Working Paper Submission

Financial reporting and auditing as social and organizational practice
Workshop 2

London, December 16-17, 2013

DRAFT - December 1, 2013

Toward Understanding How Accounting Principles Become Generally Accepted: The Case of Fair Value Accounting Movement in China

Kathryn Bewley (corresponding author)
Associate Professor
Ryerson University
Toronto, Ontario, Canada
kbewley@ryerson.ca

Cameron Graham
Associate Professor
York University,
Toronto, Ontario, Canada
cgraham@schulich.yorku.ca

Songlan Peng,
Associate Professor
York University,
Toronto, Ontario, Canada
stellap@yorku.ca

Toward Understanding How Accounting Principles Become Generally Accepted: The Case of Fair Value Accounting Movement in China

Abstract

How do new accounting principles become generally accepted? What processes shape the decisions made by standards setters? What factors drive a controversial standard to be adopted into, or removed from, generally accepted accounting principles (GAAP)? This study explores the process by which a new financial accounting principle becomes generally accepted within a society. This study provides a theory-based analysis of the process that eventually led to the acceptance of fair value accounting (FVA) in China. The initial failure of FVA standards to be accepted in China in 2000, followed by their successful implementation a few years later, offers a unique opportunity to come to grips with the factors that lead to general acceptance. Using a case study approach, we draw on multiple theoretical perspectives from economic, socio-political and organizational research to support development of a preliminary analytical framework for understanding the process by which a new accounting principle gains general acceptance within a society.

Key words:

Fair value accounting, accounting standard setting, generally accepted accounting principles, China, International Financial Reporting Standards, IFRS, social movement theory, institutional theory, organizational theory, accounting movement

Acknowledgements:

Comments on an earlier version from Yves Gendron and two anonymous reviewers were helpful for the further development of our research method and theoretical perspectives.

I. Introduction

This section provides an overview of our study, and a review of related prior research to which it contributes.

Overview

From 1978 to 1996, accounting in China was dominated by the historical cost principle. During 1997 to 2000 a pilot fair value accounting reform was carried out, requiring use of fair values in three out of 16 accounting standards. This reform failed and fair value use in these three standards was prohibited in 2001. On January 1, 2006, China released a new set of national generally accepted accounting principles ("GAAP"). This GAAP consists of a conceptual framework and 38 standards. Among them, fair value was for the first time formally recognized as a measurement metric in the conceptual framework, and was required in 25 of the 38 standards. The implementation thereafter of these fair value-related standards seems to be successful, and these standards have been used in China to date.

During 2001 to 2006, it appears that a dramatic turnaround occurred in China. Fair value accounting adoption moved from being a complete failure to a successful achievement that has been applauded by influential international organizations such as the World Trade Organization, World Bank, International Accounting Standards Board, and European Union [World Bank, 2010; WTO, 2006]. This striking development, and the two contrasting outcomes it contains, provide an interesting case to study to gain insights into the process by which accounting principles gain general acceptance.

The goal of our case study is to explore two research questions:

- How did fair value accounting ("FVA") succeed in being accepted in China during 2001 to 2006?
- What differed between the successful acceptance and the earlier failure in 1997 to 2000?

More generally, we want to examine how accounting principles become generally accepted in a nation's GAAP.

Our motivation is to look at the acceptance of accounting principles from a broad social/political perspective, going beyond a narrow economic perspective. Extensive, detailed data on the FVA implementation process in China were collected from archival sources, including formal pronouncements, speeches, news articles and research reports. We reviewed prior research to identify theoretical perspectives on accounting change that may be helpful for addressing our two questions. Specifically, we drew upon economic, organizational/institutional, and socio-political theories to find common themes that could explain the process of fair value adoption observed in our case. Then we attempted to integrate these theoretical perspectives into a preliminary conceptual framework to help us organize, and gain insights from the unstructured empirical data of our case. In applying the framework to our case, we tried to identify broad integrating themes that may lead to construction of a more generalizable analytical approach to facilitate future research into accounting movement.

The theories we considered fall into three areas: economic regulation, institutional/organizational change, and social movement. Using perspectives from the social movement literature as starting point, we found the phenomena observed in our case can be explained more comprehensively by expanding beyond the social movement model elements, to bring in relevant themes from the other theories. In particular, we find the duality theme, which considers that accounting

simultaneously affects its environment and is affected by its environment (e.g., Robson, 1991; Scott, 2001; Englund, Gerdin & Burns, 2011; Lawrence, Suddaby & Leca, 2011), to be very useful for characterizing an equilibrium-seeking mechanism as an integrative perspective. This perspective sharpens the social movement model's ability to explain movement towards general acceptance of a new accounting principle.

The resulting analytical framework leads us to conclude that the success of China's second fair value reform was driven by a combination of political opportunities, extensive networking among three key actors: the Ministry of Finance (MOF) in China, the IASB, and the World Bank to create stronger social ties and shared infrastructure, and by framing tactics that legitimize FVA as a new institutional logic. The interaction and increasing cooperation of these three groups, through which they gained mutual respect, identified shared interests, and pursued a range of collective actions, are found to be very important factors that allowed the FVA standard to become generally accepted. These factors were not observed in the first FV reform. A further observation is that between the first and second FVA reforms, the economic environment did not change significantly, indicating that the success of second FVA reform was mainly driven by social factors rather than economic ones. Our application and integration of various theoretical perspectives to the case context suggests that these events reflect the role of equilibrium-seeking processes acting on several levels, that drive accounting movement.

Our study makes the following contributions. First, it provides an in-depth examination China's adoption of FVA principle contained in international accounting standards. Second, it attempts to examine accounting standards adoption from a social perspective instead of a purely economic perspective, with the setting of its case (i.e., economic conditions remaining stable through both fair value reforms) providing a natural experimental setting to examine what social factors drove the success or failure of these reforms. Third, we expand on perspectives from prior accounting change research that relates to the need for accounting standards need to be understood in their social context, as detailed next. Finally,it proposes a preliminary analytical framework that can be generalized to future studies on *accounting movement*, a term which we define as the acceptance of accounting principle(s) in a nation's GAAP. The lessons and successful experiences can be of interest to other national standard setters and international organizations to facilitate global cooperation in accounting reforms.

Review of prior research on accounting change

This study provides a structured analysis of the political process involved in the acceptance of new accounting standards, answering calls for further research explaining the decision-making process underlying the promulgation of generally accepted accounting principles (Ball, 2009; Kothari, Ramanna and Skinner, 2010). For example, Kothari et al. (2010) point out that while accounting regulators' and standard setters' stated goal is efficient capital allocation, the stated goal may not be an accurate reflection of real reasons that move a standard-setting decision. Standard setters may have multiple objectives, thus the standards they set do not always achieve the stated goal. Indeed, much academic accounting research is in line with the standard setters' stated goal, as it is focussed on examining capital markets-based phenomena to provide insights into the economic impacts of different types of accounting standards. Still, there are increasing calls for research that can advance our understanding of how social and political forces can shape the standards themselves, by examining the standard setters' multiple objectives and the dynamic forces underlying their decisions. Barth (2007) notes that market-based accounting research results may be relevant to regulators but are not determinative because the regulators need to make 'social welfare trade-offs'.

Prior studies of standards setting have drawn on variants of organization theory (Elbannana &McKinley, 2006; Durocher, Fortin & Côté, 2007). Others have examined standards setting as a diffusion of innovation (Hussein, 1981; Bao & Bao, 1989) or as an exercise in lobbying by stakeholder groups (Sutton, 1984; McLeay, Ordelheide & Young, 2000). Still others have examined the role of professional accountants (Cooper & Robson, 2006; Humphrey, Loft & Woods, 2009), the importance of culture (Harrison & McKinnon, 1986), the role played by parochial interest groups (Susela, 1999), the influence of foreign corporations (Firth, 1996), the structure of regulatory space (Young, 1984; Richardson, 2009). Existing accounting literature includes descriptive studies and regulation theories that partially explain standard setter behaviors (e.g., Burchell, Clubb and Hopwood 1985; Young, 1994, Bozanic & Dirsmith, 2012; Ramanna, 2012). Power (2010) sets out a framework of conditions of possibility for a movement towards FVA to succeed, which include cultural authorization of a new paradigm and growth of a professional class of standard setters. We seek to expand on this approach by trying to build an analytical framework comprehensive enough to capture a complex process such as accounting standard setting, and expose the factors that drive a particular movement.

Richardson's (2009) study focuses on the networking aspects of standard setting. His regulatory network analysis reveals how the various boards and institutes span jurisdictional boundaries, how these networks have grown and become increasingly interconnected, making national control of regulation in fields such as accounting increasingly difficult. Richardson (2009, p. 574) argues that networked governance creates a multitude of opportunities for various actors to influence regulation, resulting in unintended consequences and the possibility of regulatory capture. Private sector norms, expertise, and incentives become important resources in transnational regulatory mechanisms. Our study relates to two dimensions for future accounting regulation research that Richardson (2009) calls for. First, our case study of China’s move to FVA provides evidence on the connections between a developing economy and international regulatory regimes. Second, through examining the two events in this case, the failure and the success, we assess the extent to which success may result when regulatory efforts occur in a network that provides access to the appropriate resources that are needed to develop and enforce accounting standards, in contrast to the conditions and events in the situation where regulatory efforts were less effective (Richardson, 2009: p. 586).

Allen and Ramanna (2013) provide evidence that standard setters' personal preferences have equilibrium effects on accounting standard setting. Our study explores the role of standard setters from a complementary perspective. We find that the reciprocal pushing-pulling actions of standard setters and other elite organizations involved in standard setting also facilitate movement towards FVA standards as an equilibrium, mainly through networking, resource mobilization, and framing. He, Wong & Young (2012) study Chinese listed firms in the new CAS years of 2007 and 2008, and find evidence of FVA-induced earnings management, suggesting that the purported informational benefit of FVA may be thwarted in an institutional environment like China’s, where the contracting role of accounting is more important than the informational role. Further, conditions required to apply FVA rules often do not exist in China due to limited exchange markets for non-financial assets and the prevalence of related party transactions. Thus the expected benefits of FVA may not be realized in China, and unintended negative consequences may arise, such as use of FVA to manipulate earnings. Our study extends these lines of enquiry and provides further evidence that social factors may dominate economic factors to affect the final outcome of standard setting decisions.

The paper is organized as follows. Section I above provides an overview of the study's goals, motivation, and research questions, then identifies prior research on accounting standard setting and accounting change to which the study contributes new perspectives and evidence. Section II describes our case research method. Section III identifies a range of theoretical perspectives related to accounting change, and sets out a preliminary conceptual framework for analyzing the accounting movement observed in our case. In Section IV, we outline the case background, and tabulate detailed descriptions of the actors, institutions and events featured in China's adoption of FVA standards with our theory-based interpretations. Here we elaborate our preliminary conceptual framework against the data in our case, and consider how the elements differ in the first and second reform events. In Section V, we provide some preliminary thoughts on construction of a 'accounting movement' model that may be useful for understanding the accounting change process more generally. Section VI concludes the paper.

II. Research Method

This section outlines our case study research method, data collection process, and preliminary case analysis approach.

Case research method
Fair value accounting (FVA) implementation in China during the period 1997 to 2007 features a dramatic shift from a deeply-rooted historic cost system to a radical new market value-based measurement approach. What is most interesting about the case for our research purposes is that it includes an initial failure of FVA to gain acceptance, as well as a subsequent success, within one economic, social and jurisdictional setting, providing a comparative context for analyzing how these two events, the failure and the success, differ. The case reveals, in a microcosm, self-interested abuse of the opportunity to use FVA principles, standard setters responding by removing FVA standards from GAAP with the intent to prevent abuses, then revising and re-issuing new FVA standards, with no clear evidence that abuses will be effectively controlled upon implementation of these new FVA standards. He, Wong and Young (20xx) provide evidence that abuses do continue to exist. These case events in China are highly observable, so the case data can provide insights into the issue of FVA acceptance, addressing our specific research questions.

By concentrating on one phenomenon, the case approach allows us discover direct evidence of the manifest interaction of significant factors. By more holistically describing and interpreting the case data, we may also gain greater understanding latent elements at work (Berg, 2009). Hence, the case study research method is appropriate, and promising, for meeting our overall research goals of understanding FVA reform process in China. The case findings may also be useful for gaining a broader understanding of how accounting change arises in society.

The case study design we propose is both descriptive and exploratory, as we seek to unfold the drivers of events in our case, and also weave together different theoretical approaches to come up with one tailored to the analysis of accounting movement (Berg, 2009). Since this process involves economic, social, and organizational factors, we propose to apply a multi-theoretical approach to analyzing the case and learning what we can from it. We survey a range of academic literature, including economic-, institutional- and social- based theories, to develop a conceptual basis from which to explore the facts of our case. Our purpose seems best addressed by synthesizing the theories we reviewed, because there seem to be overlaps in the concepts and relations, and how they could be used in our analysis.

Data sources

Our study is based on publicly available archival data sources including documented statements, speeches, and reports of events related to the adoption of fair value accounting in China. Our data search identifies the key actors in these processes, their roles and activities. China does not have a tradition of academic research based on interviews, particularly with respect to government, and interviewing individuals involved in regulatory decisions was not possible. Our ‘key actors’ are identified at the level of the relevant organizations and the elite individuals acting within them, but we do not consider these separately. Content analysis of accounting standards that have governed accounting in China since 1985 provided instances of requirements for fair value accounting. A list of these standards and the years they were issued is provided in Table 1 (additional details are available in Peng & Bewley (2010)).

Table 1: Fair Value Adoption in China

	1997-2000	**2001.1.1**	**2007.1.1**
Use of Fair Value	Among 10 CASs issued during this period, 3 required fair value measurement. Before this period, no fair value measurement was required in Chinese accounting standards.	The use of fair value was suspended for all three standards	Fair value requirement was re-instated for all three standards. Besides, fair value is required for 25 out of 38 standards, and for the first time, listed in the Conceptual Framework as a measurement metric.
Debt Restructuring	(Effective on January 1, 1999) Assets surrendered or received by the debtors or creditors in a debt restructuring should be measured at **fair value**. Any gain or loss resulting from restructuring was to be recorded in the current period as **net income**.	(Effective on January 1, 2001) Assets surrendered or received by the debtors or creditors in a debt restructuring should be measured at **carrying amount**. Any gain or loss resulting from restructuring was to be recorded in the current period as **capital surplus**.	(Effective on January 1, 2007) Assets surrendered or received by the debtors or creditors in a debt restructuring should be measured at **fair value**. Any gain or loss resulting from restructuring was to be recorded in the current period as **net income**.
Non-monetary transactions	(Effective on January 1, 1999) Exchange of dissimilar assets should be measured at the **fair value** of the asset received or given up, whichever was more reliable. Gains or losses could be recognized **in the income statement** for exchanges involving dissimilar assets, but only losses could be recognized for exchange of similar assets.	(Effective on January 1, 2001) Exchange of dissimilar assets should be measured at the **carrying value** of the asset received or given up, whichever was more reliable. Gains or losses could be recognized as **capital surplus** for exchanges involving dissimilar assets, but only losses could be recognized for exchange of similar assets.	(Effective on January 1, 2007) Exchange of dissimilar assets should be measured at the **fair value** of the asset received or given up, whichever was more reliable. Gains or losses could be recognized **in the income statement** for exchanges involving dissimilar assets, but only losses could be recognized for exchange of similar assets.
Investments	(Effective on January 1, 2000) Investment acquired by giving up non-monetary assets should be recorded at the **fair value** of the asset relinquished.	Effective on January 1, 2001) Investment acquired by giving up non-monetary assets should be recorded at the **carrying value** of the asset relinquished.	(Effective on January 1, 2007) Investment acquired by giving up non-monetary assets should be recorded at the **fair value** of the asset relinquished.

