RHETORIC IN INTERNATIONAL STANDARD SETTING PROCESS: CONSTRUCTING ACCOUNTING REALITY

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The paper seeks to explore in depth the ways in which rhetorical strategies are employed in the international accounting standard setting process. The study proposes that rather than simply detailing new accounting requirements, the texts and drafts of accounting standards are artefacts, i.e. deliberately and carefully crafted products, that construct, persuade and encourage certain beliefs and behaviours. The persuasive and constructive strategies are also employed by the constituents submitting comment letters on the regulatory proposals. Consequently, the international accounting standard setting process is an ‘interactive process of meaning making’ (Fairclough, 1989). The study regards accounting as a social construct based on intersubjectivity (Searle, 1995; Davidson, 1990, 1994) and posits language as a constitutive factor in the process (Saussure, 1916; Peirce, 1931-58). This approach to the use of language and the role of rhetoric as a persuasive tool to convince others to our perception of ‘accounting reality’ is supported by the sociological work of Bourdieu (1990, 1991). Bourdieu has drawn our attention to how language becomes used, controlled, reformed and reconstituted by the social agents for the purposes of establishing their dominance. In our study we explore in particular the joint IASB and FASB proposals and subsequent regulations on the scope of consolidation and relevant disclosures that address issues of off-balance sheet financing, a subject that is very timely and of great topical importance. The analysis has revealed sophisticated rhetorical devices used by both the Boards and by the lobbyists. These reflect Aristotelian ethos, pathos and logos. The research demonstrates that those using accounting standards as well as those reading comment letters on the proposals for new standards should be aware of the normative nature of these documents and the subjectivity inherent in the nature of the text.
1. Introduction
The paper examines in depth the ways in which rhetorical strategies are employed in the international accounting standard setting process. There is a challenge for those who set accounting standards to persuade constituents as to the necessity and the acceptability of those standards. Through inclusion by measurement and disclosure, importance and relevance are assigned to some accounting matters and through exclusion, immateriality and insignificance are ascribed to others. This assignment into categories of importance and unimportance is a crucial aspect of standard-setting in which ‘accounting reality’ is both ordered and constructed (Young, 2003). Given the ambiguity and indeed fluidity of the accounting categories and classifications and the consequent controversy surrounding standard-setting process, this process may be regarded as an exercise in persuasion. The members of regulatory boards are continuously engaged in efforts to persuade individuals and groups located outside the regulatory entity that their work is valuable, useful, and provides ‘appropriate’ solutions to accounting problems. The study proposes that rather than simply detailing new accounting requirements, the texts and drafts of accounting standards are artefacts, i.e. deliberately and carefully crafted products, that construct, persuade and encourage certain beliefs and behaviours. Standards are prepared and written by members of a regulatory body and as such they are shaped by a particular point of view regarding significance of various accounting matters. The international accounting standard setting process is viewed in this study as an “interactive process of meaning making” (Fairclough, 1993, p. 10; see also: Searle, 1995) through which language is used as a mechanism to gain and maintain power over the accounting regulatory field (Bourdieu, 1990; 1991). The paper considers rhetoric as a dialogue rather than a monologue. In other words, any argument or statement invites a counter-proposal from an individual or a group envisaged as the audience (Billig, 1996). Notably, the persuasive and constructive strategies are also employed by the constituents who lobby accounting proposals submitting comment letters on discussion papers and exposure drafts of the new standards.

In our study we explore in particular the joint IASB and FASB proposals and subsequent regulations on the scope of consolidation that address issues of off-balance sheet financing, a subject that is very timely and of great topical importance. The recent global financial crisis put particular emphasis on this matter. Any provisions determining which entities are to be included or excluded from group accounts have the potential to instigate a wide range of economic consequences through their implications for accounting numbers reported on the balance sheet and financial relationships existing off-balance sheet (and associated measurements of gearing, risk, and debt capacity) as well as within the income statement (with associated impacts on measured performance and financial ratios of efficiency and profitability) (Peasnell and Yaansah, 1988; Paterson, 1993). In response to the recommendations of the Financial Stability Forum and Group of Twenty (G-20)¹, the IASB decided to accelerate the development of proposals tackling issues of off-balance sheet financing which resulted in the release of IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities in May 2011. The issue of the new consolidation standard has been accompanied by the revisions of the Conceptual Framework in relation to the definition of a group reporting entity. The IASB and the FASB jointly released a discussion paper and a subsequent exposure draft on the subject in May 2008 and March 2010 respectively. The release of the new regulations on consolidation has been at the

centre of much controversy among policy makers and accounting professionals. For example, Davies (2011) states:

The new consolidation standard, IFRS 10 (...) represents a significant change to the process for determining which entities are included in consolidated financial statements. (...) Entities in all industries will need to consider the impact of the new control definition, both in respect of existing investments and interests and when structuring and planning new transactions (...) Any changes to which entities are consolidated will impact key metrics and management should consider the commercial impacts of this. (Davies, 2011:61)

The controversy and far reaching potential commercial impacts would initiate rich patterns of rhetorical efforts in the process of the formulation of the new regulation, which was our motivation for focusing on this particular accounting issue. The analysis has revealed sophisticated rhetorical devices used by the regulators and by the lobbyists submitting comment letters. These reflected Aristotle’s *ethos* (persuasion through personality and stance), *pathos* (persuasion through the arousal of emotion) and *logos* (persuasion through reasoning).

The reminder of the paper proceeds as follows. In the next section we discuss language and rhetoric as constitutive of social (accounting) reality. Section 3 provides a discussion of the relevant regulatory background. Sections 4 and 5 describe our methodology with development of primary hypotheses and data respectively. Section 6 presents the results of the analysis. The final section concludes the paper.

