.14	0.25	0.19	0.54	0.12	-0.17	-0.24	1.00	
(12) DemInflnce	-0.13	-0.07	0.36	-0.58	-0.04	0.19	-0.40	-0.16	-0.27	-0.45	0.16	1.00

Panel D: Correlation Matrix for *finalization* period regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Thoroughness	1.00											
(2) Timeliness	0.03	1.00										
(3) Consensus	0.02	0.01	1.00									
(4) IssuerAccSuppFees	0.01	0.18	-0.20	1.00								
(5) SimpleMjrty	-0.18	-0.02	0.16	0.22	1.00							
(6) Accountant	0.02	-0.24	-0.01	-0.15	-0.46	1.00						
(7) RepMember	-0.02	0.14	-0.10	-0.07	0.07	-0.19	1.00					
(8) Tenure	-0.24	0.20	0.03	-0.22	0.01	-0.19	0.15	1.00				
(9) PctReElect	-0.13	0.20	-0.15	0.31	-0.05	-0.02	-0.17	0.27	1.00			
(10) PctTermEnd	0.10	0.17	-0.10	0.06	-0.09	-0.01	0.20	0.16	-0.13	1.00		
(11) PctDemSEC	-0.09	-0.09	0.17	-0.14	0.16	0.09	0.59	-0.02	-0.25	-0.22	1.00	
(12) DemInflnce	0.03	-0.20	0.23	-0.44	-0.18	0.11	-0.37	-0.25	-0.20	-0.42	-0.01	1.00

Table 5

OLS regression results for hatching and finalization periods

Panel A: Hatching period

	Factor 1 (Thoroughness)	One-tailed significance	Factor 2 (Timeliness)	One-tailed significance	Factor 3 (Consensus)	One-tailed significance
IssuerAccSuppFees	0.14 (0.21)		-1.10 (-1.47)	*	0.67 (1.08)	
SimpleMjrty	-0.72*** (-4.08)	***	0.31 (1.63)	**	-0.49*** (-3.10)	***
Accountant	-3.97*** (-2.81)	***	3.34** (2.19)	***	-0.46 (-0.36)	
RepMember	-4.02** (-2.46)	***	-0.78 (-0.44)		4.66*** (3.18)	***
Tenure	-0.17** (-2.36)	***	-0.06 (-0.76)		-0.07 (-1.08)	
PctReElect	0.27 (0.13)		-2.53 (-1.15)		-1.10 (-0.60)	
PctTermEnd	2.15* (1.75)	**	-1.26 (-0.95)		-2.09* (-1.88)	**
PctDemSEC	1.71** (2.00)	**	-0.13 (-0.14)		-2.25*** (-2.91)	***
DemInflnce	-0.22 (-1.53)	*	-0.21 (-1.36)	*	-0.22 (-1.70)	**
_cons	3.91*** (3.40)	***	-1.43 (-1.15)		1.98* (1.91)	**
No. Obs.	166		166		166	
R2	0.18		0.10		0.30	
VIF	2.38					

Significance levels (*) 10% level, (**) 5% level, (***) 1% level, using a two-tailed test, t-statistics are reported in parentheses, VIF reports mean variance inflation factor.

Panel B: Finalization period						
	Factor 1 (Thoroughness)	One-tailed significance	Factor 2 (Timeliness)	One-tailed significance	Factor 3 (Consensus)	One-tailed significance
IssuerAccSuppFees	-0.24 (-0.48)		-0.94* (-1.91)	**	0.55 (1.17)	
SimpleMjrty	-0.52*** (-2.66)	***	0.30 (1.51)	*	-0.38** (-2.04)	**
Accountant	-2.13 (-1.6)	*	3.02** (2.27)	***	0.34 (0.27)	
RepMember	-0.53 (-0.40)		-1.71 (-1.30)	*	3.04** (2.44)	***
Tenure	-0.21*** (-3.08)	***	-0.10 (-1.52)	*	-0.06 (-1.00)	
PctReElect	-1.07 (-0.78)		-2.13 (-1.55)	*	0.83 (0.64)	
PctTermEnd	0.83 (0.84)		-1.39 (-1.40)	*	-0.95 (-1.01)	
PctDemSEC	-0.09 (-0.14)		0.27 (0.41)		-1.67*** (-2.67)	***
DemInflnce	-0.11 (-0.82)		-0.07 (-0.56)		-0.19 (-1.52)	*
_cons	3.11*** (2.55)	***	-1.21 (-1.00)		0.93 (0.81)	
No. Obs.	166		166		166	
R2	0.13		0.18		0.18	
VIF	1.92					

