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ACCOUNTING REGULATION ACTORS AND HONG KONG CULTURE

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ABSTRACT

This study is an analysis of Hong Kong accounting regulation from a structuration and cultural perspective. The study spans over three spheres of enquiry of (1) an accounting focus of standard setting, (2) a cultural analysis in which Hong Kong is the empirical context, and (3) the use of a research methodology drawn from Anthony Giddens' structuration theory. The study analyzes the Hong Kong accounting regulation actors drawing upon the Hong Kong cultures in their standard-setting actions and interactions, referring to Giddens' three structural properties of meaning, power, and morality.

Key Words: accounting standard setting; accounting and culture; structuration analysis; Hong Kong accounting; accounting regulation

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From about the 1970's, the research approach of 'contextual analysis of accounting' has been strongly advocated by many writers in the accounting research community (e.g. Berry et al., 1985; Burchell et al., 1980, 1985; Chua, 1986; Hopwood, 1978, 1979, 1983, 1984, 1985, 1987; Hoskin & Macve, 1986; Loft, 1986; Roberts & Scapens, 1985; Tomkins & Groves, 1983). In essence, a general appreciation of the importance of contextual analysis for accounting research, according to the contemporary accounting literature, is a recognition of the influences of 'context' on 'accounting'. To match such a qualitative research question, accounting researchers have utilized different kinds of qualitative research methods. One of these methods is Giddens' structuration theory.

Macintosh and Scapens (1987, p.30) states: 'structuration theory may enable us to make generalizations about the historical and spatial **context** of accounting practices'. Specifically, the core concept of 'the duality of structure' in structuration theory offers accounting research a balance of concern on **both action** (accounting practices) and **structure** (accounting context) (Capps et al., 1989, pp.218-219, p.240). In other words, structuration theory as a social theory and a research method is good at enquiring 'the social and organizational nature of accounting' (Macintosh & Scapens, 1987, p.1, p.35, p.36; 1989, p.2). Macintosh and Scapens particularly emphasize the usefulness of structuration theory in a context of change (1987, p.34).

Although structuration theory has been brought into attention of accounting researchers, there are still awaiting extensive **empirical** accounting studies (particularly at the macro societal level) utilizing structuration theory. Giddens himself suggests the use of structuration theory for empirical research by utilizing its core concepts, theoretical orientations, and fundamental configurations to match research questions and to interpret research outcomes (Giddens, 1984, pp. 326-327). Therefore, the first motive of this study is to contribute to the qualitative accounting literature by going beyond theoretical discussion about structuration theory in accounting research and applying empirically the theory to an actual accounting context (namely the Hong Kong accounting standard setting history).

Like a momentum in the field of contextual analysis of accounting, 'cultural study of accounting' has also grown in the last years in the accounting research community. More and more writers endorse the anticipation that the concept of culture has a promise to further the understanding of accounting (e.g. Ansari and Bell, 1985; Czarniawska-Joerges and Jacobsson, 1989; Dent and Green, 1985; Gambling, 1977, 1987; Hofstede, 1985; McKinnon, 1986; Violet, 1981).

As a response to the growing field of 'cultural study of accounting', the second motive of this study is to enlarge the current scope of studying accounting standard setting (which concentrates on politics and reason) by taking the impact of culture into fair consideration. This objective is methodologically supported by Giddens' structuration theory because Giddens' framework maintains that the three structural properties of meaning (related to culture), power (related to politics), morality (related to reason) are all important to explain social actions and interactions (including accounting phenomena). It is believed valuable to maintain such a historical documentation of the Hong Kong accounting standard setting culture before 1997 as Hong Kong has changed its basic social system in 1997 when its sovereignty has returned to China.

AN OPERATIONAL MODEL OF STRUCTURATION THEORY FOR THIS STUDY

To suggest the suitability of structuration theory as a methodology for this study is to show that the research question of this study can be fruitfully approached by the distinctive features and research

perspectives of structuration theory. There are at least eight such perspectives of structuration theory that can be considered useful to this study.

Among the prior works of applying structuration theory to accounting studies, the paper by Macintosh and Scapens (1990) is particularly significant because of their careful evaluation of the four main criticisms of Giddens' structuration theory suggested within the contemporary community of social theorists. The criticisms are (i) eclecticism, (ii) primacy of action or structure, (iii) on the theory of the acting self, and (iv) 'final cause of social dynamics'. In detail, Macintosh and Scapens summarized the responses of Giddens to the criticisms of his structuration theory (1990, pp.470-474). It is fruitful to see that the responses to particular three out of the four main criticisms of structuration theory, directly relevant to this study, in turn point back to the strengths of the theory and support the design of the operational model of structuration theory for this study.

Concerning the second criticism of 'primary of action or structure' (i.e. is it possible to utilize equally the perspectives of agency and structure in one single social theory?) in Table 2, Giddens responded with his fundamental recursive configuration of structuration theory (Macintosh & Scapens, 1990, pp.471-472). It is also this recursive configuration that constructs the basic skeleton of the operation model of structuration theory for this study: the Hong Kong cultures are located as structures and the accounting standard setting processes are located at the action and interaction level. According to this methodology, this study aims at understanding how the Hong Kong accounting standard setting actors drew upon the Hong Kong cultures in their tasks of setting the Hong Kong Statements of Standard Accounting Practice (HKSSAPs). In other words, the Hong Kong cultures were structured in the HKSSAPs.

At the three levels of 'structure', 'modality', and 'interaction' in the original framework of structuration theory, as an interesting parallelism, 'management accounting', 'management accounting systems', and 'management accounting practices' are located by Macintosh and Scapens at these three levels in the operational model of structuration theory for theorizing management accounting (1990, p.462).

Concerning the third criticism of 'final cause of social dynamics' (i.e. among Giddens' three structural properties of meaning or power or morality, which is the ultimate factor of the social construction?) in Table 2, Giddens responded that the answer is **contextually contingent** (Macintosh & Scapens, 1990, p.469 and pp.473-474). In fact, in a paper Macintosh and Scapens used three cases to illustrate the way signification, legitimation, and domination played different parts in accounting systems. The three cases illustrated different primary causes of the social dynamics at work (1989, pp.21-22).