For the relevant organizations involved in China's accounting reform process, we examined documents related to the organizations' stated goals, its news releases, and published research on the organization's website. We searched news media for Chinese news sources and internet links from the websites of key organizations to find information about the activities of key actors involved in the process of interest. Our searches covered media sources in both Chinese and English, and included archival materials pertaining to the history, structure, and mission of various organizations involved in accounting regulation in China, as well as newspaper coverage of such events as conferences, joint announcements, staff appointments. We also examined IAS*Plus* (www.iasplus.com) to: (a) confirm our chronology of IASB key events; (b) establish the chronology of IASB member appointments; (c) review the content of the website's "IAS Update" related to China; and (d) review the China-specific portion of the website for information missing from our other news sources.

Preliminary case analysis approach

As a preliminary case analysis approach, we identified actions and events representing opportunities for FVA to emerge as a potential practice, the resources that were marshalled to implement reforms, and the kinds of rationales used to support actions related to use of FVA standards in China. The preliminary analysis of our case indicated that important insights could be obtained by expanding our theoretical perspectives to bring in economic, institutional and organizational theory (this is in section III).

The further analysis of case data that follows (in section IV) looks at the data through the multifaceted lens of our expanded theoretical framing. We analyzed the evidence chronologically and also identified important facts relating to differences between the failure and success events, to address our second research goal. We then extend this thematic discussion (in Section V), to lay out our thoughts on what a comprehensive 'accounting movement' analytical model might encompass. Our analysis leads to an integrating theme that views the process of movement towards general acceptance of accounting principles as the result of equilibrium-seeking processes that can ultimately achieve stability.

III. Theoretical Perspectives on Accounting Change

This section reviews theoretical perspectives provided in literature that we find have potential to help understand the process by which a new financial accounting principle becomes generally accepted within a society. The field within which this process of acceptance occurs is complex and dynamic. Our preliminary analysis of the descriptive case data provides a focussed perspective on the actors, actions, institutions, and events that underlie this phenomenon, and applying our multiple theoretical perspectives helps to refine our conceptual framework.

Understanding how a new accounting principle attains acceptance is a challenge, as the process of changing GAAP involves a wide range of participants and organizations, subsumes a deep base of technical accounting knowledge, draws on relatively unobservable and unpredictable social and political forces, and can have profound economic consequences. Because of their economic consequences, accounting standards allow games of self-interest, and abuses such as off-balance sheet financing, earnings manipulation, etc. Economic utility maximization theory explains why accounting is abused, but what explains why standard setters have incentives to narrow choices that allow abuse, or why they may choose standards that do not reduce opportunities for abuse? Viewing accounting standard setting as response that tries to change the

rules to reflect changes in its environment, while having also the capacity to change its environment, brings social and organizational factors into consideration. Our case illustrates a process of design, implementation, abuse, recall, redesign, implementation, and ultimately acceptance. This observed phenomenon shows that general acceptance goes through a process of dynamic movement that forms the concept upon which we aim to build an analytical framework.

The above discussion provides a structure for integrating the economic, social, and organizational theories to explore the idea of accounting movement. These perspectives indicate that general acceptance is a two-way street, in that a new principle has to be articulated as part of a codified set of standards, but also has to be accepted by people following it. In essence this is like an equilibrium because if they are good standards people will follow them, and they will be sustained in practice. This is an equilibrium that goes beyond strictly economic factors, so we seek a descriptive framework that includes different facets, but we also need to integrate them in a way that helps us to understand them as an equilibrium-seeking process. Using the theme of accounting movement as an equilibrium-seeking device may help to link a wide variety of theoretical perspectives found in prior research, to help explain how and why this phenomenon occurs.

We begin this framework development exercise by setting out definitions related to accounting movement. We next identify theoretical perspectives from prior literature that relate to each defined element, then present a framework for organizing and integrating these theories thematically. Our approach to organizing and integrating the relevant theoretical perspectives is discussed, and finally we outline our preliminary conceptual framework for analyzing the case.

Key definitions

To help focus our discussion, we propose to use the following three definitions:

1. *Accounting principle*: An object that is an element of the conceptual framework underlying financial accounting.

   Our study examines the fundamental valuation principle which guides the methods and assumptions used in measurement of monetary amounts to be recognized in financial reports. We see this principle as being at the very heart of accounting itself, i.e., how are you going to convert phenomena, events, and conditions into abstract numerical amounts that have meaning? We see the valuation principle as inseparable from what accounting is and why it exists at all.

2. *General acceptance*: A property of an accounting principle, which we view narrowly to mean the development of a technical statement of a principle, the publication of that principle as part of a set of generally accepted standards within a particular jurisdiction, and the sustainment of the principle within the practice of the jurisdiction.

   This definition stops short of requiring that the principle be used in a way that achieves standard setters', or broader social, goals. The two-pronged nature of accounting, as reflexive and constitutive of its environment (Robson 1991) is related to this definition. If the principle has unintended negative consequences, it is possible that nonetheless it will be 'accepted' by being included in some official list of accounting principles. This may not be a stable state.

3. *Accounting movement*: A process by which an accounting principle becomes generally accepted.

   It is this dynamic process by which accounting principles gain, or lose, general acceptance in society, for which we seek to devise an explanatory framework that may help us to understand how this movement happens and why.

These three basic definitions are retained to help us describe our case facts in terms of broad perspectives that go beyond economic theory, and help us to understand the process we aim to understand.

Theoretical perspectives on accounting movement

Relevant theoretical concepts yielded by our review of this literature are briefly described next, with an attempt to define these in terms of how they might be applied to understanding accounting movement as defined for this study. Then the relations and overlaps among these concepts are considered in the context of understanding our case. We acknowledge that these considerations are based on a small selection from this vast literature, however this conceptual expedition is in keeping with our case research method (Berg, 2009).

To prepare the ground for framework building, our accounting movement definitions can be aligned to existing theoretically defined concepts. Table 2 briefly sets out selected concepts from prior literature in parallel to our definitions. Appendix 1 provides further descriptions of each of the these theoretical concepts, and their potential relevance to understanding movement towards FVA standards. It outlines key themes from economic regulation theories, institutional and organizational change theories, and socio-political theories.

TABLE 2 Study Definitions Aligned with Theoretical Concepts

Definitions used in this study	**Related concepts from theoretical literature**	**Selected examples of relevant references**
Accounting Principle	Institutional logics Social construction of accounting objectives Cultural authorization	Ezzamel , Robson & Stapleton 2012 Young 2006 Power 2010
General Acceptance	Duality: Reflexive & Constitutive Structuration (Giddens) Economic theories of regulation	Robson 1991 Englund, Gerdin & Burns 2011 Posner 1974
Accounting Movement	Collective action: Actors & Systems Social Movement Problematization & Translation Inscription & Translation Shift in institutional logics Professionalization Institutional Work Distributed Agency Regulatory Networks	 Crozier & Friedberg 1982 Morris 2000 Robson 1991 Robson 1992 Power 2010 Power 2010 Lawrence, Suddaby & Leca 2011 Quack 2007 Richardson 2009

To broaden our theoretical perspectives, GAAP might be labelled as an 'institution' or using the concept of 'institutional logics' or a 'symbolic system' so institutional theories are relevant to

consider (Scott, 2001, etc.). GAAP might also be viewed as an 'organized system' as found in actors and systems theory (Crozier & Friedberg, 1980). The actors/systems framework defines an "organized system" as a human construct that provides a structure within which people can solve collective problems despite their natural conflicting self-interests. The main components of this framework are collective action, games, uncertainty and power. An actor's zone of uncertainty is a key element of the logical structure (i.e. actors have freedom of choice about how to solve their problems) and power is the key concept in understanding the human construct that will deal with uncertainty (i.e. those with power through their situation, resources, competence, etc. may have an advantage in dealing with uncertainties, e.g. in bargaining). The authors characterize organizational structure as the 'power games' that underlie the strategies of the actors and the constraints they face. Instead of competing head to head, people engage in games which they sometimes win and sometimes lose, but the outcomes will tend be equalized over time so that people choose to act to keep the games going (Orum, 1982). This explanation seems to mirror the equilibrium process of an economic theoretical perspective, but has an aspect of dynamism at an actor/organization level of detail that may inform a micro level analysis of the actors, actions and systems seen in our case.

The actors/systems analytical framework has an internal logic that could be conceived as a meta-framework, an integrating framework to bring together multiple perspectives. This integrating of separately conceived theoretical perspectives seems to be a necessary undertaking for understanding the complex, multi-dimensional and dynamic process of accounting movement. The strategic analysis of an organized system seems to offer a comprehensiveness and flexibility that can allow different perspectives to be applied, linking economic, social and organizational concepts, while retaining its internal consistency.

A key contribution of this institutional literature for our understanding the accounting change process is a recurring theme of 'duality'. Duality themes view accounting as a practice that can both affect its environment and simultaneously be affected by its environment. This duality property has similarities to the 'equilibrium-seeking' mechanisms modelled in economics-based theories. By drawing on this duality perspective, we may able to link economic theory to the institutional change and social movement perspectives. This may allow us to increase the breadth and comprehensiveness of our analytical framework for understanding FVA acceptance in China, and also give it a robust and cohesive logical structure.

Like the economic regulation theories, the institutional/organizational change theories also hint at certain "taken-for-granted" Western orientations and assumptions (e.g., the role of agency in organizational change, bureaucracies with independence from elected legislators, democratic multiple political party democratic systems), suggesting that other insights may come into focus when we try to apply these theories to a case of accounting change in China.

Social movement theory (SMT) has its roots in management and sociology research. Social movement theory was initially developed to understand the kind of widespread, grass-roots, collective action often associated with the 1960s, such as the American civil rights movements (Jenkins, 1983, p. 528). SMT has since been used in sociology and management literature to explain a wide variety of social changes, ranging from the development of new academic disciplines to shareholder activism (McCarthy & Zald, 1997; Davis & Thompson, 1994; Morris, 2000; Frickel & Gross, 2005; Hambrick & Chen, 2008). Along the way, the conceptual models for SMT have expanded to articulate the relationship between movements, organizations, and markets (Davis et al., 2008). The social movement perspective identifies political and social

factors that influence the success of a social movement. Social movement theory literature provides three broad conceptual elements for understanding social changes: the political opportunities that arise to invite social change (hereafter *political opportunity*), the ability of participants to marshal necessary resources to their cause (hereafter *resource mobilization*), and the successful persuasion of public opinion to accept a new phenomenon or view point as normal (hereafter *framing processes*). Viewing the whole as 'greater than the sum of the parts,' we consider overlaps in the SMT elements as a factor that may increase the strength and speed of movement, the SMT elements are synergistic and dynamic, i.e., they interact and overlap in time with positive synergistic effects.

Economic theories of regulation put forward 'Public interest theories.' 'Capture theories' and 'Ideology theories' (Posner, 1974, Kothari et al., 2010; Berthomeu & Magee, 2011). *Public interest theory* holds that regulation is supplied in response to public demands to correct inefficient or inequitable market practices (Posner 1974). *Capture theory* holds that regulation is supplied to meet demands of interest groups who are trying to maximize their incomes. Political and ideological capture results from standard setters interests aligning with certain interest groups in society (Posner 1974). *Ideology theory* holds that regulation arises when special interests and standard setters' ideologies combine (Kothari et al. 2010). Posner (1974) notes that many years of analytical and empirical research has not supported the public interest view or its underlying assumptions, finding little evidence of a broad public benefit of regulation (p.337-9). Kothari et al. (2010) argue that the public interest view is highly unlikely to hold due to its requirement for a "benevolent and omniscient policy maker" (p.251), for which there is little empirical support. The relevance of accounting to political economics cannot be ignored, however, these views on regulation have developed out of a Western perspective on political economy, and may not be applicable in the case of FVA in China.

As a way to organize and integrate these relevant perspectives, Table 3 a sets out a matrix view using the actors/system framework as integrating analytical perspectives, and identifying concepts that are relevant to understanding accounting movement as illustrated our case. (Appendix 1, referred to earlier, also, provides further details of many of these theoretical perspectives listed in Table 3 and their applicability to our case study.)

TABLE 3
Preliminary Integrative Framework for Understanding Accounting Movement

Strategic Analytical Frames:	Collective actions (by individual actors or groups)	Games	Uncertainty	Power
Theoretical Perspectives Related to Accounting Movement:				
Economic Regulation	Individual, Industry, or Interest group	Utility maximization Markets Lobbying	Assumed away, or modelled as a stochastic function	Government Regulation/Law Interest group Public interest
Institutions /Organizational Change	Institutional entrepreneurs Professions Social construction	Institutional work Networks Regulation /Rules Problematization Translation	Distributed agency Translation	Distributed agency Institutional logics Networks
Social Movement	Political opportunity Resource mobilization	Framing	Political opportunity Resource mobilization Framing	Political opportunity Resource mobilization Framing

Discussion

The integration exercise in Table 3 reveals that the actors/systems perspective provides a sweeping conceptual model with potential to integrate human desires and choices that underlie and drive events in the evolution of organized systems. Its broad scope allows for economic, social and political consequences to play roles in outcomes, indicating that economic rationales are just one narrow layer of the story we seek to understand. However, the actors/systems concepts remain at a very abstract level, so it is not clear how these might play out for actors, actions and outcomes that can be observed empirically. The institutions/organizational change perspectives, on the other hand, bring us penetrating insights drawn from compelling argumentation, with strong capability to explain observed situations. However, these deep

insights seem to come in isolation, not integrated into a dynamic whole. Rather they appear to be directed towards deeply exploring specific issues within the broader picture. The social movement perspective provides three broad conceptual elements for understanding social changes. These seem to both 'touch the earth' in the way the institutions/organizational theories do, and yet they are also are capable of overlapping and interacting, both concurrently and over time. Thus the social movement perspectives seem to incorporate both the dynamic, equilibrium-seeking capacity of the actors/systems theory, but also retain an ability to be applied to describing and explaining actual events observed in the evolution of accounting principles in society.

The preliminary conclusion from the exercise is that by viewing the actors/system framework as an equilibrium-seeking mechanism, and allowing other theoretical concepts to enhance and further specify the concepts that apply to our case events, a more comprehensive analytical perspective might emerge. In particular, the elements of social movement theory appear to have potential to explain many aspects of the actors/systems framework, so this may provide a strong, integrative perspective. This is may be because both perspectives are centred on collective action, and that this is at the heart of how accounting change arises in its social context.

The descriptive case we identify for exploratory study does seem to offer unique insights into understanding accounting movement for this deep and complex FVA principle. Our research design explores why these events unfolded in this case. By applying and synthesizing theoretical concepts, we seek insights that may inform development of an analytical framework that explains accounting movement. In section IV we consider deeper details of the case of FVA movement in China in light of these theoretical perspectives.

IV. The Case of FVA Reforms in China to 2007 - Hurdling into the Future

This section sets out the details of our case. It begins by describing the actors involved in the FVA reform movement, then provides a chronology of the key events, analyzing these by applying the theoretical perspectives outlined above. This analysis is then used in the following section to develop a preliminary conceptual framework of accounting movement.

Actors in the accounting field in China.

The main actors observed in the case are China's Ministry of Finance (MOF), the World Bank (WB), and the International Accounting Standards Board (IASB). The other actors noted here also play instrumental roles, but more narrowly focussed. Viewing this case from the organizational field level, we see these three organizations engaging in collective action to bring FVA philosophy into China's accounting practices. Social movement theory elements and the actors/systems approach provide theoretical frameworks for understanding collective action.