Significance levels (*) 10% level, (**) 5% level, (***) 1% level, using a two-tailed test, t-statistics are reported in parentheses, VIF reports mean variance inflation factor.

Appendix A

Variable Definitions and Collection Process for Factor Analysis

1. Accuracy of work performed:
 - a. *lnParaSupsd* – The natural log of the number of paragraphs in a standard superseded by subsequent pronouncements. This is collected from the FASB website, under the “Status” of each superseded standard.
 - b. *lnOthrIntPrn* – The natural log of the number of other Interpretive Pronouncements issued by the FASB in order to “...clarify, explain, or elaborate on” an existing standard. This is collected from the FASB website, under the “Status” of each superseded standard.
2. Quantity of work performed:
 - a. *NumDocs* – The total number of Documents issued by the FASB each year. This is obtained from the Financial Accounting Foundation (FAF) Annual Reports from 1980-2008. Each report contains a list of FASB Documents Issued during the year. Documents issued include Statements of Financial Accounting Concepts (SFACs), Statements of Financial Accounting Standards (SFASs), Interpretations, Exposure Drafts (EDs), Proposed Interpretations, Discussion Memorandums and Other.
3. Quality of work performed:
 - a. *lnWrldCnt* – The natural log of the word count for the body of each standard (excluding the appendices, title page and contents page). All superseded standards are available through the Reference Library on the FASB website.
 - b. *lnNumPar* – The natural log of the number of paragraphs contained in the body of each standard (excluding the appendices, title page, and contents page). All superseded standards are available through the Reference Library on the FASB website.
 - c. *ExmplsAppdx* – The number of examples provided for guidance in the appendix of each standard. All superseded standards are available through the Reference Library on the FASB website.
 - d. *lnAppWrldCnt* – The natural log of the word count of the appendix of each standard. All superseded standards are available through the Reference Library on the FASB website.
 - e. *DisntVote* – The percentage of dissenting votes for each standard. The vote count for every standard is provided in the body of the SFAS. All superseded standards are available through the Reference Library on the FASB website.
 - f. *UnanPass* – Indicator variable equal to one if a standard was passed by a unanimous vote and zero otherwise. The vote count for each standard is provided in the body of the SFAS. All superseded standards are available through the Reference Library on the FASB website.
4. Operating Efficiency
 - a. *AgndaCmpltd* – The percentage of items completed on the FASB Technical Agenda in the year a standard was passed. The Technical Agenda is published by the FASB quarterly in the *Status Report* (pre 2/28/2002) and the *FASB Report* (post 2/28/2002)³². An item is considered “completed” when a standard is issued.

³²Interpretation of the Technical Agenda requires some judgment, particularly in the earlier portion of my sample period. In some cases, items are removed from the Agenda with no

Agenda items that are dropped or combined with other items are not considered completed.