2. Theoretical framework
Rhetoric may be defined as an art of persuasion (Aristotle, 19262: 15). It is a pervasive element within our lives as we argue with an attempt to persuade others of the viability, credibility and plausibility of our positions, beliefs, problems, solutions and perspectives. The various arguments within texts and oral communication are intended to modify the convictions or disposition of specific audiences through persuasive discourse rather than through an overt imposition of will or through constraint (Perelman, 1982; Perelman & Olbrechts-Tyteca, 1969). Rhetoric’s practice derives from ancient studies of political oratory, but it has an important modern resonance. Cockcroft and Cockcroft (1992:3) cite Aristotle (384 BC – 322 BC) in support of their view that rhetoric is defined by its unique breadth of application and by its adaptability to new subject areas as they evolve. Language and rhetoric, as nearly all manifestations of language involve rhetoric, have been a crucial element in the process of constructing, developing and transmitting the human world, the world of shared understandings.

In studying the role of rhetoric we refer to the sociological work of Pierre Bourdieu (1931-2001) who has drawn attention to how language becomes used, controlled, reformed and reconstituted by the social agents for the purposes of establishing and exercising (symbolic) power (Bourdieu, 1991, 1999). The guiding principle of Bourdieusian theory is the idea that social communication is seldom an impartial process of information sharing and use. Instead, communication is seen to reflect an asymmetrical relationship between social agents who constantly manoeuvre and struggle over limited resources (Bourdieu, 1991; see also: Shenkin and Coulson, 2007). Such a notion goes beyond the traditional view that considers

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2 Translation by J.H. Freese.
language simply as a set of signs meant to be understood or deciphered (Neu et al., 2003). Bourdieu agrees that language needs to be seen in this light, but he argues it also needs to be seen as a set of signs of authority meant to be believed and obeyed, a set of signs that enforce the ‘right way’ of understanding the world around us and prompt desired actions (Bourdieu, 1991, p.66). In viewing language use this way one comes to see it as embodying social relations, as ‘simultaneously constitutive of social identities, social patterns and systems of knowledge and belief’ (Fairclough, 1993: 134). Fundamentally, Bourdieu’s framework integrates a theory of social structure (the field), a theory of power relations (the various forms of capital: economic, social, cultural and symbolic capital3), and a theory of the individual (habitus) (Dobbin, 2008; Malsh, et al., 2011). To begin with, any field can be conceptualized as a configuration of relationships not between the concrete occupants themselves, but rather between the social positions the occupants happen to hold within the given configuration of social space (Bourdieu, 1990). These positions and the forces binding them together constitute the structure or temporary state of power relations within which struggles and maneuvers take place over resources, stakes and ultimately domination over the field. Agents are positioned in fields according to the overall volume and relative combinations of capital available to them. Capital therefore plays a key role – as a weapon, constraint or stake – in the development and range of possible strategies and actions available to agents in the attempts to gain maintain and reproduce ascendancy over fields. In this context, language for Bourdieu is a medium of power; a tool used by social agents to secure an amount of capital that would allow them to assert and maintain their position in the field.

The main focus of the paper concerns the accounting regulatory field where regulators engage in attempts to attain societal legitimacy and maintain credibility with the constituents (i.e. social agents that have an interest and are effected by accounting practices). As any regulatory body needs the acceptance of its constituents in order to maintain its position as an obligatory point in the standard setting process, members and staff of a regulatory body are continuously engaged in efforts to persuade (through language and thus rhetoric) constituents that their work is valuable, appropriate, useful, and correct (Young, 2003). This approach is also present in institutional theory that posits that organizations (for the purpose of this paper, regulatory bodies) face a challenge to convince constituents about the necessity and legitimacy of their actions and (accounting) solutions offered by them (DiMaggio and Powell, 1983; Powell, 1985; Fogarty, 1992). Following that notion regulators would attempt to accumulate as much symbolic capital as possible, very often using other forms of capital, as social agents high in symbolic capital command more credit or respect within a field than those with low symbolic capital (Bourdieu, 1990). Drawing on Bourdieu’s work adds to the wider applications of institutional theory and provides an opportunity to construct an interdisciplinary understanding of regulatory practice and critically question both the actions and motives of agents involved in the power struggle within a regulatory filed. This in turn allows us to contribute to an understanding of accounting regulatory practices in a wider social context and investigate how accounting regulation emerges as a social process (see also: Gracia and Oats, 2012).

3 Each type of capital is manifest in different ‘currency’. Economic capital generally includes money and property. Cultural capital refers to culturally authorized attributes, including educational credentials, general cultural awareness, tastes and aesthetic preferences. Social capital refers to the support provided from having acquaintances of influence or inclusion in social networks valued within particular fields. Finally, symbolic capital refers to the legitimization or recognition of a social agent within a field (e.g. prestige) (Bourdieu, 1990).
The question arises as to how language is used to gain symbolic capital and establish (symbolic) dominance. The answer is that language can be an effective tool for construction of social structures. As Hines (1988) asserts ‘in communicating reality, we construct reality’ (p. 251). This brings us to the work of Searle on social reality (Searle, 1995). Searle (1995) makes a distinction between intrinsic and observer-relative features of the world and argues that ‘our world’ consists of both physical and social reality. Searle (1995; 2006) starts by making an ontological commitment to physical objects (i.e. brute facts) that exist independently of human minds, and then, based on the concept of ‘intentionality’ explains how social objects come into being. According to Searle (1995) people have the ability to communicate and share their beliefs and desires – termed ‘collective intentionality’ - that can give rise to a specific type of social facts, namely institutional facts4 (see also: Putnam, 1981; Mouck, 2004; Alexander, 2013). The present study sees accounting as an example of institutional reality that is constituted via social process. Searle’s model explains that institutional facts, although ontologically subjective, as they require human practices to sustain their existence, could become epistemologically objective, if they have an effect that is universally agreed upon (Alexander, 2013). This agreement can only be achieved through social communication and thus through the use of language and rhetoric. This notion echoes a Davidsonian anti-representationalist stance (Davidson, 1990, 1991, 1994) based on the pragmatism promoted by Rorty (e.g. 1994, 1997). Davidson (1991: 160) posits that the source of the concept of ‘objective truth’ is an interpersonal communication. Davidson finds a basis for portraying ‘reality’ in intersubjectivity that emphasises shared meanings constructed by people in their interactions with each other and used as an everyday resource to interpret and relate to elements of social life. The objectivity of any attribution of truth or falsity of any particular belief or judgment can be understood only in terms of the breadth and quality of agreement that is associated with it. What is vital for mutual understanding is that we share an accessible world and that we are able to correlate one another’s responses with its features.6 From a Davidsonian view, there is an intrinsic connection between language and the world. The language however does not mirror or represent reality. Instead we perceive how things are in the world through language, that is through having language.