The Ministry of Finance (MOF) is the official body that sets accounting standards in China. Unlike Western countries where standard setting is mainly conducted by accounting professionals working through standard setting bodies like the IASB and FASB, Chinese accounting standards are set by government and are mandatory. Within China, the MOF was central to accounting reform. This is a unique aspect of the historical, institutional and political context in which accounting change will occur in our case setting. Many of the institutional/organizational theories have been developed to explain events in the social-political context of Western free market democracies. This may limit their applicability, or may provide new insights.

The MOF declared a goal of modernizing China's economy and making it more global. Part of its strategy involved modernizing China's accounting systems to make them compatible with

international practice, acknowledging that FVA is a significantly different practice than China's traditional HCA based practice. (Feng, 2002). The increasing globalization of economic activities can be characterized as a political opportunity for the MOF to modernize its own practice.

The MOF created the China Accounting Standards Committee ("CASC") as an advisory body, without standard setting powers (CASC, 2006). This might be characterized from an institutional perspective as a mimetic response, to adopt formal structures used in foreign standard setting processes. From a social movement perspective, the creation of this organization can facilitate creation of shared infrastructure.

The World Bank became involved at the earliest stage in China's accounting FVA reforms. It funded several China Accounting Reform Projects, the first a small one in 1992 and expanded projects in later years. This involvement of a global organization in the FVA accounting movement can be characterized as an external source of political opportunity

The IASB became involved in China's accounting standard setting regime after the second World Bank project had begun. This involvement of a global organization of accounting experts also can be characterized as an external source of political opportunity for the first FVA reform. Before the second FVA reform there was no close cooperation between IASB and MOF. The IASB, by acting to engage with standards setters in China, formalizing relationships with them, and sometimes modifying its own standards to take into account institutional and corporate structures in China, engaged in collective action with the MOF. Its actions mobilized key resources toward the FVA movement for China's second reform. The IASB can be viewed as having a reciprocal political opportunity here: China's adoption of the IASB's standards, with their underlying FVA philosophy, would be a major coup for the legitimacy of IASB. This factor can support an equilibrium.

Other external bodies like the International Monetary Fund (IMF) and the World Trade Organization (WTO) played roles alongside the MOF in financial sector reform and in the marketization of the economy. However, they were not directly involved in accounting standard setting matters. These other actors are part of the changing context of China’s accounting reform process, creating and removing opportunities for accounting reform. For example, China's accession to WTO membership required it to commit to institutional changes including accounting reforms. This created the external pressure and political opportunity for FVA to move forward in China.

The accounting profession in China was a loose collective of local and national firms, but no strong national body represented the interests of the profession in China. The China Institute of Certified Professional Accountants (CICPA) was chartered in 2010, to operate under the supervision of the MOF and the Ministry of Civil affairs (CICPA, 2010). In institutional theory, the CICPA may be viewed as an example of a mimetic response to pressure for institutional change. However, because of the dearth of trained accountants in China at the beginning of the economic reforms, the CICPA did not have the power to lobby the MOF like equivalent institutions in Western countries. Thus the 'Capture' version of the economic theories of regulation is not applicable to this case.

A global accounting firm, Deloitte Touche Tohmatsu (Deloitte), was first appointed through the WB sponsored reform project, and was funded through this project. The appointment was agreed to by the World Bank and the MOF. Through its web publication "IAS Plus" Deloitte was establishing itself as a global leader in the international accounting field. Thus a global "Big 4"

accounting firm provided technical expertise that was lacking at the time in China. The engagement to provide technical consulting to China through the World Bank reform projects also enhanced Deloitte's reputation and status as a global accounting leader. The role of Deloitte can be viewed as reflecting both the resource mobilization and framing process elements from the social movement literature. This can also be seen as an equilibrium seeking factor between Deloitte and China - both gain legitimacy, China obtains needed resources.

While the publicly-listed firms in China that implemented new FVA standards also have a role in the events observed in this case, this is left outside of the scope of this study. Official reports and newspaper articles document the occurrence of these abuses, however we have no direct data to analyse in relation to networking, collective action, or distributed agency effects underlying this occurrence.

Case Details and Analysis

For expositional efficiency at this stage of the study, the data are tabulated in Table 4, with the first column providing detailed descriptives and the second our analyses and theoretical interpretations. This tabulation facilitates exposition of the manifest factors present in the case, and latent factors derived from our theory-based analysis (Berg, 2009).

Table 4 Case Descriptive Data, with Analysis & Theoretical Interpretations

Descriptive data of the case	**Analysis & theoretical interpretations**
CHRONOLOGY OF CASE FACTS	
Pre-FVA Stage: Pure Historic Cost Regime, 1978-1995	
Prior to first fair value reform, China's accounting systems were pure historical cost accounting (HCA) regimes, with very limited fair value requirements in the standards.	HCA can be viewed as the prevailing institutional logic at this time
The first set of accounting standards after the 1978 economic reform, titled *Accounting Regulations for Sino-Foreign Joint Ventures*, came into effect in 1985. These standards explicitly required that the carrying value of an asset should not be adjusted, regardless of the market value of the asset (MOF, 1985, Section 17). Losses on impairment could only be recognized in an income statement through disposal of the asset. Even the 1985 standards (Section 34) had required the note disclosure, though not the accrual, of net realizable value of inventory and the potential loss due to obsolescence or declining markets.	There were as yet no strong external pressures to conform to the international shift to a fair value institutional logic, though a limited exception is observed in the NRV note requirement, suggesting some mimetic response, as awareness of other institutional logics emerged.
The 1992 two sets of accounting standards "*Accounting Regulations for Foreign Investment Enterprises* (MOF, 1992a) and the *Experimental Accounting System for Joint Stock Limited Enterprises* (MOF, 1992b)" replaced the 1985 standards. These new standards continued to emphasize historic cost, but did start to permit more exceptions in rare instances. For example, Section 23 of the *Experimental Accounting System for Joint Stock Limited Enterprises* allowed accrual of bad debt allowances at a government prescribed rate. Sections 22 and 25 covering Foreign Investment Enterprises allowed the accrual of inventory impairment and bad debts, but only with the prior consent of governing ministries.	The pressure for a shift in this logic does not appear to have arisen through institutional pressures, nor a 'problematization' process as set out in Robson (1991). The change in standards from 1985 to 1992 reflects the MOF standard setter's efforts to cater to the increasing needs of foreign firms to report fair values, while balancing it with a strong will to main the status quo of historical cost standards. SMT political opportunity and framing processes do apply.

Although measuring assets at fair value was strictly prohibited at this stage within the financial statements proper, market values for certain assets were nonetheless required to be disclosed in the notes to the statements. The 1992 standards for Chinese listed firms (MOF, 1992b) required, in addition, the note disclosure of market values for short-term (Section 22) and long-term (Section 28) investments, if available.	The ideological shift of ***national leaders*** from an emphasis on class struggle to an emphasis on economic development (Ezzamel et al., 2007) can be interpreted as a *political opportunity* that supported ideological shift of ***Chinese standard setters*** from an emphasis on historical cost to fair value accounting. This can also be seen as a shift in the institutional logics towards FVA, driven by national leaders associating FVA with a new culture of market-based economic development and globalization. One is invited to try to apply the 'Ideology' theory of economic regulation here. But it seems that in China the ideology of the regulators/standard setters is moot - the MOF standard setter appears to have no motivation for, or tradition of, creating an ideology separate from that of the leaders. The concept of inscription (Robson, 1992) may have applicability here. The leaders' goals require a new form of inscription, a FV version, to harness and control the power of accounting information for 'long-distance' control over the globalization of China's economy. Also the Actors/Systems perspective (Crozier & Friedberg, 1980) might characterize FVA principles of international GAAP as the 'zone of uncertainty' that initially gave IASB power over the goals of China's national leadership - in the ensuing power game, China's first move is to adopt similar principles, to regain its control. In analyzing this one case data point, we see many examples of overlap in the theoretical concepts available to apply to this case.
Under the 1992 accounting standards regime, practice diverged from international accounting principles, where the use of FV accounting in the standards was increasing.	This divergence situation became problematic as market reforms continued and foreign investment in China grew. It can be characterized as a political opportunity due to the shifting institutional context, giving the Chinese standard setters (MOF) a strong rationale to start the first fair value reform.

In August 1992, the World Bank engaged in a Financial Sector Technical Assistance (FSTA) Project in China. Funds were devoted to reform of the payments system of the financial sector, but not to the reform of accounting standards (World Bank, 2010). "When time was spent on accounting standards, it was "focused more on the drafting of new standards and not enough on their promulgation and implementation" (World Bank, 2010, p. 6). However, this project laid foundation for future cooperation with MOF (World Bank, 2010, p. 18).	Network theory and resource mobilizaiton concepts are relevant to this point. Since the focus was not on relations or resources relevant specifically to the accounting reform, this lack contributed to the failure of the 1st FVA reform. Applying institutional theory, the loan may be a ceremonial act, part of creating an institutional logic around China's convergence with internationall accounting standards and professional norms (Scott, 1987). This event may relate also to the role of 'professionalization' (DiMaggio & Powell, 1983).
Outside of China, fair value principles for financial reporting were beginning to find support, due to research by influential accounting academics (e.g., Barth, 1994), particularly because fair value was perceived to be more relevant than historical cost (Peng & Bewley, 2010, p. 985).	A political opportunity created as the FVA network is expanding internationally, creating pressure on standard setters to conform.
First fair value reform, 1995 to 2000	
In 1995, China had applied for membership in the World Trade Organization (WTO). In December 1995, the WTO established the Working Party on the Accession of China, setting off extensive negotiations on institutional changes in China and accommodations by the WTO. China asked for favourable treatment under WTO regulations as a developing economy, while WTO negotiators sought Chinese commitments to non-discrimination against foreign companies, as well as reduced government influence in Chinese enterprises (WTO, 2001).	This can be deemed as a starting point when the WTO started to exert influence on Chinese institutional changes, including the changes in accounting. Institutional theory would characterize this as a mimetic response, leading to establishment of similar looking institutions in China. SMT view is that MOF is responding to political opportunity presented by becoming a member of WTO.
Ray Harris of the World Bank was cited as saying that the Ministry of Finance was "determined to make changes," while indicating that the main problem was a shortage of accountants (Ma, 1996),	This is an obstacle that MOF did not pay enough attention to during the first FV reform (or at that time they didn't have enough resources, because the first accounting institute was only created in 1998, and it takes time to train accountants). In the second stage, they did successfully get over the obstacle by choosing to cooperate with WB, as the intention of initial WB funding was changed from support for accounting standards reform to support for training, and the project funding subsequently was extended three times. This can be interpreted as illustrating the developing common understanding and shared interest being built between the key institutional actors. Network theory, framing, institutional logics, and perhaps stability property of FVA as an inscription, can be applied here.
Assistant Minister of the MOF mentioned in a November 2002 speech that "China's accession to the WTO in 2001 represents the beginning of a new era of the opening of Chinese economy. China will increase its scope and extent of international cooperation" and "will expedite its process of accounting reform, more actively participate in international projects, and seek to make increased contributions to the international convergence of standards" (Feng, 2002, p.6/8). China made a promise at this meeting as below "We aim at establishing a sound and comprehensive system of accounting standards in China in 3 years' time" "Unless there are clearly contradict with the existing laws and regulations in China, or do not suit China's situations, we'll keep in line with	This official's comment seems to indicate a hesitancy regarding FVA as it may not be suitable to China's situation.

the IFRS to the extent possible" (p.6/8).	
In 1998, the MOF requested follow up support from the WB for physical infrastructure of the accounting institutes; the WB approved this project and supplied funds (World Bank, 2010) The 1998 project, in the end, “was able to support long term and deeper accounting reform. (World Bank, 2010, p. 18). Earlier, the 1993 WB Technical Assistance Fund was used by the MOF to fund the appointment of DTT as consultant on the CAS projects. In1999 the WB Technical Assistance Fund was used by the MOF to formulate and improve the system of CAS. A direct outcome of this funding is the production of 2001 ASBE, 16 CAS (including 3 applying FV: non-monetary transactions, debt restructuring, and investments), and ASFI (Accounting Standards for Financial Institutions). The MOF argued that this fund helped China to "made significant progress in the development of CAS within a short period of time. In many aspects, CAS are consistent or converge with IAS" (Feng, 2002, p.2/8). In the list of items that the MOF claimed to be consistent with IAS, FVA was not mentioned.	Relationships with other parties are highlighted as being instrumental in expanding the accounting reform project. Networks of relationships are the mechanism by which resources are mobilized in a social movement, and these networks become increasingly important in the subsequent stages of Chinese accounting reform. This deeper reform is seen as succeeding through successful cooperation of the three elite organizations and their respective leaders. Network theory (Richardson, 2009) and SMT resource mobilization apply here.
Between 1996 and 1998, the IASC garnered support from a large number of other international organizations. These included the International Association of Financial Executive Institutes (IAFEI), the International Organization of Securities Commissions (IOSCO), the European Union, the SEC, Asia-Pacific Economic Cooperation (APEC), the International Federation of Stock Exchanges (IFSE), the WTO, the IMF, and the World Bank, as well as the G8 Summit and the G7 finance ministers and central bank governors (IAS*Plus*: IASB Chronology).	With momentum building behind IFRS and with increasing support for fair value accounting within IASC, the external context for fair value accounting in China was becoming a compelling political opportunity. At this time there was not yet close cooperation between IASC and the MOF, however.
Between 1997 and 2000, ten separate *Chinese Accounting Standards* were released. Three of these, for debt restructuring (1999), non-monetary transactions (1999), and investments (2000), required fair value accounting, but this was limited to just four types of assets: inventory, accounts receivable, and short-term and long-term investments. The debt restructuring standard required that assets surrendered or received by the debtors or creditors in a debt restructuring should be measured at fair value. Any gain or loss resulting from restructuring was to be recorded in the current period as net income. The non-monetary transactions standard required that exchange of dissimilar assets should be measured at the fair value of the asset received or given up, whichever was more reliable. Gains or losses could be recognized in the income statement for exchanges involving dissimilar assets, but only losses could be recognized for exchange of similar assets. Finally, the investments standard required that investment acquired by giving up non-monetary assets should be recorded at the fair value of the asset relinquished. All of these were consistent with the IFRS in effect at that time.	The adoption of certain aspects of fair value accounting at this time was characterized by China’s standard setters as an aggressive move to support its own embryonic capital markets (Feng, 1999, 2002). It is puzzling why such a radical change in the fundamental accounting valuation principle would be attempted at this time. It is possible that MOF did not actually want FVA. They wanted to take IFRS, but had to take FVA because it is an integral component of IFRS. In this 1st FV reform, the MOF took FV without questioning it; in the 2nd reform they became more cautious, having learned from experience. One possible theory-based interpretation is that the MOF perceived a need for to adopt an appropriate new style of inscription, FVA, to fit with the shift to a market based economy (Robson, 1992).

The introduction of fair value into accounting standards between 1997 and 2000 ignited a series of accounting scandals. Because the standards allowed firms to recognize gains arising from debt restructuring as income, some listed firms turned net losses into profits simply by engineering a debt restructuring transaction that used non-monetary assets to pay off debts. The firms then claimed the difference between the carrying value and the fair value of the assets as gains. In addition, a large number of listed firms transferred proceeds from equity offerings to their majority shareholders (these shareholders often were politically-connected administrative supervisors of the firms) by creating non-monetary transactions using fair value rules, greatly hurting the interests of smaller shareholders. Two firms and their majority shareholders would exchange assets at an agreed “fair value”, with the excess of “fair value” over book value being recognized as a gain. The gain was then realized in the form of cash or other monetary assets. The net effect was that monetary assets obtained through listed firms’ share offerings were transferred to their largest shareholders rather than being used by the firm (Huang, 2001; Feng, 2003; SZSE, 2003). *South China Morning Post* (O’Neill, 2001): “More than two-thirds of the 1290 largest state companies covered in an official audit last year [i.e., 2000] falsified their accounts, with the illegal money exceeding 100 billion Yuan [approximately US $12.5 billion],” said Li Jinhua, auditor-general of the State Auditing Bureau. “The problems of misinformation and fake accounting remain extremely serious,” he said.	The Actors/Systems perspective (Crozier & Friedberg, 1980) is interesting to apply here, as follows: The MOF's radical reaction to the external political opportunity simultaneously changed the equilibrium between it and the firms reporting under the new FVA standards. This could be interpreted using the Actors/Systems perspective (Crozier & Friedberg, 1980). The opportunity to use a new accounting measurement 'inscription' could be viewed as giving power to the firms' managers, derived in the from the firm managers being able to operate with a bigger "zone of uncertainty" which in the Actor/System theory conveys power. What this means is that the firms' managers believed that the MOF might be uncertain (or unaware) about how they would respond to the new FVA requirements. When they realized this was the case, they took the opportunity to made extra economic gains for themselves. The impact of the firm managers' personal utility maximizing behaviours also can be interpreted as an 'agency cost' - so economic theory can have applicability in this situation. The economic theory of regulation also comes into view here - the fake accounting is a drastic market failure that demands a regulatory response. In this case, the 'Public Interest' theory of regulation seems most apt - government action is required to address the market failure, to protect the interests of China as a people.
Withdrawal of FVA Standards, 2001	
The abuse of fair value rules was cited as one of the main vehicles for these false accounting numbers (Feng, 2003). The degree of abuse forced China’s Ministry of Finance to hastily revise existing fair-value standards in 2001, only one year after the release of the non-monetary asset exchange standard and two years after the release of the debt restructuring and investments standards. The revised standards suspended the use of fair value entirely. Carrying value was to be used in all circumstances where fair value had been required. Recognition of gains from debt restructuring was no longer permitted; gains were to be credited directly to equity. The revised 2001 standards were required to be applied retrospectively for relevant transactions occurring in prior years	One interpretation of this event is that the new FVA 'inscriptions' had a power, they produced serious economic consequences that had not been anticipated. It may be that MOF moved to adopt IFRS without being aware of the power of the inscriptions contained within its FVA philosophy (a Pandora's box) This also can be seen as an example of the question raised in network theory (Richardson, 2009): what happens when regulatory actions occur within a network that has not activated the necessary resources to ensure successful development and enforcement of standards? This overlaps with the resource mobilization element of SMT. The social infrastructure had not been developed to provide training to help accountants to make the switch.

Immature capital markets and poor corporate governance were painted by some in China as the causes of fair value abuse. In a speech to the IASB National Standards Setters' Meeting in 2002, a Chinese Ministry of Finance official attributed the suspension of fair value accounting principles to these two reasons. First, she said, it was difficult to determine a fair value for non-monetary assets where an active market with quoted prices did not exist for most such assets. Second, in most cases, non-monetary and debt-restructuring transactions were related-party transactions in China, and some listed firms took advantage of the policy to window-dress their financial statements (Feng, 2002).	The first point refers to the difficulty of obtaining input prices to use in FVA models in China's environment. The second reason points to structural aspects of the Chinese economy. A theoretical interpretation of Feng's position here might exist at the intersection of political opportunity and resource mobilization - The political opportunity is still relevant as the MOF's wish to bring in internationally accepted accounting principles is unchanged, yet the movement is stalled by this underestimated limitation in the resources needed for FVA to succeed.
The suspension of fair value accounting immediately reduced the manipulation of income (Feng, 2003). However, the suspension came at significant political and economic costs. First, the regulations were no longer consistent with IFRS, which reduced the comparability of financial reports of Chinese listed firms with those in compliance with IFRS, setting back China's efforts to integrate itself into the global economy. Second, the revised regulations appeared to be unfair to creditors. The restructured debt was recognized on the creditor's account at carrying value, rather than fair value, and any resulting loss provided no tax benefit because it was recognized directly in equity instead of on the income statement. This created friction for companies seeking debt financing. In addition, the suspension of FVA did not achieve the Ministry of Finance's goal of reducing fraudulent reporting. Firms could comply with the new regulations in appearance, while using creative accounting approaches to bypass them. For example, to create artificial gains, firms were observed to split a non-monetary transaction into several monetary transactions, in order to repurchase assets that had been previously disposed of and to report a debt restructuring transaction as a transfer of shares (Huang, 2001).	Applying the 'Public Interest' theory of regulation may provide insight here - Public regulation is introduced to address market failure. However, since market failures tends to be due to intractable problems, a practical weakness of public regulation is that it may be expected to deal with an impossible task (Posner, 1974). However, the failure of the regulatory 'fix' may itself create a political opportunity in the form of a renewed pressure for changing China's accounting standards to incorporate FVA principles.
While the Ministry of Finance prohibited direct fair value measurement, it did not forbid and in fact appeared to encourage fair value for asset impairment. In the 2001 Chinese Accounting Standards that were issued to eliminate the abuse of fair value principles, the Ministry required asset impairment tests on virtually all assets other than cash. In comparison, the 1998 standards had listed only four types of assets as eligible for such tests.	Despite the broader move away from fair value, the use of asset impairment tests illustrates the continuing convergence of Chinese accounting standards with international ones. An alternate view is that these actions create the impression to domestic actors that less FVA is being mandated, while giving the appearance to international observers that more FVA is actually being required - like "speaking with forked tongue". This can be viewed as a tactic MOF used as a framing process, to move towards a shared understanding. The problem of incompatible motivations between IASB and MOF's constituents (e.g. firms in China applying FVA) is minimized by trying to move both toward a shared meaning, but from diametrically opposed starting points. The inscription concept might have applicability: initially the FVA principle is translated differently for two different social contexts, as a first step to moving towards a more shared, and hence stable form.

China had received conditional entry to the WTO in 2001, and was expected to comply with WTO requirements in order to achieve full membership. the WTO demand for accounting reform through its insistence on the overhaul of China's economic institutions resulted in Revisions by China at this time to 18 separate laws and sets of regulations governing the central bank, commercial banking, corporate governance, securities, and corporations, as well as laws governing accounting and the accounting profession (WTO, 2006, Table 2, p. 13/49). These laws mandated accounting reform, including some aspects of fair value accounting. WTO membership also resulted in increased foreign direct investment in China.	Such continuing economic changes in China increased demand for accounting standards that met international standards, creating a political opportunity.
Second Fair Value Reform, 2001 to 2008	
Prior to 2001, when the IASC was reformed to become the IASB, only a handful of countries had actually adopted IFRS. When the IASC was being transformed into the IASB, the IASB introduced new methods of engaging national accounting bodies. To improve the effectiveness of its interventions in national accounting standards and promote convergence, the IASB instituted formal liaison relationships with national standard setters. These meant that regular meetings would occur between IASB and national chairs, with coordination of agendas, sharing technical staff and resources, and the sharing of input from constituent and stakeholders (O'Malley, 2001).	These regular meetings greatly enhanced the relationship between the elite officials of IASB and MOF, and eventually helped them to reach an agreement in 2005 for China to substantially converge with IFRS, including the fair value accounting provisions of IFRS (except for accounting for PP&E, in which the revaluation model is not permitted). These IASB actions increased the pressure on China to intensify its process of convergence with international accounting standards, including the fair value accounting provisions of IFRS, a political opportunity. Network building can be seen. Increasing power of IASB, and its defined objective of establishing global accounting standards represents a shift in logic of GAAP towards being an international concept rather than a national one.
A series of meetings took place between IASB and MOF during 2001-2008, whereas there were none before 2001. For example, a symposium on international standards convergence held in Beijing in July 2007. It was jointly hosted by the IASB and the China Accounting Standards Committee (IASB, 2007).	These regular meetings increase the familiarity of key individuals within the MOF and IASB with each other, which would have enhanced the relationship between the elite officials of IASB and MOF, and eventually allow them to reach an agreement in 2005 for China to substantially converge with IFRS, including the fair value accounting provisions. The 'institutional work' concept can be applied here to reveal a duality dimension. As these elites work within this institutional structure, their actions reflect both their own individual intentions and their strategies for promoting change. While our case method provides little individual level data to discern intentions, it is reasonable to assume that as the individuals invested time and effort in the process, it would increase their motivation to succeed through compromise . This would be supportive of collective action, also bringing the RM and shared interests of FP concepts of SMT into the analysis. These meetings would be important events acting to propel an equilibrium seeking process forward.

Wang Jun, Vice Minister of Finance, later related this story: "While I was promoting the issue on the convergence of Chinese accounting standards with IFRS, the IASB held a strong position that fair value in the IFRS should be adopted in China as is, and that convergence means full adoption of IFRS word for word. Despite relentless efforts, I still failed to convince him that this approach would not work in China. At the point when I was totally clueless, I heard from a radio station an introduction of Asia-Pacific Economic Co-operation (APEC). It is an organization that promotes open trade and practical economic cooperation in the Asia-Pacific Region through coordination, rather than through compulsory laws, regulations or code ethics. From there, I soon realized that the IFRS is not compulsory as well. It can't be imposed on us. How can we reach mutual agreement then? Negotiation is required: I take a step back, you take a step back; I take more initiative, you take more initiative; both parties approach towards the same question or direction. I was inspired by this idea, and therefore raised four principles on the convergence of Chinese accounting standards with IFRS: (1) convergence represents an advancement of Chinese accounting standards to international norm and is the future direction of Chinese accounting standards; (2) convergence is not equivalent to full adoption; (3) convergence is a process that involves interaction and mutual understanding; and (4) convergence is a process that takes time. [IASB Chair] Sir David Tweedie eventually accepted this position." (Wang, 2006a, p. xxx)	This case element exposes the role of 'convergence' as an idea, a term, or a 'logic.' It reveals that the two parties did not start with the same goal regarding fair value – IASB wanted full adoption of FV; China did not want to fully adopt FV. Meanwhile, they have shared interests. IASB wants China, as the largest developing economy, to adopt IFRS, so to improve its influence on global standard setting. MOF has strong incentives to join the IASB club, due to the pressure of WTO and the pressure from national leaders to be more internationalized. As a result, negotiations between the two parties become inevitable (in Wang Jun's words, to "reach mutual agreement"). Both parties are tactical in reaching final agreement. While at first, Wang Jun's remarks suggest a belief that IASB required full convergence, during the process he realizes that China also has the power to push back and insist on its own version of convergence that allows some differences from full IFRS. This can be viewed as shifting power back to China, as MOF realizes that "IFRS is not compulsory and can't be imposed on us (China)". This would lead Wang Jun to feel that he has more bargaining power at the table. In terms of Actors/Systems concepts, Wan Jun's evolving understanding of the meaning of convergence can be viewed as shifting the boundary of 'zone of uncertainty'. In essence, the IASB's zone of uncertainty re what it meant by 'IFRS adoption' allowed it to have power over MOF at first, when MOF thought it meant full adoption with no compromise. As Wang Jun comes to understand that IASB cannot really force China to accept every IFRS requirement, a Chinese version of 'convergence' becomes possible, giving power to China to negotiate toward terms that will also be acceptable to IASB. This shift occurs because of push back from MOF - in Actor/Systems view this change gives an increased 'zone of uncertainty' back to MOF, allowing it to regain power and control over the situation. This push-pull duality property is an example of the equilibrium seeking process at work in this case. Also can apply networking, shared interests, further indicating the overlapping nature of the many different social, organizational and institutional based theories we are working with here.

Wang himself provides a glimpse into the relationship between him and the Chair of IASB with this anecdote: "Sir David Tweedie, the Chair of IASB, did not entirely agree with my point of view at the beginning. Later, we were dining in a restaurant by River Thames where we discussed the issue of fair value accounting, in the presence of his assistant Mr. Jones. They elaborated on the technical details of fair value accounting while I tried to provide them more real-life and popularized examples. As one example of fair value, I said I would invite Mr. Jones to visit the Panjiayuan Antique Market in Beijing to take a look at the antiques there [Panjiayuan is a busy market known for very volatile prices that would clearly be difficult to 'estimate' - providing a parallel to FVA methods]. I then asked Mr. Jones about his age, and he responded that he was retiring soon. I asked what he plans to do after retirement, and suggested him to commit to the international convergence of languages. He thought that I was joking and said that's a *Mission Impossible*. I followed up by saying that if it's a Mission Impossible to converge languages, it is also a Mission Impossible to convergence accounting standards word for word. He said he had fallen into my trap, but at the same time he admitted that I had made a point." (Wang, 2006b. p.xxx)	The case reveals perspectives on the relationship between Wang Jun and Sir David Tweedie. This relationship has been characterized as both personal and professional by Tweedie (2010, p. ix), indicating it is one of the crucial social links between Chinese and international accounting standards setters. Their interactions were made possible by IASB's outreach initiative and the willingness of MOF to respond to IASB's invitation and participate in the process. This illustrates the important role of personal social ties in institutional processes. Social ties also are part of the framing processes element of SMT. The ironic examples of the Beijing antique market, and the impossibility of language convergence can serve to strengthen the social ties by develops mutual understanding and acknowledgement of shared difficulties IASB and MOF face in translation of accounting standards. The translation and inscription concepts of Robson (1992) are also interesting to consider in this multi-language, multi-cultural context.
Continuing economic changes in China were increasing the demand for accounting standards that met international standards. These changes included the increased foreign direct investment in China that resulted from WTO membership. Chinese firms began to do things they had never done before to raise capital, such as issuing convertible bonds (Ling, 2006).	Political opportunities – for the 2nd fair value reform.
An agreement on a convergence strategy for Chinese and international standards was signed by IASB and China Accounting Standards Committee (CASC) representatives on November 8, 2005 (World Bank, 2009, p. 13). China agrees to substantially converge with IFRS, including the fair value accounting provisions of IFRS (except for accounting for PP&E, for which the revaluation model will not be permitted).	This is a milestone for both MOF and IASB. It can also be considered an outcome of successful networking between MOF and IASB, as well as a framing step toward further co-operation and commitment to adopt IFRS. This event can be viewed as reaching a successful equilibrium point.
In November 2006, the first Chinese accounting regulator was appointed to the IASB. Zhang Wei-Guo, the CSRC's Chief Accountant, had been involved at the highest level in the accounting-related activities of the CSRC, including standard setting and implementation, and "cross-border regulatory cooperation issues" (IASB, 2006). China's influence was further marked by	This shows growing strength in Chinese institutions regulating accounting. This gave China a reciprocal influence on international institutions. These points relate to: SMT -resource mobilization (social infrastructure) Actors/Systems - reduces zone of uncertainty of foreign/international accounting institutions from China's perspective, lowers the foreigners' power since China can participate directly in negotiations Richardson (2009) network model - transnational network building