This conception of **contextual contingency** concerning the final cause of social construction has been very helpful to deliberate the Hong Kong cultures as structures in the operational model of structuration theory for this study. As an abstract category, 'Hong Kong culture' in the operational model refers to the nominal title 'Hong Kong' which means the virtual identity or environment 'Hong Kong' as an abstract entity. In this sense, 'Hong Kong culture' is usually used by different parties as a taken-for-granted category referring to the virtual uniqueness of the society named 'Hong Kong' in terms of time-space in twentieth century's Asia. For example, the Hong Kong Accounting Standards Committee (ASC) may claim that the setting of accounting standards is supportive to the development of the Hong Kong business community and international commercial activities, eventually for the benefit of 'Hong Kong'. In terms of the relationship between accounting and context, this claim can be decoded as a statement of accounting consequences (i.e. the impacts of accounting standard setting beneficial to the 'Hong Kong culture' as a virtual identity). As another example, the ASC may suggest that 'the accounting standards must be fit to the particular Hong Kong situation'. This statement then represents the contextual

influences of the 'Hong Kong culture' (i.e. the particular situation or uniqueness) on the accounting standard setting process.

At the empirical level, 'Hong Kong cultures' as 'structures' in the operational model refer to the **substantive cultures** of Hong Kong in time-space. There are four such Hong Kong cultures: the colonial nature, the international factor, the commercial-city factor, and the speculative value. The four structures are conceptualized after an extensive literatures review on writings of many sociological, economic, and political experts on Hong Kong (e.g. Cheng, 1982, 1984a, 1984b, 1986; Jao et al., 1985; Lau, 1982; Lee et al., 1979). In real life, the forceful operations of these four cultures can be easily experienced by both insiders and outsiders of the city. Although this specific grouping of four cultural structures of Hong Kong is not the only feasible way of categorization on the matters, it has explanatory power in the empirical research process on accounting standard setting for this study.

Each of the four Hong Kong cultures can designate substantive structures along the three dimensions of signification, legitimation, and domination. A similar example of transformation of cultures into structures is found in the study of Laughlin (1990, pp.104-105).

Since the primacy among the three dimensions of structures is contextually contingent and the context of this study is a cultural study, the substantive research mode of **Hong Kong cultures as structures** in the operation model of structurization theory for this study will be appropriately a signification-domination-legitimation (S-D-L) mode because Giddens himself also suggested a **S-D-L mode to study symbolic or cultural orders** when he was talking about the nature of different types of institutions. 'The first letter in each line (of mode) indicates **direction of analytical focus**' (Giddens, 1979, p.107). In other words, this study uses signification as the entry point to study the cultural nature of accounting standard setting in Hong Kong, and domination and legitimation are explored as well in the S-D-L research mode.

In the recursive configuration of Giddens' structuration theory: 'Culture is both product and process, the shaper of human interaction and the outcome of it, continually created and recreated by people's ongoing interactions.' (Jelinek et al., 1983, p.331) In the sense as a product of behavior, the working configuration of culture is a structure or cultural structure in Giddens' framework: the set of different forms of social usages such as morals, etiquette, and other uniformities in rules and resources. As a condition of behavior, culture structures both perception and thought (Boas, 1938, p.159). Culture is always a crucial control mechanism to ensure the regularity, uniformity, generality, and predictability of social behavior.

THE EMPIRICAL RESEARCH PROCESS INFORMED BY STRUCTURATION THEORY

In this study, accounting standard setting in Hong Kong is the empirical theme. Consequently, the Hong Kong Society of Accountants (HKSA; now has been renamed Hong Kong Institute of Certified Public Accountants after Hong Kong was returned by UK to China in 1997), which set accounting standards HKSSAPs (Hong Kong Statements of Standard Accounting Practice) through its ASC, became the most important data source for this study and in fact an empirical focus of the study itself. In this regard, the researcher secured a basic access of the institution when he was appointed as a member of the Library and Publications Subcommittee of the HKSA on 1st January 1989.

To collect empirical data for this study from the HKSA, fieldwork methods had been used. In the main three sources of the empirical data had been utilized for this study.

First, the HKSA has kept a newspaper clipping system which stores all press articles related to the HKSA from main newspapers in three sections: (i) press articles which directly mention the HKSA,

(ii) press articles related to technical works of the HKSA (including accounting standard setting), and (iii) press articles on broader social, political, economic, and cultural issues of interest to the HKSA. Upon request, the HKSA allowed the researcher to consult a total of 362 press articles from its clippings for this study. Such access had saved this study a lot of time and energy in the search for relevant press information on the HKSA and Hong Kong accounting standard setting. Second, the many publications and documents of the HKSA in thousands of pages had been collected from various channels for this study. These first and second data sources belong to documentary information.

To accommodate the dynamic nature of the processual analysis of the Hong Kong accounting standard setting process, thirty-five interviews constituted the third main source of empirical data for this study. The interviewees were ‘actors’ (in Giddens’ words) of accounting standard setting in Hong Kong: members of the HKSA ASC, members of the HKSA Council, HKSA Technical Directors, and the general public. As will become apparent in the next analytical section the general public has **never** been powerful in the Hong Kong accounting standard setting process, the major actors in accounting standard setting in Hong Kong are therefore **all** located within the institutional framework of the HKSA. Quotes from interviews have been used in the structuration analysis to be reported in the next section of this paper.

To verify the structuration analysis, six more interviews with some original interviewees were devoted to crosscheck and discuss the details of the analysis. All the six interviews offered positive comments on the analysis. To the interviewees, the analysis was seen articulating their feelings and knowledge already existing in their practical consciousness (in Giddens’ words). For instance, one interviewee stated ‘actually I would have known that accounting standard setting is contextual-oriented but not technical-oriented’.

Within the framework of structuration theory, most of the empirical data collected from the three sources for this study are discursive data. By definition, **discursive** data are data in words offered by actors at their **discursive consciousness** level. Occasionally, the discursive descriptions may **rationalize** the actions and interaction in the accounting standard setting by referring to the official self image or some very broad terms of references (or institutional tasks) of the HKSA, such as ‘setting reputable standards for the welfare of the business community’. However, only through a perspective of the structuration and cultural analysis the underlying cultural structures drawn upon by the HKSA actors at their **practical consciousness** level, in the actions and events recorded by the discursive data, can be rediscovered. In other words, the discursive data (from interviews or documents) are not uncritically accepted, but critically assessed in the structuration analysis.

By definition, practical consciousness consists of ‘all the things which actors know tacitly about how to “go on” in the contexts of social life without being able to give them direct discursive expression’. The notion of practical consciousness is particularly applicable to this study. For instance, some ASC members referred to ‘commonsense’ or ‘natural judgment’ when they answered how they set standards. Through further indirect questions provided by the interviewer/researcher, ‘commonsense’ or natural judgment’ actually referred to the dynamics of the four Hong Kong cultural structures (in the S-D-L research mode) operating in accounting standard setting.

STRUCTURATION ANALYSIS OF THE HONG KONG ACCOUNTING STANDARD SETTING PROCESS

The working procedures of the Hong Kong accounting standard setting process have been kept stable throughout the years since its beginning in 1973 when the HKSA was incorporated (Appendix 2), until Hong Kong was returned to China in 1997. Therefore, the Hong Kong accounting standard setting process involved dynamics (i) within the HKSA ASC, (ii) between the HKSA ASC and HKSA Council,

and (iii) between the HKSA as a whole and the general public. However, among the three types of dynamics, the first one was central.

The Centrality of the ASC (Its Internal Dynamics) in Standard-setting

According to the formal procedures of accounting standard setting in the HKSA, any decision of the ASC must be approved by the Council (the second type of dynamics mentioned above). In practice, most interviewees observed that in exercising the principle of division of labour, the Council usually endorsed the recommendations of the ASC. Indeed, in the interviews, most Council members showed their **unfamiliarity** with accounting standard setting if they were not ASC members at the same time. As a result, the ASC had **enormous autonomy**. That is why an ASC member in an interview said that: ‘We are the **ultimate** one to make the decision.’

This is very much the case because **not only** the ASC was the decision-making unit in practice on accounting standard setting within the HKSA, **but also** in Hong Kong the lobbying power from the general public on accounting standard setting was **weak** (the third type of dynamics mentioned above).

Interest parties in Hong Kong are not active in lobbying, and their lobbying effect on accounting standard setting is minimal and negligible (as Interviewee No.19 and Interviewee No.16 said; an accountant in industry and a large CPA firm partner, both ASC members for many years).

Although the exposure period was important theoretically in the standard-setting process, very few responses were found in reality. It was commonly found that the interest parties seldom responded in the exposure periods but might express their views when the HKSSAPs have been issued and when practical difficulties with their application became apparent (according to Interviewee No.5 who is an accountant in industry and senior ASC member, and Interviewee No.29 who is a large CPA firm partner and Council member).

To defend the accounting standards against the commercial interests, ‘the colonial nature’ was always a common cultural structure drawn upon by the ASC members:

‘There is a risk that vested interest could say that we want to do it this way because of self-interest rather than this is the best way. And so, what we try to do is to distinguish between the preferred way by interest parties and the most appropriate way. Because we’ve, again, the advantage that **the practice is already accepted in U.K. This is usually the yardstick what we take.**’ (Interviewee No.12, a large CPA firm managing partner and an ASC member for many years)

In summary, both the HKSA Council and the general public were **expected** to be important actors in the Hong Kong accounting standard setting process according to the **official** procedures. However, the empirical findings showed that none of these two sets of actors were influential in reality. In fact, the ASC would assume the acceptance of its exposure drafts on HKSSAPs if few responses and objections emerged during the exposure periods (Interviewee No.32, Interviewee No.5, and Interviewee No.31; an accountant in industry and Council member, an accountant in industry and senior ASC member, a smaller CPA firm managing partner and Council member). Then, the ASC would go back to its own small and stable inner circle to produce HKSSAPs according to their own rules and **by drawing upon their own cultural structures**. (The ASC is a stable organization. Since its establishment in 1973, the ASC has only had a membership of 56 persons in total. Seventy five percent of the 56 persons have stayed there for more than one year.)

The ASC was composed of practicing accountants, accountants in industry, academics, and representatives of regulatory authorities. However, the accountants from large CPA firms formed the major segment of the ASC in most years. Most ASC members (including smaller CPAs, accountants in industry, representatives of regulatory authorities, and academics), interestingly found, accepted that it was both inevitable and optimal for the ASC to be led by large CPA firms because of their professional competence. Such general acceptance also contributed to the coherence with the ASC.

Cultural Structures Drawn Upon for Standard-setting: Coherence Achieved in the ASC

Many people have a presumption that accounting standard setting is political (as reflected in the literature on accounting standard setting). Then, there is nothing surprising to see the political dynamics of accounting standard setting in a country. It is more interesting to see Hong Kong as an exceptional case. In the Hong Kong example, accounting standard setting was not as political as the general presumption might expect. Members of the Hong Kong ASC did not formulate their own party lines with their own employers and then fought against each other in the ASC meetings. The insignificance of politics (defined as lobbying activities of interest parties) in standard setting was the common understanding of the interviewees. For example:

‘Political influence is very minor. Very few. In fact, even we send exposure drafts proactively to big corporations, seeking for comments. Still very few comments. In Hong Kong, the problem is “disinterest” rather than “politics” in the accounting standard setting process. I don’t feel any pressure from the Stock Exchange, Chamber of Commerce, etc. They never send a letter to request or lobby anything. The feeling of our Committee is that we work hard but nobody feels it or appreciates it. Although it (the Hong Kong accounting standard setting process) is not perfect, but **it is quite rational.** We look at **overseas standards** and see whether they apply to the Hong Kong circumstances.’ (Interviewee No.36, a large CPA firm partner and ASC member)

To theorize the less-political situation of the Hong Kong accounting standard setting process, structuration theory states that the primacy of meaning (related to culture) or power (related to politics) or morality (related to reason) in the social dynamics is contextually contingent. In the case of Hong Kong, the complementarity among ‘cultures’, ‘politics’, and ‘reasons’ in accounting standard setting is empirically found to be **‘a journey from politics to reasons to cultures’** where cultures are the most fundamental rules and resources.

As seen in the comments of Interviewee No.36 above, even above the rational approach, the most dominant concern of the ASC was still how to follow the international standards. The greatest influence still came from **overseas standards** (as theorized in the cultural structures ‘the colonial nature’ and ‘the international factor’).

The journey from politics to reasons to cultures started ‘from politics to reasons’:

‘I think a vested interest of any one party has **never** significantly influenced how the accounting standard has been drawn because the Committee is too big to let a single vested interest to rule the day.’ (Interviewee No.18, a large CPA firm partner and ASC member)

‘I think the people (in the ASC) generally get senior enough and have sufficient experience to take a **reason-approach**. And from that point of view, they’re also open-minded, able to see different points of view on both sides.’ (Interviewee No. 21, a large CPA firm partner)

According to the comments of many other interviewees, HKSSAPs were the products of reason, discussion, and consensus. ‘Consensus by reason’ was a key phrase of the ASC (Interviewee No.22, an academic and ASC member). When the deeper dynamics of ‘consensus by reason’ in the ASC was dug into, it was found that reasons were relying on cultures: reasons in standard-setting were **justified and legitimated** (in Giddens’ words) by the **common** cultural structures of the ASC members at their practical consciousness level (Interviewee No.15, Interviewee No.8, and Interviewee No.14; a large CPA firm partner and ASC member, an accountant in industry and senior Council member, a large CPA firm partner and ASC member). The **legitimation of reasons by cultures** pointed to the movement ‘from reasons to cultures’ in the structuration journey in standard setting:

‘Interviewee No.7 (a past HKSA Technical Director responsible for accounting standard setting): I think it is clear. HKSSAPs fit the culture of the territory. ... Accounting standard setting is a cultural process and there are cultures involved in which standards are produced, in the form of the standards, and when the standards are produced.