This approach is supported by the structuralist views of the linguistic theorists Pierce (1839-1914) and Saussure (1857-1913) who introduced the notion of the word as a ‘sign’, made up of the signifier (sound/written symbol) and the signified (the object, action, event or meaning/concept it represents).7 Signs do not directly or intrinsically correspond to objects, independently of how they are employed and by whom. Any sign that is used in a particular way by a particular community of users can only correspond to particular objects within the

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4 For example, metal exists without human thought (equals social construction), money does not, being, by definition, a generally accepted medium of exchange, between members of society who accept the notion and operate within its implications.

5 Davidson (1990) and Rorty (1994, 1997) deny that we are related to the world in anything other than casual terms. They do not accept that any statement can be true simply in virtue of the way things are, quite apart from how we describe them.

6 Davidson (1991) argues that any explanation of the possibility of knowledge must account for the three distinct, but mutually interdependent, kinds of knowledge: knowledge of the world, knowledge of other minds, and knowledge of one’s own mind. He suggests that we might think of these three varieties of knowledge in terms of a triangle, resting on a base of communication.

7 Charles Sanders Peirce (1839-1914) founded semiotics (science of signs) in the US. At almost the same time, working quite independently, Ferdinand de Saussure (1857-1913) founded semiology, a European school of semiotics. Nowadays, in the literature there is no clear distinction made between semiotics and semiology and ‘semiotics’ is widely used as an umbrella term to embrace the whole field (Noth, 1994). However, it is often suggested that the former puts more emphasis on the effects of signs (Liu, 2000).
conceptual scheme of those users. This exploded the idea that language is a direct representation of reality – Pierce and Saussure saw it rather as an arbitrary grouping of sounds or written signs that have socially and culturally agreed meanings. The form of a signifier is not determined by what it signifies for instance, there is nothing ‘treeish’ about the word ‘tree’; similarly the letter ‘t’ has no connection with the sound it donates (Chandler, 2002). Languages differ, of course, in how they refer to the same referent. No specific signifier is naturally more suited to a signified than any other signifier. Saussure observed that the process which selects one particular sound/sign sequence to correspond to one particular idea is completely arbitrary (Saussure, 1916) and, following the notion of intersubjectivity, determined by the universal (i.e agreed upon within a certain social or cultural framework) perceptions of the ‘world around us’. In other words, signs signify by virtue of an arbitrary norm which is rooted in societal or cultural conventions (Liu, 2000). The arbitrariness of a sign is an important concept because it establishes the autonomy of language in relation to reality and can be seen as supporting the Searle and Davidson notion that language does not reflect reality but rather constructs it. We can use language to communicate what isn’t in the world, as well as what is. Also, since we come to know the world through whatever language we have been born into the midst of, it is legitimate to argue that our language determines our reality, rather than reality our language (Sturrock, 1986: 79). The principle of the arbitrariness of the linguistic sign/sound has been previously also acknowledged by Aristotle and Plato. Aristotle had noted that ‘there can be no natural connection between the sound of any language and the things signified’ (cited in Richards, 1932, p. 32). In Plato’s Cratylus Hermogenes urged Socrates to accept that ‘whatever name you give to a thing is its right name; and if you give up that name and change it for another, the later name is no less correct than the earlier; just as we change the name of our servants; for I think no name belongs to a particular thing by nature’ (cited in Harris, 1987, p. 67). We ought to note however here that the signification would need to make sense to the interpreter of the message within a given social or cultural framework (Liu, 2000).

It follows from all the above that any distinction between rhetoric and reality cannot be usefully maintained (Young 2003). Instead, rhetorical techniques we see as resources that the rhetorician draws upon in her/his efforts to persuade others about the ‘correctness’ of her/his particular view of reality. Following Pierce and Saussure, language functions along opposing axes: the vertical/paragmatic axis, where a word is chosen from a range of semantic options, and the horizontal/syntagmatic axis, which represents the more fixed relationship between words in the sequence of phrase, clause or sentence. The resourceful rhetorician will exploit the multiple opportunities for word choice in a carefully ordered sequence to achieve maximum effect of persuasion (Hodge and Kress, 1999). S/he will use analogies, metaphors and other devices to frame issues – to select, organise and interpret a complex reality. Our frames may and often do differ and these differences contribute to the creation/perception of multiple social realities (Latour, 1987; Rein and Schon, 1993). Rhetoric is not a mode of truth nor does it provide uninhibited access to any extant reality. It is, as noted already, an art of persuasion, one that may be used to secure the adherence of others to particular perspectives/modes of reality (Young, 2003: 624).