5. Client satisfaction
 - a. lnCmntLtrs – The natural log of the number of Exposure Draft comment letters written by constituents for each standard. This approximate number of comment letters is disclosed in the appendix of each standard. All superseded standards are available through the Reference Library on the FASB website.
 - b. PubHear – Indicator variable equal to one if there was a public hearing during the due process before a standard was issued. The incidence of a public hearing is disclosed in the appendix of a standard. All superseded standards are available through the Reference Library on the FASB website.
 - c. lnNumPapers – The natural log of 1+ the total number of academic papers published in any of the top three accounting journals (JAR, JAE and TAR) analyzing or discussing the impact of a standard.
6. Timeliness in meeting delivery schedule:
 - a. lnDaysAGtoED – The natural log of the number of days from the placement of an issue on the Technical Agenda to the issuance of an Exposure Draft. The Agenda date is provided in the Appendix for most standards, and estimated for those with no specific date provided³³. The Agenda date is often provided in MM/YYYY form, so I assume items are added to the Agenda in the middle of the month (the 15th day) in order to calculate the number of days from Agenda placement to Exposure Draft issuance. The ED date is obtained from the Appendix of each standard. All superseded standards are available through the Reference Library on the FASB website.
 - b. lnDaysAGtoISSU – The natural log of the number of days from the placement of an issue on the Agenda to the issuance of a completed standard. Issue dates are provided in each standard in MM/YYYY format, so I assume standards are issued in the middle of the month (the 15th day) for my calculations. All superseded standards are available through the Reference Library on the FASB website.
 - c. lnDaysEDtoISSU – The natural log of the number of days from the issuance of an Exposure Draft to the issuance of the completed standard. The ED date is obtained from the Appendix of each standard, and the issue date is obtained from the body of each standard. All superseded standards are available through the Reference Library on the FASB website.

discussion or explanation without being completed. In other cases, related Agenda items are combined into a single category, or a single item is split into multiple Agenda topics. Additionally, the names of some Agenda items are adjusted from one period to the next, which obfuscates the tracking process.

³³Some standards are issued to amend/improve upon previous pronouncements. For those standards, I use the issuance of the previous standard as the Agenda placement date. For example, SFAS 39, was issued on 10/15/80 as a supplement to SFAS 33. In this case, I use the issue date of SFAS 33 (9/15/1979) as the “Agenda date” for SFAS 39. For standards with no Agenda date provided and no discernable estimate, I use the average number of days from Agenda placement to Exposure Draft to estimate the Agenda date.

Appendix B

Unrotated Factor Analysis

Table B1

Unrotated factor analysis for hatching and finalization periods

Panel A: Unrotated factor analysis for hatching period				
Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	5.291	3.381	0.536	0.536
Factor2	1.910	0.416	0.194	0.730
Factor3	1.494	0.541	0.152	0.882
Factor4	0.953	0.513	0.097	0.978
Factor5	0.440	0.143	0.045	1.023
Factor6	0.297	0.135	0.030	1.053
Factor7	0.162	0.116	0.017	1.069
Factor8	0.047	0.022	0.005	1.074
Factor9	0.024	0.036	0.003	1.076
Factor10	-0.012	0.019	-0.001	1.075
Factor11	-0.031	0.051	-0.003	1.072
Factor12	-0.082	0.027	-0.008	1.064
Factor13	-0.109	0.013	-0.011	1.053
Factor14	-0.123	0.015	-0.013	1.040
Factor15	-0.138	0.119	-0.014	1.026
Factor16	-0.258	.	-0.026	1.000

Factor loadings and unique variances of factors with eigenvalues > 1

Variable	Factor1	Factor2	Factor3
InParaSupsd	0.753		0.382
InOthrIntPrn			0.836
AgndaCmpltd		0.425	0.789
NumDocs		0.358	0.766
InNumPars	0.838		0.244
InWrdCnt	0.792		0.328
ExmplsAppdx	0.483		0.694
InAppWrdCnt	0.656		0.543
DisntVote		0.799	0.242
UnanPass		-0.746	0.292
InCmntLtrs	0.650		0.532
InNumPapers	0.603		0.553
PubHear	0.696		0.426
InDaysAGtoED	0.560		0.678
InDaysAGtoISSU	0.669		0.667
InDaysEDtoISSU	0.638		0.496

(blanks represent abs(loading)<.3)

Panel B: Unrotated factor analysis for finalization period

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	5.273	3.416	0.549	0.549
Factor2	1.857	0.358	0.193	0.742
Factor3	1.499	0.683	0.156	0.898
Factor4	0.816	0.343	0.085	0.983
Factor5	0.473	0.203	0.049	1.032
Factor6	0.270	0.142	0.028	1.060
Factor7	0.127	0.076	0.013	1.073
Factor8	0.051	0.057	0.005	1.079
Factor9	-0.006	0.019	-0.001	1.078
Factor10	-0.025	0.012	-0.003	1.075
Factor11	-0.038	0.034	-0.004	1.071
Factor12	-0.072	0.034	-0.007	1.064
Factor13	-0.106	0.019	-0.011	1.053
Factor14	-0.124	0.022	-0.013	1.040
Factor15	-0.146	0.091	-0.015	1.025
Factor16	-0.238	.	-0.025	1.000