Interviewer: So how will you describe the culture of Hong Kong?

Interviewee No. 7: The economic side is mercantilism. ... There’s a kind of westernized Chinese culture. There’s the international, the expatriate British culture, which is not restricted solely to the British. Other people, other international people and some Hong Kong Chinese people also belong to that.’

It is fruitful to see, as actually happened in the Hong Kong case, that political dynamics was possibly counteracted by cultural dynamics to result in a less-political situation of accounting standard setting in a country. Politics and culture are not only intertwining and complementary, but also counteractive. This theorization according to structuration theory is an important contribution to the current accounting standard setting literature (which concentrates on politics and reason) because we now have more empirical evidence (the Hong Kong case) to argue for the inadequacy of the standard setting literature in terms of its neglect of the cultural element.

‘The absence of effective lobbying’ is a fact in Hong Kong. The real question is ‘why?’ One colleague who previewed this paper hypothesized that the answer to this question was ‘a more authoritarian grounded basis for consensus formation and here the non-democratic tradition of HK (as compared with the UK) seems to be important ... the apparently non-political nature of HK standard setting is based on the suppression of dissent’. This hypothesis still belongs to the political paradigm in the traditional accounting standard setting literature. According to Giddens’ framework, this paper does not conclude that Hong Kong accounting standard setting is totally non-political (as there will be also described some lobbying efforts of the commercial sector in the later subsections), but this paper suggests the less-political situation due to the dynamics that politics, culture, and reason are intertwining, complementary, and also counteractive. Instead of being passively suppressed, the Hong Kong standard-setting actors actively drew upon (in Giddens’ words) cultures to result in (intentionally or unintentionally) consensus in the standard-setting craft. One weakness of the traditional accounting standard setting literature is its exaggeration of the primacy of the political paradigm, but Giddens suggests that all politics, culture, and reason are important and culture should not be ignored in the literature. The primacy of politics, or culture, or reason is an empirical question subject to different concrete environments.

The Colonial Nature and the International Factor Structured in HKSSAPs

Among the four Hong Kong cultures, most interviewees had reported that ‘the colonial nature’ and ‘the international factor’ were the major **common** factors drawn upon by the ASC members to obtain

consensus in standard-setting. By drawing upon ‘the colonial nature’, the United Kingdom factor became the key measuring criterion to reinforce the consensus for accounting standards:

‘People (in the ASC) tend to have similar views. It is reasonably on **what should be done** because **you accept UK as standard**. So **everybody accepts that**. I think, I would say that it’s a principle; people who are in very similar view.’ (Interviewee No.19, an accountant in industry and ASC member)

‘We’re adopting **standards that have been used elsewhere**. It’s very unlikely we get very wide divergence; in practice we don’t. **It’s a tendency to favor the UK, it’s an approach**. I mean the law is almost written closely to the UK company law. Everything is based on the UK (in Hong Kong), so we tend to follow the UK. I suppose also the majority of the accountants are trained in the UK or here rather than elsewhere. So it’s a natural outcome.’ (Interviewee No.16, a large CPA firm partner and senior ASC member)

By drawing upon ‘the international factor’, standards were set to enhance the international reputation of the Hong Kong business community. However, this also involved a **system contradiction** between ‘the international factor’ and ‘the Chinese tradition of secrecy’ which connects with commercial interests signified and legitimated by the ‘commercial city factor’:

‘As Hong Kong continues to evolve as a financial centre, more and more we will have overseas and **international** investors looking at published accounts here. They will have their own expectations as to what true and fair means, and the closer we get to **international standards**, the closer we get to satisfy their reasonable expectations as to what true and fair means. Hong Kong has always had the problem of paradox. It has on the other hand the traditional appraisal where secrecy and lack of disclosure has been considered an advantage. Probably the trend is one towards greater disclosure because of the continued evolution of Hong Kong as a financial centre.’ (Interviewee No.12, a large CPA firm managing partner and senior ASC member)

Consequently, accounting standards in Hong Kong were followers of overseas standards. In the terminology of anthropology, accounting standards are **diffused** to Hong Kong:

‘Normally, rather than starting from scratch, we (the ASC) hold the advantage of standards well set in other countries. We can then review them, improve them with regards to the situation and requirements in Hong Kong.’ (Interviewee No.11, a large CPA firm partner and ASC member)

‘We (the ASC) try our best to **internationalize our standards**. We seek references from **British standards** and **international standards** in order to upgrade our standards. This is one way of raising our quality. We learn from advanced countries.’ (Interviewee No.32, an accountant in industry and Council member)

In the HKSA publications and documents, there also can be found numerous comments concerning the influences of overseas standards on HKSSAPs. For example:

‘In drafting these statements, the Society followed closely the current **international** accountancy standards being adopted by the leading **overseas** accountancy bodies’ (HKSA 1974 Annual Report, p.6)

‘The Society has decided that the review of SSAP2 and the issue of a revised standard should be postponed until the **international position** on the topic has been clarified.’ (HKSA Technical Bulletin No. 6, October 1985, p.1)

Direct Impacts of UKSSAPs and IAS on HKSSAPs

Almost all the interviewees for this study had mentioned that UKSSAPs were the most important references for HKSSAPs:

‘other standards are considered, but the UK standard is the base standard.’ (Interviewee No. 11, a large CPA firm partner and ASC member)

In fact, UKSSAPs have direct impacts on the development of HKSSAPs. All the first fourteen HKSSAPs issued before 1997 except HKSSAP 6 were issued a few years after their comparable standards were issued in the United Kingdom. This was because the Hong Kong accounting standard setting actors had decided to wait for UKSSAPs to be the starting points of reference for the development of HKSSAPs on the same topics. The HKSA actors drawing upon the cultural structure of ‘the colonial nature’ in setting accounting standards and the direct impacts of UKSSAPs on HKSSAPs are demonstrably clear. The HKSA publications and documents throughout the years had described this structuration dynamics with very explicit words. Appendix 6 lists some of these documentary records.