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8 It ought to be noted that Bourdieu in his work Language and Symbolic Power (Bourdieu, 1991) critiques the framework of semiotics and semiology for the lack of the sufficient acknowledgment of the social-historical conditions of the production and reception of language. This critique however is more relevant to the work of Saussure (1857-1913) than Pierce (1839-1914).
In investigating rhetoric in the accounting standard setting process, the present study draws on the notion of dialogic structuring of persuasion promoted by Billig (1996) and considers not only rhetorical efforts of regulators but also rhetorical strategies employed by the constituents in response to the regulators. Billig (1996) sees rhetoric as a dialogue rather than a monologue, in other words, every argument, every generalisation invites a counter-proposal from an individual or a group invited to listen. Moreover, he argues that the dialogic pattern of rhetoric, with every argument implicitly, if not explicitly, opposed by a counter argument, offers an exact model of human thinking. The constant movement between *logoi* and *anti-logoi* represents the dialogic model of human cognitive process. Dialogue here is not only the technical term used by Billig (1996) in his definition of rhetoric; it is also a word used by linguists to denote conversation, debate or more generally an interaction. In that interaction the rhetorician seeks to exploit specifically the ideological, personal and contextual elements involved in the communication process. The audience’s response, however, can never be entirely predictable. An audience may not realise they are being persuaded; even if they do, their response can be compliant, resistant, or a mixture of both. Also, regarding any given topic, the persuasive strategy that enables the rhetorician to interact effectively with one audience may not work with other (Cockcroft and Cockcroft, 1992: 5).

The question arises as to whether rhetoric can be observed in documents such as accounting standards which can be seen by some, in essence, as technical guidance. In studying rhetoric, this paper posits that nearly all texts, including accounting standards, are the result of conscious deliberation by knowledgeable agents; they are deliberately and carefully crafted products. Also, accounting is posited as a social construct and accounting standard setting that affects accounting methods and techniques as well as perceptions of what constitutes ‘good’ accounting would be a great opportunity for ‘creation of accounting reality’ via regulatory provisions. The use of structure and argument as persuasive strategies in UK standard setting has been documented in Warnock (1992) who analyses the explanatory notes contained in the UK accounting standards. Young (2003) has demonstrated evidence of rhetorical devices used by the FASB as a means of persuasion in US accounting standards. Masocha and Weetman (2007) build on Young’s 2003 paper by exploring the dynamics of the ways in which the rhetoric of the UK auditing standard setter responds to comments during the consultation process. The present study extends the analysis further by exploring the rhetorical strategies used not only by regulators but also, as already noted, by constituents who advocate their preferences in the comment letters submitted to the IASB and the FASB in relation to the proposals on consolidation requirements. The rhetoric is thus considered as a dynamic ‘two way’ phenomenon. The analysis is also extended to the international context.

3. Regulatory background

As already noted, the focus of our investigation is regulation on the scope of consolidation that tackles off-balance sheet financing. In response to the global financial crisis and the recommendation of the Financial Stability Forum, the IASB decided to accelerate the project on consolidation and proceed directly to the publication of an Exposure Draft (ED) 10, *Consolidated Financial Statements*, in December 2008 with a deadline for comment submission of 20 March 2009. The Board also decided to address disclosure requirements relevant to off balance sheet entities. The Board commenced deliberations of issues raised by the respondents to ED 10 in July 2009. At the October 2009 joint meeting, the IASB and the FASB confirmed continuing cooperation in conducting their respective consolidation projects. In February 2010, the IASB decided to combine the disclosure requirements for subsidiaries, joint ventures and associates with a separate comprehensive disclosure standard
that would address a reporting entity’s involvement with other entities including disclosures related to risks associated with structured entities\(^9\) not controlled by the reporting entity. Consequently in May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements* (IASB, 2011) and IFRS 12 *Disclosure of Interests in Other Entities* (IASB, 2011). These two new standards are effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* by introducing a single consolidation model that identifies control as the basis for consolidation for all types of entities. The IASB also decided in collaboration with the FASB to address accounting for investment entities separately and issued a separate Exposure Draft *Investment Entities* in August 2011 with the deadline for comment submission ended 5 January 2012. In our analysis we focus on the text of ED 10 and the subsequent IFRS 10 and IFRS 12 together with the accompanying Appendices (Basis for Conclusions and Illustrative Examples) and the comment letters submitted on ED 10.

The regulatory developments, reviewed above, regard deliberations in relation to the concept of control for the scope of consolidation at the standard level and we now turn to the ongoing debate at the conceptual level. In May 2008 the IASB issued, as part of a joint project with the FASB, the Discussion Paper *Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Reporting Entity* with a deadline for comment submission of 29 September 2008. The subsequent Exposure Draft was issued in March 2010 with a comments period ending mid-July 2010. The objective of the proposals is to determine what constitutes a reporting entity (including a group reporting entity) for the purpose of financial reporting, and is part of the joint project to develop a common Conceptual Framework (IASB, 2008, para P1). The IASB and the FASB take a somewhat more descriptive rather than prescriptive approach and state that identifying a group reporting entity (and thus the scope of consolidation) in a specific situation requires consideration of ‘a circumscribed area of economic activities’ determined by the existence of the controlling influence (IASB/FASB, 2010, para RE2). In our investigation we focus on the text of the Discussion Paper and a subsequent Exposure Draft on *Conceptual Framework for Financial Reporting: The Reporting Entity* and the comment letters submitted on these two regulatory proposals.