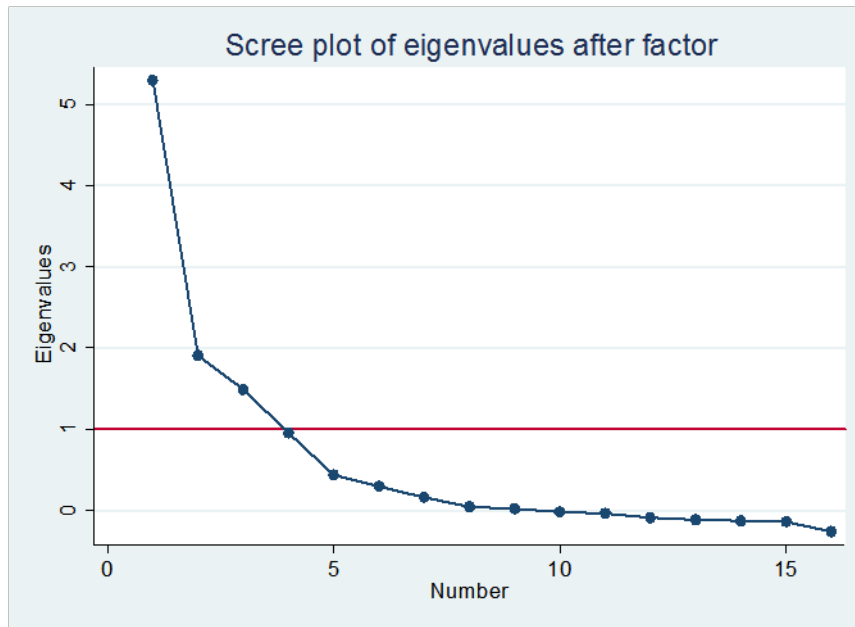
Factor loadings and unique variances of factors with eigenvalues > 1

Variable	Factor1	Factor2	Factor3	Uniqueness
lnParaSupsd	0.755			0.373
lnOthrIntPrn				0.842
AgndaCmpltd		0.365		0.839
NumDocs				0.866
lnNumPars	0.838			0.229
lnWrdCnt	0.789			0.329
ExmplsAppdx	0.486			0.677
lnAppWrdCnt	0.653			0.553
DisntVote		0.746	-0.394	0.224
UnanPass		-0.704	0.441	0.238
lnCmntLtrs	0.651			0.529
lnNumPapers	0.603			0.545
PubHear	0.693			0.428
lnDaysAGtoED	0.563	-0.413	-0.585	0.171
lnDaysAGtoISSU	0.671	-0.400	-0.591	0.041
lnDaysEDtoISSU	0.635			0.489

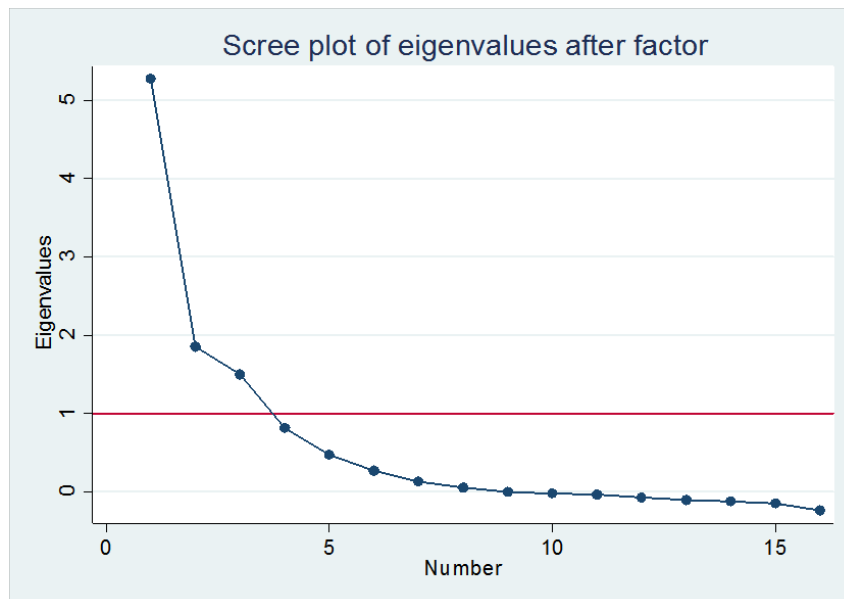
(blanks represent abs(loading)<.3)