While UKSSAPs were the first references to HKSSAPs, ‘standards in other countries’ and ‘local conditions in Hong Kong’ were other considerations for the Hong Kong accounting standard setting craft (Interviewee No.22 and Interviewee No.15; an academic and ASC member, and a large CPA firm partner and ASC member). In other words, ‘the colonial nature’ is the first cultural structure drawn upon by the ASC, and ‘the international factor’ is another cultural structure drawn upon:

‘It (the UK practice) was the model, a starting point. When we (the ASC) thought the UK statements adequately cover the subject, we would modify that slightly to Hong Kong conditions and adopt that. Where we felt the British did not go into enough depth, **we looked elsewhere** to see what the best practice was.’ (Interviewee No. 21, a large CPA firm partner)

Among the different sources of international standards influencing the Hong Kong standards, the accounting standards issued by the International Accounting Standards Committee (IASC) generated the most **formalized** impacts: ‘all standards should be consistent with IAS’ (Interviewee No.14, a large CPA firm partner and ASC member).

Since the HKSA joined the IASC in 1975, the HKSA had undertaken a formal obligation ‘to use its best endeavors to ensure compliance with IAS in Hong Kong’ (HKSA Newsletter No.44, May 1986, p.14). To **formalize** its commitment to IAS, the HKSA issued the Practice Guideline No.5 entitled ‘The Effect of International Accounting standards’ in March 1978 and issued its revised version in March 1984 as Accounting Guideline 2.202. According to Giddens’ framework, the **legitimation** structure of ‘the international factor’ **is structured** in the outputs of Guidelines No. 5 or 2.202.

The HKSA practiced its commitment to IAS in settling its own HKSSAPs: ‘this **commitment means** that IAS have a considerable **influence** on the Society’s standards ... the Society fulfills this commitment by incorporating the principles of all relevant IAS into Hong Kong standards’ (HKSA Newsletter No.40, July 1985, p.10). Note here the recursive operation among the signification (‘means’), domination (‘influence’), and legitimation (‘commitment’) elements of the cultural structure ‘the international factor’. To fulfill the **sanction** generated from the commitment to IAS, it had been a standardized format of HKSSAPs that ‘compliance with the relevant IAS is highlighted in any Hong Kong standard’ (HKSA Newsletter No.45, July 1986, p.7) in one or two paragraphs (e.g. paragraph 31 of HKSSAP 6 and paragraph 19 of HKSSAP 13).

The Commercial-city Factor and The Speculative Value Structured in HKSSAPs

When it was said that ‘local conditions’ were considered by the ASC in standard-setting, interviewees usually referred ‘local considerations’ to the ‘scope of application of possible HKSSAPs’ defined by the speculative commercial environment. These were actions of drawing upon ‘the

commercial-city factor' and "the speculative value'. Examples of the local commercial conditions relevant to accounting standard setting were the short-term time span (Chan, 1988) and special laws in Hong Kong which departed from the U.K. root (Interviewee No.2, Interviewee No.23; a HKSA General Secretary, a large CPA firm managing partner and ASC member).

Unlike 'the colonial nature' and 'the international factor', 'the commercial-city factor' and 'the speculative value' were two underlying structures and were not frequently drawn upon by the ASC. However, it was also found that 'the commercial-city factor' and 'the speculative value' had been explicitly structured in HKSSAP 11 'Foreign Currency Translation'.

In fact, the development of HKSSAP 11 was directly stimulated by a commercial event in Hong Kong in 1982 when a company included material exchange gains in its profits without fully delineating them in its accounts. The event led to formal complaints from a lot of angry investment analysts who submitted their concerns to the Securities Commission of the government (Blendell, 1984, p.1).

To be considered a standard to counteract the unaccepted accounting practice, 'the HKSSAP 11 deals with speculative and non-speculative forward contracts – a subject which the **UK standard only touches very briefly**' (HKSA Students' Newsletter, Vol. 9, No.3, June 1987, p.14). The HKSA Technical Director explained the departure of HKSSAP 11 from its UK counterpart by drawing upon 'the speculative value' in the Hong Kong culture: 'Hong Kong companies are frequently involved in both speculative and non-speculative forward transactions.' (HKSA Technical Bulletin No. 4, February 1985, p.1) Through HKSSAP 11 'the speculative value' operating in forward transactions was regulated: 'where there is no matching foreign currency asset the company has an exposure in the currency of the borrowing and is effectively speculating, so it is correct for the result of that speculation to be reflected immediately in the profit and loss account' (HKSA Technical Bulletin No. 4, February 1985, p.2).

As a brief summary of the subsections above, cultures were the fundamental factors to set accounting standards in Hong Kong. The empirical finding concerning the general accounting standard setting pattern in Hong Kong (ref.: the fifth research perspective of structuration theory in Table 1) is that 'the colonial nature' and 'the international factor' were the overwhelming cultural structures while 'the commercial-city factor' and 'the speculative value' were the underlying and less operative structures. This pattern would be seen again in the following structuration analysis of two specific standard-setting processes of HKSSAPs 6 and 13.

HKSSAP 6 'Depreciation Accounting' and HKSSAP 13 'Accounting for Investment Properties' were selected for the following processual analysis because they had the longest and most dramatic processes among the fourteen available HKSSAPs before 1997. The formulation and revision of HKSSAP 6 from 1976 to 1987 spanned over almost the entire history of the first ten years of the HKSA. The 1987 revision of HKSSAP 6 suggested treating investment property as an investment but no longer as a depreciable asset, which resulted in a separate HKSSAP 13 (issued in October 1987, reviewed in October 1988, and effective on 1st January 1989). Therefore, HKSSAPs 6 and 13 were in fact twins. Appendix 8 displays the standard-setting processes of HKSSAPs 6 and 13 in a chronological order.

The HKSSAP 6 Illustration

To issue HKSSAP 6 back to 1976, there were three main concerns in the overall rationale: (i) provision of depreciation charge, (ii) standardization of depreciation methods, and (iii) depreciation or non-depreciation of land and buildings. Among the three, the third was the most controversial one:

'The most pressing urgency was to get the community to acknowledge the fact that depreciation should be charged. That was step number one. But the more pressing need was that of the 1997 issue. We have been accounting on a going concern basis and suddenly inject into the atmosphere of this controversial idea. May be things are going to change after 1997, so

dramatically. One should be doing accounting from the perspective of the number of years between now and 1997.’ (Interviewee No.24, a large CPA firm managing partner and senior ASC and Council member)

The issue of depreciation or non-depreciation of land and buildings was in fact composed of two sub-issues of (a) land, and (b) buildings. On the sub-issue of depreciation or non-depreciation of land, ‘the mainland China factor’ as a component of ‘the international factor’ in the form of ‘the 1997 issue’ was crucial:

‘I suppose ‘unique to Hong Kong’ is probably the example about the New Territories leases. Nowhere else in the world would have such a situation where the lease [of New Territories land] actually terminates [in 1997] but the reality deems to continue.’ (Interviewee No.18, a large CPA firm partner and ASC member)