4. **Persuasive repertoire and preliminary hypotheses**

In our analysis of textual documents we refer to Masocha and Weetman (2007), who echo work of Cockcroft and Cockcroft (1992), in identifying and categorising rhetorical devices under four main headings of: (a) lexical choice, (b) sound patterning, (c) figurative language (also called trope) and (d) schematic language (traditionally referred to as schemes). The device of lexical choice uses vocabulary as a persuasive power and refers to choosing words strategically, particularly where synonyms may carry different nuances of meaning. Sound patterning creates and enhances meaning by devices such as alliteration, onomatopoeia, rhythm and rhyme. Figurative language turns meaning into words via a less direct mode of expression. Meaning is thus conveyed through the perception of similitude, association or opposition. There are four main kinds of trope: metaphor, metonymy, synecdoche and irony (Cockcroft and Cockcroft, 1992). In its simplest form, metaphor describes a subject by asserting that it is, on some point of comparison, as another otherwise unrelated object. Metaphors are embodied in single words, phrases or paragraphs, or in more complex forms

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\(^9\)Termed (previously) a Special Purpose Entity (SPE) and Variable Interest Entity (VIE) in the International and the U.S. GAAP respectively.
like personification and in extended allegories. In case of metonymy one part of a syntactic structure is used to express another part of that structure. Metonymy is based on substitution of one word for another with which it is closely associated. Through a common association, or ‘compact reference’ (Nash, 1980:55) within the minds of author and audience, an idea put into words metonymically represents unexpressed or implicit ideas and associations. For example, substituting a people involving entity for the people involved (container/content metonymy) or substituting the adjunct or attribute for the subject (adjunct/subject metonymy). Synecdoche is a figure of speech in which a part is used for the whole or the whole for a part, the special for the general or the general for the special. Synecdoche works on the principle of dividing a whole into its parts and vice versa whereas metonymy works on the associational principles of relation to or inherence. Irony, unlike the other three kinds of figurative language, is essentially oppositional. A word, phrase or paragraph is turned from its usual meaning to a sense that is either directly or indirectly opposed to this meaning. Finally, the forth category of persuasive repertoire - schematic devices (also called schemes) covers a wide range of usage of words, including antitheses based on lexical opposition of contrary meanings, word-play and puns which involve playing or punning on sound, sense and the structure of individual words and syntactic devices. Schemes may also cover comparisons where the subject is presented, for example, favorably in relation to some other (unspecified and unstated) possibility, or referring based on showing supreme confidence by presenting a matter to the audience as self evident, and ploys such as open questions or question and answer. Finally, schematic devices may also involve repetitions, amplification and diminution.

There is no comprehensive list of rhetorical repertoire because the devices used are selected to match the context in which persuasion is to be exercised. Cockcroft and Cockcroft (1992) provide a comprehensive discussion of the rhetorical devices presented in this paper. Those devices are used to convey Aristotelian ethos - persuasion through authority, personality and stance; pathos - persuasion through the arousal of emotion (appeal to the audience emotions) usually used to invoke sympathy from an audience or inspire anger perhaps in order to prompt action; and logos - persuasion through reasoning based on logical appeal (or the simulation of it) usually involving presenting an argument that appears to be sound to the audience. Logos is normally used to describe facts and figures that support the rhetorician’s topic. Having a logos appeal also enhances ethos because informed reasoning (or the simulation of it) makes the speaker/writer look knowledgeable and prepared to his or her audience (Aristotle, 1926).

A rhetorician would use ethos to show to his or her audience that he or she is a credible source and is worth listening to. Ethos may be developed through lexical choice that is appropriate for the audience and topic (thus choosing an appropriate level of vocabulary) making the rhetorician sound fair and unbiased. Ethos may also involve figurative language using metonymy or personification to establish an image of authority. It usually involves more than just contact between a persuader and the audience. It also refers to a wider framework of attitudes and places the persuader’s viewpoint or arguments within that framework10. Pathos can be developed by using meaningful language, emotional examples, stories of emotional events, and implied meanings. The use of figurative language (e.g. in the form of metaphor), sound pattering and lexical choice is, if used skilfully, a very efficient tool

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10 This considers the difference between, for example, a personal complaint made by an individual, and one made on behalf of a number of individuals constituting a community linked by occupation, social identity, culture or nationality. The broadening of stance is measurable: at one extreme is the self-obsessed, boring talker, and at the other, the great public orator.
to achieve an emotional appeal. *Logos* may be developed by the lexical choice of advanced, theoretical or abstract language. It may also involve the use of schematic devices in constructing logical arguments.

We expect in ‘serious’ non-literary texts such as accounting standards and their proposals that the opportunities for *pathos* (emotional language) may be limited or nonexistent. Thus, we posit that the use of rhetorical devices reflecting Aristotelian *pathos* is less frequent in the regulatory documents as compared to comment letters. We expect that regulators will use rhetorical devices reflecting mainly Aristotelian *ethos*, utilised very often in a regulatory, legislative domain to convey authority, and *logos* that appeals to logical reasoning (or its simulation). At the same time, we expect that constituents submitting comment letters on the regulatory proposals will use rhetorical strategies drawing on all Aristotelian strategies - *logos, ethos* as well as *pathos*. We also investigate differences in the use of rhetoric among lobby groups and posit that the use of feelings/emotions indicating *pathos* will be more prevalent among comment letters coming from the preparers’ group as they are the ones who bear the most direct consequences of the proposed changes to the accounting practices.

5. Data and Methodology

As already noted, our data sources are (1) the texts of regulatory documents issued by the IASB/FASB on the scope of consolidation and related disclosures and (2) the comment letters submitted by constituents in response to those documents. We focus here on Exposure Draft (ED) 10 *Consolidated Financial Statements* (IASB, 2008) and subsequent accounting standards IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities* (IASB, 2011). We also consider Discussion Paper (IASB/FASB, 2008) and the subsequent Exposure Draft (IASB/FASB, 2010) on *Conceptual Framework for Financial Reporting: The Reporting Entity*. The former three deal with the parameter of consolidation at the standard level while the latter two address the issue at the conceptual level.

