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**The Accounting Profession's Engagement with Accounting Standards:
Conceptualizing Accounting Complexity through Big 4 Comment Letters**

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ABSTRACT

Regulators, standard setters, and the accounting profession maintain that complexity in accounting standards is a significant issue. However, it is unclear what complexity means in the context of accounting standards. This study examines, via comment letter submissions, the accounting profession's engagement with complexity in accounting standards. We analyze comment letters submitted to the Financial Accounting Standards Board over a 12-year period and find the profession characterizes complexity through three dimensions – multiplicity, diversity, and interrelatedness. We examine the Big 4's discourse on these dimensions and observe consistency between audit firms in their discourse on several features. For instance, we find that firms primarily oppose proposed FASB changes when firms perceive those changes to increase rather than decrease complexity. Additionally, firms perceive proposed changes to affect financial statement preparers more often than other stakeholders. However, the Big 4 do not hold universal opinions as to the root causes of complexity. At the cross-firm level, we find inconsistencies that imply heterogeneity in the Big 4's discourse on root causes. Such inconsistency may, in and of itself, construct accounting complexity. Ultimately, we maintain that the Big 4's engagement with accounting standards has consequences for how complexity is thought and acted upon in accounting standards.

Keywords: accounting profession, discursive engagement, comment letters, accounting complexity, content analysis

I. INTRODUCTION

The notion of complexity in accounting standards has attracted much attention over the last decades, with debates over the complexity of accounting standards acquiring a certain prominence for regulators and accounting standard setters (Murphy 2015). For instance, the Securities and Exchange Commission's (SEC) Advisory Committee on Improvements to Financial Reporting issued a report in 2008 that recommended "reducing the complexity of the financial reporting system to investors, preparers, and auditors" (SEC 2008). The SEC committee also recommended that the Financial Accounting Standards Board (FASB) should minimize "avoidable complexity" (SEC 2008). In an initiative to simplify U.S. Generally Accepted Accounting Principles (GAAP), the Chairman of the FASB prioritized the reduction of complexity resulting from accounting standards (Chasan 2013; FASB 2014). Likewise, the accounting profession indicated complexity in accounting standards to be a significant issue.¹ For example, Deloitte suggested in a letter to the Chairman of the FASB that the FASB should broaden its strategy to address complexity outside of the simplification initiative (Deloitte 2013). Thus, the contemporary discourse of the accounting profession around complexity is consistent with that of regulators and standard setters.

While the concept of complexity has generated significant attention, it is unclear what complexity means in the context of accounting. Prior research focuses on various aspects of complexity in accounting through studies of organizational complexity (Bushman, Chen, Engle, and Smith 2004), financial reporting complexity (Li 2008; Miller 2010; Hobson 2011; Leheavy, Li, and Merkley 2011; Filzen and Peterson 2015), and information complexity (Plumlee 2003;

¹ We refer to the accounting profession broadly as encompassing both accounting firms and professional accounting associations. We use the term accounting firms to refer to all firms in the accounting profession. We use the term audit(ing), firm(s) or Big N (currently 4) to refer to a select group of accounting firms that represent the largest professional services firms and those specifically studied in this paper. Finally, we refer to the AICPA and state-level accounting bodies as professional accounting associations.

Peterson 2012). These studies take complexity as a given in order to investigate the economic consequences of complexity as opposed to questioning the concept of complexity itself. This paper seeks to conceptualize complexity by examining the accounting profession's engagement with, and discourse on, complexity in accounting standards. In doing so, our work makes an early contribution to a research agenda aimed at better understanding norms of complexity and their impact on accounting, auditing, and governance (Malsch, Tremblay, and Gendron 2017).

We focus on the engagement of the accounting profession in accounting standard setting considering that the profession consistently participates in the comment letter process (Jorissen, Lybaert, Orens, and van der Tas 2012, 2014). Through this engagement, we observe less the direct influence of the profession on accounting standards and more the profession's indirect influence through its discourse (Cooper and Robson 2006). For instance, complexity might be viewed as a discursive resource to strategically promote certain interests or claims to expertise.

Focusing on the accounting profession's discourse on complexity, we examine comment letters submitted by the profession on FASB accounting proposals over the 12-year period from 2003 to 2014. The purpose of this examination is to understand what the profession's discourse and engagement might reveal about the concept of complexity, and the consequences that the profession's engagement with this concept has for accounting standards. We argue that the profession, and the Big 4 in particular, plays an important role in conceptualizing complexity but that its own discourse may contribute to complexity in accounting standards.

We draw from prior complexity literature to identify three theoretical dimensions of complexity: multiplicity, diversity, and interrelatedness (Jacobs and Swink 2011; Jacobs 2013). We mobilize these theoretical dimensions to understand how the accounting profession conceptualizes complexity in accounting standards. For instance, prior research on complexity

defines multiplicity as the number of elements, choices, or information cues to be processed. With respect to accounting standards, multiplicity is identified as the number of choices provided within standards and the amount and nature of information required by specific standards. In contrast, diversity refers to the degree of differences across elements including the number of variants, differentiation, and rate of information change. Diversity in accounting standards relates to variation in concepts and treatments across standards and between different sets of standards. Finally, the complexity literature views interrelatedness as common functions embodied in elements and the interaction of those elements in the system. In accounting standards, the functions of standards include their operationality, usability, and auditability. These functions interact with the dimensions of multiplicity and diversity.

We initially examine comment letters submitted by the accounting profession in order to gain an understanding of the profession's discourse as it relates to the dimensions of complexity in accounting standards. Thereafter, we narrow our focus to letters submitted by the Big 4 since, consistent with prior research, the Big 4 engages with accounting standard setting more than other types of actors in the accounting profession (Jorissen et al. 2014; Ramirez 2012). Through our examination of the Big 4's discourse, we find that the concept of complexity is a prominent theme in standard setting and that distinct discussions around the three dimensions of complexity exist.

