

KEES CAMFFERMAN and STEPHEN A. ZEFF, *Financial Reporting and Global Capital Markets—A History of the International Accounting Standards Committee, 1973–2000* (Oxford, U.K.: Oxford University Press, 2007, ISBN 978-0-19-929629-3, pp. xxiii, 676).\*

In the foreword, Sir David Tweedie, chairman of the IASB, describes this book as “the definitive history of the IASC from its inception to its transformation from a part-time to a full-time organization.” This book is certainly that and much more. The authors, Kees Camfferman and Steve Zeff, have done an excellent job of chronicling events at the IASC over its 27-year history. In this review, I summarize the highlights of each chapter and conclude with some personal observations on the contributions of the book.

In Chapter 1, the authors describe the approach they have taken to present the IASC’s history. It contains an overview and synthesis of the major developments organized into three periods: (1) the antecedents and founding of the IASC (Chapters 2–3); (2) the first 14 years of the IASC up to 1987 (Chapters 4–7); and (3) the last 13 years from 1987 to 2000, when the IASC was replaced by the IASB (Chapters 8–13). This chapter contains a summary that, on its own, can be informative for readers new to the world of international accounting and the IASC.

Chapter 2 narrates how the growth of international trade and investment in the post-war period resulted in some of the first calls for internationalism by the accounting profession in the late 1950s and through the 1960s. It identifies Henry Benson, Washington SyCip, and Jacob Kraayenhof as some of the influential voices calling for uniformity or harmonization of accounting and auditing practices worldwide. Some of the significant events it cites in the academic arena are the establishment of international accounting centers at the University of Illinois and the University of Washington, Gerhard Mueller’s doctoral thesis and his research in the New York office of Price Waterhouse, and the launch of *Abacus* at the University of Sydney by Ray Chambers with the specific objective of publishing comparative and international accounting research.

Chapter 3 provides insights into the negotiations that took place on the structure and authority of the IASC, the participating countries and accounting bodies, the funding, and the location. It also discusses the reactions from various national and multilateral organizations to the setting up of the IASC. The authors emphasize Henry Benson’s role “in transforming generally held inchoate feelings about the necessity of international harmonization into a concrete programme of action” (p. 46). This chapter also discusses the start of the controversy over defining the relationship between the IASC and IFAC.

The IASC’s structure, leadership, composition of delegations, and funding during the 1973–1987 period are the subject of Chapter 4. It starts with pen-portraits of the first six chairmen and proceeds to list the composition of the original delegations to the IASC, which were from Australia, Canada, France, Germany, Japan, Mexico, The Netherlands, U.K. and Ireland, and the U.S. Most significantly, the chapter provides the first signs of how some of the early decisions would lead to political controversies later in the IASC’s history. These decisions related to the countries that were included in the process, the composition of the technical staff and the project steering committees, the level and sources of funding, the closed nature of the deliberative process, and the relationship with IFAC.

Chapter 5, “Compromise to Harmonise,” recounts the first phase of the IASC’s standard setting from 1973 to 1987, when it published a total of 31 exposure drafts and two discussion papers, resulting in 26 standards. The authors defend the IASC against the characterization that it was seeking the lowest common denominator in its early standards. They argue that, before 1987, the IASC’s strategy was not to attain uniformity in accounting standards but rather to outlaw the unacceptable and allow the acceptable. The authors explain the multiple options permitted in the early standards as being a result of the board members’ unwillingness to make arbitrary decisions in favor of one particular approach. However, one could argue that it was just as much the political reality of the times that required the IASC to gain more support (and subscribers) for its standards. Given the absence of enforcement backing, one way to gain support was to make the adoption of IAS easy and inexpensive for companies and countries. It was not a coincidence that some of the early subscribers to international standards were developing countries.