We analyse all comment letters submitted to the IASB and the FASB on ED 10, the exposure draft on the consolidation standard and on the discussion paper and the subsequent exposure draft on the conceptual framework addressing the definition of a reporting entity (i.e. group reporting entity). Both the proposals of the regulations and the comment letters are available to the public on the IASB and the FASB websites. Table 1 reports the number of respondents on the regulatory proposals categorized into four constituent groups. We reflect here a frequently used taxonomy underpinning research into accounting standards setting that is linked to what Booth and Cocks (1990) termed ‘historical blocs and the social relations of production’. According to Booth and Cocks ‘in present Western society it is widely agreed that there are four such groups: corporate management (as a branch of capital), the professions, and the state and labour’ (1990: 518). Studies on the accounting standard setting process utilise different versions of this taxonomy and identify, with different variations, three main constituents groups: (a) preparers of financial statements represented mainly by corporations; (b) users of financial statements, comprising investors, creditors and financial analysts; and (c) the accounting profession (Sutton, 1984; Tandy and Wilburn, 1992; Tutticci et al., 1994). Given that our study is conducted in the international context we identify an additional constituent group, namely regulators, comprising mainly national accounting standard setting bodies. Overall, 368 respondents lobbied the IASB/FASB proposals in relation to the scope of consolidation and related disclosures.
Table 1 Respondents on the IASB/FASB regulatory proposals

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<th>ED 10 Consolidated Statements</th>
<th>DP CF The Reporting Entity</th>
<th>ED CF The Reporting Entity</th>
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<tr>
<td><strong>Preparers</strong></td>
<td>87</td>
<td>25</td>
<td>29</td>
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<tr>
<td><strong>Users</strong></td>
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<td>10</td>
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<td>59</td>
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<td><strong>Total</strong></td>
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The present study reviews relevant textual data using discourse analysis exploring the content as well as the form of documents in the relevant social/political context. This method is applied widely in the social sciences to examine different kinds of written/spoken accounts. Generally discourse analysis is a research technique to make inferences from those accounts; these are about the author(s) of the message contained in the written/spoken account, the message itself or the audience for the message (Bryman, 2001). Central to discourse analysis is the understanding that language (written or spoken) is integral to social life and fundamental to political negotiations at a number of levels. Fairclough (1993, 1995, 2003) identified three levels that must be considered in analyses of discourse: ‘each discursive event has three dimensions or facets: it is a spoken or written language text, it is an instance of discourse practice involving the production and interpretation of text, and it is a piece of social practice’ (Fairclough, 1993: 136). In the context of accounting research discourse analysis has been used to investigate financial information communicated through written narratives included in corporate annual reports; accounting, finance and tax textbooks; official pronouncements by accounting bodies and written records of tax and legal cases (e.g. Aerts, 1994; Beattie and Jones, 1997). The accounting standard setting literature examining written submissions on regulatory proposals has utilised a variety of forms of discourse analysis (Cortese, et al., 2010; Stenka and Taylor, 2010). In our study we carefully analyse the content as well as the form of textual documents to identify and categorise the rhetorical devices as discussed in section 4 of our paper. We identify a list of words, phrases as well as groups of words and phrases in proximity, that we classify as instances of *ethos*, *logos* or *pathos*.

6. **Rhetorical devices employed in the regulatory documents and in the comment letters**

   It could be argued that the design of the standards/exposure drafts is the first rhetorical device observed in the documentation of the standard setting process. Each accounting standard and exposure draft follows a similar structure. They open with a brief introduction where the regulator ‘sets the scene’ and outlines its perspective about the context from which the particular accounting standard emerged. In the introduction, statements are made regarding economic events, concerns of other authorities, inconsistent applications and consequent diversity that are presented as ‘facts’ which support the issuance of new accounting rules. The IASB refers in its regulatory documents to ‘the global financial crisis that highlighted the lack of transparency about the risks to which investors were exposed…’ (IFRS 10, IN5) and to the ‘perceived conflict of emphasis between IAS 27 and SIC-12’ that caused ‘divergence in practice’ (IFRS10, IN3 and IN4). Consequently, in ‘response to the wide demand for a
revised consolidation standard’ (ED10, 4) and ‘requests of the G20 leaders, the Financial Stability Forum and others’ (IFRS10, IN5) the IASB decided to issue a new consolidation standard. The pressure of events, the actions and concerns of other authorities are presented as though this web of actors and events left the IASB/FASB with little choice but to undertake this project. The regulator’s presence is a strangely passive one. In presenting these networks, the Boards are seemingly persuading us of their status as listeners to concerns and taking action only when necessary. Their role is constructed as that of reluctant participants in the standard-setting process, pressured into taking action rather than initiating the process themselves. With this section, the stage is set and the audience prepared for the necessity of the rules that follow. The section entitled International Financial Reporting Standards X is placed in bold immediately after the introduction. In the case of exposure drafts there is a summary and invitation to comment section placed before the main body of the document. In the final standards the summary of the proposals is an integral part of the introduction. Including the summary before detailing the proposals is one of the schematic devices used for amplification. The main body of the standard/proposed standard is written in highly legalistic language with numbering of the paragraphs in which the verb ‘shall’ appears repeatedly. The IASB/FASB organise their regulations in a fashion that explicitly posits a separation between the accounting requirements detailed in the main body of the standard/exposure draft and persuasive efforts offered in support of these requirements in the Basis for Conclusions. In separating the Basis for Conclusions from the technical requirements of standards or exposure drafts, the IASB/FASB attempts to persuade the reader that a sharp separation between these requirements and their justification has been (and can be) maintained. This separation is to discourage any arguments from the presumed audience. Moreover, the use of the imperative and the paragraph numbering could be interpreted as creating an image of the absence of any persuasive intent.