On this controversy of leases of New Territories land to be expired in 1997, the legalistic view in the HKSA ASC insisted that the leases should be depreciated as their useful lives would end in 1997, but the voice from commercial firms assumed the leases to be renewed in 1997 so that they should be non-depreciable (Interviewee No.19, Interviewee No.2, Interviewee No.8; an accountant in industry and ASC member, a HKSA General Secretary, an accountant in industry and senior ASC and Council member). Eventually, the legalistic view (i.e. ‘the mainland China factor’ should not be ignored) in the ASC counteracted the commercial voice and won in the first version of HKSSAP 6 issued in December 1977:

‘We [the ASC] said that we must follow the legal basis. We must depreciate the leases because the leases would expire in 1997 legally.’ (Interviewee No.9, a large CPA firm partner and senior ASC and Council member)

The decision was that land leases to be expired less than fifty years were depreciable. The cutoff point to be fifty years was subject to the materiality concept because two percent of depreciation charge was considered material (Interviewee No.6, a smaller CPA firm partner and senior ASC member).

The problem of depreciation or non-depreciation of New Territories land leases was brought up again in 1985 in the ASC because of the Sino-British Joint Declaration signed in 1984 (HKSA 1984 Annual Report, p.8). Thus, HKSSAP 6 was under revision because of ‘the mainland China factor’ (HKSA Technical Bulletin, No.3, January 1985, No.12, May, 1988; Interviewees No.18, No.3, and No.12 – all the three were large CPA firm partners and ASC members):

‘Inevitably, the draft Sino-British agreement on the future of Hong Kong will have an impact on the work programme of the ASC in the next few months. Members will already be aware from press reports that the Society is now considering the need to review SSAP 6 “Depreciation Accounting” in the light of the changes to the status of New Territories leases proposed in that paper.’ (HKSA Newsletter No.37, October 1984, p.9)

Since the Sino-British Joint Declaration specified that New Territories land leases were renewable for another 50 years in 1997, those land leases according to the materiality concept were not depreciable any more. As a result, the problem of amortization of land leases in HKSSAP 6 had been largely solved after 1984 (Interviewee No.19, an accountant in industry and ASC member). The ASC and the Council also confirmed this impact of the Sino-British Joint Declaration on HKSSAP 6 to be on the application side but not on the principle itself (Interviewee No.2, a HKSA General Secretary).

On the matter of depreciation of buildings, resistance from the commercial sector was found. One reason of the resistance was a tax concern: if buildings were classified as current assets, they would be subject to tax upon disposal; if buildings were classified as fixed assets, they would be subject to depreciation charge according to the proposed HKSSAP 6; therefore, the commercial sector preferred the

policy of non-depreciation of buildings in HKSSAP 6 so that buildings could be continuously classified as fixed assets without a charge to the profit and loss account but at the same time avoiding the tax upon disposal (Interviewee No.25, a smaller CPA firm partner and senior Council member).

Besides this commercial ('political') motive concerning taxation, another more common reason of the resistance against HKSSAP 6 was a 'rational' one that the value of land and buildings in Hong Kong was always increasing:

'It involved a lot of difficulties of getting across the concept of depreciation to the entrepreneurs. I mean here in building. "You can't tell me the building is depreciated. I buy it for fifty and sell it for ninety five. Why should I depreciate something that is growing in value in the balance sheet?"' (Interviewee No.24, a large CPA firm managing partner and senior Council member)

This opposing view was discussed in the ASC (Interviewee No.6, Interviewee No.9, Interviewee No.19, Interviewee No.27; a smaller CPA firm partner and ASC member, a large CPA firm partner and senior ASC and Council member, an accountant in industry and ASC member, an accountant in industry and Council member). However, it was eventually decided in HKSSAP 6 that both land and buildings should be depreciated. This was not surprising actually because it had been pointed out in the earlier subsection that the lobbying power of the commercial sector in Hong Kong was always weak. The ASC drew upon the **cultural structure** 'the international factor' to counteract both the **political motive** and the **legitimate reason**:

'It was controversial, but it was more controversial between the accounting profession and the commercial world than it was between members of the Committee [ASC]. ... We are serious: "You really ought to depreciate land and buildings. There are very few places where you wouldn't do that, so why shouldn't you do that?"' (Interviewee No.24, a large CPA firm managing partner and senior ASC and Council member)

By drawing upon 'the international factor', HKSSAP 6 was an example of Hong Kong accounting standard following IAS:

'HKSSAP 6 "Depreciation accounting" is unusual in that it was based on IAS rather than the UK one, and consequently it does not resemble UKSSAP 12.' (HKSA Students' Newsletter, Vol.9, No.2, April 1987, p.22)

HKSSAP 6 did not follow UKSSAP for several reasons. First, in 1976 when the Hong Kong ASC was working on the standard of depreciation accounting, the U.K. had not yet issued a standard on the topic (Interviewee No.3, a large CPA firm partner and ASC member). Both HKSSAP 6 and UKSSAP 12 on depreciation accounting were issued at the same time in 1977. Second, the issue of land leases was quite unique to Hong Kong and the UK experience was not applicable to the situation in Hong Kong (Interviewee No.6, Interviewee No.13, Interviewee No.12, Interviewee No.9; a smaller CPA firm and ASC member, an accountant in industry and ASC member, a large CPA firm managing partner and senior ASC member, a large CPA firm partner and senior ASC and Council member):

'What depreciation policy should be for a property that would not be in existent on the 1st July 1997? Was it to be depreciated in full? Was this an indication that everything had to be handed back on the termination of the New Territories lease at that time? What is the basis of accounting past that date? So it was necessary to have a different approach than the UK.' (Interviewee No.28, a large CPA firm senior manager)

Third, the HKSA first joined the IASC in April 1975. It was exciting to join the international organization. Thus, the HKSA was willing to exercise its obligation (as explained in the earlier

subsection) to promote the acceptance of IAS by the coincident opportunity to issue HKSSAP 6 with reference to IAS 4 issued in October 1976 (Interviewee No.6, a smaller CPA firm partner and senior ASC member). In fact, under the title of the December 1977 version of HKSSAP 6, the ASC acknowledged that the formulation of the standard 'is largely based on a Statement issued in October 1976 by the International Accounting Standards Committee'.