IASB acknowledged that some aspects of IFRS would have to be adapted to take into account China's unique needs (Tweedie, 2010).	This event indicates MOF's growing strength and influence on IASB. At this point in the case, a focussed view emerges of a process of organizing a system (Crozier &Friedberg, 1980) for collective action in setting and implementing GAAP at a global level. The actors in our case are elites within the authority organizations involved, in particular the MOF, the IASB, and the World Bank. Their individual and mutual actions have worked on many levels and through different dimensions to resolve dis-equilibrium causing factors and move toward stabilizing positions of compromise.
A revised conceptual framework and 38 new standards were released during 2006, to take effect on July 1, 2007. In these 2007 standards, fair value was permitted or required in a wide range of areas. The new standards covered almost all aspects of fair value reporting, including initial measurement of transactions, subsequent measurement on balance sheet date, impairment recognition, and disclosures. Of the 38 standards that were issued, at least 27 involved the direct or indirect use of fair value (CAS 1-12, 14-16, 19-24, 27, 30-31, and 36-38). Besides reinforcing the asset impairment test requirements that had been introduced in 2001, the new regulations covered a wide range of additional topics: financial assets and liabilities, investment property, share-based payments, biological assets, oil and gas exploration, government grants, enterprise annuity fund, and assets and liabilities arising from business combination that are not under common control. For the first time, fair value was defined and listed in the conceptual framework as one of the fundamental measurement attributes, alongside historical cost, replacement cost, net realizable value, and present value. FVA had been formally and unequivocally recognized in China. Nonetheless, the new Chinese Accounting Standards were more prudent than those that had been abused and suspended. They prescribed fair value only when it was reliable and continuously obtainable, and prohibited the reversal of impairment losses for property plant and equipment, intangibles assets, and other assets. Moreover, the new standards identified detailed scenarios in which unrealized gains or losses from fair value should be recognized in income or in equity, and provided additional guidance for fair value measurements and disclosures.	SMT framing processes apply - making the new FVA standards better adapted to the institutional environment so they will be more acceptable and more controllable by MOF. The technical difficulties related to the HCA-FVA movement in China may be considered using the three causes of/pressures leading to de-institutionalization that Oliver (1992) puts forward: 1. Functional (falling performance levels of old institution) 2. Political (shifts in power structures toward new institutional arrangements) 3. Social (diverging of groups toward different or incompatible beliefs, practices, etc) The Functional and Social factors seem to apply readily to China's FVA movement. HCA began to lose relevance and usefulness in the overall goal of moving to a global market economy. The elites promoted views supporting FVA as a legitimate practice. The Power shifts observable in this case indicate that MOF retains its power over the domestic institutions, in that the aberration of earnings manipulation and FVA abuse called forth more powerful regulatory action over FVA from MOF. MOF appears also to gain more international power as it begins to exert influence with global governance bodies such as IASB and WB. So while the power structure remains lodged with MOF, it adapts its exercise of power to maintain control over the new FVA institution. Oliver's (1992) de-institutionalizing factors also provide insights related to the equilibrium seeking process view that emerges as the integrating theme in our case

In making these revisions, the Ministry of Finance drew on the expertise of global accounting firms, such as Deloitte Touche Tohmatsu (Baker, 2006). It was also assisted by professional accounting firms in Hong Kong.	The initial appointment of Deloitte was through the WB. The appointment was agreed to by WB and MOF, and was funded by the WB's China Accounting Reform Project. Network building is evident here, as well as the 'shared interests' and social infrastructure' resource mobilization elements of SMT.
Numerous speeches are made by MOF/IASB officials that make the impression of inevitability (refs).	These framing strategies are designed to create an impression of inevitability, minimize material consequences, and draw attention away from the implications of the standards towards other issues like the technical readiness of the accounting profession.
On numerous occasions, the officials seem to keep talking the good consequences of IFRS adoption, while ignoring the possible negative ones. For example, In 2006, the Director General of the Accounting Regulatory Department stated that the use of fair value would improve "…the relevancy of the accounting information so as to fully evaluate the operating results of the enterprise, reflect the fluctuations of market value in a timely manner, and thus better achieve the objectives of financial reporting…" (Liu, 2006).	One framing strategy is to divert attention from the considerable economic consequences of fair value accounting. This remark draws a clear connection between the economic conditions of the time, the perceived value of accounting information, and the traditional goals of accounting. It is interesting that "the objectives of financial reporting" are assumed to be unproblematic and unitary; even the widely accepted trade-off between relevance and reliability goes unmentioned. Young (2006) view of the social construction of accounting can be applied. These framing activities, which often oversimplified the issues at hand, were important in clarifying the political backing that fair value accounting had in China.
	.
CHANGING INSTITUTIONAL ENVIRONMENT, FROM 1st to 2nd FVA REFORMS	
The World Bank paid particular attention to accounting and auditing. The World Bank made a loan of over $27 million to China for accounting reform, with an additional credit of Special Drawing Rights amounting to almost $6 million more. This loan was initiated in 1999 and was extended three times during the next 10 years. Normally, the World Bank is reluctant to extend loans, but in this case they deemed it useful to give time for the training components of the accounting reform project to reach a sustainable level (World Bank, 2010, p. 18). The first extension provided for wider geographical coverage of accountancy training. The second permitted course development and coordination. The third permitted further training in accounting and management for professional accountants (World Bank, 2009, p. 5-6).	The projects represents a successful cooperation between MOF and WB. They were successful in marshalling the financial and reputational resources provided by WB, and directing them towards training accountants in the use of international accounting standards. In addition, these resources were managed in such a way that local and national actors were enlisted (Wang, 2010, p. 27). Although this particular World Bank report was issued in 2010, its statements emphasizing the value added by Chinese partners hint at the importance of mutual support by participants in an accounting movement, a framing process. Network building by institutional actors is seen, who became important players in the reform of China's economy, its financial markets, and its accounting regulations. The loan may be viewed as a ceremonial act, part of creating an institutional logic around China's convergence with international accounting standards and professional norms (Scott, 1987)

The World Bank engaged these reform processes through its series of Reports on Observance of Standards and Codes (ROSC), which assessed countries conformity to various international standards. An ROSC on accounting and auditing was repeated several times in China between 1998 to 2009. It was intended to assess the strengths and weaknesses of national accounting and auditing standards, their comparability with corresponding international standards, and the degree of compliance with these standards within the country. The ROSC also reviewed the state of accounting and auditing practice and the education and training of accountants and auditors. The ROSC process was highly participatory, in that it demanded strong involvement on the part of national policymakers and other stakeholders in the country (World Bank, 2004).	Such review processes created pressure on Chinese regulators to ensure that Chinese standards continued to converge on IFRS, which was at this time itself moving more towards fair value accounting, a political opportunity. This point may relate also to the role of 'professionalization' (DiMaggio & Powell, 1983)
The World Bank (2010, p. 6) attributed the eventual success of accounting reform in China to an increased reliance on experienced international consultants, to a greater emphasis on promoting and implementing the standards, and to a focus on the education of Chinese accountants. (World Bank, 2010, p. 17).	The quote suggests that agency on the part of Chinese officials played a key role in hindering or promoting the movement towards fair value accounting. External actors like the World Bank and the WTO are important allies, but they are not able to function without local partners. Resource mobilization in developing social infrastructure applies here.
The World Bank also gave credit to the impact of a change in leadership within the Chinese government team assigned to the project: "At the beginning of the project, the most senior government counterparts had fairly limited knowledge of the international accounting profession. However, when leadership changed, and the government put in place individuals with a more broad vision of accounting, the project impact accelerated dramatically." (World Bank, 2010, p. 17).	This post hoc praising by the World Bank of its Chinese partners suggests that the World Bank recognizes the need for future rounds of negotiation around accounting regulation, and for future cooperation with Chinese government officials. SMT resource mobilzation in developing social infrastructure, also network building, apply.
The creation of the CICPA and its development of full training and certification programs in China had been one of the World Bank's first objectives in accounting reform (World Bank, 2010, p. 4). In the 1998 to 2000 period, there was only one national accounting institute, Shanghai NAI, and it graduated less than 1,300 accounting professionals per year, on average. In 2001, two more national accounting institutes were opened, in Beijing and Xiamen. From 2001 to 2004, the three institutes together produced close to 22,000 graduates per year. From 2005 to 2008, coinciding with the announcement, release, and implementation of the 2006 Chinese accounting standards, they produced over 93,000 graduates per year (World Bank, 2010, Appendix I).	This emphasis on training was one of the most significant differences between the first attempts at embedding fair value accounting in China and the later successful attempt. It shows how MOF and WB have *shared interest* to train Chinese accounting professionals and improve China's financial reporting system, and what the amazing cooperation between WB and MOF can achieve. Both resource mobilization applies. A framing process is invoked too, in establishing belief in China's readiness for FVA to be a successful practice.
Within China, the MOF was central to accounting reform. The MOF worked with the China Securities Regulatory Commission (CSRC) and other agencies to guide and monitor listed companies in their implementation of accounting standards (MOF, 2009).	This shows what China did better in the 2nd FV as compared to first FV reform. The MOF successfully forged both internal alliances (with national bureaus) and external alliances (with international organizations) marshalling the appropriate resources and building effective networks.

MOF attempted to engage companies in accounting reform by creating a due process structure for soliciting feedback on exposure drafts. This was set up in 2003 (MOF, 2003), so it was not present during the first attempts at gaining acceptance for fair value accounting. It is not clear whether this had much impact, however, as several sources (Wang, 2005) suggest that responses from corporations under the due process system were quite limited in number.	This reflects a big difference between China and Western countries on the general acceptance of accounting principles. In China, it's imposed; it's not through due process. The so-called due process is superficial. Why there were so limited responses? Because stakeholders in China knew even if they protested, it's useless. The MOF has power to release the rule regardless. The Eastern culture of obeying whatever authorities say also plays a role in this phenomenon. It may be argued that 'due process' is superficial, i.e. just 'for show' in the West too (Young, 2006) In the East the authorities don't even need to pretend, raising the question of why they would bother with setting up the exposure draft process at all. The mimetic response notion (DiMaggio &Powell, 1983) provides one explanation.
The MOF exercised direct control over the formation of accounting standards, appointing every member of the China Accounting Standards Committee (CASC). The Secretary General of the CASC was a Vice Minister of Finance, the Secretariat of the CASC was housed in the MOF's Accounting Regulatory Department, and the Director General of that department was the Director of the CASC Secretariat (World Bank, 2009, para. 42-43 and note 14).	The name of CASC is similar to the names of FASB and IASB, but since it is actually only a consultation body which is under the direct supervision/control of MOF, this may be misleading external bodies. They may assume it is the standard setting body in China, when the MOF is the only real standard setter. Institutional theory indicates this is an example of a mimetic response
The Ministry of Finance was active in more than just rhetoric. Throughout the country, even in remote provinces, it drew together members of the various regulatory bodies to ensure an integrated approach to compliance monitoring (World Bank, 2009, para. 44 & 55). This work of the MOF and its senior officials was praised by the World Bank, which attributed much of the success of the Bank's work to the coordinating efforts of the MOF, noting that the MOF had "demonstrated strong ownership of the reform program" (World Bank, 2010, pp. 9-10).	While these comments by the World Bank do provide evidence of MOF activity and support for the reforms, they must also be recognized as consisting of a considerable amount of boilerplate text in common with World Bank reports on other countries. The need for external institutions to engage in frame lifting for their own audiences, as well as to strengthen the hand of partner institutions in China, such as the MOF and the accountancy institutes, is relevant to this point. These kinds of framing processes also relate to mimetic responses in institutional theory.
During the 2nd reform, the number of CPAs in China grew, as the educational and training initiatives bore fruit. These newly minted accountants were recognized as crucial in the implementation of the many accounting standards being promulgated, and in disseminating them into practice throughout the economy (Wang, 2010, p. 35).	A mimetic response; it helps to legitimize to have familiar institutions to as other countries.

On Nov 18, 2002, The IASB National Standard Setters' Meeting was held in Hong Kong. MOF official Feng, Shuping - Assistant Minister - made a speech at this conference (Feng, 2002). This speech expressed the MOF's hopes "IASB can fully take account of *developing economies'* situations while formulating and revising IAS. For China, which is still in transition, the right approach would be to take account of its realities and draw on IAS as much as possible". (p. 6/8) MOF made it clear on its position on fair value: "IAS should allow alternative treatments in special cases. For example, IAS should provide for another measurement basis, such as HC, when fair value is unable to be determined reliably. To prevent improper use of alternative treatments, the standard may require an enterprise to include a detailed disclosure in the notes to the financial statements". (p. 7/8) MOF also urges IASB to "strengthen its communications with different national accounting standards setting bodies", and not to "restrict itself to the 7 existing major countries". (p. 8/8)	These actions illustrate the push-pull equilibrium seeking process between IASB and MOF, and the IASB concessions to China's needs can increase the stablity of FVA as a inscription in Chinese society (Robson, 1992).
In discussing why the first FV reform failed, the MOF gave the following obstacles (all economic factors) i. Current environment of market economy is not mature enough in China: the history of the capital market is short and the market itself is relatively small. China does not have the range of experienced institutional investors as compared to countries with a developed market economy. The government is an important investor in China. China suffers from a shortage of experienced financial analysts. ii. China's accounting focus more on truthfulness and prudence; and focus more on income statement than balance sheet ("because of the importance of measures of profit for market regulation" (for example: a firm will be delisted if it suffers three consecutive years' loss) (page 6) iii. Related-party transactions may not be fairly priced iv. It is difficult to determine a fair value for non-monetary assets and debt restructuring. Firms took advantage of this obstacle to polish their F/S. v. Lack of proper corporate government system or effective implementation of such system. (Feng, 2002)	There is little evidence of substantial improvement in 2005 as compared to 2002 to overcome these obstacles. This provides indirect evidence that China's FV reform was driven by political/social factors rather than economic factors: For i. - no change from 2002-2005. For ii. - the profit measures used for market regulation did not change from 2002-2005 For iii. & iv. - this is still the case in 2005, as shown in He et al. (2012) For v. - no evidence of significant corporate governance improvement in this short period

V. Preliminary Conceptual Framework of Accounting Movement

The preceding Section IV outlined the detailed descriptive data of the case background, the key actors involved in the field of accounting in China, and events in China's initial adoption, subsequent rejection, and ultimate reintroduction of FVA, analyzed against our multiple theory-based interpretations. This exploratory analysis reveals many elements of the social movement framework are in operation in China's process of acceptance of the FVA principle. The network building perspectives complement the resource mobilization perspective of the social movement framework. We also find the integrating theme drawn from the actor/system model, of an equilibrium-seeking process underlying general acceptance, fits many aspects of the descriptive case facts. The case events reveal equilibrium seeking processes working on several levels to drive events towards more stable outcomes. The concepts of general acceptance as a shifting of

institutional logics, and the characterization of accounting information as a inscription that supports control at a distance sharpen the theoretical perspectives we can glean from this case.

The initial driver of events is the movement towards economic and market globalization. This creates political opportunities for many organizations - in our case key organizations become affected by a similar opportunity involving bringing China into the global economic playing field. While their interests in this opportunity overlap to some extent, each actor starts from a different position. At this starting point, each actor's interests, goals, and limitations are not observable or well understood by the other actors. In the actor/system view, collective action is spurred because the actors believe they can profit more by engaging in the 'game' than by trying to act alone. This overlaps with the social movement concept of shared interests, which allow resources to be mobilized towards a movement. The network building view also overlaps here, as shared interest will become the basis of building inter-organizational relations that can stabilize into network structures over time.

As events unfold in the case, a focussed view emerges of a process of organizing a system (Crozier &Friedberg, 1980) for collective action in setting and implementing GAAP at a global level. The actors in our case are elites within the authority organizations involved, in particular the MOF, the IASB, and the World Bank. Their individual and mutual actions have worked on many levels and through different dimensions to resolve dis-equilibrium factors and move toward stabilizing positions of compromise. Here we will summarize the key findings under the main elements of social movement model: political opportunity, resource mobilization and framing processes.

Political Opportunity

The increasing globalization of economic activities, the ideological shift of China's national leaders, the pressures from international bodies, and the increasing support globally for IFRS and fair value accounting can be characterized as political opportunities for fair value adoption in China. China's economic reform starting in 1978, the conditions of its accession to the WTO, and the increasing globalization of economic activities result in large volume of foreign direct investment and joint ventures in China. As a result, traditional pure historical cost system becomes less functional to address financial reporting issues of these firms and de-institutionalization pressures arise (Oliver, 1992).

The ideological shift of national leaders from an emphasis on class struggle to an emphasis on economic development (Ezzamel et al., 2007) can be interpreted as a political opportunity that supported ideological shift of Chinese standard setters to be more open to moving toward international accounting standards. This political opportunity, and related to it the shift in institutional logic from national GAAP to one of international GAAP, mainly explains how the first FVA reform arose. It is questionable whether there is a ideological shift from HCA to FVA at any point, as the case facts indicate MOF had never been a strong proponent of the fair value concept. MOF officials Wang Jun and other (e.g., Wang, 2006b) suggest in speeches that even in the 2nd reform in 2006, they incorporated FVA simply because it came with IFRS. However the MOF still managed to retain some important HC features: for example, the revaluation model is not allowed for PP&E and intangible assets. Surprisingly, this divergence was not identified as a major difference in the 2005 joint statement between IASB and MOF, most likely because both parties wished to emphasize the level of convergence, while playing down the level of divergence. This reciprocity, IASB conceding that China is converged, and accepting less than full adoption, would be a stabilizing driver toward FVA as an equilibrium outcome.

Collective Action, Uncertainty, Power and Resource Mobilization

Viewing this case from the organizational field level, we see the three key organizations, MOF, World Bank and IASB, engaging in collective action to bring FVA philosophy into China's accounting practices. Social movement theory elements and the actors/systems approach provide theoretical frameworks for understanding collective action. Here we examine the collaborations among the main actors.

MOF & World Bank

The WB project over 10 years provided crucial resources for accounting reform. Beyond the funding, many specific collaborative efforts were undertaken, targets were set, expertise and infrastructure were developed. Over this period, considerable readjustment was observed in the major shift in goals, from the initial focus on 'accounting reform' and drafting new standards - a broad and hence useless goal - to much more specific developments of institutions, training centres, and other infrastructure for promulgation and implementation of standards, in addition to the 2001 and 2006 sets of standards themselves. Through these intensive collaborations, the standards that ended up being accepted into force in the 2nd reform were much closer to the full IFRS than originally expected.

There are many incidents of close cooperation, and complementary statements from WB officials regarding MOF achievements and strengths, building important social ties as a resource. World Bank's comment comparing the 2nd to the 1st accounting reform: "In general, lessons from previous and similar accounting and financial sector reform projects were incorporated. In particular, the project took into account the need not only to draft new standards, but also to support their dissemination and implementation since these steps are critical in supporting the establishment of a transparent and effective accounting system in China. This was a clear lesson derived from the activities under the previous FSTA project which focused more on the drafting of new standards and not enough on their promulgation and implementation." (World Bank 2010, Section 1.7, p.6) This may account for the failure of 1st FVA reform. "With regard to the accounting standards component, in hindsight, it transpires that the time required to develop and disseminate new accounting standards was longer than initially anticipated, especially those that introduced changes and modifications to the existing system." (World Bank 2010, Section 1.7, p.7)

On more than one occasion, the World Bank gave credit to MOF as the "Champion" of the reform (World Bank (2009, Preface Para 3; Para 80), World Bank (2010, Sect. 6, p.17). The World Bank also attributed the success of the Project to MOF leadership's technical knowledge: "The (MOF) officials' deep technical knowledge of the international accounting profession enabled it to shape the long-term government vision and reform goals. In the end, such leadership laid the basis for a fundamental transformation of the accounting profession in China." (World Bank 2010, Section 5.2, p.16)

Stable staff, fluent Mandarin speakers and financial management specialists also built strong social ties, these contributing to successful cooperation: "…allowing both for constructive and timely ongoing dialog with the authorities, and specialized technical input, minimizing potential misunderstanding from translation." (World Bank 2010, Section 5.1, p.15). As well, the institutional work and distributed agency theoretical perspectives can be invoked here: These individuals can themselves affect institutional changes and the broader social change, and may have been instrumental in the IASB ultimately adapting to meet China's need for concessions in

the implementation of FVA standards. The highly participatory nature of the WB's ROSC reviews of accounting and auditing practice and education and training of accountants and auditors, with strong involvement of national policymakers and other stakeholders in the country (World Bank, 2004), would further strengthen social ties and create shared infrastructure.

Network theory and resource mobilization concepts point to a key lack in the 1st failed reform, since the focus was not on relations or resources relevant specifically to the accounting reform. Network building is evident for the 2nd reform, as well as the shared interests and social infrastructure elements of SMT. Relationships with other parties are highlighted as being instrumental in expanding the accounting reform project. Networks of relationships (Richardson, 2009) are the mechanism by which resources are mobilized in a social movement, and these networks become increasingly important in the subsequent stages of Chinese accounting reform.

MOF, China Accounting Standards Committee & IASB

The changes in the IASB's engagement with national standard setters between the 1st and 2nd reforms also enhanced network building and resource mobilization. Regular meetings were initiated between IASB and national chairs, with coordination of agendas, sharing technical staff and resources, and the sharing of input from constituents and stakeholders (O'Malley, 2001). These interactions also feature complementary feedback that would strengthen social ties and network relations. For example, a symposium on international standards convergence held in Beijing in July 2007 was jointly hosted by the IASB and the China Accounting Standards Committee ("CASC") (IASB, 2007). IASB's praised the MOF's work: (1) IFRS "confirmed the conclusion of the smooth and effective implementation of the system" (MOF, 2009); (2) the IASB recognized that "China's developments of accounting standards and its achievements towards international convergence have accumulated valuable and significant experience for emerging markets and transition economies." (Tweedie, 2007).

The MOF also sent officials to IASB for training on IFRS (World Bank (2009, para 8, note 6)): to gain exposure to internationally recognized accounting standards and practices. The MOF and CASC "made special efforts to establish links and relations with other internationally important partners, such as IASB in London, which advised on to the development of the standards and also participated actively in China's international foray into the sector." (World Bank 2010, Section 7, p.19).

The milestone agreement signed by IASB and CASC in 2005 on a convergence strategy for Chinese and international standards, including the fair value accounting provisions of IFRS (except PP&E revaluation) (World Bank, 2009, p. 13) is an outcome of successful networking between MOF and IASB, as well as a framing step toward further co-operation and commitment to adopt IFRS. This can be viewed as an important equilibrium achievement in the case. The evolution of the IASB position is expressed in its Chair's remarks to a US Senate Subcommittee in October 2007: "As you know, the IASB cannot force anyone to take its standards; they have to be accepted by jurisdictions the world over. It is our job to convince national bodies that our consultation process is robust and that the outcomes merit the respect of the markets. We seek to do so through a rigorous due process." (Tweedie, 2007). This statement we see as indicative of the push-pull equilibrium seeking process that led to increasing acceptance of FVA internationally.

Games & Framing Processes

Many framing processes are observed to have been implemented through the CASC. This also

further strengthens this organization's role as a shared infrastructure resource. For example, in 2003, the website of CASC (in Chinese and English) was launched, providing access to information on the accounting standards and raising awareness of accounting standard in the economy (World Bank (2010): Annex 2, Component 2 Outputs (p.26)). This sharing of information serves as a framing process, by providing broader reach to the movement's constituents of easily available information on accounting standards and their application. CASC also established a Working group of Experts on implementation of CAS, providing opinions on material issues encountered during the implementation of CAS (WB 2009, para 44)

The MOF established a range of processes to ensure the smooth implementation of accounting standards. This included the establishment of a coordinated surveillance network with the securities regulator for information sharing and supervision, as well as a feedback mechanism. At the same time, MOF linked the channels of accounting standards setting, internal control, and information technology to build a multi-tiered regulatory system (WB 2010, 2.5, p.9). MOF and CSRC together conduct reviews of accounting firms (WB 2009, para 57-58). In 2006, MOF experts conducted on-site studies in listed firms to identify possible problems of implementation. (WB 2009, para 54). The new standards have been widely disseminated with workshops and seminars held for professional throughout China. (WB 2010, Annex, p.26). These actions provide more confidence and legitimacy to the new standards.

Regarding translation, the 2006 CASs customize IFRS's language to ensure effective implementation (Liu, 2007) and facilitate understanding by practitioners (Li, 2006). For example, IFRS requires assets and liabilities to be measured at "fair value", while under the 2006 CASs, the measurement is at "the amount specified in the agreement unless the amount is not fair value" The CAS wording provides more specific guidance for Chinese users, to facilitate framing and legitimizing the new FVA principle (Peng & Bewley, 2010).

VI. Conclusion

Section VI. concludes the paper with a summary of our findings, contributions and limitations. Here we provide some preliminary thoughts on construction of a comprehensive model of 'accounting movement' that may be useful for understanding the accounting change process more generally…. at this stage of the study.

Overall, our preliminary insights from the case analysis show that shared interests of powerful elite organizations in a common political opportunity can lead to amazing cooperation and network building, and creation of new institutions to support the accounting change goals of these elites. The deepening involvement of individuals at the technical and practical level also appears to strengthen an accounting movement by invoking the dualism quality - people become involved as imbedded agents whose strategic actions, interactions, and sense-making can induce change in institutions that will support accounting movement. We find that overlapping the elements that describe social movement forces with the actor/systems perspective of uncertainty, games and power, can help to identify events and actions that lead to stable equilibrium outcomes in accounting standards. Stability is a central property of accounting numbers that support control at a distance, making them powerful inscriptions in a society.

References

Ball, R. (2009). Market and political/regulatory perspectives on the recent accounting scandals. *Journal of Accounting Research*, 47, 277-323.

Allen, A. and Ramanna, K. (2013). Towards an understanding of the role of standard setters in standard setting . *Journal of Accounting and Economics*, 55, 66–90.

Baker, Alex (2006). Numbers start to add up in China. *South China Morning Post*, November 3, 2006, Supplements section, 5.

Bao, B.-H., and Bao, D.-H.. (1989). LIFO adoption: A technology diffusion analysis. *Accounting, Organizations and Society*, 14(4), 303–319.

Barth, M. E. (1994). “Fair Value Accounting: Evidence From Investment Securities and The Market Valuation of Banks”, *The Accounting Review*, 69, 1–25.

Barth, M. E. (2007). “Standard-Setting Measurement Issues and The Relevance of Research”, *Accounting and Business Research* ,37(3), 7-15.

Barth, M.E., and Clinch, G. (1998), "Revalued financial, tangible, and intangible assets: Associations with share prices and non market-based value estimates", *Journal of Accounting Research*, 36, 199-233.

Benford, R. and D. Snow (2000). Framing processes and social movements: An overview and assessment. *Annual Review of Sociolog*y, 26,611–39

Berg, B.L. (2009) *Qualitative Research Methods for the Social Sciences.* Seventh edition. Pearson. Boston MA.

Berthomeu, J. & Magee R.P. (2011) From low-quality reporting to financial crises: Politics of disclosure regulation along the economic cycle. *Journal of Accounting and Economics*, 52, 209–227.

Bozanic, Z. and Dirsmith, M. W. (2012) The social constitution of regulation: the endogenization of insider trading laws. *Accounting, Organizations and Society*, 37, 461 - 481.

Burchell, S., Clubb, C. & and Hopwood, A.G. (1985). Accounting in its social context: Towards a history of value added in the United Kingdom. *Accounting, Organizations and Society*, 10, 381-413.

Chinese Accounting Standards Committee (CASC) (2006), "Report of activities - 2006 China, Japan, Korea, accounting standard setters meeting", available at: http://extranet.casc.gov.cn/internet/internet/en/newsreview/2006nzhrhkjzhzzhdjghyhdbg.html, (accessed 26 January 2008).

Cooper, D. J., and Robson, K. (2006). Accounting, professions and regulation: Locating the sites of professionalization. *Accounting, Organizations and Society*, 31(4–5), 415–444.

Crozier, M. and E. Friedberg. (1980). *Actors and Systems: The Politics of Collective Action*. University of Chicago Press, Chicago, IL

Davis, G and T. Thompson (1994). A Social movement perspective on corporate control. *Administrative Science Quarterly*, 39, pp. 141-173.

Davis, G., C. Morril, H. Rao, S. Soule. (2008) Introduction: Social Movements in Organizations and Markets. *Administrative Science Quarterly*, 53 389–394

DiMaggio, P.J. & Powell, W.W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48, 147-60.

Duffy, M., A. Binder, J. Skrentny (2010) Elite Status and Social Change: Using Field Analysis to Explain Policy Formation and Implementation. *Social Problems*, 57, Issue 1, 49–73.

Elbannana, M., and McKinley, W. (2006). A theory of the corporate decision to resist FASB standards: An organization theory perspective. *Accounting, Organizations and Society*, 31(7), 601–622.

Englund, H., Gerdin, J. and Burns. J. (2011). 25 Years of Giddens in accounting research: Achievements, limitations and the future. *Accounting, Organizations and Society,* 36, 494–513.

Ezzamel, J. Z. Xiao, and A. Pan (2007) Political ideology and accounting regulation in China . *Accounting, Organizations and Society*, 32: 669–700

Feng, S. (2002). “Strengthen Co-operation to promote International Convergence of Accounting Standards, Speech at the IASB National Standards Setters” Meeting held on November 18, 2002 in Hong Kong, 2002, Retrieved from www.iasplus.com (accessed on June 17, 2008).

Firth, M. (1996). The diffusion of managerial accounting procedures in the People's Republic of China and the influence of foreign partnered joint ventures. *Accounting, Organizations and Society*, 21, 629–654.

Frickel, S. and N. Gross (2005). A General Theory of Scientific/Intellectual Movements. *American Sociological Review,* 70, 204-232

Hambrick, D. and M-J.Chen (2008). New academic fields as admittance-seeking social movements: The case of strategic management. *Academy of Management Review,* 33, 32-54.

Harrison, G. L., and McKinnon, J. L. (1986). Culture and accounting change: A new perspective on corporate reporting regulation and accounting policy formulation. *Accounting, Organizations and Society*, 11, 233–252.

He, Wong & Young (2012) Challenges for Implementation of Fair Value Accounting in Emerging Markets: Evidence from China. *Contemporary Accounting Research*, 29, 538-562."

Holmstrom, B. (1982). Moral Hazard in Teams. *Bell Journal of Economics*, 13 (1982), pp. 324-340.

Huang, S. (2001). The quality of accounting information: Challenges faced by Chinese listed firms. *Accounting Research* (in Chinese), 2001(10): 6-11.

Humphrey, C., Loft, A., and Woods, M. (2009). The global audit profession and the international financial architecture: Understanding regulatory relationships at a time of financial crisis. *Accounting, Organizations and Society*, 34, 810–825.

Hussein, M. E. (1981). The innovative process in financial accounting standards setting. *Accounting, Organizations and Society*, 6, 27–37.

International Accounting Committee Foundation (IASCF) (2006), "Trustees appoint IASB member from China ", IASB Press Release, available at: www.iasb.org, (accessed 26 January 2008).

International Accounting Standards Board [IASB] (2006). “Trustees Appoint Zhang-Wei Guo and Reappoint John Smith to IASB, Announce Progress on Oversight and Funding.” Press release, November 6, 2006.

International Accounting Standards Board [IASB] (2007). “Convergence of accounting in emerging and transition economies.” Press release, November 6, 2006.

International Accounting Standards Board [IASB] (2008). “IASB publishes revised proposal to eliminate unnecessary disclosures for state-controlled entities.” Press release, November 11, 2008.

International Accounting Standards Board [IASB] (2009a). “IASB publishes draft guidance on fair value measurement.” Press release, May 28, 2009. http://www.ifrs.org/News/Press+Releases/IASB+publishes+draft+guidance+on+fair+value+measurement.htm.

International Accounting Standards Board [IASB] (2009b). “IASB simplifies requirements for disclosure of related party transactions.” Press release, November 4, 2009. http://www.ifrs.org/News/Press+Releases/IASB+simplifies+requirements+for+disclosure+of+related+party+transactions.htm.

Jenkins, J.C. (1983). Resource mobilization theory and the study of social movements. *Annual Review of Sociology*, 9, 527-53

Kothari, S.P., Ramanna, K. & Skinner, D.J. (2010). Implications for GAAP from an analysis of positive research in accounting. *Journal of Accounting and Economics*, 50, 527-553.

Lawrence, T.,Suddaby, R. and Leca, B. (2011). Institutional Work: Refocusing Institutional Studies of Organization. *Journal of Management Inquiry,* 20, 52–58

Ling, Teh Hooi (2006). Red flag over convertible bonds of some China companies. *The Business Times*, Singapore, November 28, 2006.

Liu, Yuting. (2006), "The development of Chinese accounting standards system, 2006, Keynote speech by Director-General of Accounting Regulatory Department of China’s MOF at the 6th Annual Academic Conference on Accounting and Finance on 13 July 2006 at Xiamen, China.

Ma, Josephine (1996). Accounts standard opposed. *South China Morning Post*, March 27, 1996, Business section, p. 5.

McCarthy, J. and M. Zald (1997). Resource Mobilization and Social Movements: A Partial Theory. *The American Journal of Sociology*, 82, 1212-1241.

McLeay, S., Ordelheide, D., and Young, S. (2000). Constituent lobbying and its impact on the development of financial reporting regulations: evidence from Germany. *Accounting, Organizations and Society*, 25(1), pp. 79–98.

Merton, R.K. (1973). Social conflict over styles of sociological work. In R.K. Merton (Ed.), *The sociologyof sicence: The theoretical and empirical investigations*, 47-69. Chicago: University of Chicago Press.

Mezias Stephen J. 1990. An Institutional Model of Organizational Practice: Financial Reporting at the Fortune 200: *Administrative Science Quarterly*, 35, 431-457

Ministry of Finance (1985). *Accounting Regulations for Sino-Foreign Joint Ventures* (in Chinese). Beijing: Ministry of Finance.

Ministry of Finance (1992a). *Accounting Regulations for Foreign Investment Enterprises* (in Chinese). Beijing: Ministry of Finance.

Ministry of Finance (1992b). *Experimental Accounting System for Joint Stock Limited Enterprises* (in Chinese). Beijing: Ministry of Finance.

Ministry of Finance (2003). *Procedures for setting accounting standards*. July 10, 2003 (retrieved from www.casc.gov.cn).

Ministry of Finance (2006). *Chinese Accounting System for Business Enterprises* (in Chinese). Beijing: Ministry of Finance.

Ministry of Finance (2009). *Roadmap for continuing and full convergence of the Chinese ASBE with the IFRS. Exposure Draft*, Sep 2, 2009. Beijing: Ministry of Finance.

Morris, A. (2000) Reflections on Social Movement Theory: Criticisms and Proposals. *Contemporary Sociology*, 29, 445-454

O'Malley, T. (2001). The "New" IASB. Speech given at the Conference on Emerging Issues in International Accounting, Niagara University Center for International Accounting Education and Research, Niagara Falls, Ontario, Canada, August 2-4, 2001.

O'Neill, M. (2001), "Falsified figures cancer in state firms", *South China Morning Post*, 26 November.

Oliver, C. (1992). The Antecedents of deinstitutionalization. *Organization Studies*, 13/4: 563-388.

Orum, A.M. (1982). The Games of Life. Actors and Systems: The Politics of Collective Action by Michel Crozier; Erhard Friedberg;Arthur Goldhammer. *Contemporary Sociology*, 11, 654-656.

Peng, S. and K. Bewley (2010). Adaptability to fair value accounting in an emerging economy: A case study of China's IFRS convergence. *Accounting, Auditing and Accountability Journal*, 23(8), 982-1011.

Posner, R.A. (1974) Theories of Economic Regulation. *The Bell Journal of Economics and Management Science*, Vol. 5, No. 2 (Autumn, 1974),pp. 335-358.

Power, M.K. (2010) Fair value accounting, financial economics and the transformation of reliability. *Accounting and Business Research*, 40, International Accounting Policy Forum, 197–210

Quack, S. 2007 Legal Professionals and Transnational Law-Making: A Case of Distributed Agency. *Oganization,* 14(5), 643–666

Ramanna 2012

Ramanna, K. (2008). The implications of unverifiable fair-value accounting: Evidence from the political economy of goodwill accounting. *Journal of Accounting & Economics*, 45,

Richardson, A.J. (2009). "Regulatory networks for accounting and auditing standards: A social network analysis of Canadian and international standard-setting", *Accounting, Organizations and Society*, 34 (5), 571-588.

Robson. K. (1992). Accounting numbers as "inscription": action at a distance and the development of accounting. *Accounting, Organizations and Society*, 17, 685-708

Robson, K. 1991; On the arenas of accounting change: the process of translation* *Accounting Organizations and Society*, 16, 547-570.

Scott, W. R. 1987 The Adolescence of Institutional Theory. *Administrative Science Quarterly*, 32, 493-511.

Scott, W.Richard. 2001. *Institutions and Organizations*. Second Edition. Sage Publications inc. Thousand Oaks, California.

Susela, S. D. (1999). “Interests” and accounting standard setting in Malaysia. *Accounting, Auditing & Accountability Journal*, 12(3), 358 – 387.

Sutton, T. G. (1984). Lobbying of accounting standard-setting bodies in the U.K. and the U.S.A.: A Downsian analysis. *Accounting, Organizations and Society*, 9(1), 81–95.

Tweedie, D. (2006). Statement of Sir David Tweedie, Chairman, International Accounting Standards Board, before the Committee of Banking, Housing and Urban Affairs of the United States Senate, Wachington , DC – 14 June 2006. Retrieved from www.iasplus.com.

Tweedie, D. (2010). Forward. In Wang, J., *Accounting with Heart: China’s Role in International Finance and Business*, pp. ix-x. Singapore: Wiley.

Wang, J. (2005). Uphold morality on strong shoulders and create brilliant writings with a fine hand. Speech given at the Inaugural Ceremony for the Senior Accounting Talent Training Program, Dec 10, 2005 (in Chinese), retrieved from www.mof.gov.cn.

Wang, J. (2006a). On the training of leading academic in China. Speech to accounting academia on Nov 15, 2006 (in Chinese), retrieved from www.mof.gov.cn.

Wang, J. (2006b). On the adoption of new Chinese Accounting Standards. Speech given to CEOs and General Managers of listed firms in China on Nov 30, 2006 (in Chinese), retrieved from www.mof.gov.cn.

Wang, J. (2010). *Accounting with Heart: China’s Role in International Finance and Business.* Singapore: Wiley.

Watts R.L & Zimmerman J. L. (1990). Positive Accounting Theory: A Ten Year Perspective. T*he Accounting Review*, I01, 131 - 156

World Bank (2004). The World Bank Reports on Observance of Standards and Codes (ROSC) – Overview of the ROSC Accounting and Auditing Program. January 2004.

World Bank (2009). The World Bank ROSC Report on People’s Republic of China. October 2009.

World Bank (2010). China Accounting Reform and Development Project: Implementation Completion and Results Report. Report No: ICR00001153. May 12, 2010. (IBRD-44420 and IDA-31730)

World Trade Organization [WTO] (2001). Report of the Working Party on the Accession of China.

World Trade Organization [WTO] (2006). Trade Policy Review – China 2006: Secretariat Report.

Young J. J. (2006). Making up users. *Accounting, Organizations and Society*, 31 (2006) 579–600.

Young, J. J. (1994). Outlining regulatory space: Agenda issues and the FASB. *Accounting, Organizations and Society*, 19(1), 83–109.

APPENDIX

FVA theoretical concepts - details and references

Overview: The appendix summarizes our review of literature on accounting change. It outlines key themes from economic regulation theories, institutional and organizational change theories, and socio-political theories. The institutional theory literature themes provide further insights for adapting our preliminary social movement-based framework, since there are many overlaps between institutional change and social movement perspectives. A key new contribution of this institutional literature for our understanding the accounting change process is a recurring theme of 'duality'. Duality themes view accounting as a practice that can both affect its environment and simultaneously be affected by its environment. This duality property has similarities to the 'equilibrium-seeking' mechanisms modelled in economics-based theories. By drawing on this duality perspective, we may able to link economic theory to the institutional change and social movement perspectives. This may allow us to increase the breadth and comprehensiveness of our analytical framework for understanding FVA acceptance in China, and also give it a robust and cohesive logical structure. The theories reviewed also hint at certain "taken-for-granted" Western orientations and assumptions, suggesting that other insights may come into focus when we try to apply these theories to a case of accounting change in China.

Brief descriptions of theoretical concepts in Table 3

Theoretical concepts in Table 2	**Examples of a relevant reference**	**What's the idea? (especially in the context of movement towards FVA principle)**
Related to definition: Accounting Principle		
Institutional logics	Ezzamel , Robson & Stapleton 2012 DiMaggio & Powell 1983 Scott 2001, 1987	The rules, cultural norms, common beliefs, or received wisdom of people in an organization field that provide cohesion, and legitimacy to an organized system or institution. Historic cost-based accounting as an institutional logic needs to be replaced by new common beliefs in the fair value based accounting valuation philosophy, considering these principles as 'institutional logics' with the broader notion of GAAP (so at a higher level of analysis, say the level of the financial reporting system, GAAP could be seen as an institutional logic) Institutional logics change over time creating institutional change. Institutional logics also can describe the evolution of accounting standard-setters from the intellectual and moral elites within a national accounting profession, to an elite group of technical experts operating transnationally. Quoting from the comprehensive surveys of institutional theory literature in Scott 2001 & 1987: "Institutionalized systems rise and fall. Even highly stable and socially embedded fields supported by powerful constituencies can be dethroned and dismantled. Challenging logics carried by marginal actors or by mainstream actors invading from neighbouring fields can undermine current truths and provide the foundation for the legitimation of new actors, practices and governance systems. " [Scott 2001:p.203] Scott [1987] discusses a version of institutional theory that links the view of a diverse system of social beliefs that give rise to institutions, and the relatively enduring systems of social beliefs that outlive generations even when their logic and meaning is no longer understood (ceremony). "this version of institutional theory focuses attention on the existence of a set of differentiated and specialized cognitive and normative systems --**institutional logics**-- and patterned

		human activities that arise and tend to persist, in varying form and content, in all societies. These logics and behaviors constitute repertoires that are available to individuals and organizations to employ in pursuit of their own interests" In this view, analysis can be directed to determining why institutional arenas/fields take on the structures they do and how new types of institutions form. The latter issue requires a focus on content, as well as expanding from an organizational level of analysis to a societal level.
Cultural authorization	Power 2010	This concept refers to an idea like FVA gaining acceptance because standard setting elites associate it with a popular new paradigm, such as financial economics-based innovations, e.g., capital markets, derivatives, etc. This leads them to promote a closer alignment between accounting and markets (with a focus on 'relevance' as perceived through this new culture of finance) versus the more traditional paradigm of stewardship (with a focus on reliability). Power (2010) identifies this aspect as one of four 'mutually supporting conditions of possibility' (p.197) that explain why FVA could become a required accounting practice despite widespread opposition.
Social construction of accounting objectives	Young 2006	This refers to the construction by standard setters of imaginary user needs to justify setting accounting principles; it arises as response by standard setters to the pressures society puts upon them to demonstrate their own legitimacy. Linking Young's idea to Power (2010), the consequences of giving cultural authority to financial economics in developing accounting principles is a shift in accounting standard setters' self-image away from being gate-keepers of the GAAP that emerge from practice, shifting towards emphasis on technical rigour and their own expertise. In turn, this allows them to impose technical standards on practice with justification based, essentially, on imagined users and user needs that fit their own investments in expertise. (one could also view this as similar to marketing: trying to create buyers' needs for the product you happen to have to sell…)
Related to definition: General Acceptance		
Duality: Reflexive & Constitutive	Robson 1991 Burchell et al. 1985	Robson studies accounting and social change and their inter-relation as a way to understand accounting change. The basic starting point is a 'duality' view of accounting change - wherein accounting both adapts to environmental changes and causes changes to its environment. This view posits that accounting has 'reflective and constitutive aspects' there is an 'accounting-environment interdependence' (p. 549). Therefore rather than examine accounting as a gradual and continuous unfolding of an internal logic or potential, a genealogical (like 'family history' research) method is used to examine the "surface" relations and connections between events, knowledges and practices, including accidents and unintended consequences, in investigating the ways in which specific changes are made possible. Robson concentrates mostly on the discursive processes of accounting change, in terms of a "sociology of translation." He

		maintains that the idea of a process of translation is helpful for understanding the relation between accounting and its social context, with translation referring to the use of language to "create equivalencies between entities which are otherwise different." For the purpose of interpreting/understanding accounting change, Robson refers to translation as the process by which pre-existing accounting techniques are articulated/expressed so as to create individuals' and groups' interests in those techniques, or perhaps in changing those techniques. The concept of a 'discourse' is elaborated: "At any point in time discourses are current in individual state agencies, corporations, universities, political parties and interest groups outlining a particular analysis of certain political, social or economic relations. Specific discourses often stretch across an ensemble of organizations, although very rarely will they provide a societal consensus. In that sense, the term "policy" is perhaps most suggestive of what is implied by discourse and rationale." The framework Robson outlines for analyzing the "arenas" of accounting change (where the relation between accounting and its social context can best be seen) relies on three related concepts: i) a set of political, economic or theoretical discourses and rationales [cf PO in SMT]] ii) one or more accounting techniques [a useful device to link specifically into accounting practice]], and iii) the process of problematization [cf Framing, and perhaps RM of SMT]] "Problematization is the outcome of the process through which the aims, interests and objectives of the discourses are **translated** into the procedures and objectives of accounting techniques and calculations. Through this process of translation specific accounting techniques are "seen" in new and problematical ways: translation is productive of a "consciousness" of accounting techniques and calculations." (p. 551, emphasis added) The process of 'problematization' does not itself bring about accounting change. The actors involved in the non-accounting discourse & rationale that produced the 'problematization' must convince others of the need to change, which initially is in terms of their own interests [cf CF here]] but also requires persuasion ['bargaining games' in CF ?]] [This will also bring in the framing element of smt: the persuasion requires 'rhetoric' to define shared problems i.e. to incorporate the others' interests and translate them so as to align with the desired solutions]] ...this is the process of translation common in many examples of accounting problematization and Burchell, Clubb & Hopwood 1985 earlier raised this duality perspective: "…accounting both emerges from and itself gives rise to the wider contexts in which it operates…" (p.381) In turn, the environment, "having previously partly been created by accounting, calls for changes in accounting." (p.384) The dominant position of the accounting profession, through its power to establish rule making institutions, is combined with the lack of an agreed underlying ideology or 'accounting matrix' within the accounting profession. Due to these factors, when changes in

		accounting's social context demands for change in accounting, the response has tended to be reform of accounting techniques. This is at least in part due to a general lack of understanding of accounting by the public, which seems incapable of seeing it as anything but a technical exercise (Burchell et al. 1985). [These perspectives help in understanding the process by which accounting changes, the drivers. [But in the China case the professions (initially at least) were/are not actively involved in resolving crises arise from changing social context. Also, the social context in China differs in that the MOF and not the accounting profession that has a dominant position, there is no standard-setting tradition within the accounting profession, the MOF seems like almost a perfect bureaucratic institution because its interests seem to be very closely aligned with the central authority's objectives and beliefs (unlike in Western democratic societies where bureaucracies may take on their own power structures and pursue objectives that diverge from the elected legislators' objectives).]]
Structuration (Giddens)	Englund, Gerdin & Burns 2011	Structuration theory contains an element labelled 'structure' which has a duality property. Duality means that structuration processes are recursive; they are the medium for social systems and also the outcome of such systems. "The duality of structure thus connects the reproduction of systems across time and space with the production of situated interactions."(p.495). Thus this 'structure' element of the model seems especially potent. Structure is envisioned as having three parts: signification(meaning), domination(power) and legitimation(morality). The notion of 'structuration' seems close to the concept of institutionalization, as it refers to conditions that are implicated in both the continuity and change of social systems. [This theory brings in some dynamic that may describe a type of equilibrium-seeking process, but it is directed at a very philosophical level that considers what is the nature of reality, so is not that useful to us directly for understanding the process of FVA acceptance in China at a practical level. Other than reinforcing the duality idea, the structuration theory perspectives do not add much beyond what other theories provide.]]
Economic theories of regulation	Posner 1974 Kothari, Ramanna & Skinner 2010 Allen & Ramanna 2013	Economic theories of regulation put forward 'Public interest theories,' 'Capture theories' and 'Ideology theories' (Posner 1974, Kothari et al. 2010). The history of Western thought on regulation is that markets have been assumed to be unstable and inefficient/inequitable if left too free, and government regulation has been assumed to have little cost - these assumptions support PI explanation of observed economic regulations such as trade union protection, farm subsidies, professional licensing requirements, etc. However, Posner notes that many years of analytical and empirical research has not supported this view of a broad public benefit of regulation, or its underlying assumptions (p.337-9). In particular, costs of regulation (while supporters of PI challenge this) are observed when regulations result in many socially undesirable outcomes, and there is little evidence this is due to 'mismanagement' and incompetence of the regulatory agency personnel (p.339-340).

		Agencies charged with ‘fair’ price setting in regulated markets (e.g. public utility/common carrier/telecoms services) are seen as facing an impossible task, and also being vulnerable to huge inefficiencies deriving from the agency’s legislative ‘bosses’ - the legislature is seen as a very inefficient high cost type of ‘firm’ due to the large number of individuals with conflicting interests that have to negotiate for it to make any decisions, leading to it delegating a lot of control to the agencies. Kothari et al. (2010) examine the theories of regulation that might explain the regulation of GAAP as a means to promote efficient capital markets. These authors argue that the only plausible support for public interest as reason for regulation of GAAP is market failure due to externalities. However these authors maintain that the public interest explanation it is highly unlikely to be valid because there is little empirical support for the existence of a "benevolent and omniscient policy maker" (p. 251), as public interest theory requires. Kothari et al. (2010) find that the ideology theory best explains the regulation of GAAP, however they conclude that none of the theories will produce GAAP that facilitate the efficient allocation of capital, despite this being the standard setters' stated objective of GAAP. In an empirical investigation, Allen and Ramanna (2013) consider of the role of individual US regulators (FASB and SEC) characteristics in the 'equilibrium outcomes' in US accounting standard setting (p.67) . They find that regulators with longer FASB/SEC tenures, and with backgrounds in financial services are associated with standards that decrease accounting 'reliability,' and those with financial services backgrounds are also associated with standards that increase 'relevance,' usually due to their support for use of fair value methods. They also note that the growth in the financial services industry has increased the proportion of people from that industry on the standards setting boards. They conclude that standard setters have equilibrium effects on standard setting, but their study cannot distinguish between the capture or ideology form of equilibrium. [However, it might be that some of the PI ‘assumptions’ are less unrealistic in China than in the West.. It seems the <u>incremental</u> cost of government regulation would be insignificant when the government historically regulated the whole economy anyway. Might it be argued that the Chinese central government in many ways does operate as a kind of 'benevolent dictator,' with the philosophy of central policy being to support the forward progress of Chinese society, without regard to political affiliations and pressures to get democratically elected that underlie government policy making in the West. In a similar line, perhaps setting 'fair' prices is less of an impossible task in a controlled economy where there are no 'free' markets anyway. For future investigation, perhaps if the roots of the PI theory were traced back it would be found to come from a Marxist philosophy similar to what the centralized system in China grew out of? This may be an interesting research question to pursue….]]
Equilibrium theories of economic regulation	Bertomeu and Magee (2011)	[Bertomeu, J., Magee, R., 2011. From low-quality reporting to financial crises: politics of disclosure regulation along the economic cycle. Journal of Accounting and Economics 52, 209–227.]] model an equilibrium process for regulation of financial reporting quality in which regulators’ preferences are determined by economic cycle

		stages (boom, moderate, recession). While this paper acknowledges that an equilibrium process underlies accounting regulation, it is problematic to apply this analytical model to FVA regulations since it assumes that high versus low quality information can be unambiguously designated. For FVA standards, it is not clear whether they produce 'high quality' or 'low quality' information, as empirical research indicates this depends on the social context (e.g., He et al. 2012). This shows the limitations of economic theory for understanding accounting standard setting.
Related to definition: Accounting Movement		
Collective action: Actors & Systems	Crozier & Friedberg 1982 ("CF")	CF maintain that an organized system works to solve collective problems that lack a logical solution, by replacing negative counter-intuitive effects (conflicting self interests) with new more positive ones (game playing for profit). CF set out an analytical framework with four elements: collective action, uncertainty, power and games. Organized systems can be viewed as the result of different power games that underlie the actors' strategies. Actors are not always acting in their immediate self-interest (i.e., "rationally" in the economic utility maximizing sense) because they realize in the long run they can profit more from the results of collaborative actions, because this is the only way to deal with problems whose solutions require collective action. Hence, CF see a link between the logical and the organizational structure, as follows: - *Uncertainty* is a key element of the logical structure. Uncertainty exists because actors have freedom of choice about what and how to solve their own problems, so their actions are not predictable by others. This is referred to as the actor's *zone of uncertainty* - it is what others don't know about what the actor might do, and - *Power* is the key concept of the organizational structure that helps in understanding how actors will deal with uncertainty, because those with power through their situation, resources, competence, etc. may have an advantage in dealing with uncertainties (e.g., in bargaining and negotiating) CF provide a model in which 'organizational games' arise around logical, but objective (vs. 'artificial' or 'symbolic'), uncertainties about, for example, techniques, markets, defined/given constraints. The upper (stronger) hand will go to those with the most control (power) over the key uncertainties. A structured game will evolve with stakes that essentially equalize the outcomes to reasonable/acceptable proportions so that players will engage and their engagement will be sustained - the evolution involves creation of artificial uncertainties (e.g. lines of authority, information channels, legal constraints) that allow the creation, or continuation, of a suitable game. (p.8) [this explanation seems to mirror the equilibrium process of an economic theoretical perspective, but has an aspect of dynamism at an actor/organizations level of detail that may inform a more micro level analysis in the FVA in China case.ultimately, due to its general nature and emphasis on individual and collective actions, the CF theory is comprehensive and insightful, and may have applicability as a framework for pulling together the other institutional theory

		perspectives that seem more disjointed]] [We may be able to view the MOF and IASB relations in this context of shifting zones of uncertainty]]
Collective action: Social Movement	Morris, 2000; Frickel & Gross, 2005; Hambrick & Chen, 2008; Davis et al., 2008 Merton, 1973 Benford & Snow, 2000 Duffy et al. 2010.	Social movement theory evolved from an early emphasis on collective behaviour in the face of social and cultural breakdowns, to the political process model that dominates current research. The social movement conceptual framework is flexible and is often elaborated to address the nuances of the movement being studied. The current version features three basic elements: Political opportunity PO Resource mobilization RM Framing processes FP PO refers to the sociopolitical environment that shapes people's expectations and structures their chances of success, but actors also may be able to shape events and create opportunities for themselves. PO includes structural features such as culture, tradition, and enduring institutions, and changes in global economic conditions or other sources of instability in the field in which the movement operates. For instance, political opportunities for social movements exist when entrenched elites become divided, or when there is a change in leadership in some institution. Such developments offer incentives to engage in collective action, as well as opportunities to gain access to resources external to the group (Morris, 2000). This element has similarities to aspects of CF's actors/systems theory. RM is the ability of a movement to secure the resources it needs to succeed. It is structured by the formal and informal networks, institutions, and organizations that people draw on to initiate and coordinate collective action. RM involves shared interests (which help actors align their actions), and social infrastructure (institutions and structures that are created or leveraged to deliver the resources necessary to the movement) (Hambrick & Chen, 2008, p.37). FP refer to the ways in which a social movement develops shared meanings, defines goals, and portrays itself and its opponents. The purpose of framing is to achieve differentiation and legitimation (Merton, 1973; Hambrick & Chen, 2008, p.33). A movement must differentiate itself from the status quo and from background noise, and develop some sense of cohesion. It must also establish the legitimacy of what it is seeking to accomplish (Benford & Snow, 2000). [Many aspects of these social movement elements are applicable in the case of FVA reforms in China. For PO, however, we don't really observe proponents and opponents per se, rather the MOF acts in response to various environmental changes that open the door for FVA to be introduced in China. This indicates some adaptation of the social movement model PO element may be required to apply it to our case.]]
Inscription & Translation	Robson 1992	Robson maintains that the study of how accounting develops in its social context involves looking at the nature and role of 'inscriptions'. An inscription is a material translation of any setting that is to be acted upon. In contrast to claims that quantification in accounting enhances its scientific allure, and thus legitimizes it, Robson argues that quantification is a way to create inscriptions, which enable achievement of long-distance control. In essence, accounting takes a numerical form

		to address the problem of power and distance, rather than to represent reality in a precise and objective way. 'Inscriptions have to travel between the context of action and the actor remote from that context' (p. 691-2). To achieve long-term control requires inscriptions to be mobile, stable and combinable. Mobility is achieved through written accounts. Stability is achieved by adhering to a standardized form. Combinability is acquired very effectively by using numbers as the inscriptions. [Translation also underlies the Robson 1991 paper, hence it is very fundamental. Robson 1991 discusses how the process of translation uses language to bridge differences, which is helpful for understanding the relation between accounting and its social context, and how accounting change occurs via a process by of articulating pre-existing accounting techniques to create individuals' and groups' interests in using, or changing, those techniques. It might be viewed that there are other translations required between China and Western 'knowledges'….]]
Shift in institutional logics	Power 2010 He, Wong, Young 2012	Power (2010) discusses how the emphasis in accounting practice has been shifting towards the balance sheet, and defining (and measuring) its assets and liabilities in terms of estimated future cash flows. This shift, in effect, leaves the income statement as a residual calculation, so that the concept of 'realization' no longer has the importance it previously did. Power explains that the consequence of this shift has been greater focus on "asset–liability 'logic' rather than the transactional view" (p.205) challenging traditional thinking about income recognition. This shift creates a need for balance sheet components to be meaningful, rather than a residual of income measurement, and raises the opportunity to promote various current valuation techniques, including fair value. This shift in institutional logic also reflects a transformation of the balance sheet from a legal document relating to management's stewardship in the maintenance of investors' capital, towards a statement that is informative to market participants. The transformation has proceeded despite questions of whether there is evidence of users' actually demanding this kind of information (Young, 2006). "The pursuit of market relevance for financial accounting is also the pursuit of relevance for standard-setters on the world stage. It is therefore hardly surprising that financial accounting has become increasingly remote from rank and file accountants; accounting policy simply has very little to do with them and their local conceptions of reliability in accounting. The official concept of reliability has been subsumed by a professional and technical quest for standard-setting relevance defined in terms of the market." (Power, 2010, p.207) In the case of China, He et al. (2012) provide powerful evidence that this shift in emphasis was very ill-suited to China's institutional environment. In China the contracting objectives of accounting measurement are geared off the income statement, so forcing significant charges through income in the name of putting current fair values on the balance sheet created powerful incentives to engage in various earnings management games.

		[in China's case, the MOF sought to bring in IAS based FVA principles as a way to join the global economy]]
Professionalization	Power 2010, Cooper & Robson 2006, DiMaggio & Powell 1983, Mezias 1990 Scott 1987	This concepts represents construction of a professional identity for accounting standard setters as experts in the trendy new philosophy of FVA. (Power 2010) Nation states and professions are seen as two important forces (actors) shaping institutions. Nation states are more likely to use coercion and create formal organizational networks to achieve their goals, while professions are more likely to use cultural norms and mimetic (imitative) influences and work through decentralized types of organizations (DiMaggio & Powell 1983, Scott 1987). Large professional accounting firms also have a powerful impact on " the evolution of rational myths embedded in generally accepted accounting principles." (Mezias, 1990, pp.452-3) [The classic institutional theory mechanisms of isomorphic change may be applicable to our case. For example, "coercive isomorphism" might characterize how the MOF forces other organizations to adopt FVA, and creates additional 'professional' orgs to fill out the field. "Normative isomorphism," which stems primarily from 'professionalization' can be observed in the creation of professional accounting networks such as the association of the NAIs and the MOF... Generally the limitation of these western free market organizational theories for our setting is that they don't allow for a different type of socio-political environment in which organizational institutions develop by a top-down approach instead of by organization-level mechanisms.]]
Institutional Work	Lawrence, Suddaby & Leca 2011	Institutional work refers to the practices of individuals and collective actors within institutional structure that can affect institutional change and broader social and economic changes. Individuals can act as imbedded agents who both reflect on their own intentions within the setting, and act strategically to induce change, like a two-way street (a 'duality' view). [This view fits into the 'duality theme'. It also links to SMT, but extending beyond its traditional focus on collective actions to also highlight how individual actors can change institutions.]]
Distributed agency	Lawrence, Suddaby & Leca 2011, Quack 2007	Distributed agency considers the effect of institutional work of groups of actors that can affect the process at practical and political levels. This individual-level, duality perspective can provide insight into the uncertainties and the dynamics within institutional change processes (Lawrence et al., 2011). Quack (2007) uses a case (the transnational legal field) to help illustrate the distributed agency concept: showing that the ongoing problem-solving work and individual interactions in professional practice accumulate, and thus provide inputs to developing formalized rules. These rules circle back and affect the practice and sense making of the professional's work. While external actors with sufficient power resources can also impose their own visions of order on the field, they cannot do so without also interacting and sense making with the internal participants - this Quack views as an example of "the

		contradictory logic of dominance and multiplicity…" (p.648) observed in her case.
Regulatory Networks	Richardson 2009	Richardson's (2009) study focuses on the networking aspects of standard setting. Our study relates to two of the dimensions for future accounting regulation research that Richardson (2009) calls for. First, our study of the case of China's move to FVA provides evidence on the connections between a developing economy and international regulatory regimes. Second, through examining two events in this case, the failure and the success, we assess the extent to which success may result when "regulatory efforts occur within a network that activates the appropriate resources to ensure the development of standards and their enforcement " (p. 586), in contrast to the conditions and events in the situation where regulatory efforts were less effective. [this second point also relates to the RM element of SMT]
Agency theory	Classic agency theory refs, e.g. Holmstrom 1982	-The agency costs economic theory perspectives can apply to our case Agency costs arise from information asymmetry: hidden action version and hidden information versions. [the fake accounting of the 1st reform would be a hidden action type of agency problem]]
Positive Accounting Theory	Watts & Zimmerman 1990	-PAT looks at what drives managers accounting (i.e., income measurement) choices when existing 'GAAP' allow choices - this addresses a different aspect of the problems that arise in accounting, so not directly relevant to our research goal -probably not useful [included here for completeness]