In the text of the documents we can find the use of figurative language to convey ethos in the form of metonymy in substituting ‘the Board’ for the members of the Board. It is persuasive by implanting the impression that the Board is a monolithic entity with a collective authority beyond that of its individual members. It could be argued further that the phrase ‘the view of the Board’ is a persuasive metaphor in the form of personification since it is people, rather than Boards who have views. The regulators distance themselves even further from the actions recommended by the standards and their proposals using persuasive metaphor in the form of personification and referring to the documents that ‘propose’ (ED 10, 2), ‘establish’ (IFRS 10, IN1) and ‘require’ (IFRS 10, IN6). This way of combining a standard or an exposure draft with active verbs constructs these regulatory documents as active entities and imbues them with an existence and agency apart from the IASB/FASB. It is an accounting standard or an exposure draft rather than the IASB/FASB or any other human organization that ‘proposes’, ‘establishes’ and ‘requires’. The IASB/FASB is thereby distanced from these actions, and this distancing also acts to suggest that accounting exists apart from, and independently of, its human creators. In establishing and requiring, the standard or the exposure draft seemingly follow an accounting imperative rather than the dictates of human actors. It is accounting, rather than a human agency enacted through standard-setting, that decides the (un)acceptability and (in)appropriateness of particular accounting practices. These persuasive devices convey ethos and make it more difficult for the constituents to challenge the proposals as they are portrayed to be required by the imperatives of accounting.

The lexical choice of specific verbs used to portray the regulators’ activities is also persuasive, building their credibility (and thus conveying ethos). ‘Consider’, ‘conclude’ and
‘decide’ are verbs that serve to portray the regulators as involved in a rational deliberation process. ‘Reject’, ‘disagree’, ‘agree’, ‘note’, and ‘recognise’ are used to further indicate that the standard setting process occurs with input from others as the regulators highlight the comments they rejected or agreed with during their deliberations. The absence of certain verbs is also significant. The IASB and the FASB do not ‘urge’, ‘suggest’, ‘criticize’, ‘oppose’ or ‘argue’. The absence of these verbs eliminates the connection of the regulators with advocacy. Instead, respondents, other authorities and various other actors engage in these activities. In other words the regulators do not urge adoption of an accounting practice because of their preferences but conclude that adoption is appropriate as a result of their deliberative rational processes (Young, 2003). There is also an interesting lexical choice of ‘some’ referring to those constituents who oppose the provisions and ‘many’ when referring to those who support the changes proposed by the regulators (ED10, BC27, BC37).

In the justification for the specific proposals the IFRS/FASB often use figurative language in the form of metonymy referring to ‘public interest’ where the name of the group is substituted for those persons in the group. This collective description without identification of the persons concerned makes it more difficult for the constituents to challenge the position of the IASB/FASB. Similarly, users serve as a source of authority (Young, 2003, p. 629). The regulators use metonymy in referring to ‘many believe/many users of financial statements believe’ (ED10, BC10, BC18) or acting ‘in response to the wide demand’ (ED 10, 4) which is rarely connected to any discussion of how users of financial statements would employ the particular accounting information in their decisions. The benefits of additional information provided by the accounting requirements tend to be asserted rather than illustrated and are used as general notions that describe a preferred state (Summa, 1992 in Young, 2003). The usefulness of the new provisions is seldom connected to any demonstration of how user decisions would be altered by the new information provided. No appeal is made either to supportive empirical studies or to the particular views of representatives of the user community. Also, it ought to be noted that there are many very significantly different users and purposes of financial statements and consequently there are many ‘true and fair views’ relevant to the financial position and performance of a business depending on the needs of a particular users’ group. Additionally, the importance of any particular purpose, both in absolute and relative terms, is very much time and space specific (Alexander and Archer, 2003; Alexander and Ionascu, 2008; Alexander, 2013). The regulators seem to ‘hijack’ generic (as it seems) users’ needs as an effective medium of persuasion monopolising an understanding as to how users’ needs are ‘best served’.

The regulators also use often the phrase ‘there is evidence’ (ED CF, BC5) which is an example of the schematic device of referring - showing supreme confidence by referring a matter to the audience as self-evident. There is no further discussion regarding the evidence referred to. A matter is portrayed to be of such obviousness that it requires no appeal to any conventionally accepted evidential bases. It makes the reader feel as if s/he is the only one not having knowledge about that particular evidence and which discourages the reader from challenging the proposals. The regulators use also logos of conjunction ‘thus’ and ‘therefore’, ‘because’ (ED CF, BC4; ED10 BC8, BC38) to reaffirm the logical and consequential basis of the proposals. The logical links are emphasized by the words ‘accordingly’ and as ‘a consequence’. For example, IFRS 10 (2010) states ‘As a consequence, users should have more comparable and verifiable information’, in this phrase we can also identify logos based

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11 Hopwood (1994) sees ‘the confinement of the user to a rhetorical representation by others’ as a prevailing feature of the international accounting policy making arena (p. 249). The ‘others’ are very often regulators (see also: Lehman, 2005).
on the schematic device of a comparison where the present proposals are presented favourably in relation to some other (unspecified) alternative. In the text we can also find examples of sound patterning in the form of syntactic parallelism based on the use of similar rhythm within the para as a whole – ‘...to improve the definition....to improve the disclosure requirements’(ED10, 1) to draw the attention of the audience to the balance of the intended improvements.