IAS 4 and HKSSAP 6 were very similar. Many contents of the two standards were even equivalent on a word-by-word basis, which showed the significant influence of IAS 4 on HKSSAP 6. Concerning the major differences between the two standards, IAS 4 in general was broader and HKSSAP 6 was more specific and in detail. For instance, HKSSAP 6 required the depreciation charge to be shown in the profit and loss account (para. 23 of HKSSAP 6). In addition, HKSSAP 6 had much more detailed discussion on the issues of asset revaluation, disposal, depreciation methods, land and buildings held for resale or other purposes, and transitional arrangements (paras.27, 20, 21b, 28, 14, 12, 13, 19, 30). Of course, the most unique feature of HKSSAP 6 was the requirement on the depreciation of land (para.16). One interviewee suggested that Hong Kong needed more detailed standards because the level of accounting knowledge in the Hong Kong community was lower than the level in other advanced countries (Interviewee No.21, a large CPA firm partner).

On the major differences between IAS 4 and HKSSAP 6, it was interesting to find that some of those differences were also the major differences between IAS 4 and UKSSAP 12. Thus, it is believed that HKSSAP 6 was also influenced by the exposure draft of UKSSAP 12 even before the issue of both HKSSAP 6 and UKSSAP 12. For example, paragraphs 9, 10, and 21 of UKSSAP 12 were so equivalent even in wording to paragraphs 20, 21, and 27 of HKSSAP 6 on the issue of revaluation of depreciable assets that it is seemingly certain that UKSSAP 12 did influence HKSSAP 6. Paragraph 6 of UKSSAP 12 was also equivalent to paragraph 28 of HKSSAP 6 on the issue of disposal of fixed assets. Except that a note was allowed to replace a prior year adjustment in HKSSAP 6 on the issue of transitional arrangements, paragraph 14 of UKSSAP 12 and paragraph 30 of HKSSAP 6 were equivalent as well.

In summary, the issue of depreciation or non-depreciation of land and buildings had been the most dynamic issue in the standard-setting process of HKSSAP 6 spanning over almost two decades. In this standard-setting process of HKSSAP 6, 'the international factor' drawn upon by the HKSA accounting standard setting actors had appeared from time to time in the most critical moments to shape the different versions of the standard. Concerning the sub-issue of depreciation or non-depreciation of land, 'the mainland China factor' (as a component of 'the international factor') in the form of 'the 1997 issue' was central. Concerning the sub-issue of depreciation or non-depreciation of buildings, 'the international factor' as a common cultural structure in the HKSA ASC was drawn upon to counteract the weak lobbying effort of the commercial community. Fundamentally, by drawing upon 'the international factor', HKSSAP 6 had been developed based on IAS 4 (although, by comparing HKSSAP 6 and UKSSAP 12, it was evident that 'the colonial nature' as a supplement to 'the international factor' was also drawn upon by the Hong Kong accounting standard setting actors in formulating HKSSAP 6).

The HKSSAP 13 Illustration

The issue of accounting for investment properties had been an item for discussion in the ASC from the early 1980's (Interviewee No.19, an accountant in industry and ASC member). However, it was the revision of HKSSAP 6 in 1986 related to the impact of the Sino-British Joint Declaration, where the issue of accounting for investment properties was brought formally and forcefully to the attention of the ASC (Interviewee No.13, an accountant in industry and ASC member).

The main argument for HKSSAP 13 was that investment properties should be carried at current value rather than in terms of historical cost for the usefulness of financial statements (Interviewee No.17,

Interviewee No.6; an accountant in industry and ASC member, a smaller CPA firm partner and ASC member):

‘investment properties are held for their investment potential rather than as fixed assets used in the business, and consequently their market value represents the true value of the assets to the business.’ (HKSA Students’ Newsletter Vol.9, No.6, December 1987, p.11)

‘New accounting rules on the valuation of properties held by Hongkong companies will make more information available to investors.’ (Hongkong Standard, 11th October 1988, sourced from the HKSA newspaper clipping system)

In fact, before the issue of HKSSAP 13, some very large and leading property companies in Hong Kong had already revalued their investment properties and not depreciated them. These companies got qualified opinions in their audit reports, but they continued their own practices:

‘Nothing could be more stupid that we had to provide depreciation, yet we revalued our properties every year. We’re not going to provide depreciation. We got the qualification every time, so what?’ (Interviewee No.19, an accountant in industry)

According to many interviewees, this ‘current value argument’ became stronger and stronger in Hong Kong because the Hong Kong property market was usually a rising one. That was a ‘political reason’ why the commercial sector supported the ‘current value argument’. However, as it had been shown, the lobbying power of the Hong Kong commercial sector was always insignificant to influence the decision and action of the ASC.

The ASC eventually accepted the ‘current value argument’, which resulted in HKSSAP 13. However, the ASC accepted the argument not because of the **political effort** of the commercial sector nor because of the **legitimate reason** in the argument, but because of the cultural structure ‘the colonial nature’. In fact, the ASC accepted the argument at a time that the commercial sector never wanted nor expected: in the early 1980’s when the economy of Hong Kong encountered a substantial **downturn** due to the social instability and uncertainty caused by ‘the 1997 issue’. At that time, properties recorded in financial statements on a historical cost basis were indeed **overstated** even after depreciation. Therefore, based on the prudence concept, the ASC standardized the revaluation practice for investment properties in HKSSAP 13 (Interviewee No.6, a smaller CPA firm partner and senior ASC member).

Despite the participation of ‘the commercial-city factor’ (through the ‘current value argument’) in stimulating the formation of HKSSAP 13, ‘the colonial nature’ provided the vital spur to action. UKSSAP 19 (Accounting for Investment Properties) was issued in November 1981. After UKSSAP 19 was issued, some Hong Kong companies had already adopted the revaluation practice for investment properties **legitimated by UKSSAP 19** (i.e. ‘the practice has been used in UK’) rather than following the depreciation practice required by HKSSAP 6 (Interviewees No.5, No.3, and No.19; an accountant in industry and senior ASC member, a large CPA firm partner and ASC member, and accountant in industry and ASC member). This ‘colonial nature’ became a pressure for issuing HKSSAP 13. As a result, HKSSAP 13 was issued by following the content and intent of UKSSAP 19:

‘At the end of last year the Society issued an exposure draft of an accounting standard on Depreciation Accounting which proposes the mandatory revaluation of investment properties for the purposes of annual accounts. The exposure draft is based on SSAP 6 “Depreciation Accounting” but amended to include the treatment of investment properties required by UKSSAP 19.’ (HKSA Newsletter No.42, January 1986, p.8)

In fact, UKSSAP 19 was part of the professional examinations for HKSA students even before HKSSAP 13 was issued (HKSA Students' Newsletter, Vol.5, No.4, December 1983, p.10). It was not surprising that HKSSAP 13 and UKSSAP 19 were extremely similar in many parts.

Concerning the major differences between UKSSAP 19 and HKSSAP 13, the Hong Kong standard was again more detailed and specific. Also, HKSSAP 13 declared its compliance with IAS 25 (para.19) but UKSSAP 19 did not.