During the 1970s and 1980s, the developed countries that were the founding members of the IASC were not the ones that required the use of international standards in their domestic jurisdictions. Chapter 6 reviews “the disappointing performance” of the members and associate members of the IASC during this period. It recounts the IASC’s efforts to gain acceptance of its standards by national regulators and standard-setting bodies and discusses the attitude toward international standards in some 20 countries. Not surprisingly, the longest section is devoted to the United States and the general lack of enthusiasm and even negativity toward the IASC’s work,

\* The arrangements for this review were made by Gary L. Sundem, a former Editor of *The Accounting Review*.

particularly at the FASB. The difficulty of the IASC's position was underscored by the fact that, during the same period that it encountered benign neglect from the U.S., the French were unhappy with the IASC because, in their view, "the harmonization sought [was] very much impregnated with American methods and ideas" (p. 168).

Chapter 7 looks at the IASC's efforts to cope with the political challenges it faced in trying to serve the many constituents that had a stake in its work. Among the criticisms was that, while overall, developing countries were more frequent adopters of international standards, their relative lack of inclusion in the process meant that their economic and social circumstances were typically not taken into account by the IASC. The chapter is structured around three interconnected developments: relations with the UN, relations with the OECD, and attempts to bring IASC under the control of IFAC.

Chapter 8 starts Part III of the book. It details the operations of the IASC in the 1987–2000 period, specifically focusing on the people, structure, and funding. This chapter contains several lists of those associated with the IASC, venues, frequency, length of board meetings, and the IASC's revenues and expenses. I found this to be the least interesting chapter in the book. Much of the data contained therein could have simply been included in an appendix.

Chapter 9 contains a discussion of the steps taken by the IASC starting in 1987 to strengthen its standards. In an effort to reduce the options permitted in its standards, the IASC launched the Comparability and Improvements projects, which dominated its agenda from 1987 to 1993. The other important change was that, from 1989 onward, the IASC could refer to its *Framework for the Presentation of Financial Statements* as a basis for deciding which accounting treatments should be eliminated and for developing new standards. The chapter also discusses a number of other projects not directly related to the Comparability and Improvements projects. These include cash flow statements, developing country issues, and bank disclosures.

As mentioned previously, in the late 80s there was a widespread perception and a concern among IASC board members that its standards were mainly being used only in economically developing countries. The board believed that, in order to gain acceptance in economically developed countries, the IASC had to make inroads with securities market regulators, national standard-setters, and major corporations. The IASC decided that the International Organization of Securities Commissions (IOSCO) would be the major focus of its attention to gain acceptance and enforcement backing for its standards. Chapter 10 looks at this effort in two phases—a difficult period from 1987 to 1994 and a more promising phase starting in 1995.

Chapter 11 wraps up the discussion started in Chapter 5 and continued in Chapter 9 on the IASC's efforts to strengthen its standards in order to have them endorsed by IOSCO. It starts with a description of the technical agenda and the standard-setting process and then contains a discussion of several specific standards. The conflicting views of the various participants posed serious challenges to the IASC as it tried to complete the core standards and provide a body of standards for IOSCO's approval. The chapter provides evidence of the growing concern by the Europeans that they were being marginalized and that U.S. GAAP would drive the IASC's standards.

Chapter 12 revisits the question of the acceptance of IASC standards in developed countries and concludes that there was progress made in the 1990s. Specifically, it discusses the responses to the IASC in European countries represented on the IASC board as well as those not on the board; the European Commission's decision to require all listed companies in Europe to apply IASC standards starting in 2005; the support provided by multilateral financial institutions such as the World Bank; and the concerns raised by the muscle-flexing of the group of national standard-setters from the G4 +1.

Chapter 13 provides a detailed inside view of the politically charged process that resulted in the IASC being replaced by a restructured IASB. In a series of meetings from July 1997 to November 1999, the participants went through several iterations of what the new organization would look like in terms of its size, composition, structure, authority, and funding. There were serious fundamental disagreements between the Europeans and the "G4" cadre of standard setters. This chapter provides a blow-by-blow account of the negotiations and how the ultimate decisions were made. The political dynamics at the time of the creation of the IASB remain relevant today, as questions are raised about the direction pursued by the IASB on issues such as the trend toward the greater use of fair values in primary statements (Dilks 2007; Fearnley and Sunder 2007).

This book makes an invaluable contribution by providing a detailed history of the IASC. The authors have painstakingly researched the organization through countless documents and numerous interviews. The result is a narrative that provides as complete a picture of the IASC as we are likely to see. It is a scholarly work that makes for interesting reading for those of us who have a professional interest in the IASC. It is also a fascinating study of the politics of an international organization. In an era of growing multilateralism, the lessons to be learned from Camfferman and Zeff's book extend beyond the arena of accounting standard-setting. They are relevant to a host of other international organizations working to establish international standards. The IASB is to be commended for commissioning and funding this project.

## REFERENCES

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ROBERT J. KIRSCH, *The International Accounting Standards Committee: A Political History* (Wolters Kluwer (UK) Ltd., 2006, ISBN 978-1-84140-608-4, pp. xx, 465).

When indigenous Australian film maker Rachel Perkins was confronted with the daunting task of telling the story of the first Australians from 1780 to 1992, she received guidance from the celebrated U.S. documentary maker Ken Burns. His advice? Tell it chronologically and through the lives of individuals.<sup>4</sup> Robert J. Kirsch's history of the IASC is consistent with this approach. It chronicles the development of the idea of the IASC (from 1966), describes the life of the organization from 1973 to 2001, and introduces the key people who shaped the IASC over this period. In the style of historical documentary makers, the author highlights the political forces that shaped the IASC and how these forces were used by its key people to develop the organization throughout its existence.

Kirsch provides a documentary history, using relevant archival material and published documents. In addition, he interviewed and corresponded with most of the surviving IASC Chairmen and Secretaries General as well as a number of Board and staff members. Kirsch was a research fellow at the IASB from July 2001 to August 2002, during which time he gathered archival data and conducted many of the interviews cited in the book.

Covering 465 pages, the book reviews the major milestones in the IASC's existence. Events are explored in detail to explain how they came about and their importance. The depth of discussion will be rewarding for general readers as well as those seeking to explore a particular event or issue in the IASC's history. Kirsch has provided explanations and background to the myriad of events, meshing his material into a narrative which both informs and carries the reader onwards.

Events are covered in a chronological order, with Chapters 2 to 9 addressing particular groupings of years, clustered in terms of a dominant theme. For example, Chapter 2, "The Formative Period: 1966 to 1973," covers the period in which the idea of the IASC developed into reality, describing the people, organizations, and events leading to its formation. Chapter 3, "Challenges, Responses and The First Standards: 1974 to 1977," covers the early years of operation and production of the first standards. Each chapter opens with a list of chapter sections, which give a useful guide to its content. Where appropriate, there is consistency in the way the material is organized within each chapter. For example, Chapters 4 to 8 begin with a discussion of the Chairmen and staff, then lead on to descriptions of issues relating to the organizational structure and relationships with other bodies. Chapters then progress to a discussion of other events in the period, separated into appropriate sections. All chapters conclude with a useful summary of the key events in the period under review.

The history is also analyzed in terms of themes, with 16 noted in Chapter 1. They include the following: how the organization interacted with other entities, responded to its environment, and evolved over time; the importance of the art of politics and compromise in the life of the IASC; the key role of Chairmen and the strategic vision of being the preeminent standard-setting body; and the organization's development as a standard setter, the growth of the board and staff, and the evolution of the standards themselves. This list shows the broad scope of the book. The author uses Chapter 11, "Synthesis," to provide a valuable summary and commentary of the material in the preceding chapters, organized around these themes.

The following quotation comes from a section in Chapter 11 entitled "Diversity and personal relationships." The author provides the material to illustrate cultural diversity, but it also shows how he manages, with humor, to portray the complexity of seeking agreement among people in an international forum:

The investment analysts would want more disclosures; the Swiss would oppose them on the grounds of cost or practicality. The Australians and British want more use of current values; the Germans would oppose this on the grounds of prudence and reliability, and the North Americans on the grounds that it was unclear what

<sup>4</sup> See George (2007).