As already noted, the main body of the IFRS/ED is written in highly legalistic language. The lexical choice of multiple prescriptive verbs such as ‘shall’ and ‘must have’ and numbering of the paragraphs impart the seriousness of the IFRS/ED. The bold letter paragraphs and the choice of prescriptive verbs, resembling penal codes and legal acts, aims to gives sense that laws are being enacted within an exposure draft or a standard. These devices imply the gravity of the text (especially in the case of an exposure draft that lists proposed requirements) and the importance and significance of obedience to it. In these bold letter paragraphs the lexical choice of prescriptive verbs ‘shall’ and ‘must have’ indicates an instruction. Also, there is a persuasive aspect of the use of the present tense. It is a lexical choice that gives the appearance of instruction that is not open to questions. These rhetorical devices reflect Aristotle’s *ethos* by appealing to the authority of the standard setters. Also, the use of numbered paragraphs could be seen as a mechanism for establishing the dominance of the regulators because it dictates (in addition to the order of the specific questions the commentators are invited to answer) the way in which respondents and critics must frame their responses; that is, they would need to adopt the same system and ordering of points by referring to particular paragraphs. This order may constrain the way in which criticism/resistance might be articulated. The additional function of using the present tense is to give the impression that the practices described are already in operation and thus no new effort is required.

Having analysed the persuasive repertoire present in the regulatory documents we now turn our attention to the comment letters submitted in response to these documents. The majority of respondents use the schematic device of an amplificatory framework opening the letter with summary statements preceding the detailed comments in order to focus their effect. In the letters we also find the use of the *logos* of conjunction ‘thus’, ‘therefore’, and ‘because’ to construct the rational and consequential basis of the respondents’ positions. Schematic devices based on antithesis are also frequently used by the lobbyists. For example, a number of respondents start their comments with ‘we welcome the proposed changes......however, we have some major reservations’ (e.g. French Banking Federation , 2008); ‘we support the development of a revised standard.....however, we have some fundamental concerns’(CPA Australia, The Institute of Chartered Accountants and the National Institute of Accountants, 2009). This creates an image of goodwill, enthusiasm and open-mindedness in relation to the proposals that is however combined with genuine concern and constructive criticism. It seems as if there were some kind of a ‘fixed template’ used for drafting the letters as even the most critical submissions suggesting that the regulators ought to abandon the project (ICAEW, 2009) start with the supporting statement in the introduction.

The constituents convey *ethos* based on stance in citing their significance in the particular industry or business setting. This is a persuasive device to construct the authority and credibility as well as the image of representing not their own private views but wider views present in a particular industry or business setting. For example, Institutional Limited Partners Association states ‘ILPA has over 215 institutional member organizations that collectively
manage approximately $1 trillion of private equity assets. Our reach is both geographically and organizationally diverse (...) with global representation. The ILPA is therefore particularly well positioned to comment on the “user value” of the consolidation of private equity investments’ (Limited Partners Association, 2009). The respondent uses also the logos of conjunction ‘therefore’ which is placed strategically to persuade the regulator about the credibility and ‘knowledge base’ of the respondent’s position.

The constituents frequently utilise the figurative language in the form of metonymy – ‘the private equity industry as a whole’ (Southern African Venture Capital and Private Equity Association, 2008), ‘investment industry’ (Australian Accounting Standards Board, 2009) with the collective description without requiring identification of the persons concerned. These expressions also help to legitimize the views expressed by the commentators and portrayed them as representing interests of the whole sector that helped to establish the authority of the commentator.

In their comment letters respondents (not coming from the users’ group) also utilised the vehicle of ‘users’ needs in justifying their positions – ‘this level of disclosure does not simplify the users’ understanding of the entity’s exposure to the risk of the financial instrument’(Organismo Italiano di Contabilità, 2009).

While exploring the comment letters we have also come across particularly negative/emotional lexical choice that convey pathos - ‘...severe implications’ (Southern African Venture Capital and Private Equity Association, 2009), ‘detrimental implications (Institute of International Finance, 2008), ‘damaging effects’, ‘it will put us out of business’ (Investment Fund Institute of Canada, 2009). These references were implying an emotional (usually negative) state as a consequence of the proposals. Such a dramatic approach have not been used by the regulators. Also, such emotional appeal has been mainly used by the preparers.

7. Conclusions
The present study explored the ways in which rhetorical strategies are employed in the international accounting standard setting process. In focusing upon the rhetorical, we see that the language utilised in the regulatory texts is deliberately chosen – chosen to persuade us to accept a specific construction of (good) accounting. This echoes Searle (1995) notion of language as a constitutive factor of social reality and Davidson notion of intersubjectivity (Davidson, 1990; 1994) which is supported by the structuralist views of the linguistic theorists Pierce (1839-1914) and Saussure (1857-1913). The study refers to the social work of Bourdieu (1990, 1991) to provide a deeper understanding of accounting regulatory practice as a social process that is of considerable importance to wider society. Bourdieu considers language as a mechanism of social manipulation and (symbolic) dominance. The proposed accounting practices are chosen not by an accounting imperative but by specific individuals. Standards are prepared and written by members of a regulatory body and as such they are shaped by a particular point of view regarding significance of various accounting matters. Consequently they attempt to persuade constituents to accept this particular perspective. Throughout the standard setting process regulatory boards engage with critics and attempt to persuade them to agree to the simple plot that a particular aspect of accounting is ‘broken’ in particular ways and the proposed standard will fix these breaks. This process is controversial as there are many interests and stakeholders involved, and also because accounting items are
not easily assigned to accounting categories but must instead be ‘prodded, probed, snipped’, and made to fit into certain chosen categories. Notably, the persuasive and constructive strategies are also employed by the constituents who lobby the accounting proposals driven by their own interests and their own perceptions of what constitutes ‘good’ accounting.

Our analysis has revealed sophisticated rhetorical devices used by the IASB/FASB and by the lobbyists. These reflected Aristotelian ethos (persuasion through personality and stance), pathos (persuasion through the arousal of emotion) and logos (persuasion through reasoning). The research demonstrates that those using accounting standards as well as those reading comment letters on the proposals for new standards should be aware of the normative nature of these documents and the subjectivity inherent in the nature of the text.

References:


