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Assistant Professor
Chapman University
Email: chakrava@chapman.edu

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ABSTRACT: I explore whether the level of ideological diversity among Financial Accounting Standards Board (FASB) members has declined since the emergence of their conceptual framework. I analyze votes made by FASB members on Statements of Financial Accounting Standards and compare them to comment letters submitted by constituent sponsoring organizations. I demonstrate that, relative to the *Pre-CF* regime (1973–1986), FASB members' voting positions in the *CF* regime (1987–2007) are (i) less like their constituent sponsors and (ii) more like one another. The former result is primarily attributable to differences between FASB members with auditor and preparer backgrounds and those groups' sponsors. Both of these shifts are associated with standards increasing accounting relevance; in the *CF* regime, standards that increase relevance likely do so because of the framework's broad focus on decision usefulness. I document a significant increase in sponsors' dissent in the *CF* regime, and regression analysis indicates that variation in standards' authoritative references to the conceptual framework accounts for *all* of this increase. Lastly, from 1996–2007, all but one dissenting vote by FASB members on fair value standards explicitly argues for an even greater use of fair values, while none argue for less use. To the extent FASB members' individual ideologies influence their voting positions, the evidence is consistent with a decline in the level of ideological diversity among FASB members in the *CF* regime.

JEL Classification codes: D72, G18, M48

Keywords: Accounting standards; Conceptual framework; Financial Accounting Standards Board (FASB); Ideology; Standard setting

Data availability: The data used in this study are available from the sources identified herein.

1. INTRODUCTION

In this study, I investigate a potential long-term consequence of the Financial Accounting Standards Board's ("FASB" or "the Board") conceptual framework ("CF" or "the framework"). The framework was central to the FASB's creation, as one of the items on their initial agenda was a project to establish broad standard setting guidelines (FASB 1973) that evolved into the CF. Intended to provide the Board with a cohesive system of objectives and fundamentals to use in setting standards, the framework was to guide the FASB in part by prohibiting alternatives that violate it, thereby narrowing the range of alternatives for the Board to consider (FASB 1976). Baxter (1962) posits that one consequence of authority declaring that any one view of accounting is better than the others is that, in the long run, it can "narrow the scope for individual thought and judgment." Kothari et al. (2010, 36) call for research to address "what institutional features of standard setting might help reduce the effect of ideology on standard setting?" In this spirit, I explore whether the conceptual framework has served to embed the effect of ideology in standard setting by causing a decline in the level of ideological diversity among standard-setters.

An ideology is a collection of normative beliefs and values held by an individual or group (Honderich 2005). Clearly, members of deliberative bodies such as the FASB are not motivated solely by their personal ideological beliefs; they face complex and competing motivations while making consequential decisions. Nevertheless, the dominant political science view is that U.S. Supreme Court justices' votes primarily reflect their personal "ideological attitudes and values" (Segal and Spaeth 2002). Similarly, FASB members' ideologies likely influence their voting positions (assent or dissent) on Statements of Financial Accounting Standards ("SFASs" or "standards"). To the extent this is the case, *ceteris paribus*, a decline in dissent implies fewer opposing viewpoints and, therefore, a decline in ideological diversity.

Ex post, it may seem obvious to some that narrowing the set of acceptable accounting will ultimately narrow the ideologies of standard-setters. *Ex ante*, however, the FASB held dual goals of developing a conceptual framework (AICPA 1973) and promoting a diversity of views and backgrounds (AICPA 1972). As such, it seems unlikely there was an intent for the CF to reduce ideological diversity. Indeed, Miller et al. (1994, 20-21) note that the FASB was formed in part because its predecessors "did not appear to provide an equal opportunity for all interested groups to participate in (and to affect the outcome of) the standards-setting process."

To determine when the FASB began implementing the framework, I review each standard and identify every authoritative reference to the CF. I find a sharp increase in such references shortly after the issuance of SFAS 91 and distinguish the *CF* regime (SFAS 92–160, 1987–2007) from the *Pre-CF* regime (SFAS 1–91, 1973–1986) in order to evaluate possible effects of the framework. I then note that the FASB has linked decision usefulness, which they state is the broad focus of the CF, to their emphasis on the relevance of information to investors and creditors (Johnson 2005). Therefore, in order to link standards to the framework, I utilize Allen and Ramanna (2013) metrics to identify standards that increase accounting relevance.

A key goal driving the FASB's initial institutional structure was to increase the diversity of views and backgrounds involved in the standard setting process (AICPA 1972, 57-60). This structure operated as follows: constituents were divided into groups – auditors, financial statement preparers, financial statement users (e.g. investors, financial analysts), accounting academics, and government regulators; each constituent group was represented by sponsoring organizations (e.g., auditors were represented by the AICPA); the sponsors elected Trustees of the Financial Accounting Foundation (FAF); and the FAF Trustees elected FASB members. I compare FASB members' votes on standards to positions taken by sponsors in comment letters

to Exposure Drafts relating to those standards. Utilizing sponsors' positions not only provides a meaningful point of comparison for FASB positions, it also provides a control for endogenous standard-specific characteristics that might affect the rate of dissent – for example, if standards proposed under one regime are inherently more controversial than under the other regime.

In total, I compare 762 FASB votes on 159 standards to the position of each member's sponsoring organization(s). Using a difference-in-differences design, I demonstrate that, relative to the *Pre-CF* regime, in the *CF* regime FASB members vote (i) less like their sponsor(s) and (ii) more like one another. (In supplemental analysis, I discover that the former result is primarily attributable to differences between FASB members with auditor and preparer backgrounds and those groups' sponsors.) I then create a variable to measure the diversity of FASB members' positions relative to their sponsors on each standard. I use multivariate analyses to confirm the finding that there was a decline in the diversity of FASB members' voting positions in the *CF* regime, both independently (i.e., within the Board itself) and relative to their sponsors.

If this decline is a consequence of the framework, diversity should be lower on those standards associated with it. I extend the multivariate analyses and document that the observed decline in the diversity of FASB positions (both independently and relative to their sponsors) is associated with standards that increase accounting relevance. In the *CF* regime, standards that increase relevance likely do so because the FASB reinforced the framework's focus on decision usefulness. I then use the sponsors' comment letter positions to develop a measure of 'constituent dissent,' and note an increase in sponsor dissent in the *CF* regime. Regression analysis indicates that the observed increase in standards' authoritative references to the framework accounts for *all* of the increase in sponsor dissent. These results confirm a link between the decline in diversity of FASB voting positions and standards associated with the CF.

In my primary analysis, I do not differentiate the reasons behind each dissent, so it is possible that I mischaracterize some dissenting members' positions. I read and code dissenting explanations on fair value standards, which I identify via an Allen and Ramanna (2013) metric. This allows me to identify whether, among other reasons, the dissenting member opposes because they disagree with the use of fair values (what I term "outside dissent") – or whether they oppose because the standard does not implement *enough* fair value accounting ("inside dissent"). In periods with low ideological diversity, we would expect to see relatively limited 'outside' dissent. Across twenty-two fair value standards from SFAS 125 to SFAS 160, encompassing 149 votes in total, I find *zero* 'outside' dissents and only *one* dissent that does not explicitly call for an even greater use of fair values. Across these standards, I identify 117 sponsors' positions and document 42.5 dissents. This demonstrates very little diversity among FASB members' positions on the issue of fair value accounting in the *CF* regime.

I perform a series of robustness tests. I first perform alternate tests in which I compare each FASB vote to the average position of all constituent groups' sponsors. This demonstrates that my primary results are not driven by temporal changes in constituent group representation on the Board (e.g., fewer auditor members in the *CF* regime). I then show that there is no significant temporal change in the FASB's length of deliberation in response to unpopular Exposure Drafts. As such, it is unlikely that they responded to unpopular standards with more substantive changes in the *CF* regime than in the *Pre-CF* regime. Lastly, I show that the results are robust to (i) removing the standards deemed least significant by the FASB's constituents, (ii) using earlier 'break' points to divide the sample, and (iii) removing any individual observation.

I document a significant decline in the diversity of voting positions among FASB members during the *CF* regime, and demonstrate links between this decline and standards

associated with the conceptual framework. While I cannot specify a precise causal mechanism for this effect, to the extent FASB members' individual ideologies influence their voting positions, the overall evidence is consistent with the conceptual framework causing a significant long-term decline in the level of ideological diversity among standard-setters.

Recent surveys have highlighted ideology theory – that standards are jointly determined by standard-setters' ideologies and interest-group lobbying – as a useful model of standard setting (Kothari et al. 2010; Gipper et al. 2013; Ramanna 2015). I contribute to this literature by highlighting the role of ideological diversity, as ideology may be less influential when standard-setters' ideologies are relatively diverse, and lobbying efforts from diverse interest groups may be less influential when standard-setters' ideologies are more narrowly dispersed. If so, then perhaps one consequence of the FASB implementing its framework is that interest-group lobbying carried relatively less influence during the *CF* regime than during the *Pre-CF* regime.

I am not aware of any prior studies on the ideological diversity of standard-setters, or that empirically examine the long-term consequences of the FASB's conceptual framework. Allen and Ramanna (2013) evaluate how FASB members' personal characteristics influence the nature of standards. Numerous studies empirically test the link between lobbying on proposed accounting standards and changes subsequently made to those standards, both in the U.S. (Puro 1984; Brown and Feroz 1992; Buckmaster et al. 1994; Ramanna 2008) and abroad (McLeay et al. 2000; Hansen 2011). Other studies evaluate voting for evidence of coalition formation (Newman 1981a, 1981b; Selto and Grove 1983; Moody and Flesher 1986) and find that voting power is not concentrated within repeated coalitions.

Prior research does provide an alternate perspective on certain changes during the *CF* regime. Healy and Wahlen (1999) link the rise in fair values to the S&L crisis in the late 1980's.

The governmental response to this crisis (Zeff 2003, 272-273) may have led to the addition of FASB members with financial services backgrounds (Allen and Ramanna 2013). Ramanna (2013) attributes the rise of fair values to the inclusion of these members, while Jiang et al. (2017) note that financial instruments were the most frequent topic for standards during this period. This process might have empowered the financial services industry, and, indeed, I find financial statement user sponsors most favored the FASB's direction (Young 2006). While this composite account may help explain certain changes – like the increased use of fair values – it does not explain the observed decline in the diversity of FASB members' voting positions. Perhaps, in addition to these changes, some external threat caused members to vote with greater unanimity to demonstrate strength in order to protect the institution (Rohde 1972; Newman 1981a). However, the observed increase in inside dissent runs counter to this explanation.

On the other hand, perhaps FASB members in the *CF* regime vote less like their sponsors and more like one another due to any number of changes unrelated to the framework that differentially affected the standard setting environment in each regime. For example, perhaps changes to the Board's due process caused members to be less sensitive to the views of their constituents in the *CF* regime. However, alternative explanations of this type cannot reconcile why the observed patterns are more pronounced on standards associated with the framework.

To summarize, the evidence I present in this study is consistent with the conceptual framework causing a long-term decline in the level of ideological diversity among standard-setters. Moreover, while I cannot rule out alternative explanations for each individual finding, it is difficult for any single alternate explanation to reconcile all of the evidence. As such, I hope to amplify the Kothari et al. (2010) call for research to more clearly specify the factors that appear to have institutionalized ideology in U.S. standard setting.

2. BACKGROUND AND HYPOTHESES

2.1 Background: Ideological Beliefs

An ideology is a collection of normative beliefs and values held by an individual or group (Honderich 2005). Differing ideological beliefs about accounting concepts and methods – for example, support for either the income statement or balance sheet approach (Gipper et al. 2013) – can drive competing preferences on accounting standards.

At present, we know very little about what motivates standard-setters (Kothari et al. 2010). In addition to their ideology – and beyond the facts of the standard up for debate – standard-setters' decisions are likely a function of many competing motivations, including concerns about their reputation, career, and influence, the preferences and influence of their constituents and other standard-setters, and the broader institutional context.

Similarly, U.S. Supreme Court justices face complex motivations. Nevertheless, the 'attitudinal' approach (Segal and Cover 1989; Segal and Spaeth 2002) – that justices' votes largely reflect their personal ideological attitudes and values – has emerged as the dominant political science view. Indeed, while the 'strategic' approach (which focuses on the effect of strategic behavior and institutional context) is often framed as a competing alternative (e.g., Martin and Quinn 2002), its authors acknowledge that ideology is the primary factor determining justices' decisions (Epstein and Knight 1998). Therefore, political science informs us that a standard-setters' personal ideology likely has a significant influence on their voting decisions. As such, I use FASB members' voting positions as a proxy for their ideological beliefs.

2.2 Background: Institutional Structure

The FAF and FASB were created following a period of "unprecedented stress" on the accounting profession that created an urgent need for improving accounting standards (AICPA

1972, 3-4). In this environment, one of the FASB's founding objectives was to increase the diversity of views and backgrounds involved in the standard setting process. This was accomplished in part by providing statutory authority to 'sponsoring organizations' representing five constituent groups (Zeff 1978; Gore 1992, 141-151), as illustrated in Figure 1.[1]

Historically, members of these organizations (via a separate group of "Electors") met to collectively elect new FAF Trustees from a pool of individuals nominated by the organizations.[2] The FAF Board of Trustees then selected FASB members. As such, during the period covered in this study, the constituent sponsors held indirect authority to select FASB members.

This authority was statutory, included in the FAF's by-laws and subject to change as groups exchanged influence through time. For example, the 1987 FAF by-laws dictated that the sixteen Trustees were to include four auditors, three preparers, two users, one academic, three government regulators, and three at-large Trustees.[3] Similarly, the Board's composition has historically reflected informal quotas, subject to change over time; in 1987, the seven members included three auditors, two preparers, one academic, and one government regulator.

2.3 Background: Conceptual Framework

2.3.1 Demand for an accounting framework

One of the founding objectives of the FASB's predecessor (the Accounting Principles Board, or APB) was to determine basic postulates and broad principles of accounting, and they were widely perceived to have failed at the task (Moonitz 1974; Zeff 1999). In 1970, the APB

[1] I additionally confirm information in section 2.1 through review of the FAF's historical by-laws, which I obtained from the FAF by request in 2013. They provided twelve such documents from the Public Record.

[2] This describes the process until 2002, when the process changed for every group (except for the Government), such that the existing FAF Board of Trustees elected new Trustees from candidates provided by the sponsors. This changed again in 2008 to fully remove all formal authority of the non-Government sponsors to elect FAF Trustees FAF (2008). The latter change did not take effect until after all standards covered in this study were issued.

[3] Little research has been done over the FAF's actions, perhaps because some of their activities – including meetings to determine the selection of FASB members – are conducted in private (Miller et al. 1994).

issued Statement No. 4 ("Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises"); however, it was seen as a disappointment, and did little to reduce the demand for a deductive framework (Gore 1992).

The APB was the target of both dissatisfaction from constituents and oversight pressure from the SEC and Congress. The APB struggled to provide detailed guidance on divisive topics – as some members were content to describe generally accepted practices – and were criticized for the diversity of observed practice for similar transactions and circumstances. Due to ideological differences on fundamental issues, it was difficult to generate consensus on controversial topics.[4] As such, much of the APB's guidance reflected compromises between opposing points of view (Dopuch and Sunder 1980), so standards lacked "coherence and logic" (AAA 1971) and were not always broadly accepted (Horngren 1973). Also, the APB approached each issue on a standalone basis (Gellein 1986), sometimes leading to internally inconsistent standards (Chatov 1975). The framework provided a means to address many of these issues.