Panel C: Scree plot of Eigenvectors:

Hatching period:



Finalization period:



Panel D: Kaiser-Meyer-Olkin measure of sampling adequacy:**Kaiser-Meyer-Olkin measure of sampling adequacy for hatching period**

Variable	KMO
InParaSupsd	0.89
InOthrIntPrn	0.74
AgndaCmpltd	0.55
NumDocs	0.66
InNumPars	0.81
InWrdCnt	0.81
ExmplsAppdx	0.87
InAppWrdCnt	0.91
DisntVote	0.59
UnanPass	0.60
InCmntLtrs	0.88
InNumPapers	0.91
PubHear	0.91
InDaysAGtoED	0.54
InDaysAGtoISSU	0.60
InDaysEDtoISSU	0.65
Overall	0.75

Kaiser-Meyer-Olkin measure of sampling adequacy for finalization period

Variable	KMO
InParaSupsd	0.880
InOthrIntPrn	0.784
AgndaCmpltd	0.593
NumDocs	0.668
InNumPars	0.812
InWrdCnt	0.806
ExmplsAppdx	0.865
InAppWrdCnt	0.900
DisntVote	0.585
UnanPass	0.592
InCmntLtrs	0.879
InNumPapers	0.915
PubHear	0.919
InDaysAGtoED	0.551
InDaysAGtoISSU	0.603
InDaysEDtoISSU	0.660
Overall	0.758

Appendix C

Table C1
Variable Definitions

Variable	Description
<i>Dependent variables</i>	
F1 – Thoroughness	Retained factor from factor analysis.
F2 – Timeliness	Retained factor from factor analysis.
F3 – Consensus	Retained factor from factor analysis.
<i>FASB Mechanisms</i>	
IssuerAccSuppFees	Standard-level measure of the total dollar amount of mandatory accounting support fees paid to FASB by issuers of securities, as a percentage of total operating revenue.
SimpleMjrty	Standard-level indicator variable equal to one if a standard was passed in a year where the FASB requires a simple majority vote, and zero otherwise.
<i>FASB Member Characteristics</i>	
Accountant	Standard-level measure of the proportion of extant FASB members with most recent former employ in public accounting or financial statement/return preparation.
RepMember	Standard-level measure of the proportion of extant FASB members making campaign contributions to the Republican party or candidates.
Tenure	Standard-level measure of the average tenure in years of all extant FASB members.
PctReElect	Standard-level measure of the proportion of extant FASB members who are up for re-election.
PctTermEnd	Standard-level measure of the proportion of extant FASB members who are in their terminal year of service.
<i>Other</i>	
PctDemSEC	Standard-level measure of the proportion of SEC Commissioners affiliated with Democratic Party.
DemInflnce	Standard-level measure of the political affiliation of the Senate, House of Representatives, and President. Each component = 1 if a Democratic majority exists, for a max of 3 and a minimum of zero.

All Board mechanism and member characteristics are averaged over the hatching and finalization periods for each Standard.

Appendix D

FASB Financial Information

Table D1:

Sources of FASB Financial Support

Year	Public		Other*	%	Contributed		Accounting		Total
	Accounting	%			Services	%	Support Fees	%	
Since 1972	6,065,950	0.51	5,806,344	0.49	-	-	-	-	11,872,294
1975	2,059,076	0.50	2,070,125	0.50	-	-	-	-	4,129,201
1976	-	0.00	-	-	-	-	-	-	3,772,327
1977	-	0.00	-	-	-	-	-	-	4,077,723
1978	1,864,000	0.43	2,444,000	0.57	-	-	-	-	4,308,000
1979	1,875,000	0.40	2,762,000	0.60	-	-	-	-	4,637,000
1980	1,895,000	0.38	3,105,000	0.62	-	-	-	-	5,000,000
1981	1,738,000	0.35	3,245,000	0.65	-	-	-	-	4,983,000
1982	1,949,000	0.36	3,459,000	0.64	-	-	-	-	5,408,000
1983	2,221,000	0.39	3,519,000	0.61	-	-	-	-	5,740,000
1984	2,230,000	0.40	3,387,000	0.60	-	-	-	-	5,617,000
1985	2,411,000	0.41	3,412,000	0.59	-	-	-	-	5,823,000
1986	2,583,000	0.44	3,253,000	0.56	-	-	-	-	5,836,000
1987	2,774,000	0.46	3,230,000	0.54	-	-	-	-	6,004,000
1988	2,884,000	0.49	3,047,000	0.51	-	-	-	-	5,931,000
1989	2,805,000	0.46	3,253,000	0.54	-	-	-	-	6,058,000
1990	3,113,000	0.49	3,237,000	0.51	-	-	-	-	6,350,000
1991	3,091,000	0.48	3,373,000	0.52	-	-	-	-	6,464,000
1992	3,296,000	0.49	3,379,000	0.51	-	-	-	-	6,675,000
1993	3,337,000	0.51	3,190,000	0.49	-	-	-	-	6,527,000
1994	3,479,000	0.53	3,044,000	0.47	-	-	-	-	6,523,000
1995	3,488,000	0.55	2,870,000	0.45	-	-	-	-	6,358,000
1996	3,498,000	0.55	2,852,000	0.45	-	-	-	-	6,350,000
1997	3,656,000	0.56	2,725,000	0.41	201,000	0.03	-	-	6,582,000
1998	3,637,000	0.56	2,612,000	0.40	220,000	0.03	-	-	6,469,000
1999	3,664,000	0.58	2,424,000	0.38	280,000	0.04	-	-	6,368,000
2000	3,608,000	0.57	2,548,000	0.40	158,000	0.03	-	-	6,314,000
2001	3,544,000	0.54	2,940,000	0.44	140,000	0.02	-	-	6,624,000
2002	2,463,000	0.46	2,551,000	0.48	291,000	0.05	-	-	5,305,000
2003	2,463,000	0.10	2,561,000	0.10	263,000	0.01	19,161,000	0.78	24,448,000
2004	-	0.00	-	-	123,000	0.00	25,355,000	1.00	25,478,000
2005	-	0.00	-	-	48,000	0.00	20,225,000	1.00	20,273,000
2006	-	0.00	-	-	56,000	0.00	22,436,000	1.00	22,492,000
2007	-	0.00	-	-	101,000	0.00	22,514,000	1.00	22,615,000
2008	-	0.00	-	-	110,000	0.00	22,759,000	1.00	22,869,000

*Includes investment firms, constituent organizations, banks and industry and other

Figure D1:

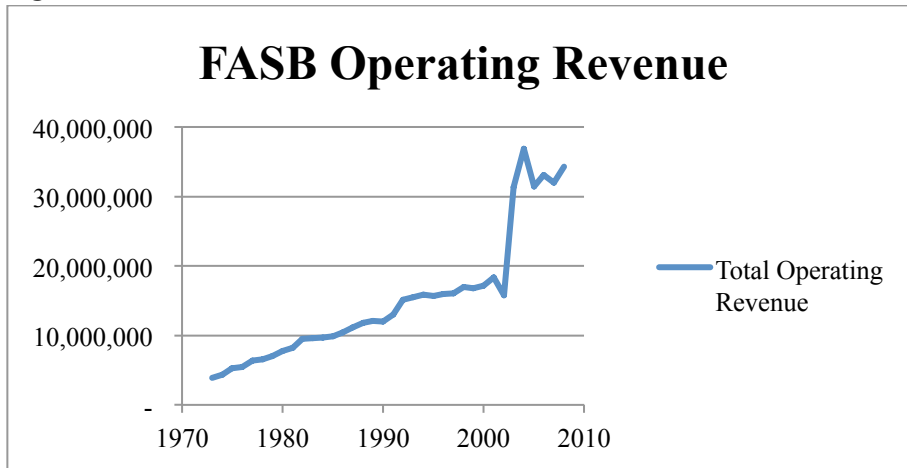


Figure D2:

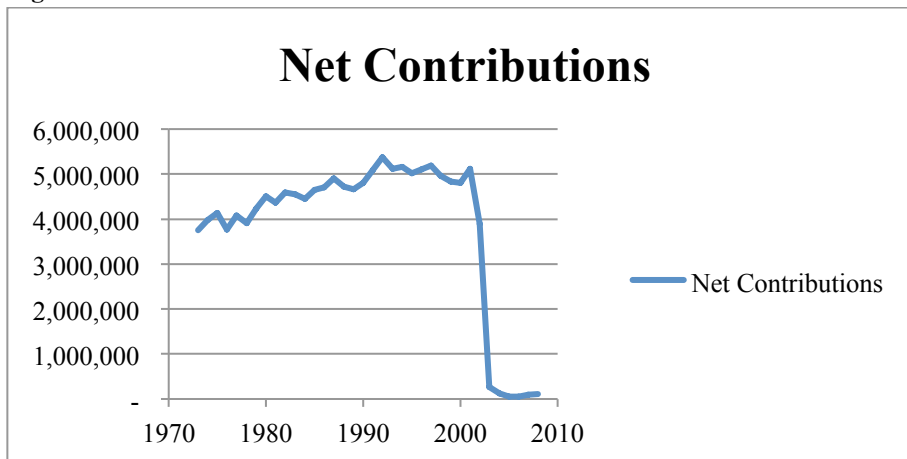
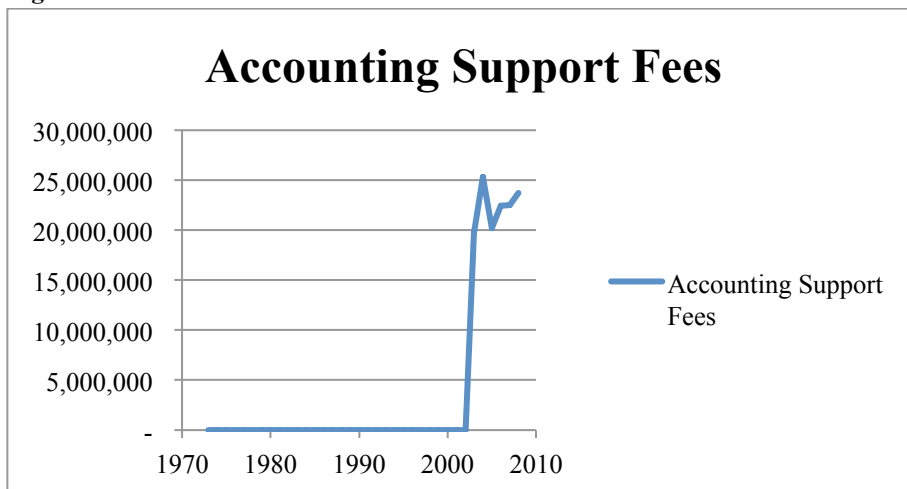


Figure D3:



Appendix E

FASB Member Details

Table E1

FASB Member Professional Backgrounds								
Year	% Public Accounting	%Preparer	%User	%Academic	%Regulator	Total	Accountant	Non-Accountant
1973	0.57	0.29	0.00	0.14	0.00	1.00	0.86	0.14
1974	0.57	0.29	0.00	0.14	0.00	1.00	0.86	0.14
1975	0.57	0.29	0.00	0.14	0.00	1.00	0.86	0.14
1976	0.57	0.29	0.00	0.14	0.00	1.00	0.86	0.14
1977	0.57	0.14	0.00	0.14	0.14	1.00	0.71	0.29
1978	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1979	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1980	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1981	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1982	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1983	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1984	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1985	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1986	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1987	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1988	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1989	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1990	0.43	0.14	0.14	0.14	0.14	1.00	0.57	0.43
1991	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1992	0.43	0.29	0.00	0.14	0.14	1.00	0.71	0.29
1993	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1994	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1995	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1996	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1997	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1998	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
1999	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2000	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2001	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2002	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2003	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2004	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2005	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2006	0.43	0.29	0.14	0.14	0.00	1.00	0.71	0.29
2007	0.29	0.29	0.14	0.14	0.14	1.00	0.57	0.43
2008	0.20	0.20	0.20	0.20	0.20	1.00	0.40	0.60

Table E2

Political Affiliation of FASB Members				
Year	%Democrat	%Republican	%No Affiliation	Total
1973	0.14	-	0.86	1.00
1974	0.29	-	0.71	1.00
1975	0.29	-	0.71	1.00
1976	0.29	0.14	0.57	1.00
1977	0.29	0.14	0.57	1.00
1978	0.14	0.14	0.71	1.00
1979	0.14	0.14	0.71	1.00
1980	0.14	0.14	0.71	1.00
1981	0.14	0.14	0.71	1.00
1982	0.14	0.14	0.71	1.00
1983	0.14	0.14	0.71	1.00
1984	0.14	0.14	0.71	1.00
1985	0.14	0.14	0.71	1.00
1986	-	0.14	0.86	1.00
1987	-	0.14	0.86	1.00
1988	-	0.14	0.86	1.00
1989	-	0.14	0.86	1.00
1990	-	-	1.00	1.00
1991	-	-	1.00	1.00
1992	-	-	1.00	1.00
1993	-	0.14	0.86	1.00
1994	-	0.14	0.86	1.00
1995	-	0.14	0.86	1.00
1996	-	0.29	0.71	1.00
1997	-	0.29	0.71	1.00
1998	-	0.29	0.71	1.00
1999	-	0.43	0.57	1.00
2000	-	0.43	0.57	1.00
2001	0.14	0.29	0.57	1.00
2002	0.14	0.29	0.57	1.00
2003	-	0.14	0.86	1.00
2004	-	0.14	0.86	1.00
2005	-	0.14	0.86	1.00
2006	-	0.14	0.86	1.00
2007	-	-	1.00	1.00
2008	-	0.20	0.80	1.00

Appendix F

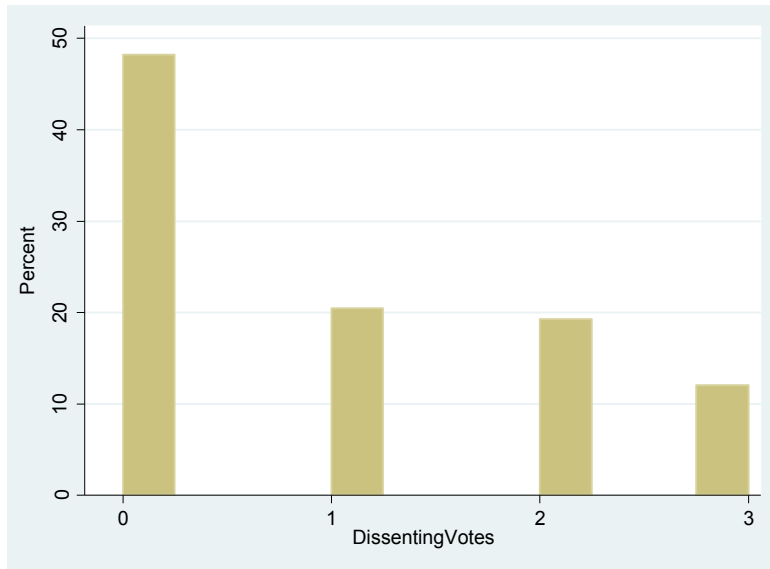
FASB Dissenting Votes

Table E1

Number of Dissenting Votes in Standard Issuance			
Dissenting Votes	Freq.	Percent	Cum.
0	80	48.19	48.19
1	34	20.48	68.67
2	32	19.28	87.95
3	20	12.05	100.00

Figure F1:

Dissenting Votes in Standard Issuance



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