IAS 25 is a much broader standard on investments in general. Paragraphs 3, 24, 25, 45, 47, 48, 50, 53, and 55 were directly related to investment properties. IAS 25 was issued in March 1986 some nineteen months before the issue of HKSSAP 13. Since the ASC was always concerned with compliance with IAS, there were still possible influences of IAS 25 on HKSSAP 13 although HKSSAP 13 was fundamentally shaped by UKSSAP 19. For example, on the major differences between UKSSAP 19 and HKSSAP 13, HKSSAP 13 went into more details with regard to the treatment of 'part of a property' (paras.25 and 26) which is also recognized by IAS 25 (para.3).

As with HKSSAP 6, there was resistance from the commercial sector to HKSSAP 13 as well (Interviewee No.14, a large CPA firm partner and ASC member). The main reason for the resistance was because of the economic downturn in Hong Kong in the early 1980's:

'Not all management accountants prefer the revaluation approach. If the property market turns bad, the revaluation approach will deflate the income figure.' (Interviewee No.32, an accountant in industry and senior Council member)

Another reason for the resistance was a commercial consideration that companies might want to keep the information of current value hidden for self-interested purposes ((Interviewee No.22, an academic and ASC member) :

'They just want to keep the information to themselves. That is highly market sensitive information – the true net worth of a group.' (Interviewee No.13, an accountant in industry and ASC member)

Also, a further reason for the resistance was the cost of the revaluation exercise (Interviewee No.16, a large CPA firm partner and senior ASC member).

No matter what the motive was, the commercial sector voiced its resistance on different issues of HKSSAP 13. The more controversial issues included the definition of investment properties (Interviewees No.7 and No.6; a past HKSA Technical Director, a smaller CPA firm partner and ASC member), the scope of application of the standard (Interviewees No.20 and No.21; a large CPA firm senior manager, a large CPA firm partner), the frequency of revaluation, and the cutoff point to depreciate investment properties again (Interviewees No.5, No.6, No.7; an accountant in industry and senior ASC member, a smaller CPA firm partner and ASC member, an accountant in industry and ASC member).

The lobbying effort of the commercial sector could not be considered successful, as usual. The ASC set HKSSAP 13 by drawing upon its own cultural structures anyway (particularly 'the colonial nature' for HKSSAP 13). Cultures were more significant than politics in the Hong Kong accounting standard setting process. For example, HKSSAP 13 stated that investment properties should be depreciated again if their leases would expire within twenty years. This was because five percent of the depreciation charge was legitimately considered material by the ASC (Interviewee No.16, a large CPA firm partner and ASC member) and this choice of 'twenty years' as the cutoff point was adopted in UKSSAP 19, too (Interviewee No.13, an accountant in industry and ASC member).

In summary, the issue of revaluing instead of depreciating investment properties had been the most dynamic issue in the accounting standard setting process of HKSSAP 13 spanning over the 1980's. To set HKSSAP 13, the driving force had been the structuration of 'the colonial nature' and 'the international factor' in the standard. The ASC formulated HKSSAP 13 basing it upon UKSSAP 19 and considering IAS 25 as the second reference. In the standard-setting process of HKSSAP 13, the Council as usual endorsed the recommendations and decisions of the ASC (Interviewee No.13, an accountant in industry and ASC member). Therefore, the structuration dynamics within the ASC effectively became the overwhelming determinants of the standard-setting process of HKSSAP 13.

FINAL REMARKS

The consistent findings of this study are (i) culture took the lead in the structuration dynamics of Hong Kong accounting standard setting, and (ii) 'the colonial nature' and 'the international factor' were the operative cultural structures in Hong Kong accounting standard setting but 'the commercial-city factor' and "the speculative value" were the underlying and less active cultural structures.

To further understand the two findings according to Giddens' structuration theory, the first theoretical orientation of Giddens' framework to be recalled is that the primacy of culture or politics or reason is **an empirical question subject to different concrete cases and environments**. The primacy can change from one situation to another. In the case of Hong Kong accounting standard setting, culture is found to be primary. However, the structuration dynamics can be different in the standard-setting processes of other countries. Different countries may have different characteristics of their standard-setting environments. For example, the United Kingdom or Australia may have a very active and powerful commercial sector to lobby in the accounting standard setting process while Singapore or Malaysia may have a quiet and weak commercial sector contributing an insignificant lobbying effort in the standard-setting process. In the cases of the United Kingdom or Australia, politics rather than culture may take the lead in the structuration dynamics of accounting standard setting.

However, in this regard, a contribution of this study is: the case of Hong Kong accounting standard setting empirically illustrated Giddens' framework that culture and politics are not only intertwining or complementary but also counteractive. In other words, cultural forces can help to solve political problems.

In many contexts people use political means to fight against each other for their own benefits, which cause pains and divisions. However, in the light of structuration theory, culture (by definition, as mentioned in the earlier section, referring to the collective meaning system to ensure regularity, uniformity, generality, and predictability of social behavior) can counteract politics and bring people together in a more peaceful and coherent way (as within the Hong Kong ASC). Giddens' framework and the empirical case of Hong Kong accounting standard setting suggests a possibility that politics is not necessary 'always reigning over' human behavior.

According to Giddens' structuration theory, within the cultural realm, different empirical cultural structures can change their roles in different fields of actions and interactions. For instance, even within the Hong Kong case, the four Hong Kong cultural structures may take turns to assume primacy in different studies of accounting. In accounting standard setting, 'the colonial nature' and 'the international factor' took the lead in the dynamics of cultural structuration. In other accounting studies (e.g. corporate accounting policy-making, uses of accounting information), 'the commercial-city factor' and 'the speculative value' might take the lead in the structuration dynamics. This is because different focuses of accounting studies have their own intrinsic characteristics (e.g. institutional dynamics versus market dynamics).

Among the four Hong Kong cultural structures, 'the colonial nature' and 'the international factor' are more institutional-oriented while 'the commercial-city factor' and 'the speculative value' are more market-oriented. It was so happened for years that the dynamics of accounting standard setting in Hong Kong were mainly located within the **institutional** framework of the HKSA (particularly within the ASC) and became institutional-oriented (unlike the dynamics of corporate accounting policy-making or uses of accounting information which might be more market-oriented). As a result, it was not surprising to find empirically that 'the colonial nature' and 'the international factor' were more operative in Hong Kong accounting standard setting than the other two market-oriented cultural structures. This observation of institutional dynamics versus market dynamics might further explain why 'the colonial nature' and 'the international factor' always came together naturally as a group (while 'the commercial-city factor' and 'the speculative value' appeared together as another group) in the structuration analysis of Hong Kong accounting standard setting.

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