2.3.2 The 'conceptual framework regime'

The framework is a collective of Concepts Statements (CONs) issued over a number of years, though the prevailing belief (Solomons 1986; Agrawal 1987; Gerboth 1987) was that the issuance of CON 6 in December 1985 completed the CF. To determine when the FASB began implementing the framework, I document every authoritative reference in standards to the CF, as follows. I download PDFs of all original pronouncements from the FASB website, search the text of each standard (i.e., the numbered paragraphs and footnotes) for "concept," review each item, and document three types of explicit references. First, authoritative references to APB Statement No. 4 (once the initial search for "concept" identifies one reference to APB No. 4, I

[4] See Zeff (1971, 134-236) as a reference for the preceding portion of the paragraph.

search "No. 4" to identify additional references). Second, references that the Board was limited in some way, or the scope of the standard was affected, because the CF was not yet complete.[5] Third, authoritative references to the CF (either to individual CONs or to the "conceptual framework"); this excludes both (i) mentions that constituent respondents referenced the CF and (ii) basic descriptive (i.e., non-authoritative) references to the CF. I consolidate multiple citations within a single numbered paragraph into one 'reference.'

The data, illustrated in Figure 2, indicate a sharp increase in the volume of CF references starting with SFAS 93, issued in October 1987. Since SFAS 92 was also issued in October 1987 and was the first standard issued under a new Chairperson, I use it as a 'break point' and define SFAS 1–91 as the *Pre-CF* regime, with SFAS 92 the start of the *CF* regime.[6] After splitting the data in Figure 2 by regime, only *one* value in the *CF* regime (associated with SFAS 104) is lower than the *maximum* value in the *Pre-CF* regime (SFAS 79). The data, therefore, indicate a discrete break in implementation of the conceptual framework around this time.

2.4 Hypotheses

One element of the FASB's founding mission was to develop conceptually consistent standards, while another was to diversify the voices and backgrounds involved in the standard setting process. Is it possible that these goals are in conflict – that one consequence of institutionalizing accounting standard setting is that it can lead to a narrowing of thought?

Referring to the CF as a 'constitution,' the FASB (1976, 6) noted "it will narrow the range of alternatives to be considered by the Board because some alternatives will clearly be

[5] For example, from SFAS 48: "…the Board may wish to evaluate the standards in this Statement when its conceptual framework project is completed" (FASB 1981, para 17).

[6] The institutional structure central to this study, described in Section 2.2, ended in 2008; see Note 2. Further, in 2008 the first Exposure Draft for an update to the FASB's CF via the FASB-IASB convergence project was issued (FASB 2008). The convergence project resulted in two updates in 2010 before the project ended in 2014.

'unconstitutional.'" Baxter (1962) argues that following such a direction is, ultimately, likely to narrow the scope for individual thought and judgment. On freedom of thought (pp. 420-421):

> 'Freedom'…means the absence…of benevolent authority that makes us respectful to some ideas and hostile to others. Man should be able to think freely and without bias, so that the stream of new ideas can flow strongly; and he should be able to discuss and experiment freely and without bias, so that all ideas can be criticised and tested with rigour. If authority intervenes…by giving its *imprimatur* to some favourite idea…the chances of progress are lessened. Men cease to think so freely…and therefore the stream of new ideas dries up. They cease to discuss and experiment so freely…criticism loses its edge, and ideas are not put to a stern test. (emphasis original)

Baxter's argument provides the motivation for this study, but it provides neither a mechanism nor a testable theory. Rather, I explore one potential consequence of his prediction: whether the CF has helped reduce the level of ideological diversity among standard-setters.[7] This requires addressing two distinct questions. The first question is, has ideological diversity declined during the *CF* regime? As this study is exploratory, all hypotheses are in the null form.

> *Hypothesis 1a*: There is *no change* from the *Pre-CF* regime to the *CF* regime in the diversity of FASB members' voting positions.

As the sponsoring organizations were selected in part to reflect a diversity of views and backgrounds, they represent an ideal point of comparison against which to measure the effect of the framework. As such, I compare FASB positions to positions taken by their sponsors.

> *Hypothesis 1b*: There is *no change* across regimes in the diversity of FASB members' voting positions relative to the diversity of their sponsors' positions.

The second question to be addressed is, if ideological diversity declined during the *CF* regime, is the CF associated with the decline? While H1a and H1b indirectly address this question, I address this question more directly with Hypotheses 2a and 2b.[8]

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[7] Baxter (1962) does not reference the idea of a conceptual framework. However, in a follow-up article Baxter stated of the FASB's then in-progress CF that "such a super-standard of ultimate principles would be a fearsome extension" towards the future direction he was arguing against (Baxter 1981, 6). Others have presented similar arguments that detailed standards can discourage professional debate and experimentation (Sunder 2010).

[8] H1a and H1b provide some evidence towards this because the *Pre-CF*/*CF* distinction is not just an arbitrary, circumstantial 'break' in time – the data underlying Figure 2 provide evidence of a systematic difference in standards across regimes that directly relates to the framework itself.

Hypothesis 2a (2b): Variation across regimes in the diversity of FASB members' voting positions (relative to the diversity of their sponsors' positions) is *unrelated* to standards that are associated with the framework.

It is possible for individuals who oppose a standard to hold diametrically opposed *positions* on its underlying concepts. That is, one might fundamentally disagree with the ideas a standard implements ('outside' opposition), while another might oppose because the standard does not go *far enough* to implement the ideas ('inside' opposition).[9] If ideological diversity declined during the *CF* regime, and this was associated with the CF, one consequence would be an increase in the rate of 'inside' opposition on standards associated with the framework.

Hypothesis 3: On standards associated with the framework, there is *no change* across regimes in the rate of 'inside' opposition as a percentage of all opposition.

3. Empirical Design

3.1 Empirical Approach

3.1.1 Identifying the positions of FASB members and their sponsoring organizations

As described earlier, I use the voting positions of FASB member *i* as a proxy for their ideological beliefs. On a given standard, these positions are assent ($POS_i = 1$) or dissent ($POS_i = 0$). This implies that, *ceteris paribus*, a Board voting 7-0 in favor of a standard is less ideologically diverse than one voting 5-2. However, standard-specific characteristics are also likely to affect the rate of dissent; some standards address highly controversial topics, while some others simply defer the effective date of prior standards. To address this, I compare FASB votes to the positions of the FASB's sponsors, thereby controlling for endogenous shifts in the types of standards proposed in each regime that might affect the rate of dissent. I identify the position taken by the sponsor(s) for each member's constituent group as follows.

[9] The initial U.S. standard setting body, the AICPA's Committee on Accounting Procedure, began publishing dissenting arguments in 1939 in order to distinguish between these two types of opposition (Zeff 1971, 138).

I first identify every comment letter (CL) submitted by every sponsor to the final Exposure Draft (ED) relating to SFAS 1 through SFAS 160.[10,11] (This represents 163 total standards, since the set is inclusive of revisions: SFAS 132R, 123R, and 141R). I classify the CL position of sponsor *m* into five categories, as illustrated in Figure 3: strongly oppose ($POS_m = 0$), lean oppose (0.25), neither support nor oppose (0.5), lean support (0.75), and strongly support ($POS_m = 1$).[12] When a sponsor submits more than one comment letter, I combine all letters into one document from which I identify POS_m. Finally, I measure the position of constituent group *j* (POS_j) on standard *t* as the average position taken by that group's sponsor(s) *m*.

Both myself and a research assistant (RA) independently coded each CL based upon a random order of standards. The RA is a former accounting PhD student who was not informed about the topic or objectives of this study. I retained all data where our initial codes aligned. For letters where our codes differed, the RA and I exchanged notes about the rationale behind our decisions. Then, the RA considered the evidence and determined the final category for all letters. The weighted kappa (inter-coder reliability) between the initial two sets of codes was

[10] Typically, each sponsor has a committee specifically designed to interact with the FASB that prepares these comment letters. In fact, the signatories of the sponsors' CLs include ten individuals who later became Board members, including at least one member from each of the four major constituencies. Starting from the first signatory selected onto the Board, this represented ten of the next twenty-eight FASB members, indicating that the signatories of sponsors' CLs are likely one of the best sources of prospective FASB members.

[11] An Exposure Draft is "essentially a pro forma final document" that must be published for all projects that lead to an standard (Miller et al. 1994, 73). The FASB is supposed to incorporate only minor changes from an ED into the final standard; otherwise, they are to issue another ED for public review. As such, for each standard, I use comment letters submitted on the *final* ED. I address potential confounds arising from this issue in section 4.4.3.

The FASB's due process procedures have undergone numerous changes in order to balance standard setting timeliness with sufficient constituent outreach (Van Riper 1987). If the net effect has increased (decreased) constituent outreach prior to the ED stage, they may lead FASB positions to converge with (diverge from) sponsors' positions in the *CF* regime, relative to the *Pre-CF* regime. Therefore, due process changes that are unrelated to the CF are potential confounds, as they may drive spurious results for H1a/H1b. I address this matter in section 5.1.1.

[12] In a U.K. study, Georgiou (2004) finds that firms' use of unobservable lobbying in the standard setting process is significantly associated with their use of comment letters. Further, a U.S. study finds a strong complementary association between various forms of lobbying by interest groups (Ansolabehere et al. 2002). Therefore, positions stated within comment letters are likely to be associated with sponsors' preferred positions.

0.64. Further, 95% of the initial codes (502 out of 528) either named the identical category or were within one adjacent category. A supplementary internet appendix includes the instructions provided to the RA, as well as examples of comment letter language within each category.

I am unable to "match" a FASB vote to the position of their associated sponsor(s) if they do not submit a CL on the related ED. When this occurs, I drop the observation from the "matched sample."[13] I drop the Government constituency because their sponsors (GFOA and NASACT) submitted CLs on EDs for only two standards. I match votes from 159 out of 163 standards, and match a total of 762 constituent positions out of a pool of 1,011 FASB votes.

I further illustrate this process by using SFAS 87 ("Employers' Accounting for Pensions") as an example. Seven FASB members voted on SFAS 87 – three auditors, one preparer, one user, one academic, and one government regulator. Comment letters to the final ED were received from the AICPA, FEI, IMA, CFA Institute, and AAA. These letters were coded as described above. Finally, six FASB votes are matched to sponsors' positions: the three auditors to the AICPA position, the preparer to the average of the FEI and IMA positions, the user to the CFA Institute position, and the academic to the AAA position.[14]

Appendix 1 provides detail on all key variables in this study. Appendix 2 provides data on all positions extracted from sponsors' comment letters (i.e., all POS_m).

[13] I expect sponsors will submit CLs when the benefit of doing so exceeds the cost. Therefore, the set of comment letters I observe for each sponsor likely represents those standards that have meaningful priority to that organization, while the standards on which no letter is submitted are likely immaterial.

While the sponsors represent an ideal *comparison group*, this process does not represent a clean *control match* – as in a controlled laboratory experiment – and I do not imply this by using the term 'matched sample.'

[14] I aggregate votes for each standard (rather than analyzing each individual vote) to identify the positions of the Board as a whole, because the FAF *collectively* elects FASB members (i.e., sponsors do not select their own 'representative'; see section 2.1). Further, I match each member's vote to their sponsor(s) position (rather than to the average sponsor position) because I expect the Board's composition to be a function of each constituent group's relative influence at that time. That is, I do so in order to control for changes over time in the relative influence of each constituent group. In supplementary analysis, I re-perform hypothesis tests using an alternate measure in which I match each FASB vote to the average constituent group position; see section 4.4.2.

3.1.2 Measuring the diversity of positions taken by the FASB

I measure the diversity of FASB members' positions on a standard by the rate of dissenting votes. I develop a variable, *Representativeness* (R_t), to measure the diversity of FASB positions relative to sponsors' positions. R_t measures the extent to which FASB members' positions on standard *t* (the sum of POS_i on matched votes) aligns with the position of sponsors (the sum of POS_j), and is structured such that 'perfect' representativeness leads to a value of 1.0 (see equation 1).[15] If there is a decline across regimes in the diversity of FASB positions, a decline in R_t demonstrates a decline in the diversity of FASB positions relative to their sponsors.

$$R_t = 1 - \frac{\left| \sum_{j} POS_{j,t} - \sum_{i} POS_{i,t} \right|}{n_{i,t}} \quad (1)$$

$POS_{j,t}$ ($POS_{i,t}$) represents the position of constituent group *j* (FASB member *i*) on standard *t*, while $n_{i,t}$ represents the total number of matched FASB member votes on *t*. I drop all standards with fewer than two matched votes. With this restriction, R_t is available for 153 out of a possible 163 standards. See Appendix 3, where I provide all R_t values.

3.1.3 Identifying standards associated with the CF

As described in section 2.2.2, I have collected data on the number of times each standard cites the framework for authoritative guidance. Because this data is skewed, I calculate the variable *CF_Refs* as the log of [1 + (the # of authoritative references to the CF)]. See Appendix 3, where I provide all *CF_Refs* values. While this variable provides a very clear association between each standard and the CF, FASB members jointly determine (i) whether and how often

[15] I use SFAS 87 as an example to explain the intuition behind the metric. There were six matched FASB votes on SFAS 87 ($n_{i,t}$ = 6), three assents and three dissents ($\sum POS_{i,t}$ = 3). The matched constituent positions were 0.5, 0.5, 0.5, 0.125, 0.75, and 0.75 ($\sum POS_{j,t}$ = 3.125). Therefore, the numerator is equal to 0.125, the quotient is equal to 0.02, and R_t is equal to 0.98, indicating strong alignment between the FASB and its sponsors.

I utilize a difference-of-sums construction (rather than a sum-of-differences) to identify the positions of the Board as a whole because the FAF *collectively* elects FASB members (see Note 14).

to cite the CF and (ii) how they vote. Because of this endogeneity, I cannot use regression techniques to measure the marginal effect of *CF_Refs* on the diversity of FASB positions.

Therefore, I seek an additional method to associate standards to the framework. The FASB has stated that decision usefulness (i.e., user primacy) is the broad focus of its framework (Johnson 2004) and that this represented a "fundamental change in attitude" toward the purpose of financial statements (Storey and Storey 1998, 71). While incorporating this new approach, the FASB has particularly emphasized the *relevance* of information to investors and creditors (Johnson 2005), and during the *CF* regime it has issued many standards perceived to increase relevance (Allen and Ramanna 2013). Interestingly, standard-setters had long recognized the importance of accounting relevance; APB Statement No. 4 declared relevance to be the primary qualitative objective of financial accounting, and its description is nearly identical to the framework's description of relevance as a fundamental recognition criteria.[16]

While relevance was an established accounting concept, in the *Pre-CF* regime FASB standards did not frequently cite conceptual authority (either APB 4 or CONs; see Figure 2). Therefore, standards that increase accounting relevance in the *CF* regime provide a relatively clean association with the framework. That is, relative to standards increasing relevance in the *Pre-CF* regime, standards that increase relevance in the *CF* regime likely bear that characteristic because the FASB reinforced the framework's focus on decision usefulness.

Allen and Ramanna (2013) provide two metrics, *inc_relv* and *Manual_inc_relv*, which measure the extent to which the Exposure Draft relating to each standard increases relevance. The *inc_relv* metric derives from a textual analysis of comment letters provided by Big 8/6/5/4

[16] APB No. 4: Relevant information "bears on the economic decisions for which it is used" (APB 1970, para 88). CON 5: Relevant information "is capable of making a difference in user decisions" (FASB 1984, para 63).

auditors.[17] The *Manual* metric is derived from a manual assessment from two independent reviewers, who develop a count variable with six values identifying various categories of fair value usage (in which a value of zero indicates no use of fair values). I develop an indicator variable, *Inc_Relv*, which equals one if either of the Allen and Ramanna (2013) relevance measures is greater than zero. This variable, therefore, identifies standards that either contemporaneous assessors (Big 8/6/5/4 audit firms) or modern assessors (independent reviewers) perceive as increasing accounting relevance.

3.2 Hypotheses 1a and 2a

I test hypotheses 1a and 2a by estimating variations of equation 2 in a cross-sectional regression, with each observation reflecting a standard, and I use a Tobit regression because the dependent variable is left-censored at zero.[18]

$$FASB\ Dissent_t = \alpha + \lambda_1 * Pre\text{-}CF_t + \lambda_2 * Inc\_Relv_t + \lambda_3 * Inc\_Relv_t * Pre\text{-}CF_t + \lambda_4 * AvgTenure_t + \lambda_5 * Supermajority_t + \varepsilon \quad (2)$$

FASB Dissent is the dissent percentage on each standard (total dissents ÷ total votes). *Pre-CF* is an indicator variable equal to one when the standard is issued in the *Pre-CF* regime. *Inc_Relv* identifies standards increasing accounting relevance. *AvgTenure* is the log of the average number of standards the members have voted on as of (and inclusive of) standard *t*. It is included as a control variable because Allen and Ramanna (2013) identified member tenure as a determinant of standard setting outcomes. *Supermajority* is an indicator variable equal to one

[17] This is done via the following process. First, all uses of the word stem "relevan" are extracted from each letter. Second, an RA assesses whether each reference is used in a positive context, or if the usage is irrelevant. Finally, the measures are determined based on the position within the letter of the first positive reference, such that the value of *inc_relv* is higher the earlier the first reference appears.

[18] Results for all specifications using Tobit regressions (i.e., equation 2 in Table 3 and equation 4 in Table 5) are qualitatively unchanged when estimated using OLS.

when a standard is issued under a required supermajority vote.[19] As simple majorities are not possible under such regimes, I expect this variable to be negatively related to dissent percentage.

Because the level of analysis is a standard, the output is produced by a combination of FASB members. As such, I partition the population of standards into those created by unique combinations of FASB members, and cluster standard errors by combination.[20] I test H1a by estimating equation 2 without the *Inc_Relv* variables. A significant λ_1 coefficient (on the *Pre-CF* variable) indicates a significant difference in dissent rates across regimes.

I test H2a by estimating equation 2 in full. By construction, the reference category for equation 2 is the *CF* regime, so coefficient λ_2 represents the impact of standards increasing relevance on *FASB Dissent* in the *CF* regime while the sum of coefficients ($\lambda_2 + \lambda_3$) represents the impact in the *Pre-CF* regime. If there is a change in *FASB Dissent* across regimes, a significant *Inc_Relv* coefficient in one regime (both regimes) demonstrates an association (strong association) between standards increasing relevance and the change in dissent.

3.3 Hypotheses 1b and 2b

I test hypotheses 1b and 2b by estimating variations of equation 3 in a cross-sectional OLS regression, with each observation reflecting a standard.

$$R_t = \alpha + \gamma_1 * Pre\text{-}CF_t + \gamma_2 * Inc\_Relv_t + \gamma_3 * Inc\_Relv_t * Pre\text{-}CF_t + \gamma_4 * AvgTenure_t + \gamma_5 * LagReturn_t + \gamma_6 * ED\_Frequency_t + \varepsilon \quad (3)$$

[19] At various points the FASB has either had a seven-person Board with a requirement for a 5-2 supermajority, a seven-person Board with a simple majority requirement, or a five-person Board with a simple majority requirement.

[20] To achieve an appropriate balance of combinations and total standards, I require a combination to have at least five associated standards. Therefore, combinations were identified by starting at SFAS 1 and changing combinations at every change in membership after the fifth standard attributed to each combination. This provides for seventeen combinations of FASB members across the 163 standards.

I exclude combination fixed effects, as they capture explanatory power related to systematic differences between each combination of FASB members, which is one of the elements the *CF* split is designed to capture. A number of additional variables identified by prior literature as determinants of standard setting outcomes (e.g. political affiliation, professional background, etc.) are time-invariant personal characteristics and therefore also relate to differences between combinations of FASB members. As such, they are also excluded from my model.

R_t measures the diversity of FASB positions relative to sponsors' positions. *Pre-CF* is an indicator variable equal to one when the standard is issued in the *Pre-CF* regime. *Inc_Relv* identifies standards increasing accounting relevance. *AvgTenure* is the log of the average number of standards the members have voted on as of (and inclusive of) standard *t*. *LagReturn* is the lagged one-year return on the CRSP value-weighted index as of the date of the final ED to each standard. Because public demand for regulatory activity tends to peak following market failures (e.g., Becker 1983), regulators may have more inherent authority to produce industry-unfriendly outputs in relatively poor economic periods than during strong periods. If this is the case, *LagReturn* should be positively related to R_t. *ED_Frequency* is the log of the number of EDs (that ultimately became standards) that were issued in the two prior years. To the extent constituent concerns of 'standards overload' (e.g., Hepp and McRae 1982) influence their position on an ED, the *ED_Frequency* coefficient will be negative. I cluster standard errors by combination. I test H1b by estimating equation 3 without the *Inc_Relv* variables. A significant γ_1 coefficient (on the *Pre-CF* variable) indicates a significant difference in R_t across regimes.

The format of H1b lends itself to further analysis within a difference-in-differences (D-in-D) design. This design is desirable because it controls for permanent differences between the FASB and its sponsors as well as for inter-temporal changes that affect both groups. In order to execute this design, I first develop a measure of sponsor dissent similar to FASB dissent: I code positions less than (equal to) 0.5 as a dissent (one-half of a dissent). I then execute a D-in-D of total FASB and sponsor dissents relating to all matched votes in the *Pre-CF* and the *CF* regimes. The significance of the overall D-in-D provides a supplementary test of H1b.

I test H2b by estimating equation 3 in full. By construction, the reference category for equation 3 is *CF*, so coefficient γ_2 represents the impact of standards increasing relevance on

Representativeness in the *CF* regime while the sum of coefficients ($\gamma_2 + \gamma_3$) represents the impact in the *Pre-CF* regime. If there is a change in *Representativeness* across regimes, a significant *Inc_Relv* coefficient in one regime (both regimes) demonstrates an association (strong association) between standards increasing relevance and the change in *Representativeness*.

3.4 Hypothesis 2b: CF_Refs and Constituent Dissent

While I cannot use *CF_Refs* in equations (2) and (3) due to endogeneity concerns, I can use this variable to shed light on hypothesis 2b, as follows.

$$ConstDissent\%_t = \alpha + \tau_1 * Pre\text{-}CF_t + \tau_2 * Inc\_Relv_t + \tau_3 * Inc\_Relv_t * Pre\text{-}CF_t + \tau_4 * CF\_Refs_t + \tau_5 * CF\_Refs_t * Pre\text{-}CF_t + \varepsilon \quad (4)$$

ConstDissent% is the percent of sponsors' dissents on each standard; I use a Tobit regression because it is left-censored at zero. *Pre-CF* is an indicator variable equal to one when the standard is issued in the *Pre-CF* regime. *Inc_Relv* identifies standards increasing accounting relevance. *CF_Refs* identifies the frequency of authoritative references to the CF. This test can demonstrate how standards associated with the CF differentially affect the diversity of *sponsors'* positions in both the *Pre-CF* and *CF* regimes, providing partial evidence towards H2b.

By construction, the reference category for equation 4 is *CF*, so coefficient τ_2 [τ_4] represents the impact of standards increasing relevance [how often standards cite the CF] on *ConstDissent%* in the *CF* regime while the sum of coefficients ($\tau_2 + \tau_3$) [$\tau_4 + \tau_5$] represents the impact in the *Pre-CF* regime. Because this test provides only partial evidence towards H2b, I will consider the results from this test in conjunction with results generated from other tests.

3.5 Hypothesis 3

Hypothesis 3 compares the rate of 'inside' opposition on standards associated with the framework in the *Pre-CF* and *CF* regimes. I test this by identifying whether there is a change in the rate of 'inside dissent' on fair value standards; see Figure 4. I focus on fair values because

standards in recent years have called for an increased use of fair values, and because the FASB has linked fair value accounting to the CF (Johnson 2005).

At the end of each standard, dissenting FASB members provide an explanation for their vote. I hand-collect each of these dissenting explanations on fair value standards. With the support of a research assistant, I follow a coding process in which each explanation is first divided into distinct arguments, and then each argument is categorized.[21] Two such categories are "Prefer lesser use of current costs or fair values" and "Prefer greater use of current costs or fair values." I test H3 by comparing the percentage of greater-use-of-fair-value dissents on fair value standards in the *Pre-CF* and *CF* regimes.

As I focus on the diversity of *positions* taken by FASB members, when estimating equations (2) and (3) I include adjusted variables in which I convert 'inside' dissents to assents.

4. RESULTS

4.1 Descriptive Statistics

Detail on the definitions, construction, and availability of all variables is included within Appendix 1. Figure 5 presents temporal patterns of FASB dissent, constituent (i.e., sponsor) dissent, and standard type for the matched sample of FASB votes. It provides initial evidence of changes in the *CF* regime: an increase in standards increasing accounting relevance coinciding with a decrease in FASB dissent and an increase in sponsor dissent.

Panels A, B, and C of Table 1 provide descriptive statistics for key variables – Panel A for the full sample, while Panel B (Panel C) separates the *Pre-CF* and *CF* regimes (*Inc_Relv* and

[21] The coding process operated as follows. I read every dissenting argument (based upon a random order of standards) and coded/categorized each one. A research assistant (RA) who was not provided with the initial coding decisions then independently coded each argument. Where there was a disagreement between our coding decisions, the RA re-reviewed the argument and determined the final argument type. The RA is an accounting PhD student and licensed CPA who was not informed about the topic or objectives of this study.

non-*Inc_Relv* standards). Panel B provides initial evidence that FASB dissent and *Representativeness* decrease across regimes, and indicates that the preparer sponsors prefer *Pre-CF* standards to *CF* ones, while the user sponsors have opposite preferences. Per Panel C, auditor and preparer sponsors oppose *Inc_Relv* standards (relative to non-*Inc_Relv* standards), whereas users and academics do not. Panel D provides the correlation matrix, and documents a strong positive relationship between the positions taken by auditors and preparers and by users and academics, but no significant relation between positions of any other constituent pairing.

Panel A of Table 2 provides data for the matched sample of votes. Consistent with the overall population, the matched sample shows a decrease in FASB dissent and increase in sponsor dissent in the *CF* regime. I will discuss the overall D-in-D along with results for H1b.

Panel B of Table 2 provides CL submission frequencies to help identify systematic patterns to "missing" CLs that might confound H1b and H2b. For auditors and academics, there is no association between changes in submission and changes in dissent. For preparers and users, lower submission rates are associated with greater dissent. If the latter groups' unobserved positions are more likely to be dissents, this may infer greater user (preparer) dissent in the *Pre-CF* (*CF*) regime. As such, the effect of these dissents would largely offset in the D-in-D.

4.2 Results of Hypothesis Tests

4.2.1 Hypotheses 1a and 2a

Table 3 provides results from multivariate tests of hypotheses 1a and 1b. Columns (1), (2), and (3) use *FASB Dissent*, while columns (4), (5) and (6) use an adjusted *FASB Dissent* variable that converts 'inside' dissenting votes on fair value standards to assents. Columns (1) and (4) include only the *Pre-CF* indicator variable, while columns (2) and (5) include control

variables. *Pre-CF* is positive and significant in all four columns, indicating a reduction in the diversity of individual FASB member positions; as such, I reject H1a.

Results from testing hypothesis 2a are in columns (3) and (6) of Table 3. The data indicate a significantly positive association between *Inc_Relv* standards and FASB dissent in the *Pre-CF* regime, and a significantly negative association in the *CF* regime when adjusting for inside dissenting votes. As such, there is a strong association between standards that increase accounting relevance and the decline in FASB dissent across regimes, and I reject H2a.[22]

4.2.2 Hypotheses 1b and 2b

Table 4 provides results from multivariate tests of hypotheses 1b and 2b. Columns (1), (2), and (3) use R_t, while columns (4), (5), and (6) are run using an adjusted R_t variable that converts 'inside' dissents on fair value standards to assents. Columns (1) and (4) include only *Pre-CF*, while columns (2) and (5) include control variables. *Pre-CF* is positive and significant in all four columns. The D-in-D result (Table 2, Panel A) further supports the finding that FASB positions during the *CF* regime are less diverse than the positions of its sponsors. I reject H1b.

Results from testing hypothesis 2b are in columns (3) and (6) of Table 4. The data indicate a significantly negative association between *Inc_Relv* and R_t in the *CF* regime, both before and after adjusting for inside dissenting votes. As such, there is an association between the decline in the diversity of FASB positions (relative to its sponsors) and standards that increase relevance, and I reject H2b.[23]

[22] As described in section 3.1, a significant coefficient in both regimes demonstrates a strong association. Because dissent decreased, this represents a positive (negative) coefficient for the *Pre-CF* (*CF*) regime. The *Pre-CF* coefficient is positive and significant in both specifications. The *CF* coefficient is significant when adjusting for inside dissents on fair value standards – which, by construction, are in the set of *Inc_Relv* standards. As such, the modified variable more precisely measures the positions taken by FASB members on these standards. This demonstrates a strong association: *Inc_Relv* standards are associated with a greater diversity of FASB positions during the *Pre-CF* regime as well as with a lower diversity during the *CF* regime.

[23] As described in section 3.2, a significant coefficient in one regime demonstrates an association. Because R_t decreased, this represents a positive (negative) coefficient for the *Pre-CF* (*CF*) regime. As the *CF* coefficient is

4.2.3 Hypothesis 2b: CF_Refs and constituent dissent

Table 5 provides results for equation (4). Column (1) confirms that constituent (i.e., sponsor) dissent was lower in the *Pre-CF* regime, while column (2) indicates that *Inc_Relv* standards did not significantly increase constituent dissent during the *CF* regime (p-value=0.12). Column (3) indicates that the frequency of references to the CF in a standard is strongly associated with greater constituent dissent to that standard. Column (4) confirms that all significant results from columns (2) and (3) remain significant when all variables are included.

Two results are particularly notable. First, the Pseudo R^2 increases from 1.7% in column (1) to 11.4% in column (3). Second, the coefficient on the *Pre-CF* variable is significantly negative in column (1), but is *positive* (though insignificant) in column (3). This indicates that variation in *CF_Refs* accounts for *all* of the increase in sponsor dissent in the *CF* regime.

The Pearson [Spearman] correlation between *FASB Dissent* and *CF_Refs* is significantly positive in the *Pre-CF* regime (p-value=0.01 [0.02]; untabulated) but insignificantly negative in the *CF* regime (p-value=0.82 [0.85]; untabulated). As such, during the *CF* regime, FASB dissent was unassociated with how frequently standards cited the framework. However, Table 5 demonstrates that references to the CF are highly associated with sponsor dissent. This result is difficult to interpret because the direction of causality is uncertain – that is, whether sponsors dissent to EDs that cite the CF, or whether the FASB cites the CF more frequently in response to sponsor dissent. In total, however, the evidence supports *some sort* of relationship between the CF and the decline in the diversity of FASB positions relative to their sponsors.

negative and significant, this demonstrates an association: *Inc_Relv* standards are associated with lower FASB representativeness during the *CF* regime. While the *Pre-CF* coefficient is also negative, the impact in magnitude is much larger during the *CF* regime, where there were many more *Inc_Relv* standards – an increase of more than 500% over the *Pre-CF* regime (per Table 1, Panel B).

4.2.4 Hypothesis 3

Results for testing hypothesis 3 are in Panel A of Table 6. All standards on which I identify inside dissent in the *CF* regime are included in Panel B. There are seven (thirty-two) fair value standards in the *Pre-CF* (*CF*) regime, on which the dissent rate is 32.7% (8.3%). On fair value standards in the *Pre-CF* regime, two (three) of the sixteen dissenters argue for lesser (greater) use of fair values. In the *CF* regime, three (eleven) of the eighteen total dissenters argue for lesser (greater) use of fair values. Notwithstanding the small populations, the increase is statistically significant (two-tailed p-value=0.01), and I reject H3.

On the twenty-two most recent fair value standards in my sample, encompassing 149 votes, there is only *one* FASB dissent that does not explicitly call for an even greater use of fair values. Over those same standards, I identify 42.5 constituent dissents on 117 matched votes.[24] This data demonstrates a significant decline in the diversity of FASB positions in the *CF* regime on the issue of fair value accounting.

4.3 Differences Between Constituent Groups

Descriptive statistics in Table 1 reveal an alignment between positions taken by academic and user sponsoring organizations, with the user sponsors (primarily the CFA Institute) demonstrating particularly strong support for the FASB in the *CF* regime. I identify thirteen of the most unpopular standards in the *CF* regime, and within this subsample the median POS_j value for each constituent group is 0.25 (auditor and preparer) and 0.75 (user and academic).[25] I

[24] Some of the opposition embedded in constituent positions may also come from the 'inside.' Relative to the other constituent groups, financial statement users demonstrated the greatest support for the direction taken by the FASB in the *CF* regime (Table 1, Panel B), and I note a total of four user dissents across the entire *CF* regime (Table 2, Panel B). As such, it is unlikely that many of these constituent dissents reflect requests for greater use of fair values.

[25] I identified the standards using the following criteria: standards in the *CF* regime with either (i) four or more constituent dissents or (ii) with at least three matched votes and a constituent dissent percentage greater than 67%. The thirteen standards are SFASs 94, 101, 113, 125, 130, 131, 142, 143, 146, 147, 150, 132R, and 141R.

document user positions for twelve of these standards, and on only three standards do any other constituency have a higher POS_j value.

Descriptive statistics also reveal an overall alignment between auditor and preparer sponsors, as well as their opposition to standards increasing relevance. Further, per Panel B of Table 2, most of the increase in constituent dissent in the *CF* regime is driven by preparer sponsors, followed by auditor sponsors. In total, this indicates that results in H1b and H2b are primarily driven by differences between FASB members with auditor and preparer backgrounds and the sponsoring organizations representing those constituent groups.

4.4 Robustness Procedures

4.4.1 Robustness procedures: Sensitivity to different CF 'break' points

Reviewing the data underlying Figure 2, the earliest plausible alternate 'break' point is after SFAS 67, which was the last to reference that the CF was incomplete, and which immediately preceded a small increase in references to the framework (see Figure 2 and *CF_Refs* in Appendix 3). To demonstrate that my results are robust to alternate break points, I re-perform hypothesis tests for H1a, H1b, H2a, and H2b using SFAS 67, 75 and 83 to delineate regimes.[26]

The result for H1a is not significant for any of the earlier break points, as the decrease in FASB dissent in the reconfigured *CF* regimes – without adjusting for inside dissenting votes – is no longer significant. However, results for all other hypotheses remain significant, for all earlier break points (though H1b is marginal for SFAS 67). In summary, the findings of a decline in the *CF* regime in the diversity of FASB members' positions relative to their sponsors' positions, which is more pronounced on standards associated with the framework, continues to hold with *CF* regime break points as early as SFAS 67 – when the FASB declared the CF incomplete.

[26] In general, I re-perform tests of H1a and H2a [H1b and H2b] by re-estimating columns (2) and (6) of Table 3 [Table 4], respectively. Here, I also re-perform the D-in-D for H1b and re-estimate column (4) of Table 5 for H2b.

4.4.2 Robustness procedures: Alternate 'matching' process

Because the weighting of each constituent group varies with changes in Board composition, results for H1b and H2b may be driven by temporal changes in FASB composition rather than by sponsors' preferences. To address this, I perform alternate tests in which I 'match' each FASB vote to the average position of all constituent groups submitting a related CL (i.e., the average POS_j for standard t). This increases the number of usable FASB votes and more closely aligns the vote sample with my current tests of H1a and H2a.

I first re-perform the D-in-D, and note that the results remain significant under this alternate matching process (D-in-D = –12.6%; t-stat = –4.60; untabulated). I then use this process to develop a modified version of R_t. I note that the observed decline in R_t in the *CF* regime is *greater* using the modified variable, in both economic magnitude and statistical significance (diff = –0.129; t-stat = –4.60; untabulated). Further, I re-perform tests for H1b and H2b with this modified variable, and there are no instances in which a previously significant coefficient of interest is statistically insignificant.

4.4.3 Robustness procedures: Changes to Exposure Drafts

It is possible that significant changes are made from the ED on which I measure sponsors' positions to the standard on which I observe FASB voting. Such instances bias my results to the extent their frequency differs across regimes – for example, if the FASB responded to constituent dissatisfaction in the *CF* regime by making more substantive changes to EDs without issuing a new ED. To address this possibility, I estimate equation 5 with a cross-sectional regression using OLS with standard errors clustered by Combination.

$$TimeLag_t = \alpha + \zeta_1 * Pre\text{-}CF_t + \zeta_2 * ConstDissent\%_t + \zeta_3 * ConstDissent\%_t * Pre\text{-}CF_t + \varepsilon \quad (5)$$

TimeLag is the log of the number of months between issuance of the (final) ED and the standard, which I use to proxy for the degree of change made to the ED after its release. *Pre-CF* is an indicator variable equal to one when the standard is issued in the *Pre-CF* regime. *ConstDissent%* is the percent of constituent dissents on each standard. I interpret a negative ζ_3 coefficient as evidence of a shift in which the FASB made more changes to EDs in response to constituent dissatisfaction in the *CF* regime. The estimated ζ_3 coefficient is insignificant ($\zeta_3 = -0.25$, two-tailed p-value=0.58; untabulated), which is inconsistent with such a shift taking place.

4.4.4 Robustness procedures: Miscellaneous

Some standards are more important to the FASB's constituents than others. To demonstrate that my results are not driven by relatively unimportant standards, I re-perform hypothesis tests for H1a, H1b, H2a, and H2b after excluding standards in the bottom quartile of the total number of CLs submitted to the final ED. For all hypotheses, there are no instances in which the coefficient(s) of interest is statistically insignificant after the removal of relatively unimportant standards.

It is also possible that my results are influenced by coding errors. Systematic coding errors are unlikely to influence my findings, as they are likely to offset or "cancel out" in my analyses. I test the sensitivity of my results to idiosyncratic coding error by performing jackknife procedures for tests of H1b and H2b, in which the regressions are estimated by successively eliminating one observation. For both hypotheses, there are no instances in which the coefficient of interest is statistically insignificant after the elimination of an observation.[27]

[27] To facilitate the removal of individual observations, the jackknife estimations of the regressions in columns (2) and (6) of Table 4 are performed with robust but non-clustered standard errors.

5. Discussion and Supplementary Analysis

5.1 Discussion

5.1.1 Inferential limitations

In much of my analysis, I use an indicator variable to measure differences across regimes, in effect treating the CF as an exogenous parameter when it is clearly endogenous to my setting. As such, the results from H1a and H1b are subject to the inferential limitation that I cannot distinguish the extent to which the results arise due to the framework itself or due to the forces and conditions that created the framework. It is also possible that the results from H1a and H1b are spurious, driven by any number of unrelated factors with differential impact across regimes. For example: changes to the broader institutional structure, such as the composition of FAF Trustees (Miller 2002) or brought about by government oversight (e.g., the Sarbanes-Oxley Act); changes to the FASB's due process (see Note 11); or changes in FASB members' idiosyncratic motivations (e.g., career concerns). However, explanations of this type cannot reconcile the cross-sectional results in Tables 3, 4, 5, and 6, which support *some sort* of link to the CF.

Lastly, my results are subject to inferential limitations regarding the broader effects of conceptual frameworks on standard setting, as, in this matter, my study contributes only a single case. Further research is necessary to build our knowledge in this area.

5.1.2 Pattern in the CF regime appears to be increasing over time

As Baxter (1962)'s prediction is meant to explain long-term conditions, it is interesting to note that the trends in the *CF* regime in Figure 5 appear to be increasing through time. I regress *Representativeness* on a *Pre-CF* time trend variable, a *CF* time trend variable, and the *Pre-CF* indicator variable – with similar specifications as equation 3 – and discover that the decline in R_t in the *CF* regime *is* increasing in magnitude over time (p-value=0.02; untabulated).

This trend is consistent with a specific form of institutional change. Once the FASB decides to move in a certain direction, for example to focus on decision usefulness, this decision can be reinforced *absent interference from outside sources*, because the cost of effort required to change paths acts as a barrier (Hathaway 2001), leading institutional self-reinforcement to drive "path dependence" (North 1990; Page 2006).[28] Further research is necessary to identify whether institutional factors were a key driver for changes in the *CF* regime, or perhaps whether those with institutional power employed the framework as a tool to justify preferred standards.

5.2 Supplementary Analysis

5.2.1 Selection or socialization?

As described in Note 10, the signatories of sponsors' CLs include ten future members of the FASB. These data can shed some light on whether FASB members in the *CF* regime favored certain standards prior to their joining the Board (the "selection" hypothesis). I estimate equation 6 in an ordered logit regression, with standard errors clustered by sponsor.

$$POS_m\_Ordinal = \alpha + \delta_1 * FASB\_Pre\text{-}CF + \delta_2 * FASB\_CF + \delta_3 * POS_{others}\_Ordinal + \sum\mu_1 * Org\_Fixed\_Effects_m + \sum\mu_2 * Org\_Fixed\_Effects_m * Inc\_Relv + \varepsilon \quad (6)$$

$POS_m\_Ordinal$ represents the position of sponsor *m* on each CL, and is transformed from the original POS_m taking values {0.0, 0.25, 0.5, 0.75, 1.0} to take integer values {1, 2, 3, 4, 5}. *FASB_Pre-CF* (*FASB_CF*) is an indicator variable equal to one when one of the CL signatories subsequently became a FASB member in the *Pre-CF* (*CF*) regime. $POS_{others}\_Ordinal$ is the average of the ordinal CL positions taken by the other sponsors on the related standard. *Inc_Relv* identifies standards that increase accounting relevance. The interaction terms (with coefficients

[28] Miller et al. (1994, 25) note that one intended benefit of the CF was to eliminate "redundancy in discussions when the same basic issues are debated over and over again," indicating the FASB faced incentives to reinforce initial interpretations of the framework.

μ_2) control for cross-sectional variation in sponsor preferences on *Inc_Relv* standards, incremental to the overall sponsor preferences captured by the fixed effects (μ_1).

Results are included in Table 7. Column (1) shows that, for all standards, members selected in the *CF* regime take significantly more favorable positions than *Pre-CF* members. Column (2) shows that members selected in the *CF* regime demonstrate an *ex ante* preference for *Inc_Relv* standards. While this result has marginal statistical significance (two-tailed p-value=0.07), it is economically meaningful: *ceteris paribus*, the odds of a CL on an *Inc_Relv* standard being favorable are 292% higher when signed by a *CF* regime FASB member. Column (3) shows that members selected in the *CF* regime take more favorable positions on standards referencing the CF, although the margin is statistically insignificant (two-tailed p-value=0.16).

Another possibility is that standard-setters' ideologies change during their tenure. For example, a socialization process may lead FASB members in the *CF* regime to converge to the group norm over time (the "socialization" hypothesis). I estimate equations 2 and 3 separately for each regime, and interpret negative coefficients on the *AvgTenure* variable in the *CF* regime as consistent with a socialization effect (i.e., more exposure to the FASB leads to reduced Board dissent and *Representativeness*), and positive coefficients as consistent with a "cold feet" effect (i.e., new FASB members are more likely to conform).[29] For both equations, the *AvgTenure* coefficient is insignificant in the *Pre-CF* regime, but is positive and statistically significant in the *CF* regime (p-values=0.00 and 0.03; untabulated), consistent with the "cold feet" hypothesis.

In sum, this preliminary evidence supports the 'cold feet' over the socialization hypothesis, and provides weak support of the selection hypothesis. However, further research is necessary to distinguish between, and build upon, the selection and socialization hypotheses.

[29] I estimate separate *Pre-CF* and *CF* regressions, rather than estimating the entire sample as before, because the *AvgTenure***Pre-CF* interaction term introduces collinearity problems.

5.2.2 Are key standards promulgated more timely in the CF regime?

It is possible the CF has helped the FASB promulgate key standards on a timelier basis in the *CF* regime. To bring initial evidence towards this, I collect the date that each standard was initially added to the FASB's agenda, and I construct a variable, *OverallLag*, equal to the log of the number of months between the agenda date and the issuance of the standard. Detail into the collection of FASB agenda data is included in a supplemental internet appendix.

I regress *OverallLag* on the log of the number of comment letters relating to each standard (which I use to measure the relative importance of each standard), and I measure the *Pre-CF*/*CF* split as in prior equations. Indeed, the coefficient of interest in the *CF* regime is 44% smaller than for the *Pre-CF* regime. Across all standards, the average *OverallLag* is 819 days (that is, 2.2 years-to-complete); for a standard in the 75th percentile of CLs received, the effect is 75 fewer days-to-complete (2.5 months) in the *CF* regime.

While the difference appears economically significant, the coefficient is not statistically significant (two-tailed p-value=0.21; untabulated). Further research is necessary to help determine whether key standards are promulgated on a more timely basis in the *CF* regime.[30]

6. CONCLUSION

In some respects, this study raises more questions than it provides answers. If the conceptual framework has driven a significant long-term decline in ideological diversity within the FASB, then scholars might be interested in researching the causes and consequences of this shift. In Section 5, I bring preliminary evidence towards some of the many possible directions for further research. I present two additional directions here.

[30] Such research should also consider any effects of the FASB's formal attempts to increase its efficiency and responsiveness (e.g., McKenna 2003).

- It would be useful to have an *ex ante* measure of FASB members' ideologies. This would allow for: (i) tests to specify how influential ideology is on members' votes; (ii) tests to confirm whether the Board's ideological diversity declined in the *CF* regime; (iii) tests to identify how members' ideologies, including the interplay of members with varying ideologies, affect standard setting outcomes; and (iv) tests of the "selection" hypothesis (Section 5.2.1).
- Janis (1982, 244) documents that low ideological diversity can be a precursor to adverse group decision-making processes.[31] Given the significance of this hypothetical consequence, more research into the antecedent conditions and groupthink symptoms would be useful.

The FASB arose from a high-stress period with dual goals of (i) promoting a diversity of views and backgrounds (AICPA 1972) and (ii) developing conceptually consistent standards (AICPA 1973). Both goals addressed perceived weaknesses of the FASB's predecessors, in order to establish a stable standard setting body and reduce external pressure on the profession. I propose that these goals may naturally be in conflict, such that a stable equilibrium arises only when one goal dominates the other. If so, then perhaps the profession might consider whether the institutionalization of standard setting has led to a narrowing of thought among standard-setters – and possibly even, as Baxter (1962) cautioned, within the profession at large.

[31] These include an incomplete survey of alternatives; a failure to examine the risks of the preferred choice; a failure to reappraise initially rejected alternatives; and a selective bias in processing information.

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APPENDIX 1. Variable detail: Definitions, construction, and availability

Variable Name (Short Name)	Variable Type	Definition, Construction, and Availability
Constituent position ($POS_{j,t}$)	Discrete	I measure the position of constituent group *j* on standard *t* as the average position taken by the group's sponsoring organizations in comment letters to the final Exposure Draft related to the standard. I identify CLs submitted by sponsors to the final ED relating to each standard, and match FASB votes on each standard to the position taken by that member's sponsor(s). Positions taken by sponsors in CLs are classified into five categories: strongly oppose (POS_m = 0), lean oppose (0.25), neither support nor oppose (0.5), lean support (0.75), and strongly support (POS_m = 1). The sponsors are identified in Figure 1. I drop the Government constituency because their organizations (GFOA and NASACT) submitted CLs on only two standards. These data are hand-coded for SFAS 1 through SFAS 160 (inclusive of revisions: SFAS 123R, 132R, and 141R). I identify a total of 423 constituent positions across those 163 standards. Refer to the supplementary internet appendix for a description of the coding process.
FASB member position ($POS_{i,t}$)	Binary	I measure the position of FASB member *i* on standard *t* by their vote: assent ($POS_{i,t}$ = 1) or dissent ($POS_{i,t}$ = 0). Voting data are hand-collected SFAS 1 through SFAS 160 (inclusive of revisions: SFAS 123R, 132R, and 141R).
Number of matched FASB votes ($n_{i,t}$)	Count	The variable $n_{i,t}$ measures the total number of matched FASB votes *i* on standard *t*. I am unable to 'match' a FASB vote if the related sponsor(s) does not submit a comment letter on a standard. I match a total of 762 votes out of a possible 1,011 FASB votes (this total excludes votes by FASB members from the Government constituency).
Representativeness (R_t)	Continuous	This variable measures the diversity of FASB positions on standard *t* relative to sponsors' positions; see equation 1. The metric is structured such that 'perfect' representativeness leads to a score of 1.0. For each standard I require a minimum of two FASB votes matched to sponsors' positions. I identify 152 R_t values out of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions). Refer to Appendix 3, where I provide all R_t values.
Constituent dissent (Constituent Dissent)	Discrete	This variable transforms the constituent position variable ($POS_{j,t}$) for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions), in order to allow a comparison to dissents made by FASB members. Constituent positions less than 0.5 are coded a dissent, while positions equal to 0.5 are coded as one-half of a dissent.
Constituent dissent % ($ConstDissent\%_t$)	Continuous	This variable measures constituent dissent percentage on standard *t* (total constituent dissents ÷ total matched votes), and is populated for 159 of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions).
FASB dissent percentage ($FASB\ Dissent_t$)	Continuous	This variable is measured as the dissent percentage on FASB votes (total dissents ÷ total votes) for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions). This variable is calculated using the full population of FASB votes, not only those matched to sponsors' positions.
Increase relevance (Inc_Relv_t)	Binary	This variable identifies standards that increase perceived accounting relevance. It equals one if either of the two Allen and Ramanna (2013) relevance metrics (*inc_relv* and *Manual_inc_relv*) is greater than zero. It is populated for 160 out of the 163 standards from SFASs 1 through 160 (inclusive of revisions) – all except SFAS 38, 103, and 141R.
CF References (CF_Refs_t)	Continuous	This variable measures the frequency of authoritative references to the CF on standard *t*. It is measured as the log of [1 + (the number of authoritative references to the CF)] and is populated for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions). Refer to Appendix 3, where I provide all CF_Refs_t values.
Average tenure ($AvgTenure_t$)	Continuous	This variable identifies the average tenure of FASB members, and is measured as the log of the average number of standards the members have voted on as of (and inclusive of) standard *t*. It is populated for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions).

One-year lagged market returns ($LagReturn_t$)	Continuous	This variable provides the lagged one-year market return as of the date of the final ED to each standard. It is calculated from the daily Value-Weighted Return (including dividends) (Variable Name: VWRETD) from the CRSP Stock Market Indexes file, and is populated for each of the 163 SFASs from 1 through 160 (inclusive of revisions).
Number of recent FASB standards ($ED\_Frequency_t$)	Continuous	This variable is measured as the log of the number of Exposure Drafts (that ultimately became standards) that were issued by the FASB in the two years prior to the date of the final ED to each standard. It is populated for each of the 163 standards from SFASs 1 through 160 (inclusive of revisions).
Standards issued in the Pre-CF regime ($Pre\text{-}CF_t$)	Binary	This indicator variable identifies standards issued in the *Pre-CF* regime, and is equal to one for SFAS 1 through SFAS 91. When *Pre-CF* is included as a stand-alone independent variable in a regression, the reference category in the regression is *CF*, an excluded indicator variable equal to one for SFAS 91 through 160 (inclusive of revisions).
Standards issued under a supermajority vote ($Supermajority_t$)	Binary	This indicator variable is equal to one for the following standards which were issued under a required supermajority vote: SFAS 1 through SFAS 15 and SFAS 107 through SFAS 144, and is populated for each of the 163 SFASs from 1 through 160 (inclusive of revisions).
Sponsoring organization position ($POS_m\_Ordinal$)	Discrete	This variable represents the position of sponsoring organization *m* on each comment letter. Because it is used as a dependent variable, I monotonically transform POS_m which took values {0.0, 0.25, 0.5, 0.75, 1.0} such that the variable $POS_m\_Ordinal$ takes integer values {1, 2, 3, 4, 5}. These data are hand-coded and are collected from comment letters to the final ED for SFAS 1 through SFAS 160 (inclusive of revisions). I identify a total of 528 sponsoring organization positions across those 163 standards. Refer to Appendix 2, where I provide all POS_m values.
Pre-CF FASB member (FASB_Pre-CF)	Binary	This is an indicator variable equal to one when one of the signatories on a sponsor's CL was later selected to the FASB in the *Pre-CF* regime. These data are hand-collected from CLs to the final ED for SFAS 1 through SFAS 160 (inclusive of revisions). I identify a total of 22 such CLs.
CF FASB member (FASB_CF)	Binary	This is an indicator variable equal to one when one of the signatories on a sponsor's CL was later selected to the FASB in the *CF* regime. These data are hand-collected from CLs to the final ED for SFAS 1 through SFAS 160 (inclusive of revisions). I identify a total of 37 such CLs.
Position of other sponsoring organizations ($POS_{others}\_Ordinal$)	Continuous	This is the average of the ordinal comment letter positions taken by the other sponsors on the related standard. These data are hand-collected from CLs to the final ED for SFAS 1 through SFAS 160 (inclusive of revisions). I drop all comment letters where the related standard has fewer than two matched sponsoring organization positions; as such, this will be the average position of one to four other organizations. Because of this requirement, I lose eight observations (out of 528 sponsor positions) where only one sponsor submitted a CL on a standard.
Length of time between issuance of the final ED and the standard ($TimeLag_t$)	Continuous	This variable measures the length of time between the release of the final Exposure Draft related to standard *t* and the standard itself, and is calculated as the log of the number of months between release of the ED and the standard. The number of months is a continuous variable calculated as [(Date of standard – Date of ED)/30]. This variable is populated for each of the 163 standards from SFASs 1 through 160 (inclusive of revisions).
Length of time between the agenda date and the standard issuance ($OverallLag_t$)	Continuous	This variable measures the length of time between the date the project related to standard *t* was added to the agenda and the release of standard *t*, and is calculated as the log of the number of months between the agenda date and the release of the standard. The number of months is a continuous variable calculated as [(Date of standard – Agenda Date)/30]. This variable is populated for each of the 163 standards from SFASs 1 through 160 (inclusive of revisions).

APPENDIX 2. Position of sponsoring organizations in comment letters, SFAS 1 – SFAS 160

SFAS	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m
1	AICPA	0.75	13	FEI	0.5	26	IMA	1	41	CFA Inst	0.25
1	FEI	0.75	13	IMA	1	27	AICPA	0.5	42	AICPA	0.75
1	IMA	1	13	CFA Inst	1	27	FEI	1	42	FEI	0
1	CFA Inst	1	13	AAA	1	27	IMA	1	42	IMA	0.5
2	AICPA	0.75	14	AICPA	0.75	28	AICPA	0.75	43	AICPA	0.75
2	FEI	1	14	FEI	0.5	28	FEI	0.75	43	FEI	0.5
2	IMA	0.75	14	IMA	0.75	28	IMA	1	43	IMA	0.5
2	CFA Inst	1	14	CFA Inst	0.75	29	AICPA	0.25	44	AICPA	1
2	AAA	0.75	14	AAA	1	29	FEI	0	44	IMA	0.75
3	AICPA	0.75	15	AICPA	0.5	29	IMA	1	45	IMA	1
3	FEI	1	15	FEI	1	30	AICPA	1	47	AICPA	0.5
3	IMA	1	15	IMA	0.75	30	FEI	1	47	FEI	0
3	CFA Inst	1	15	CFA Inst	0.5	31	AICPA	0.75	47	IMA	1
3	AAA	1	16	AICPA	1	31	IMA	1	48	FEI	1
4	AICPA	0.75	16	FEI	1	32	AICPA	0.75	48	IMA	1
4	FEI	0	16	IMA	1	32	FEI	1	49	FEI	1
4	IMA	1	16	CFA Inst	1	32	IMA	1	49	IMA	1
4	CFA Inst	0.75	17	AICPA	0.5	33	AICPA	0.75	50	AICPA	1
5	AICPA	0.75	17	IMA	1	33	FEI	0.5	50	IMA	1
5	FEI	0.5	18	AICPA	1	33	IMA	0.75	50	AAA	1
5	IMA	0.75	18	FEI	1	33	CFA Inst	0	51	AICPA	0.75
5	CFA Inst	1	18	IMA	1	33	AAA	0.75	51	IMA	1
5	AAA	1	18	CFA Inst	0	34	FEI	0.5	51	AAA	1
6	AICPA	0.75	19	AICPA	0.5	34	IMA	0.25	52	AICPA	0.75
6	FEI	1	19	CFA Inst	1	34	CFA Inst	0.25	52	FEI	0.5
6	IMA	1	20	AICPA	0.5	35	AICPA	0.75	52	IMA	0.25
6	CFA Inst	1	20	FEI	1	35	FEI	0.5	53	AICPA	0.25
6	AAA	1	20	IMA	1	35	IMA	0.75	53	IMA	1
7	AICPA	0.75	21	AICPA	1	35	CFA Inst	0.5	53	AAA	1
7	FEI	1	21	FEI	1	36	AICPA	0.75	54	AICPA	1
7	CFA Inst	1	21	IMA	1	36	FEI	0	54	FEI	0
8	AICPA	0.75	21	CFA Inst	0.25	36	IMA	0	55	AICPA	1
8	FEI	0.5	22	AICPA	0.75	36	CFA Inst	0.75	55	FEI	1
8	IMA	0	22	FEI	1	37	AICPA	1	55	IMA	1
8	CFA Inst	0.75	22	IMA	0.5	38	AICPA	0.75	56	FEI	1
9	AICPA	0.75	23	AICPA	0.75	38	FEI	1	56	IMA	1
9	FEI	1	23	FEI	1	38	IMA	1	57	AICPA	0.75
9	CFA Inst	1	23	IMA	1	39	AICPA	0	57	FEI	1
10	AICPA	1	24	AICPA	1	39	FEI	0.25	57	IMA	1
11	AICPA	0.75	24	FEI	1	39	IMA	0	58	AICPA	0.25
11	FEI	1	24	IMA	1	39	CFA Inst	0.25	58	FEI	0.75
11	CFA Inst	0.75	25	AICPA	1	40	FEI	0.25	58	IMA	1
12	AICPA	0.75	25	FEI	1	40	IMA	0	59	AICPA	1
12	FEI	0.25	25	IMA	1	40	CFA Inst	0.25	59	IMA	1
12	CFA Inst	0.75	25	CFA Inst	0	41	AICPA	0	59	AAA	1
12	AAA	0.75	26	AICPA	1	41	FEI	0.25	60	AICPA	0.5
13	AICPA	0.75	26	FEI	1	41	IMA	0	60	IMA	1

SFAS	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m
61	AICPA	0.75	78	IMA	0	93	IMA	0.5	106	AAA	0.75
61	IMA	1	79	AICPA	1	93	AAA	0.5	107	AICPA	0.75
62	AICPA	0.75	79	IMA	1	94	AICPA	0.25	107	FEI	0.25
62	FEI	0	80	AICPA	0.5	94	FEI	0.5	107	IMA	0.5
62	IMA	1	80	FEI	0.75	94	IMA	0.5	107	CFA Inst	0.5
62	AAA	0.25	80	IMA	1	94	CFA Inst	0.75	107	AAA	0.75
63	AICPA	0.75	81	AICPA	0.25	94	AAA	0.75	108	FEI	1
63	IMA	1	81	FEI	1	95	AICPA	0.75	108	IMA	1
63	AAA	1	81	IMA	0.75	95	FEI	0.75	109	AICPA	0.75
64	AICPA	1	81	CFA Inst	1	95	IMA	1	109	FEI	0.75
64	FEI	0.75	82	AICPA	1	95	CFA Inst	0.75	109	IMA	0.75
64	IMA	0.75	82	FEI	1	95	AAA	0.75	109	CFA Inst	0.75
65	AICPA	0.75	82	IMA	1	96	AICPA	0.5	110	AICPA	1
65	IMA	1	83	AICPA	1	96	FEI	0.25	110	FEI	1
66	AICPA	0.75	83	FEI	1	96	IMA	0.5	110	IMA	1
66	IMA	1	83	IMA	1	96	AAA	1	110	CFA Inst	0.5
67	AICPA	0.75	84	AICPA	0.75	97	AICPA	0.5	111	AICPA	1
67	IMA	1	84	FEI	0.75	98	AICPA	0.75	111	FEI	1
68	AICPA	1	84	IMA	1	98	FEI	0.75	111	IMA	1
68	FEI	0.75	85	AICPA	1	98	IMA	1	111	CFA Inst	1
68	IMA	0	85	FEI	1	98	AAA	1	112	AICPA	0.75
69	AICPA	0.75	85	IMA	1	99	AICPA	0.5	112	FEI	1
69	FEI	0.5	86	AICPA	0.75	99	FEI	1	112	IMA	1
69	IMA	0.25	86	FEI	1	99	IMA	1	112	CFA Inst	1
70	AICPA	0.75	86	IMA	0.75	99	AAA	0	113	AICPA	0
70	FEI	0.75	86	CFA Inst	0	100	AICPA	1	113	FEI	0.5
70	IMA	1	87	AICPA	0.5	100	FEI	1	113	CFA Inst	1
70	AAA	0.25	87	FEI	0	100	IMA	1	114	AICPA	0.75
71	AICPA	0.75	87	IMA	0.25	100	CFA Inst	1	114	FEI	0.5
71	IMA	1	87	CFA Inst	0.75	101	AICPA	0.25	114	IMA	0.5
72	AICPA	0.75	87	AAA	0.75	101	IMA	0	114	CFA Inst	0.75
72	FEI	0	88	AICPA	0.5	101	AAA	0.75	114	AAA	0.5
72	IMA	0.75	88	FEI	0.75	102	AICPA	1	115	AICPA	0.75
73	AICPA	1	88	IMA	0.75	102	FEI	0.75	115	FEI	0.25
73	IMA	1	89	AICPA	1	102	IMA	1	115	IMA	0.75
74	AICPA	0.75	89	FEI	1	103	FEI	1	115	CFA Inst	0.25
74	FEI	0	89	IMA	1	103	IMA	1	115	AAA	0.5
74	IMA	0.5	89	AAA	0.75	104	AICPA	1	116	AICPA	0.75
75	IMA	1	90	AICPA	0.75	104	FEI	0.75	116	FEI	0.5
76	AICPA	0.5	90	FEI	0.5	104	IMA	0.75	116	IMA	0.5
76	FEI	0.75	90	IMA	1	104	CFA Inst	1	116	AAA	0.5
76	IMA	1	91	AICPA	0.5	105	AICPA	0.75	117	AICPA	0.75
77	AICPA	0	91	FEI	0.75	105	FEI	0.75	117	IMA	0
77	FEI	1	91	IMA	0.75	105	IMA	0.75	117	AAA	0.25
77	IMA	1	92	AICPA	0.75	105	CFA Inst	1	118	AICPA	1
77	CFA Inst	0	92	FEI	0.5	106	AICPA	0.5	118	FEI	1
77	AAA	0	92	IMA	0.75	106	FEI	0.25	118	IMA	1
78	AICPA	0.75	93	AICPA	0.75	106	IMA	0.5	118	CFA Inst	0
78	FEI	0	93	FEI	0.75	106	CFA Inst	1	118	AAA	0.25

SFAS	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m	*SFAS*	*Sponsor*	POS_m
119	AICPA	0.75	129	IMA	1	141	AICPA	0.75	151	CFA Inst	0.75
119	FEI	0.5	129	CFA Inst	1	141	FEI	0.25	153	AICPA	0.75
119	IMA	0.75	130	AICPA	0.25	141	CFA Inst	0.75	153	FEI	0.75
119	CFA Inst	0.75	130	FEI	0.25	141	AAA	0.5	153	IMA	0.5
119	AAA	1	130	IMA	0	142	AICPA	0	153	CFA Inst	0.75
120	AICPA	1	130	CFA Inst	0.75	142	FEI	0.25	123R	AICPA	0.5
120	FEI	0.75	130	AAA	1	142	IMA	0.5	123R	FEI	0.5
120	CFA Inst	1	131	AICPA	0.25	142	CFA Inst	0.5	123R	IMA	0.25
121	AICPA	0.75	131	FEI	0	142	AAA	0.5	123R	CFA Inst	0.75
121	FEI	0.75	131	IMA	1	143	AICPA	0.5	123R	AAA	0.75
121	IMA	1	131	CFA Inst	0.75	143	IMA	0.25	154	AICPA	0.75
121	CFA Inst	0.75	132	AICPA	0.75	143	CFA Inst	0.75	154	FEI	0.25
122	AICPA	0.75	132	IMA	0.25	144	AICPA	0.5	154	IMA	0.75
122	FEI	0.5	132	CFA Inst	1	144	FEI	0.5	154	CFA Inst	0.75
122	IMA	0.5	132	AAA	0.75	144	CFA Inst	0.75	154	AAA	0.75
122	CFA Inst	0.75	133	AICPA	1	146	AICPA	0.25	155	AICPA	0.75
122	AAA	0.75	133	FEI	0.5	146	FEI	0	156	AICPA	0.75
123	FEI	0.5	133	IMA	0.25	146	CFA Inst	1	157	AICPA	0.75
123	CFA Inst	0.75	133	CFA Inst	1	147	AICPA	0.25	157	FEI	0
124	AICPA	1	134	AICPA	1	147	CFA Inst	0.75	157	IMA	0.25
124	IMA	1	134	IMA	0.75	148	FEI	1	157	CFA Inst	0.75
125	AICPA	0.5	135	AICPA	0.75	148	CFA Inst	0.5	157	AAA	0.75
125	FEI	0.25	135	FEI	0.25	149	AICPA	0.75	158	AICPA	0.75
125	IMA	0.5	136	AICPA	0.75	149	CFA Inst	0.5	158	FEI	0.5
125	CFA Inst	0.75	136	AAA	0.75	150	AICPA	0	158	IMA	0.75
125	AAA	0.75	137	AICPA	1	150	FEI	0	158	CFA Inst	1
126	AICPA	1	137	FEI	1	150	IMA	0	158	AAA	1
126	IMA	1	137	IMA	1	150	CFA Inst	1	159	AICPA	1
127	AICPA	1	137	CFA Inst	1	150	AAA	0.5	159	IMA	1
127	IMA	1	138	AICPA	1	132R	AICPA	0.25	159	CFA Inst	0.5
128	AICPA	1	138	FEI	1	132R	FEI	0.25	159	AAA	0.25
128	FEI	0.5	138	IMA	1	132R	IMA	0.25	141R	AICPA	0.25
128	IMA	0.75	138	CFA Inst	1	132R	CFA Inst	0	141R	FEI	0
128	CFA Inst	1	140	AICPA	0.75	151	AICPA	0.75	141R	IMA	0
129	AICPA	1	140	FEI	0.75	151	FEI	0.5	141R	CFA Inst	0.75
129	FEI	1	140	CFA Inst	0.75	151	IMA	0.25	160	AICPA	0.25

Appendix 2 provides the position of sponsoring organization *m* on each comment letter for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions), where available. I classify sponsors' comment letter positions into five categories: strongly oppose (POS_m = 0), lean oppose (0.25), neither support nor oppose (0.5), lean support (0.75), and strongly support (POS_m = 1). Refer to the supplementary internet appendix for a description of the coding process.

APPENDIX 3. *Representativeness* and *CF_Refs* for all standards, SFAS 1 – SFAS 160

SFAS	R_t	CF_Refs_t	*SFAS*	R_t	CF_Refs_t	*SFAS*	R_t	CF_Refs_t	*SFAS*	R_t	CF_Refs_t
1	0.78	0	42	0.88	0	83	1.00	0	124	0.60	1.79
2	0.77	0	43	0.94	0	84	0.78	0	125	0.64	1.95
3	0.83	0	44	0.56	0	85	1.00	0	126	1.00	0
4	0.90	0	45		0	86	0.83	0	127	1.00	0
5	0.77	0	46		0	87	0.98	1.79	128	0.88	0.69
6	1.00	0	47	0.75	0.69	88	0.81	0.69	129	1.00	0
7	1.00	0	48		0	89	0.71	0	130	0.68	2.89
8	0.85	0	49		0	90	0.65	1.10	131	0.58	1.39
9	1.00	0	50	1.00	0	91	0.80	0.69	132	0.64	1.10
10	1.00	0	51	0.85	0	92	0.90	0	133	0.75	2.08
11	0.80	0	52	0.84	1.39	93	0.67	2.56	134	0.90	0
12	0.83	0	53	0.55	0	94	0.58	2.20	135	0.55	0
13	1.00	0	54	1.00	0	95	0.71	2.30	136	0.75	1.79
14	0.78	0	55	0.75	0	96	0.71	1.79	137	0.67	0
15	0.98	0	56		0	97	0.83	1.39	138	0.67	1.10
16	0.80	0	57	0.81	1.79	98	0.67	0	139		0
17	1.00	0	58	0.91	0	99	0.92	0	140	0.95	2.08
18	1.00	0	59	1.00	0.69	100	1.00	0	141	0.54	3.37
19	0.75	0	60	0.63	0	101	0.42	1.39	142	0.21	2.83
20	0.60	0	61	0.81	0	102	0.85	0	143	0.40	3.33
21	0.80	0	62	1.00	0	103	1.00	0	144	0.54	2.89
22	0.95	0	63	0.95	0.69	104	0.90	0	145		0
23	0.80	0	64	0.94	0	105	0.75	2.20	146	0.46	3.00
24	0.60	0	65	0.81	0	106	0.50	2.56	147	0.38	0.69
25	0.75	0.69	66	0.69	0	107	0.68	1.39	148	0.83	0
26	1.00	0	67	0.94	0	108		0	149	0.69	1.61
27	0.88	0	68	0.84	1.10	109	0.75	2.56	150	0.36	1.95
28	0.78	0	69	0.84	0	110	1.00	0	132R	0.21	1.10
29	0.31	0	70	0.88	0	111	1.00	0	151	0.63	0
30	1.00	0	71	0.94	1.61	112	0.85	0	152		0
31	0.81	0	72	0.66	1.10	113	0.20	1.10	153	0.71	0.69
32	0.81	0	73	1.00	0	114	0.96	0.69	123R	0.54	2.30
33	0.77	1.39	74	0.88	0.69	115	0.79	1.10	154	0.68	1.10
34	0.69	0.69	75		0	116	0.79	2.89	155	0.75	0
35	0.73	0.69	76	0.91	1.10	117	0.42	2.71	156	0.75	1.10
36	0.80	0	77	0.50	1.61	118	0.96	0	157	0.57	3.00
37	1.00	0	78	0.94	0	119	0.75	0.69	158	0.79	1.39
38	0.69	0	79	1.00	0.69	120	0.92	0	159	0.89	0
39	0.28	0.69	80	0.84	0	121	0.88	1.10	141R	0.45	2.71
40	0.19	0	81	0.73	0	122	0.68	0.69	160	0.25	1.39
41	0.28	0	82	1.00	0	123	0.92	1.95			

Appendix 3 provides the values of *Representativeness* and *CF_Refs* for each of the 163 standards from SFAS 1 through SFAS 160 (inclusive of revisions), where available. Standards are presented in chronological order. *Representativeness* measures the diversity of FASB positions on standard *t* relative to sponsors' positions, while *CF_Refs* measures the frequency of each standard's authoritative references to the conceptual framework.

Additional detail regarding each variable is included within Appendix 1.

FIGURE 1. Relationship between the FASB, FAF, constituent sponsoring organizations, and standard setting constituent groups[a]

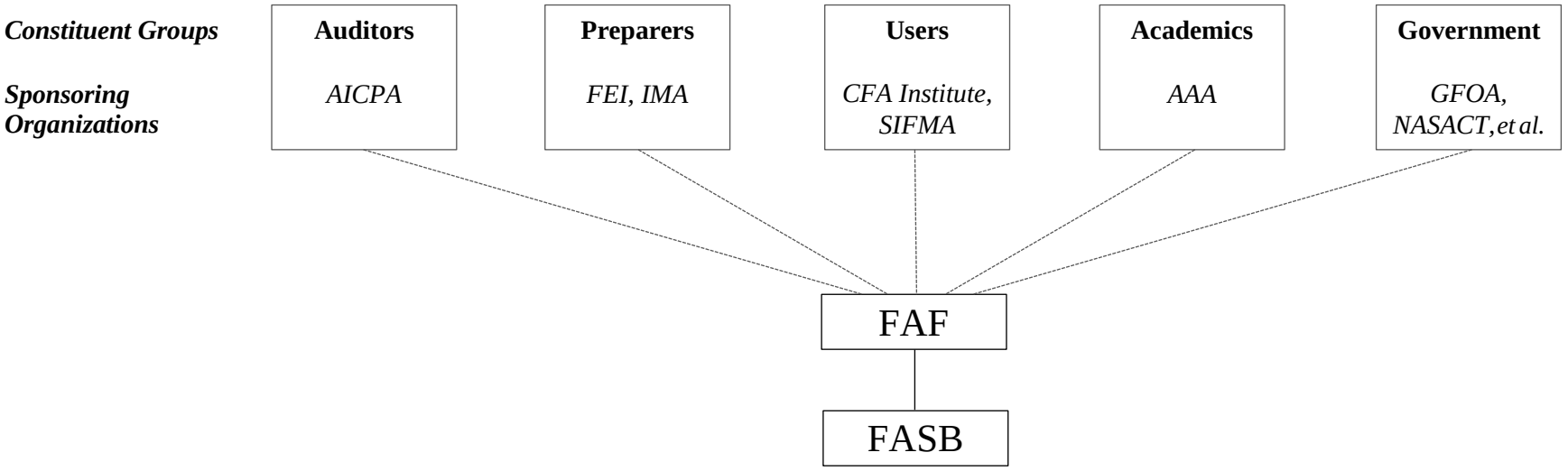

Figure 1 illustrates the relationship between standard setting constituent groups, their sponsoring organizations, the FAF, and the FASB, as described in section 2.1. This structure has undergone revision through time; SIFMA was added in 1976, while the Government organizations were added in 1984 (Gore 1992, 142).

[a] Full names of the sponsoring organizations that are referred to in shorthand notation above are as follows: AICPA (American Institute of Certified Public Accountants), FEI (Financial Executives Institute), IMA (Institute of Management Accountants; formerly named NAA – National Association of Accountants), SIFMA (Securities Industry and Financial Markets Association; formerly named SIA – Securities Industry Association), AAA (American Accounting Association), GFOA (Government Finance Officers Association), and NASACT (National Association of State Auditors, Comptrollers and Treasurers). The CFA Institute was formerly named AIMR (Association for Investment Management and Research), and is a successor organization to the Financial Analysts Federation. The Government constituency is represented by a number of sponsors in addition to GFOA and NASACT; due to space considerations I do not reproduce the full list.

FIGURE 2. Average number of times each standard cites the CF for authoritative guidance

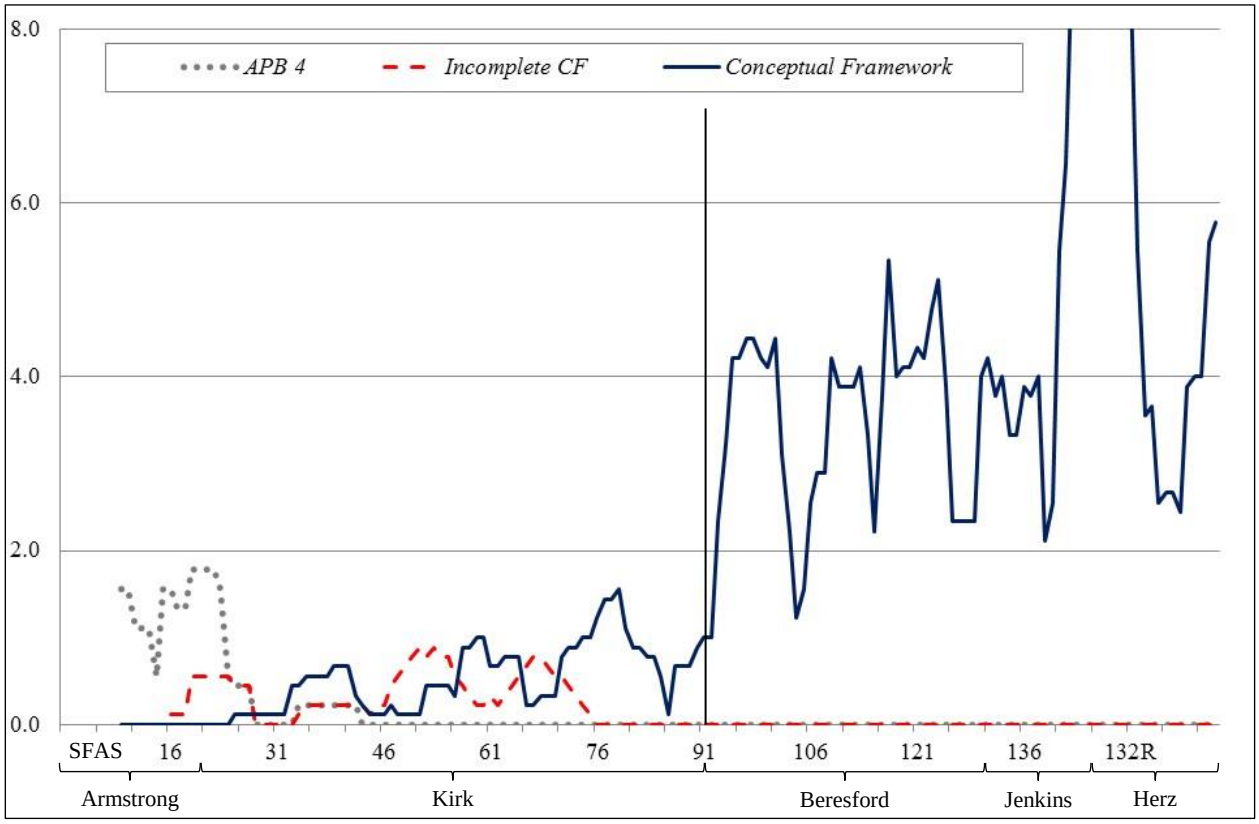

Figure 2 depicts time-series variation in the frequency of standards' authoritative references to the conceptual framework. Standards are presented in chronological order. The names shown are the last names of the FASB Chairperson during each bracketed period: Marshall S. Armstrong, Donald J. Kirk, Dennis R. Beresford, Edmund L. Jenkins, and Robert H. Herz.

The rolling averages are calculated over the prior nine standards. The dotted line denotes authoritative references to APB Statement #4. The dashed line denotes references that the Board was somehow limited because the conceptual framework was incomplete. The solid line denotes authoritative references to the conceptual framework. In some instances, this exceeds 8.0, which values are not visible on the graph. The peak value of the rolling average is 12.9, relating to SFAS 146. Note that these are the raw number of references, not the transformed (logged) values used in variable *CF_Refs*; see Appendix 1 for detail.

The vertical line represents SFAS 91, which delineates the *Pre-CF* from the *CF* regime.

FIGURE 3. Positions of FASB members and sponsoring organizations on a standard

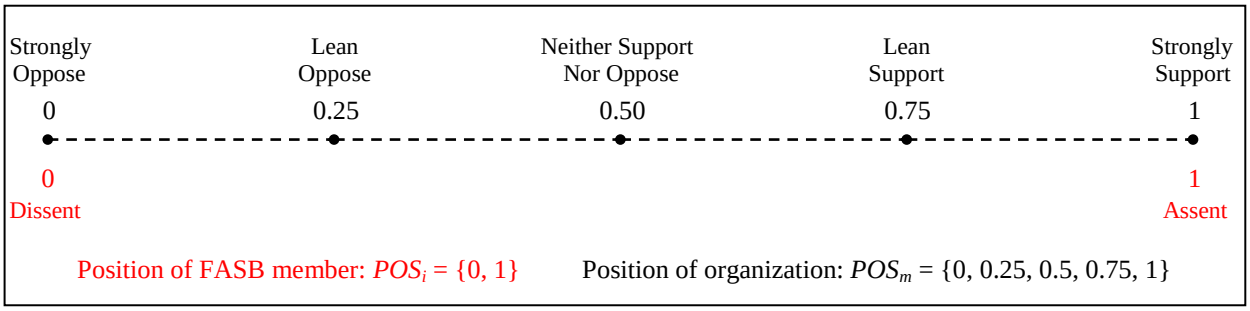

Figure 3 depicts the position of individual FASB member *i* (POS_i) and sponsor *m* (POS_m) on a standard. I determine positions of FASB members by their vote on each standard (assent or dissent). I operationalize the position of each constituent group as the average of the position taken by the group's sponsor(s) in comment letters to the final Exposure Draft related to each standard. I classify these positions into five categories (based upon whether the letter opposes or supports the related ED) per the descriptions provided above the scale. The values provided above the scale indicate how each category was converted into a POS_m value.

FIGURE 4. Illustration of inside dissent and outside dissent

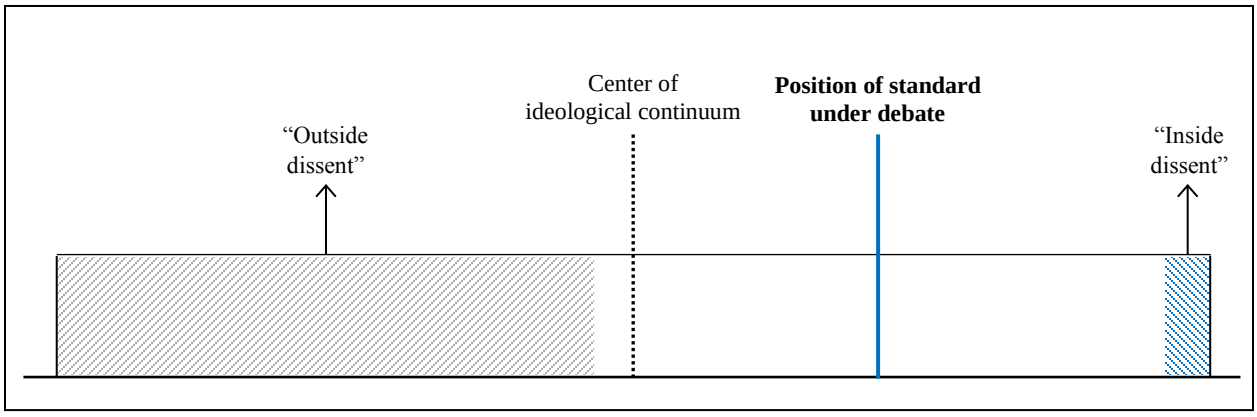

Figure 4 illustrates two types of dissent. The horizontal line represents an ideological continuum, for example one's preference for fair value accounting (with increasing preference for fair values moving rightward). A simplifying assumption is made that standard-setters are uniformly distributed across the continuum. In this example, a fair value standard is up for debate, indicated by the solid vertical line being positioned to the right of center. This standard is opposed by a majority of standard-setters on the left of the continuum (*outside dissent*), but is supported by those standard-setters on the left whose positions are closest to the center (because the position of the standard is sufficiently near to their preferred position). The standard is also supported by a majority of standard-setters on the right; however, it is opposed by the segment of standard-setters farthest to the right because the position of the standard is sufficiently far from their preferred position (*inside dissent*). Inside dissent for a particular preference (e.g., fair value accounting) can only be observed on a standard favoring that preference.

The key intuition of this depiction is that observing a dissenting vote does not distinguish a standard-setter whose position is in the shaded area on the left from one whose position is in the shaded area on the right.

FIGURE 5. FASB dissent, constituent dissent, and standard type for matched sample

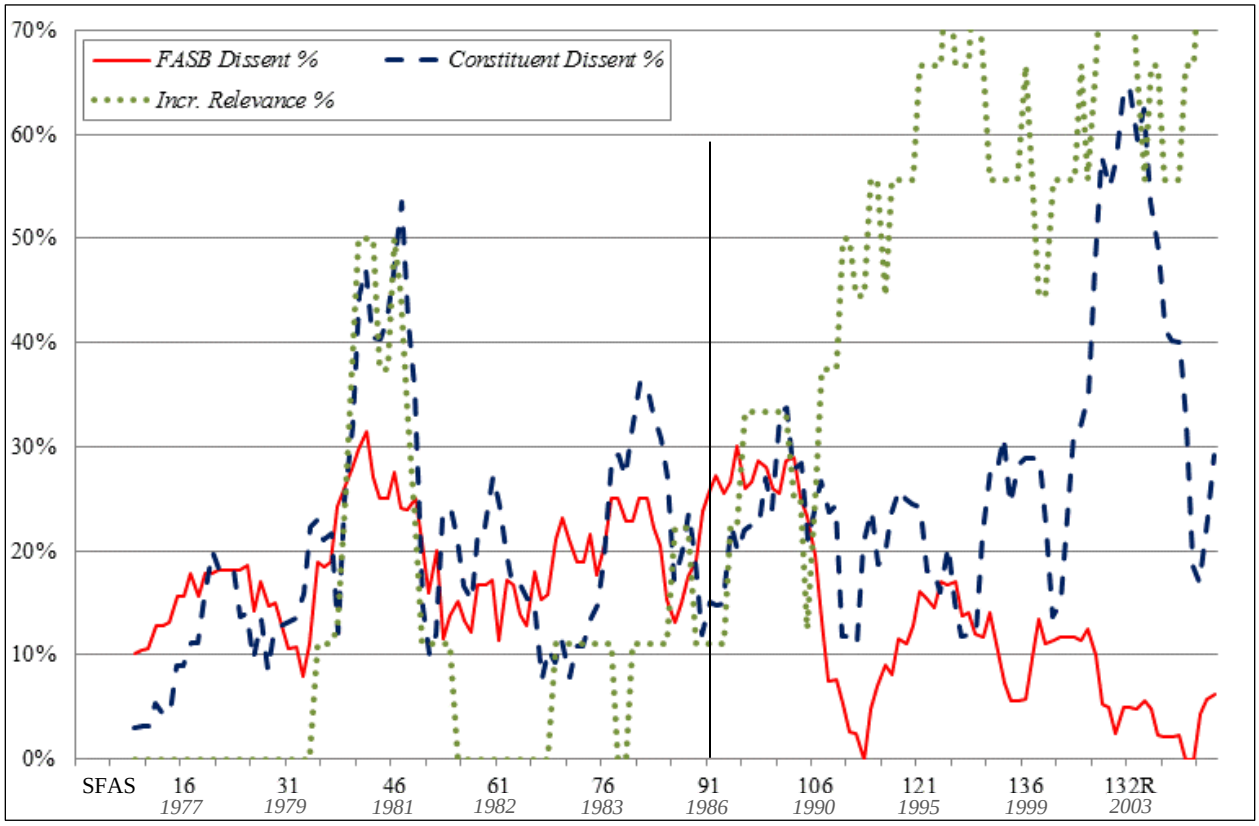

Figure 5 depicts time-series variation in FASB dissent, constituent dissent, and standards that increase accounting relevance. Refer to Appendix 1 for variable definitions. The rolling averages are calculated over the prior nine standards. The solid line represents FASB dissent percentage for the matched sample. The dashed line represents constituent dissent percentage for the matched sample. The dotted line represents the indicator variable *Inc_Relv*, which identifies standards increasing accounting relevance. In some instances, this exceeds 70%, which values are not visible on the graph. The peak value of the rolling average is 89%, relating to the both SFAS 148 and SFAS 149.

The vertical line represents SFAS 91, which delineates the *Pre-CF* from the *CF* regime.

TABLE 1. Descriptive statistics for standard-level variables

Panel A. Summary statistics for full sample

Variable	Observations	Mean	Median	Standard Deviation	Minimum	25%	75%	Maximum
Representativeness	153	0.766	0.800	0.201	0.188	0.667	0.917	1.000
FASB Dissent	163	0.138	0.143	0.153	0.000	0.000	0.286	0.429
POS_j_Auditor	148	0.708	0.750	0.261	0.000	0.500	1.000	1.000
POS_j_Preparer	149	0.701	0.875	0.325	0.000	0.500	1.000	1.000
POS_j_User	78	0.702	0.750	0.312	0.000	0.500	1.000	1.000
POS_j_Academic	46	0.707	0.750	0.285	0.000	0.500	1.000	1.000
AvgTenure	163	2.917	2.890	0.676	0.000	2.497	3.434	3.989
LagReturn	163	0.123	0.135	0.177	–0.344	–0.008	0.252	0.651
ED_Frequency	163	2.541	2.485	0.585	0.000	2.197	3.045	3.584
CF_Refs	163	0.651	0.000	0.933	0.000	0.000	1.099	3.367
Inc_Relv	160	0.306	0.000	0.462	0.000	0.000	1.000	1.000

Panel B. Summary statistics for the *Pre-CF* and *CF* regimes

	Pre-CF regime				*CF regime*					
Variable	Observations	Mean	Median	Standard Deviation	Observations	Mean	Median	Standard Deviation	Difference in Means	
Representativeness	85	0.817	0.833	0.176	68	0.703	0.708	0.213	–0.114	***
FASB Dissent	91	0.169	0.143	0.163	72	0.098	0.000	0.129	–0.071	***
POS_j_Auditor	83	0.729	0.750	0.241	65	0.681	0.750	0.285	–0.048	
POS_j_Preparer	87	0.773	1.000	0.309	62	0.601	0.625	0.323	–0.172	***
POS_j_User	30	0.617	0.750	0.387	48	0.755	0.750	0.245	0.139	*
POS_j_Academic	18	0.792	1.000	0.312	28	0.652	0.750	0.258	–0.140	
AvgTenure	91	3.083	3.296	0.831	72	2.706	2.799	0.296	–0.377	***
LagReturn	91	0.099	0.067	0.198	72	0.152	0.174	0.142	0.052	*
ED_Frequency	91	2.817	2.890	0.631	72	2.192	2.197	0.231	–0.625	***
CF_Refs	91	0.237	0.000	0.476	72	1.174	1.099	1.095	0.937	***
Inc_Relv	90	0.089	0.000	0.286	70	0.586	1.000	0.496	0.497	***

Panel C. Summary statistics for *Inc_Relv* and non-*Inc_Relv* standards

	Inc_Relv = 0				*Inc_Relv = 1*					
Variable	Observations	Mean	Median	Standard Deviation	Observations	Mean	Median	Standard Deviation	Difference in Means	
Representativeness	102	0.822	0.833	0.156	48	0.651	0.708	0.234	–0.171	***
FASB Dissent	111	0.144	0.143	0.156	49	0.123	0.000	0.149	–0.020	
POS_j_Auditor	101	0.745	0.750	0.237	45	0.633	0.750	0.295	–0.112	**
POS_j_Preparer	104	0.775	1.000	0.304	42	0.521	0.500	0.292	–0.254	***
POS_j_User	39	0.744	0.750	0.346	38	0.658	0.750	0.275	–0.086	
POS_j_Academic	27	0.722	0.750	0.328	19	0.684	0.750	0.218	–0.038	
AvgTenure	111	2.970	2.914	0.766	49	2.808	2.858	0.417	–0.162	*
LagReturn	111	0.102	0.097	0.184	49	0.165	0.173	0.157	0.064	**
ED_Frequency	111	2.635	2.565	0.631	49	2.337	2.303	0.410	–0.298	***
CF_Refs	111	0.375	0.000	0.711	49	1.262	1.099	1.055	–0.887	***

Panel D. Pearson and Spearman correlations

	R_t	*FASB Dissent*	*POS_j Audit*	*POS_j Preparer*	*POS_j User*	*POS_j Academic*	*Avg Tenure*	*Lag Return*	*ED_ Freq*	*CF_ Refs*	*Inc_ Relv*
R_t		0.06	0.68***	0.51***	0.20*	0.13	0.14*	–0.04	0.15*	–0.46***	–0.40***
FASB Dissent	0.42**		–0.10	–0.11	–0.31***	–0.33**	0.13*	0.01	0.23***	–0.05	–0.06
POS_j_Audit	0.64***	–0.02		0.43***	0.12	0.15	0.02	0.04	0.03	–0.36***	–0.20**
POS_j_Preparer	0.49***	0.12	0.48***		0.05	0.05	0.06	–0.02	0.04	–0.51***	–0.36***
POS_j_User	0.09	–0.42**	–0.01	–0.05		0.65***	–0.24**	0.05	–0.38***	0.01	–0.14
POS_j_Academic	0.29	–0.34*	0.08	0.10	0.58***		–0.22	0.18	–0.10	–0.15	–0.07
AvgTenure	–0.08	0.53***	–0.30	–0.14	–0.52***	–0.30		0.21***	0.78***	–0.02	–0.11
LagReturn	–0.23	0.08	–0.10	–0.46**	–0.09	0.00	0.19		0.20**	0.19**	0.17**
ED_Frequency	0.06	0.48***	–0.17	–0.09	–0.37**	–0.04	0.47***	0.40**		–0.15**	–0.23***
CF_Refs	–0.74***	–0.04	–0.64***	–0.63***	–0.18	–0.24	0.33*	0.45**	0.08		0.44***
Inc_Relv	–0.38**	–0.25	0.00	–0.24	–0.16	–0.24	0.31*	0.22	–0.21	0.45**	

Table 1 provides descriptive statistics for key standard-level variables as well as POS_j values for each constituency. Panel A provides summary statistics for the full sample, while Panel B (Panel C) provides separate statistics for the *Pre-CF* and *CF* regimes (for *Inc_Relv* and non-*Inc_Relv* standards). Panel D provides the correlations between each variable. Pearson (Spearman) correlations are above (below) the diagonal.

Refer to Appendix 1 for variable definitions. *Representativeness* (R_t) measures the diversity of FASB positions on standard *t* relative to sponsors' positions. *FASB Dissent* is the dissent percentage of the FASB vote on each standard. POS_j represents the position of constituent group *j* on each standard. *AvgTenure* measures the experience level of the FASB members voting on each standard. *LagReturn* is the lagged one-year return on the CRSP value-weighted index as of the date of the final ED to each standard. *ED_Frequency* is the log of the number of Exposure Drafts that ultimately became standards that were issued in the two years prior to the date of the final ED to each standard. *CF_Refs* identifies the frequency of authoritative references to the framework on each standard. *Inc_Relv* is an indicator variable which identifies standards that increase accounting relevance.

Differences in Panels B and C are calculated using a Welch's t-test for unpaired data with unequal variances.

Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 2. Summary data for matched sample in the *Pre-CF* and *CF* regimes

Panel A. FASB dissents and constituent dissents – Difference-in-differences

	Pre-CF Regime	*CF* Regime	
Matched FASB Dissents	*71 / 390* **18.2%**	*42 / 372* **11.3%**	**–6.9%***** (–2.71)
Constituent Dissents	*70 / 390* **17.9%**	*106.5 / 372* **28.6%**	**10.7%***** (3.89)
% Difference	**–0.3%**	**17.3%*****	**–17.6%*****
(t-stat)	(–0.09)	(5.94)	(–4.34)

Panel B. Analysis of submission frequency by constituent group

Constituent Group	***Pre-CF Regime*** **Matched Votes** *Constituent Dissents*	***CF Regime*** **Matched Votes** *Constituent Dissents*	Difference	(t-stat)
Auditors	**271 / 295 (92%)** *41.0 / 271 (15%)*	**192 / 213 (90%)** *46.0 / 192 (24%)*	**–1.7%** *8.8%***	**(–0.66)** *(2.63)*
Preparers	**90 / 94 (96%)** *18.5 / 90 (21%)*	**121 / 141 (86%)** *49.0 / 121 (40%)*	**–9.9%***** *19.9%***	**(–2.75)** (3.45)
Users	**11 / 63 (17%)** *7.5 / 11 (68%)*	**31 / 43 (72%)** *4 / 31 (13%)*	**54.6%***** *–55.3%****	**(6.48)** (*–3.72*)
Academics	**18 / 91 (20%)** *3.0 / 18 (17%)*	**28 / 71 (39%)** *7.5 / 28 (27%)*	**19.7%***** *10.1%*	**(2.73)** (0.88)

Table 2 expands on the data in Panel B of Table 1. Panel A provides data on FASB and constituent (i.e., sponsor) dissents within a difference-in-differences design, and is used to test Hypothesis 1b. Panel B provides detail on comment letter submission frequencies and dissent by constituent group in the *Pre-CF* and *CF* regimes.

Refer to Appendix 1 for variable definitions. In Panel A, *Matched FASB Dissents* reflects the total number of FASB member dissents matched to a constituent position. Voting data are hand-collected from each standard. *Constituent*

Dissents reflects the total number of sponsor dissents matched to FASB member votes. The left-hand column (right-hand column) represents constituent positions matched to votes in the *Pre-CF* regime (*CF* regime).

In Panel B, *Pre-CF* and *CF Matched Votes* reflects the total number of matched constituent positions and the total number of FASB votes (inclusive of unmatched votes), respectively, for each constituent group. These data allow for an analysis of the potential effect of unobserved constituent positions due to "missing" comment letters. *Constituent Dissents* is repeated from Panel A; in Panel B the data are disaggregated by constituent group.

Vertical (horizontal) differences in Panel A are calculated by using a two-sample paired data mean-comparison test (Welch's t-test for unpaired data with unequal variances). The difference-in-differences is calculated as the difference in vertical differences using a Welch's t-test for unpaired data with unequal variances. Differences in Panel B are calculated using a Welch's t-test for unpaired data with unequal variances.

Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 3. Effect of standard characteristics on *FASB Dissent* in *Pre-CF* and *CF* regimes

DV = FASB Dissent	(1)	(2)	(3)	(4)†	(5)†	(6)†
Pre-CF	0.12***	0.09**	0.05	0.18***	0.15**	0.05
	(2.77)	(1.97)	(0.84)	(2.82)	(2.16)	(0.81)
Inc_Relv			–0.04			–0.18**
			(–0.67)			(–2.15)
*Inc_Relv*Pre-CF*			0.21**			0.27**
			(2.22)			(2.59)
AvgTenure		0.05*	0.05		0.05	0.05
		(1.68)	(1.48)		(1.44)	(1.37)
Supermajority		–0.04	–0.04		–0.05	–0.04
		(–0.76)	(–0.58)		(–0.53)	(–0.39)
Constant	–0.02	–0.13	–0.10	–0.10	–0.21	–0.12
	(–0.43)	(–1.12)	(–0.78)	(–1.37)	(–1.32)	(–0.81)
Inc_Relv[Pre-CF]			0.16***			0.09**
[F-test]			[7.55]			[4.81]
Observations	163	163	160	163	163	160
Pseudo R^2	6.0%	9.0%	11.4%	10.0%	12.5%	16.6%

Table 3 provides results for the estimation of equation 2, and is used for testing Hypotheses 1a and 2a. Columns (1) and (4) estimate a basic version of the equation without any control variables; columns (2) and (5) include control variables; and columns (3) and (6) estimate the full equation. Columns (1), (2), and (3) use *FASB Dissent*, the dissent percentage of the FASB vote on each standard (total dissents ÷ total votes). †Columns (4), (5), and (6) are run using an adjusted *FASB Dissent* metric that converts 'inside' dissents on fair value standards to assents. I use a Tobit regression because the dependent variable *FASB Dissent* is left-censored at zero.

Pre-CF is an indicator variable equal to one for SFAS 1 through SFAS 91. The variable *Inc_Relv* is an indicator variable which identifies standards that increase accounting relevance. The reference category is *CF*, an indicator variable (excluded from these regressions) equal to one for SFAS 92 through SFAS 160, so the coefficients on the standalone *Inc_Relv* variable reflects the *CF* regime. *Inc_Relv[Pre-CF]* represents the sum of the two *Inc_Relv* coefficients, and reflects the impact in the *Pre-CF* regime. Refer to Appendix 1 for variable definitions.

T-statistics are in brackets underneath each coefficient. Standard errors are heteroscedasticity-robust and clustered by combination. Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 4. Effect of standard characteristics on *Representativeness* in *Pre-CF* and *CF* regimes

DV = Representativeness	(1)	(2)	(3)	(4)†	(5)†	(6)†
Pre-CF	0.11**	0.13**	0.09*	0.13***	0.14**	0.09*
	(2.87)	(2.58)	(1.88)	(3.04)	(2.70)	(1.84)
Inc_Relv			–0.10**			–0.12***
			(–2.67)			(–2.92)
*Inc_Relv*Pre-CF*			–0.19*			–0.19
			(–1.86)			(–1.66)
AvgTenure		0.05	0.05		0.05	0.05
		(1.59)	(1.71)		(1.42)	(1.55)
LagReturn		0.03	0.04		0.03	0.05
		(0.36)	(0.50)		(0.43)	(0.58)
ED_Frequency		–0.05	–0.04		–0.05	–0.04
		(–1.57)	(–1.20)		(–1.41)	(–1.09)
Constant	0.70***	0.67***	0.70***	0.69***	0.66***	0.71***
	(21.58)	(10.61)	(11.30)	(20.04)	(10.39)	(11.21)
Inc_Relv[Pre-CF]			–0.28***			–0.31***
[F-test]			[9.60]			[9.13]
Observations	153	153	150	153	153	150
Adjusted R^2	7.4%	6.8%	17.0%	8.8%	8.1%	21.1%

Table 4 provides results for the estimation of equation 3, and is used for testing Hypotheses 1b and 2b. Columns (1) and (4) estimate a basic version of the equation without any control variables; columns (2) and (5) include control variables; and columns (3) and (6) estimate the full equation. Columns (1), (2), and (3) use *Representativeness*, which measures the diversity of FASB positions on standard *t* relative to sponsors' positions. †Columns (4), (5), and (6) are run using an adjusted R_t metric that converts 'inside' dissents on fair value standards to assents.

Pre-CF is an indicator variable equal to one for SFAS 1 through SFAS 91. The variable *Inc_Relv* is an indicator variable which identifies standards that increase accounting relevance. The reference category is *CF*, an indicator variable (excluded from these regressions) equal to one for SFAS 92 through SFAS 160, so the coefficients on the standalone *Inc_Relv* variable reflects the *CF* regime. *Inc_Relv[Pre-CF]* represents the sum of the two *Inc_Relv* coefficients, and reflects the impact in the *Pre-CF* regime. Refer to Appendix 1 for variable definitions.

T-statistics are in brackets underneath each coefficient. Standard errors are heteroscedasticity-robust and clustered by combination. Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 5. Effect of standard characteristics on constituent dissent in *Pre-CF* and *CF* regimes

DV = ConstDissent%	(1)	(2)	(3)	(4)
Pre-CF	–0.18*	–0.11	0.10	0.03
	(–1.91)	(–1.07)	(0.89)	(0.31)
Inc_Relv		0.19		0.05
		(1.56)		(0.35)
*Inc_Relv*Pre-CF*		0.48***		0.62***
		(2.70)		(3.55)
CF_Refs			0.25***	0.22***
			(6.87)	(5.48)
*CF_Refs*Pre-CF*			–0.01	0.02
			(–0.11)	(0.16)
Constant	0.12	0.00	–0.20**	–0.19**
	(1.60)	(0.06)	(–2.35)	(–2.08)
Inc_Relv[Pre-CF]		0.67***		0.67***
[F-test]		[28.85]		[47.05]
CF_Refs[Pre-CF]			0.24**	0.24**
[F-test]			[4.99]	[4.09]
Observations	159	156	159	156
Pseudo R^2	1.7%	7.8%	11.4%	16.6%

Table 5 provides results for the estimation of equation 4, and is a supplementary test of Hypothesis 2b. Column (1) estimates a basic version of the equation; column (2) [column (3)] includes *Inc_Relv* [*CF_Refs*] variables; and column (4) estimates the full equation. I use a Tobit regression because the dependent variable *ConstDissent%*, which measures constituent dissent percentage on standard *t*, is left-censored at zero.

Pre-CF is an indicator variable equal to one for SFAS 1 through SFAS 91. *Inc_Relv* is an indicator variable which identifies standards that increase accounting relevance, while *CF_Refs* identifies the frequency of authoritative references to the CF. The reference category is *CF*, an indicator variable (excluded from these regressions) equal to one for SFAS 92 through SFAS 160, so the coefficients on the standalone *Inc_Relv* and *CF_Refs* variables reflects the *CF* regime. *Inc_Relv[Pre-CF]* (*CF_Refs[Pre-CF]*) represents the sum of the two *Inc_Relv* (*CF_Refs*) coefficients, and reflects the impact in the *Pre-CF* regime. Refer to Appendix 1 for variable definitions.

T-statistics are in brackets underneath each coefficient. Standard errors are heteroscedasticity-robust and clustered by combination. Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 6. Detail on dissenting argument types on fair value standards

Panel A. Inside dissent on fair value standards in the *Pre-CF* and *CF* regimes

			Difference in CF regime			
	Pre-CF	*CF*	Difference	Approx. d.f.	t-stat	P-value
Total fair value standards	***7***	***32***				
Total votes	49	218				
Total dissents	16	18				
Dissent %	32.7%	8.3%				
Total # inside dissents	3	11				
% of dissent from inside	18.8%	61.1%	42.3%**	33.62	2.73	0.010
Dissent % (excl. inside dissent)	26.5%	3.2%				

Panel B. List of fair value standards in *CF* regime with inside dissent

SFAS	Title	Total Votes	Total Dissents	< FV	> FV
114	Accounting by Creditors for Impairment of a Loan	7	2	0	2
115	Accounting for Certain Investments in Debt and Equity Securities	7	2	0	2
125	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities	7	1	0	1
140	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities	6	1	0	1
146	Accounting for Costs Associated with Exit or Disposal Activities	7	1	0	1
155	Accounting for Certain Hybrid Financial Instruments	7	1	0	1
156	Accounting for Servicing of Financial Assets	7	1	0	1
159	The Fair Value Option for Financial Assets and Financial Liabilities	7	2	0	2

Panel A of Table 6 provides results for inside dissent on fair value standards in the *Pre-CF* and *CF* regimes, and is used for testing Hypothesis 3. Panel B documents the standards on which I observe inside dissent in the *CF* regime. I define a fair value standard as those with a *Manual_inc_relv* value greater than zero. *Manual_inc_relv* is an Allen and Ramanna (2013) metric that identifies standards that utilize fair value accounting.

In Panel A, column 2 (column 3) provides data for the *Pre-CF* regime (*CF* regime). Total votes and Total dissents are hand-collected from each standard. When a FASB member abstains, it is not included as a vote within the "Total votes" above. The first percentage is Total dissents as a percentage of Total votes.

In Panel A, "Total # inside dissents" represents the number of dissenting arguments explicitly calling for greater use of fair values, which for analytical purposes is limited to one argument per dissenter. For brevity, I omit data on all other dissenting arguments. The second percentage is the total number of inside dissenting arguments as a percentage of total dissents. The third (and final) percentage is the total number of dissents excluding those with inside dissenting arguments as a percentage of total votes. The difference (column 4) is calculated using a Welch's t-test for unpaired data with unequal variances. Column 5 provides the approximate degrees of freedom in the calculation of the difference, determined using the Welch formula.

Panel B provides the standards on which I observe inside dissent in the *CF* regime. Dissenting arguments that explicitly call for lesser (greater) use of fair values are included in column 5 (6), and are limited to one fair value argument per dissenter.

Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level

TABLE 7. Analysis of comment letter signatories and standard type

DV = POS_m_Ordinal	(1) *Full Sample*		(2) *Inc_Relv = 1*		(3) *CF_Refs > 0*	
	Mean (z-stat)	% Change in Odds	Mean (z-stat)	% Change in Odds	Mean (z-stat)	% Change in Odds
FASB_Pre-CF	–0.44** (–2.00)	–36%				
FASB_CF	0.39 (1.01)	48%	1.37* (1.83)	292%	0.62 (1.40)	86%
POS_{others}_Ordinal	0.78*** (5.36)	119%	1.00*** (4.09)	172%	0.74*** (4.74)	109%
FASB_CF – FASB_Pre-CF [Chi-square test]	0.83** [6.14]	n/a				
Fixed effects?	Yes; Sponsor (overall FE and *Inc_Relv*-specific)		Yes; Sponsor		Yes; Sponsor (overall FE and *Inc_Relv*-specific)	
Observations	511		170		237	
Pseudo R^2	8.1%		9.5%		7.0%	

Table 7 provides results for the estimation of equation 6. Each observation reflects a comment letter sent by one of the following five sponsors: AICPA, FEI, IMA, CFA Institute, and AAA. I drop all comment letters where the related standard has fewer than two matched sponsor positions. I use an ordered logit regression because the dependent variable consists of five ordered categories. Column (1) includes the full sample of all remaining comment letters; column (2) includes only CLs on standards increasing accounting relevance; and column (3) includes only CLs on standards authoritatively referencing the CF. For brevity, I omit the estimated coefficients relating to both overall sponsor and *Inc_Relv*-specific fixed effects, as well as the estimated constants (i.e. the "cut-points"). The final value within each column provides the percentage change in odds for an increase in *POS_m_Ordinal* for a unit increase in the independent variable.

Refer to Appendix 1 for variable definitions. *POS_m_Ordinal* represents the position of sponsor *m* on each comment letter. *FASB_Pre-CF* [*FASB_CF*] is an indicator variable equal to one when one of the signatories on the comment letter was later selected to the FASB in the *Pre-CF* [*CF*] regime. There are 22 [37] such letters in column (1); 1 [16] such letters in column (2); and 1 [25] such letters in column (3). I omit *FASB_Pre-CF* in columns (2) and (3) because there is only one related comment letter on which to estimate each coefficient. Results from a Chi-square test of the difference in the estimated coefficients on *FASB_Pre-CF* and *FASB_CF* are included in column (1).

Z-statistics are in brackets underneath each coefficient. Standard errors are heteroscedasticity-robust and clustered by sponsor. Significance levels based on two-tailed p-values: (*) 10% level, (**) 5% level, (***) 1% level