Additionally, we analyze whether the Big 4: support or oppose FASB proposals, perceive proposals to be increasing or decreasing complexity, and perceive proposals to be affected by particular root causes of complexity and to affect certain stakeholders. We find that the Big 4 primarily oppose changes they perceive to increase rather than decrease complexity. In addition, we find that audit firms perceive changes that increase complexity to affect preparers more than

users or auditors. We note consistency between audit firms in their discourse across proposed changes in terms of their support for, or opposition to, a change and whether the change would increase or decrease complexity. However, firm discourse is less consistent when firms speak about the root causes of complexity.

Our paper contributes to the literature on accounting complexity and the profession's engagement in accounting standard setting in three ways. First, previous research on accounting complexity has focused on studying the relationship between different measures of complexity and firm, manager, or user performance (e.g., Plumlee 2003; Bushman et al. 2004; Li 2008; Miller 2010; Lehavy et al. 2011; Peterson 2012; Filzen and Peterson 2015). Such studies generally measure complexity using quantitative proxies, which are presented as objective characteristics of complexity. We do not claim it necessary to develop or agree on an absolute definition of complexity; rather, we believe it is possible to characterize complexity as an object which is socially constructed (Power and Gendron 2015). It is important to characterize complexity as a construct since it underlies the dissemination and enactment of policy innovation (e.g., the FASB Simplification Initiative); yet official discourses surrounding complexity are often taken for granted (Malsch and Gendron 2011).² We believe our paper is one of the first to conceptualize complexity in accounting standards, through a systematic description of the theoretical dimensions of complexity.

Second, this paper builds on the literature that examines the accounting profession's engagement in standard setting (e.g., Haring 1979; Puro 1984; Radcliffe, Cooper, and Robson

² The FASB launched its Simplification Initiative "to make more narrowly targeted improvements and simplifications to financial reporting through a series of short term projects." The FASB presents three current projects and ten projects completed as part of this initiative. They also present two completed projects that are not directly part of the initiative but which "simplified elements of GAAP." From this initiative, the FASB indicates that it has learned that "reducing unnecessary complexity (and costs) is a concept that we can apply to all our projects" (FASB 2017).

1994; Saemann 1999; Greenwood, Suddaby, and Hinings 2002). Recent work has rekindled debates implicating the Big 4, in particular, in the development of accounting standards (Malsch and Gendron 2011; Allen, Ramanna, and Roychowdhury 2013, 2014). Our paper appeals to this literature and meets Cooper and Robson's (2006) call for a greater focus on the link between studies of accounting standard setting and the activities of the profession, which have yet to be fully explored. Contrary to much standard-setting research, we study the way in which the accounting profession discursively engages with standards and propose that, in doing so, the profession plays an active role in the construction of accounting complexity. We agree with Humphrey, Loft, and Woods (2009, 811) that audit researchers need to be aware of the institutions with whom the profession interacts and the ways in which such interactions set the boundaries for the policies and thought processes that shape practice.

Finally, we add to research on the Big 4's contribution to the development of standards. Where accounting proposals may affect the accounting profession in different ways (Gipper, Lombardi, and Skinner 2013), factions of the profession may not perceive accounting matters in the same way or hold consistent ways of thinking (Abbott 1988; Durocher and Gendron 2014). We argue that the Big 4's comments are important activities to study as they reflect their views and thought processes on accounting standards, for instance on how accounting standards may accentuate or attenuate complexity. Our results provide evidence that the Big 4 actively engage in discourse on complexity, think about how proposed changes to accounting standards may impact complexity, and consider the potential implications of complexity for financial statement preparers. Yet, we find that audit firms do not always engage with complexity in a unified way, which has implications for the way accounting standards ultimately develop. Overall, our findings reveal that the Big 4 act as "conflicted intermediaries." On the one hand, they advocate

for their client's concerns for overly complex standards and thrive on opportunities to solve issues of complexity. Yet from a cross-firm perspective, the extent of inconsistency we find is potentially in line with the firm's economic interests.

The remainder of this paper proceeds as follows. In the next section, we review relevant literature on the accounting profession's engagement with accounting standards and outline the theoretical foundations for our analysis. We describe data collection and analysis in Section 3. Section 4 presents our findings while Section 5 discusses potential implications and concludes.

II. THEORETICAL FOUNDATIONS

Accounting Profession Engagement with Standards

Research shows the accounting profession consistently engages in the development of accounting standards over time and across topics. Some studies focus on understanding the engagement of both accounting firms and professional associations and consider them tightly entwined (e.g., Tandy and Wilburn 1992; Kenny and Larson 1993; Saemann 1999; Jorissen et al. 2012, 2014). However, the link between accounting firms and professional associations is also suggested to be a tenuous one in that the accounting profession often does not convey an image of tight organization and unity (Greenwood et al. 2002; Gendron and Spira 2009; Lander, Koene, and Linssen 2013). In this regard, other studies focus on the engagement of the accounting firms and, specifically, on the Big N.

The focus on accounting firms' engagement in the development of standards increased after the Metcalf Committee of the U.S. Senate issued a report identifying the (then) Big 8 as dominant powers in the standard-setting process (Haring 1979). Haring (1979) finds significant evidence that accounting firms' positions (i.e., overall support for or opposition to a rule) influence the outcomes of the FASB; however, this was challenged by later research (Brown

1981; Newman 1981; Hussein and Ketzi 1991). For instance, Brown (1981) finds that outcomes of the FASB standard-setting process vary depending on the issues underlying each project but not in relation to the positions taken by the accounting firms.

As the influence of accounting firms on FASB standard-setting outcomes is difficult to observe, researchers have taken different approaches to understanding accounting firms' engagement with standards. One approach is to study the link between the issues underlying standard-setting projects, and the participation of and positions taken by firms (Puro 1984; Saemann 1999; Allen et al. 2013). Puro (1984) indicates that accounting firms participate in the development of standards in two ways. First, firms participate when the FASB proposes new accounting and disclosure requirements and, second when changes are proposed to standardize the treatment of an accounting issue. On these two issues, Saemann (1999) shows that the AICPA (a proxy for accounting firms) opposes proposed FASB changes that affect the level of detail and disclosure required (i.e., new accounting and disclosure) and the number of alternatives afforded by accounting standards (i.e., standardization of treatment).

Another approach to studying engagement with the development of standards is to focus on the firms' motivations for participation. Motivation is often linked to several perspectives, including that accounting firms act in the: (1) private and/or client-focused interest of the profession (Canning and O'Dwyer 2001; Dwyer and Roberts 2004; Malsch and Gendron 2011, 2013), or (2) public interest in protecting the public or users of financial statements (Willmott, Cooper, and Puxty 1993; Roberts, Dwyer, and Sweeney 2003). Studies on the motivation of accounting firms to participate in standard setting have centered on whether client-auditor relationships impact the positions accounting firms take on standard-setting proposals. Haring (1979) and Watts and Zimmerman (1982) find insignificant evidence that clients, or preparers,

influence firms' positions on accounting policy. Other research finds that firms express both their client's interest and their own interest, particularly on proposals they perceive as creating demand for professional services (Puro 1984). Saemann's (1999) research indicates an overall bias in firms' positions towards user considerations; however, the author also identifies a trend in more recent standards towards preparer concerns. At the same time, contemporary research indicates that litigation and regulatory scrutiny (i.e., private interest) drive the engagement of the Big 4 while client views on accounting standards do not (Allen et al. 2013). Based on the above, our understanding of accounting firms' engagement with proposed FASB changes – both in terms of underlying issues at stake and of motivating factors – is fragmented and limited.

While research has shed light on engagement in the standard-setting process, there is less understanding as to the way in which accounting issues might be conceptualized or the normative claims that might be made about such issues. Therefore, our paper presents an in-depth qualitative study of the discourse expressed in comment letters on accounting proposals. Some have argued that the days of using comment letters to affect accounting policy are long gone, as the firms say less about their positions on particular standards in a desire to avoid client-service issues (Zeff 2003). We propose there is more to be learned through the accounting profession's discourse in comment letters. Specifically, how the profession engages in the process of standard setting, how it views issues, understands problems (Cooper and Robson 2006; Gipper et al. 2013), and how the profession may help to construct standards (Sikka, Puxty, Willmott, and Cooper 1998).

One obstacle the accounting profession struggles with in its engagement with standards is the absence of a formal body of accounting knowledge (Hines 1989). Hines (1989) suggests that the conceptual framework arose as a means of creating the perception that the profession has a

formal knowledge base and that the development of a conceptual framework would enable the creation of theoretically grounded and consistent standards. Larson (1977) argues that a profession's body of knowledge should be formalized enough to allow standardization, yet should not be clearly codified implying some deliberate complexity. However, until now, the conceptual framework remains highly contested, incomplete and inconsistent, and is sidelined as "non-authoritative" guidance. As such, standards are derived less from a core body of theoretical accounting knowledge and more as the residual of a political process that produces *ad hoc* accounting standards (Hines 1989). This political process is one of exposure, participation, and ratification in a public due process; through this process, influential groups can affect the way that standards develop (Solomons 1983; Gipper et al. 2013).

Accounting standards are likely to be affected by accounting firms given their ability to confront potential explanations of "what might go wrong" and to identify how issues might be resolved (Gendron 2000). Accounting firms play a key role in legitimizing accounting information through claims to expertise (Malsch and Gendron 2009). Firms not only interpret accounting standards and verify the practical application of those standards in certifying accounts, but also contribute to the development of accounting policy (Malsch and Gendron 2009; Power and Gendron 2015). Indeed, Cooper and Robson (2006, 417) argue that research on professions and standards has often neglected to see the accounting profession as significant agents. These authors indicate that the Big 4, in particular, have considerable influence on how accounting policy is created and disseminated through their interaction with a range of regulatory institutions, professional committees, and participation in the standard-setting process (Humphrey et al. 2009; Ramirez 2012). Our paper provides insight into how the accounting profession, and the Big 4 in particular, interacts with and views complexity in the accounting

standard-setting process.

Complexity in Accounting

No formal definition of complexity exists within the accounting academic literature; rather, prior research has examined complexity from different perspectives. These perspectives include organizational complexity (Bushman et al. 2004), financial reporting complexity (Li 2008), and information complexity (Plumlee 2003; Peterson 2012). In such studies, complexity is undefined conceptually but studied through a variety of proxies. For instance, Bushman et al. (2004) use proxies such as size, geographic segments, and number of business or product lines to study organizational-level complexity and find evidence that complexity affects governance factors such as board structure and ownership concentration.

A second perspective on accounting complexity focuses on companies' overall financial reporting complexity. Such studies measure complexity based on the length of the report or its readability (Li 2008; Miller 2010; Lehavy et al. 2011), where readability is determined using the Gunning Fog Index (GFI).³ Researchers then link this measure to various outcomes. For example, Li (2008) finds that annual reports of companies with lower earnings are harder to read (i.e., have a higher GFI, are longer, and are more complex). Lehavy et al. (2011) show that greater (collective) effort is required to generate analyst reports on more complex 10-K filings and that this effort produces less accurate forecasts. Therefore, it seems that managers may make disclosure choices that make it more difficult for users to uncover information that managers do not want to be uncovered (Li 2008; Lehavy et al. 2011).⁴

A third perspective on complexity maintains that complexity stems from a combination

³ The GFI represents a measure of overall complexity as it incorporates the number of words per sentence and the number of complex words (i.e., words with three or more syllables) in a document to derive a measure of the readability of firm reports (Li 2008; Loughran and McDonald 2016).

⁴ See also Miller (2010), Rennekamp (2012), and Filzen and Peterson (2015).

of the underlying economic transactions and financial reporting standards relevant to companies (i.e., information complexity) (Plumlee 2003; Peterson 2012; Bobek Schmitt, Chen, Hageman, and Tian 2016). This research focuses on the effect that complexity in taxation and dividends has on users of that information. For instance, Plumlee (2003) finds that more complex information imposes a cost on analysts. Hobson (2011) shows that reducing the complexity of information about dividends increases the processing of that information by investors. Finally, Bobek Schmitt et al. (2016) show that information complexity negatively affects accuracy and optimal decision making by individual taxpayers.

In relation to financial reporting standards, Peterson (2012) finds that revenue recognition complexity increases the probability of revenue restatements due to both intentional and unintentional behavior. Thus, while complex accounting may allow managers to manipulate financial statements, it may also increase the likelihood of mistakes and error when applying standards (Peterson 2012). Where unintentional misreporting could arise due to complexity driven by the requirements of accounting standards, accounting complexity remains an important issue for standard setters. Indeed, both the FASB and SEC suggest that complexity is a major contributor to the increased incidence of financial statement misreporting (Cox 2007; Herz 2013).

Prior research helps us to understand the effects of complexity within the financial accounting system, including on firm, manager, and user performance. Yet, most studies take complexity as a given and do not question the concept of complexity. As suggested by Alvesson and Sandberg (2013), and highly relevant in the context of accounting research, there is a critical need for more reflexivity on the part of researchers engaging with accounting concepts. While regulators, standard setters, and the press continue to express concern about accounting

complexity, the term complexity is often used in a loose manner and research on (conceptualizing) complexity in accounting standards is lacking.

Practical debates over the complexity of accounting standards often speculate as to its causes and consequences. For instance, regulators note that globalization and innovation in the capital markets, the proliferation of standard setters, the existence of other sources of standards, and overly prescriptive rules lead to complexity (SEC 2006). Complexity, as presented by the FASB, involves standards that are too dense and complicated, or those whose cost of production exceeds its information value to users (FASB 2014). The rhetoric of the accounting profession, particularly of the audit firms, around the consequences of accounting complexity largely aligns with the FASB. For instance, a PwC paper indicated that overly complicated rules force treatments that do not align with the underlying economics of transactions (PwC 2011). While debates over the complexity of accounting standards have grown, our understanding of complexity and the profession's engagement with complexity has escaped critical analysis.

Academic research on complexity in accounting standards, specifically research emphasizing the linkage between the accounting profession and complexity, is sparse. One example is Durocher, Gendron, and Picard (2016) who examine how small accounting firms perceive and react to complex, global accounting standards. A significant proportion of small firms opt for lower assurance engagements in response to the increasing complexity in standards (Durocher et al. 2016). Such firms might not have the resources to devote to participation in the standard-setting process (Fogarty, Radcliffe, and Campbell 2006) even though their clients may be the most affected by complexity in accounting standards (Evans et al. 2005). As such, while small accounting firms represent the vast majority of practicing accountants (Ramirez 2009), it seems they may not play a significant role in the way accounting complexity develops. Outside

of these papers, we are aware of no systematic analysis of the way in which the accounting profession conceptualizes and engages with complexity in accounting standards.

Conceptualizing Complexity in Accounting Standards

To conceptualize how the accounting profession characterizes complexity in accounting standards, we build our theoretical foundation from prior complexity literature. Jacobs and Swink (2011) examine complexity from multiple disciplines in an effort to define complexity. They note that, although the various disciplines apply the concept of complexity to different objects, the conceptualizations of complexity across disciplines all share three similar dimensions: multiplicity, diversity, and interrelatedness (Jacobs and Swink 2011). For instance, the systems literature treats complexity as related to a system of elements and the extent of interaction of these elements (Simon 1962). As a multidimensional construct, the complexity of a system depends on the extent to which it reflects multiple, diverse, and interrelated elements (Simon 1962; Perrow 1984).

The prior research on complexity defines the individual dimensions as follows. Multiplicity relates to having a larger number of elements, choices, and information cues to be processed (Jacobs and Swink 2011; Jacobs 2013). Thus, multiplicity relates to the amount of information, choice, and flexibility *within* standards. Choice within standards is linked to the various elections and alternatives that standards make available to a company. Multiplicity also relates to the amount of information required by standards and the flexibility a firm has in the presentation of that information in financial statements and/or footnotes.

Diversity relates to the degree of differences in elements across the system in terms of their attributes (Jacobs and Swink 2011; Jacobs 2013). A system is diverse, and more complex, if it includes larger numbers of variants, greater differentiation, and increasing rates of information

change. In contrast to multiplicity, standards reflect diversity if the system of standards lacks consistency or has greater variation *across* standards. Lack of consistency across standards can result from incongruence between requirements of standards as they are interpreted and applied across the system. Diversity can also arise due to differences in the way requirements of standards appear in specific industries or geographic regulations (e.g., GAAP and IFRS).

Interrelatedness relates to the common or interacting functions embodied in elements of a system (Jacobs and Swink 2011; Jacobs 2013). Complexity, as it relates to interrelatedness, is proportional to the interaction among elements and functions in a system. In terms of accounting standards, interrelatedness is associated with the functions that standards are presumed to perform for key stakeholders. For instance, financial statement preparers apply the standards to financial statements, auditors verify the financial statements, and users need to understand the financial statements. Interrelatedness also speaks to whether such functions interact consistently within and across standards.

We expect the dimensions of multiplicity, diversity, and interrelatedness to be a relevant starting point to carry out our investigation of how the accounting profession conceptualizes complexity. Thus, applying the prior theoretical concepts of complexity to our setting, we define the dimensions of complexity as follows. *Multiplicity* relates to characteristics of accounting standards that represent the numbers of features, components, or variations within a standard. *Diversity*, emphasizes the dissimilar treatment of features, components, or variations across standards. Finally, *Interrelatedness* refers to the extent of common functions embodied in the standards. Using this conceptual framework, we examine the following questions. How does the accounting profession conceptualize accounting complexity? How do audit firms engage with complexity in accounting standards? How does audit firm engagement produce and reproduce

complexity? For each of these questions, the very meaning of complexity is not a given but something that may differ between actors and across their discourse.

III. METHOD

This paper presents an in-depth study of the engagement of the accounting profession in the development of accounting standards (Pratt 2009). Our particular focus is with the content of comment letters submitted by the accounting profession on FASB proposals and what that content tells us about how the accounting profession conceptualizes and engages with complexity in accounting standards. Our analysis is iterative in that we begin with the dimensions of complexity, look for patterns and trends, and then go back to the complexity dimensions to help understand these patterns and trends in our specific context.

We employ content analysis of the accounting profession's discourse in comment letters following Beck, Campbell, and Shrives' (2010) use of a blended interpretive and mechanistic approach. We use an interpretive approach to uncover patterns and trends in the accounting profession's discourse within the comment letters. Keeping the theoretical dimensions of complexity in mind, we apply coding procedures to identify labels, categories, and themes (Dacin, Munir, and Tracey 2010) and then move back to the theoretical framework to organize our themes into the theoretical dimensions. The mechanistic approach helps us to identify specific comment letters for study and to highlight broad patterns, trends, and relations within and between different theoretical dimensions of the framework to make broader inferences about those dimensions.

Data Collection

We collected comment letters submitted to the FASB on accounting proposals issued during the period from 2003 to 2014. All comment letters submitted on FASB proposals made

from 2002 onward are publicly available on the FASB website⁵; however, we restricted our data collection to a smaller population of accounting proposals. First, we collected comment letters beginning with proposals issued in 2003 to avoid comment letters submitted by Arthur Andersen, which would only have been available for one year. Second, we collected letters related to FASB proposals representing either new statements or revisions to statements; and did not focus on FASB discussion papers, staff positions, or proposals by the Emerging Issues Task Force (EITF) so as not to confound different policy-making processes or types of standards. Finally, we refrained from analyzing joint projects conducted with the International Accounting Standards Board (IASB) so as not to commingle international political and economic issues.

As a result, we identified 864 comment letters submitted by the accounting profession on 73 FASB proposals across the 12 years under study.⁶ We initiated pilot coding on the entire population of accounting profession comment letters.⁷ We followed established coding techniques and procedures (Dacin et al. 2010; Miles, Huberman, and Saldana 2013) for interpretive coding using NVivo, a commonly used qualitative research application that facilitates content analysis. First, we coded a sample of comment letters in NVivo by reading each sentence and identifying the main topics of the sentence. One of the authors assigned descriptive labels (node per NVivo terminology) to each sentence with the aim to stay as true to

⁵<http://www.fasb.org/cs/ContentServer?site=FASB&c=Page&pagename=FASB%2FPage%2FSectionPage&cid=1176157086783>, accessed 1 July 2015.

⁶ This represents about 16.7% of the 5,165 comment letters submitted on these 73 proposals. Given our focus on the accounting profession, we neither collect nor categorize comment letters submitted by stakeholders outside of the accounting profession, which include academics, corporate preparers, and financial analysts.

⁷ We sampled approximately 5% of the comment letters of the accounting profession, as a whole, to code and generate our labels and categories. However, we narrowed our focus to the Big 4's comment letters to conduct detailed analysis. We believe we would have generated fewer categories had we focused only on Big 4 letters in our pilot coding. Further, we believe there is something to learn from seeing which categories the Big 4 do not frequently refer to as well as those that they do.

the original content as possible.⁸ For instance, we assigned the labels “flexibility,” “elections,” “options,” “volatility,” and “congruence” to the following sentence:

‘We acknowledge the flexibility that results from the Board’s decision to allow the election of the fair value option on a contract-by-contract basis and recognize the importance this flexibility plays in achieving the ED’s stated objective of mitigating earnings volatility through accounting symmetry.’ (2006 1250-001 EY)⁹

We continued to assign descriptive labels to comment letters until repetition of distinct descriptive labels was evident. A second author validated these assignments and descriptive labels.

Second, we identified descriptive labels that could collapse into higher-level nodes, or first-level categories (Dacin et al. 2010; Miles et al. 2013). For example, we collapsed comments that reference different approaches, options, alternatives, and elections into one category title, “Approaches, options, alternatives, elections.” The grouping of the descriptive labels into higher-level nodes produced a set of 20 first-level categories. Third, we identified conceptual links among first-level categories in order to collapse these into theoretically distinct clusters, or second-order themes, that tie into how complexity is conceptualized in our setting (Dacin et al. 2010; Miles et al. 2013). For example, first-level categories in which comment letters refer to differences between GAAP and International Financial Reporting Standards (IFRS) or industry standards were collapsed into a second-order theme labeled “Variation in Standards.” We collapsed the 20 first-level categories into seven second-order themes. Finally, we tied our second-order themes into the overarching theoretical dimensions of complexity – multiplicity, diversity, and interrelatedness (Jacobs and Swink 2011; Jacobs 2013). Table I illustrates our final coding structure, showing the overarching dimensions, second-order themes, and first-level

⁸ This is not necessarily a one-to-one relationship as a sentence may contain more than one distinct phrase, term, or description. Thus, each sentence may contain one or more descriptive labels.

⁹ Comment letter references refer to the year of the FASB proposal, the FASB’s project reference followed by the firm writing the comment letter.

categories that form the basis of our analysis.

Insert Table I here

Simultaneously, we categorized the 864 comment letters into Big 4 letters, non-Big 4 letters, and letters from professional accounting associations.¹⁰ Table II shows the count of the number of FASB proposals by year and the breakdown of comment letters. Consistent with prior research, on a relative basis, the Big 4 submit comment letters much more frequently than non-Big 4 firms and professional associations that may not have time or resources to devote to the standard-setting process (Fogarty et al. 2006).¹¹

Insert Table II here

In unreported analysis, we used Python Natural Language Toolkit (Python)¹² to analyze the 864 comment letters and, for each comment letter, measured the following characteristics: extent to which the word “complexity” and its possible English variants exist (the number of paragraphs and words), length of the letter (the number of pages, paragraphs, and words), and readability (GFI). Compared to the comment letters of non-Big 4 firms and professional associations, comment letters of the Big 4 speak with a greater frequency and, to a greater extent, about complexity, are more lengthy, and less readable (i.e., are more complex).

Considering the Big 4’s higher submission rate of comment letters and their greater tendency to speak about complexity, we focused our in-depth coding on the 287 comment letters

¹⁰ We identify the Big 4 and non-Big 4 firms following Accounting Today’s 2014 listing of Top 100 firms.

¹¹ Our statement that Big 4 firms submit much more frequently than non-Big 4 firms or accounting associations is made on a relative basis. Each of the Big 4 firms submits a comment letter on most proposals. In contrast, there is a greater number of non-Big 4 firms and accounting associations that can submit comment letters yet, the number of comment letters actually submitted by these groups is proportionately small.

¹² <http://www.nltk.org/>

submitted by the Big 4. Our focus on the Big 4 – Deloitte & Touche (DT), Ernst & Young (EY), KPMG, and PricewaterhouseCoopers (PwC) – is also consistent with prior studies demonstrating that these firms assume a leading role in processes of accounting change (Greenwood et al. 2002; Suddaby, Cooper, and Greenwood 2007).

Data Analysis

We analyzed the 287 comment letters submitted by the Big 4, using Python to extract paragraphs that speak specifically to complexity.¹³ We used our established first-order categories and second-order themes to code at the level of phrases within a paragraph discussing complexity so as not to miss the possibility for several categories and themes within the same paragraph. We sought to ensure the trustworthiness of our data by having multiple co-authors independently perform the coding and the assignment of categories and themes. Where there was disagreement, the authors discussed the coding and modified accordingly. The representative quotes in Table I are exemplars of the Big 4’s discourse on complexity relative to particular themes and categories.

In coding the Big 4 comment letters, we capture the prevalence of discourse on complexity in accounting standards in terms of the number of times that each category and theme appears. Table III presents the frequencies at which firms discuss the overarching dimensions and second-order themes.

Insert Table III here

We find that firm discourse reflects all three dimensions of complexity: multiplicity, diversity, and interrelatedness. Within the multiplicity dimension, we observe two themes (1) the

¹³ We used Python to extract paragraphs referencing the root-word “complex*” and its English variants. This included searching for words such as “complex,” “complexity,” etc.

number of options, exemptions, or special treatments available and the extent of flexibility in content or format afforded by a standard (*degree of choice*) and (2) the amount of information required by a specific standard, the level of implementation guidance provided and the extent to which accounting constructs are adequately defined (*level of clarity*). Firm discourse relating to *degree of choice* was more prevalent than discourse on *level of clarity*.¹⁴ In relation to *degree of choice*, firms primarily discuss the number of exceptions and exemptions allowed (Table I, 1A) and the number of different approaches or alternatives within one standard (Table I, 1B). However, *level of clarity* was also important with firms focusing on the extent of guidance and rules (Table I, 2A) and the way that accounting concepts are defined (Table I, 2B).

References to the diversity dimension are less prevalent than references to the multiplicity dimension. We observe that diversity in accounting standards relates to (1) variations in concepts and treatments across standards and uniform interpretation and application of standards (*level of consistency*) and (2) the alignment of concepts and treatments between different sets of standards which are available to choose from (*variation in standards*). Most often, relative to this dimension, firms discuss complexity as being linked to *level of consistency* between accounting constructs across GAAP standards (Table I, 3A) while discussion around differences in application/interpretation (Table I, 3B) occurs less frequently. Additionally, firms discuss *variation in standards* less frequently than most other themes, but when firms do comment on this it is generally in relation to GAAP and IFRS alignment (Table I, 4A).

The interrelatedness dimension, referring to the functions that standards perform for key stakeholders, was slightly less prevalent than the diversity dimension. The functions we observe in our coding include *operationality*, *usability*, and *auditability*. The most common reference was to the theme of *operationality*. *Operationality* refers to the financial statement preparer's ability

¹⁴ In untabulated results, we calculated the frequencies that first-order categories were discussed in comment letters.

to implement any changes required by the standard or to make the requirements of the standard operational in practice. Under this theme, firms discuss complexity in relation to the implementation of standards by preparers of financial statements and the potential costs associated with implementation (Table I, 5A). *Usability* relates to the relevance of financial statement information as it pertains to users for decision-making purposes (Table I, 6A). Finally, *auditability* refers to the ability of auditors to obtain and verify the information needed to complete their audit. The Big 4 comments on the *auditability* of standards occur much less frequently than other themes.

Overall, Table III indicates that firms discuss all themes as they relate to accounting complexity but speak more frequently to a select number of themes. Our analysis indicates that firms most often discuss the aspects of accounting complexity related to the number of elements within the accounting system (*degree of choice*), the amount of guidance provided on accounting for those elements (*level of clarity*), whether the elements are treated in dissimilar ways across the system (*level of consistency*), and the implementation costs anticipated to arise in relation to a standard (*operationality*). The Big 4's concerns over *level of clarity* and *operationality* align loosely with prior research showing that accounting firms engage in standard setting when new accounting and disclosure requirements are created (Puro 1984; Saemann 1999). Firm discourse on *degree of choice* and *level of consistency* aligns more with the notion that firms engage in the development of standards when proposed changes affect the extent of flexibility or standardization afforded by accounting standards (Puro 1984; Saemann 1999).

Our interpretive analysis provides insight as to how audit firms conceptualize complexity in accounting standards and the frequency with which the firms discuss particular issues. We extend this analysis to understand the ways in which the Big 4 engage with complexity in

accounting standard setting. To do so, two authors independently performed additional coding to capture (1) whether audit firms, if not neutral, support or oppose a proposed change, (2) whether audit firms presume a proposed change to increase, decrease, or have a mixed impact on accounting complexity, and (3) whether a change is perceived to affect particular stakeholders (Puro 1984; Saemann 1999). We use a mechanistic approach to examine trends in our coding of firm discourse as well as consistency in that discourse on the dimensions of complexity. Finally, we consider the implications of our analysis for complexity in accounting standards.

IV. AUDIT FIRM ENGAGEMENT WITH COMPLEXITY

Prior research suggests a link between the issues underlying the changes proposed by the FASB and the positions taken by the accounting firms (Brown 1981; Puro 1984; Saemann 1999; Allen et al. 2013; 2014). In our examination of audit firms' support for or opposition to proposed changes to accounting standards, we find their opposition to proposed changes is generally much more prevalent than their support. The Big 4 generally do not support proposed changes that they perceive will affect the complexity of accounting standards (Table III).

Audit firms' lack of support for proposed changes to standards is linked to whether they view the proposed change as increasing or decreasing complexity. The Big 4 perceive a significant number of the changes proposed by the FASB to increase the complexity of accounting standards. Table IV, Panel A shows the relation between audit firms perceiving a change as either increasing or decreasing complexity and whether they oppose, support, or take a neutral position toward the change. Audit firms perceive 66.7 percent of FASB proposals as increasing complexity and oppose such proposals 98.8 percent of the time. Firm discourse indicating opposition to proposed changes that increase complexity speaks most often to: *degree of choice*, *level of consistency*, and *operationality* (Table IV, Panel B). For instance, EY opposed

a proposed change affecting *degree of choice* because the firm:

‘...believe[s] that debt securities should not be in the scope of the proposed standard. We generally believe there are enough differences between loans and debt securities to warrant retaining today’s separate credit impairment model for debt securities.’ (2012 260 EY)

In the previous quote, firm discourse reveals opposition to a change that would increase complexity by *reducing* the number of alternatives afforded under the standard. This is because the firm believes the financial statement elements to which the alternatives would be applied to be sufficiently different.

Insert Table IV here

That the number of alternatives afforded within accounting standards (*degree of choice*) (i.e., multiplicity) matters to firms is compatible with Saemann (1999). While Saemann (1999) suggests that accounting firms generally oppose changes that *increase* the number of alternatives afforded (i.e., multiplicity), our analysis found this opposition to be more nuanced. For this reason, we do not presume directionality in the relationship between our dimensions and increases or decreases in complexity.

Our results also suggest that accounting firms are concerned with diversity, through inconsistency across standards (*level of consistency*), and with interrelatedness, in terms of whether changes to standards are *operational*. For example, KPMG opposed a proposed change affecting *level of consistency* indicating that:

‘...by not applying the guidance in the proposed standard to... insurance contracts that are similar to financial guarantee contracts, the appropriate accounting model for these other contracts becomes unclear.’ (2007 1530 KPMG)

This suggests a concern that lack of consistency in accounting models applied to similar contracts would add complexity to accounting standards. Likewise, DT opposed a proposed change affecting *operationality* for certain entities as:

‘...providing sensitivity disclosures [for fair value measurements of equity instruments] may prove challenging for certain reporting entities that do not currently provide this information or do not have it readily available (e.g., they may be required to upgrade their systems).’ (2009 1710-100 DT)

In relation to this proposed change on fair value disclosures, DT opposed what it viewed as an increase in complexity stemming from preparers potential difficulties in implementing the change.

Overall, as shown in Table IV, Panel A, audit firms perceive fewer proposed changes to be decreasing complexity (23.3 percent). Relative to these changes, audit firms’ discourse is generally supportive (96.7 percent). Firms most frequently discuss their support for decreases in accounting complexity in association with *level of clarity* (Table IV, Panel B). For example, DT noted that:

‘...determining market under the general guidance on using lower of cost or market requires the use of a complex set of paths involving ceilings and floors. Accordingly, we suggest that inventories subsequently be measured at the lower of cost or net realizable value.’ (2014 210 DT)

This comment shows support for reducing what DT perceives to be overly complicated or mechanical rules. However, this seems to contradict Puro’s (1984) assertion that firms primarily support changes that result in new client services such as those requiring new or more detailed accounting and disclosure. This might be explained by the contemporary articulation of complexity as a problem to be constrained. Prior to 2014, the year the FASB Simplification Initiative formally began, we observe that audit firms perceive almost all changes to increase complexity; however, after 2014, firms perceive a number of proposed changes to decrease complexity in accounting standards. Thus, in recent years, it seems that audit firms’ view the FASB’s Simplification Initiative to decrease complexity in accounting standards and support these efforts.

Effects of Accounting Change on Stakeholders

Research posits an association between the positions taken by accounting firms and the

stakeholders that firms perceive proposed FASB changes to affect (Puro 1984; Saemann 1999; Allen et al. 2013, 2014). We coded audit firm discourse for whether a proposed change to an accounting standard is perceived to affect preparers, users, and/or audit firms (Tandy and Wilburn 1992; Saemann 1999). As we code at the level of phrases within a paragraph discussing complexity, it is likely that firms articulate their concerns in terms of more than one type of stakeholder within the same paragraph. Table IV, Panel C shows when a change is presumed to increase or decrease complexity, the extent to which firms' refer to certain types of stakeholders.

When audit firms perceive FASB proposals as increasing complexity, they view the change as affecting preparers 64.0 percent of the time, users 48.8 percent of the time, and auditors 9.3 percent of the time. These results align with Saemann's (1999) research indicating that preparer concerns surpass user considerations in accounting firm discourse. However, when audit firms perceive proposals as decreasing in complexity, we note a trend towards audit firms viewing the change as affecting users (40.0 percent of the time) more often than preparers (33.3 percent of the time). Further, the low level of concern for auditors as stakeholders diverges from Allen et al. (2013, 2014) who indicate that litigation and regulatory scrutiny are important factors that may influence firms' views.

Our analysis suggests firms not only consider whether the change will increase or decrease complexity but also consider specific components of complexity when discussing how a change will affect particular stakeholder groups. We focus on changes that firms perceive to affect preparers considering that audit firms perceive changes to affect preparers more often than they perceive changes to affect other stakeholders. Table IV, Panel D reveals that firm discourse on how complexity affects financial statement preparers relates mainly to changes that affect *degree of choice, level of clarity, level of consistency, and operationality*. Our results indicate

that, in terms of changes that affect preparers, audit firms highlight the flexibility aspect (*degree of choice*) of multiplicity more than other complexity themes. An example of this is seen in PwC's support for reducing complexity by introducing the option for preparers to perform a qualitative assessment of goodwill. According to PwC:

'...the use of a qualitative assessment could result in an entity not having to measure the fair value of an indefinite-lived intangible asset in certain circumstances... This should contribute to reduced cost and complexity of performing an impairment test for those assets.' (2012 100 PwC)

Again, this contradicts the work of Allen et al. (2013, 2014) that suggests audit firm positions are not influenced by flexibility and choice afforded to their clients.

Our results also suggest that firms are concerned with diversity for preparers brought on by differences in concepts and treatments across standards (*level of consistency*), and with proposals that impact the ability of preparers to put changes to standards into practice (*operationality*). Indeed, firm discourse indicates regular opposition to proposed changes that affect *operationality* for preparers. For example, KPMG opposed a proposed change that the firm perceived to increase complexity for preparers in the accounting for post-retirement benefits due to its costs of compliance and implementation.

'We question whether the information about cash flows [...] is readily available from many actuarial systems and, therefore, whether the Board underestimates the complexity and cost of compliance, as they relate to compiling, analyzing, and auditing the information.' (2003 1025-200 KPMG)

As such, where Allen et al. (2013, 2014) find no evidence linking auditor engagement in standard setting to preparer's preferences, our paper appears to tell a different story. We find that while firm discourse includes the interests of preparers, users, and auditors, firms seem to emphasize preparer interests more often than the interests of other stakeholders. The tendency to highlight the effects of proposed changes for preparers speaks to the concern of McKee, Williams, and Frazier (1991) and others that audit firms engage in issues they perceive to affect preparers. As preparers are also current or potential clients, there is some question as to whether

audit firms ultimately remain objective and free of conflicts of interest with their public mandate (McKee et al. 1991). On the one hand, client relations and audit fee considerations may sway firm discourse. On the other hand, firms may see themselves as subject matter experts contributing technical knowledge to the development of standards, a tension that our analysis cannot unravel. While we leave the exploration of individual firm interests for further research, we do analyze the ways in which consistency or lack of consistency in audit firm discourse may impact complexity in accounting standards. We do so by examining the level of consistency in firm discourse on the root causes (i.e. specific dimensions and underlying themes) that firms perceive to impact complexity. Our analysis helps us to understand how consistency, or the lack thereof, may contribute to complexity in accounting standards.

Effects of Audit Firm Discourse on Accounting Complexity

The accounting profession makes claims to accounting expertise in commenting on accounting policy, interpreting accounting standards, and verifying their application (Malsch and Gendron 2009; Power and Gendron 2015). In making these claims, much research on the accounting profession accords a common voice to the profession, and particularly to the Big 4 (Humphrey et al. 2009; Ramirez 2012), which would suggest consistency in their contributions. Indeed, each of the Big 4 participates to a similar extent in the standard-setting process. Furthermore, the audit firms have all encouraged the FASB to implement a complexity framework and to standardize the way the FASB will identify, evaluate, and mitigate complexity.

While our analysis did not entail quantifying the extent of consistency in discourse within each firm, our qualitative and interpretive approach provides initial evidence that a firm's internal discourse is generally consistent. In other words, when expressing support or opposition to a proposed change, an audit firm mobilizes themes consistently across standards. Therefore,

individual audit firms hold consistent views of accounting problems and resolutions. This suggests that contributions, by individual firms, to the way standards develop are harmonious, and that comment letters may be centrally prepared.

However, considering the technical nature and sophistication of accounting problems and their resolutions (Gendron 2000), some inherent or even deliberate complexity in the development of accounting standards may be expected (Larson 1977). Taking into account that individual audit firm's private interests may change the way a specific firm engages in accounting issues and proposed solutions (Puro 1984), inconsistent contributions to the development of accounting standards on a cross-firm basis may exist. Thus, we examine between-firm consistency and its potential impact on the way in which accounting complexity develops.

Between-firm Consistency

We analyzed consistency in discourse between audit firms in relation to their positions on complexity in accounting standards and the dimensions of complexity (and their underlying themes). We find that between-firm discourse is mostly consistent in terms of audit firms' positions in support of or in opposition to a proposed change. For instance, Table V, Panel A shows that firms' support or opposition to a proposed change is consistent in 65.7 percent of proposals. We also analyze between-firm views of a proposal's perceived impact, meaning whether a proposed change will increase or decrease complexity in an accounting standard. In the majority of instances, the Big 4 agree about whether a proposed change increases or decreases complexity. However, Table V, Panel B indicates that audit firms differ in their opinions regarding the proposed change's impact on complexity in about 37.1 percent of the proposals. These rates of inconsistency are not trivial.

Insert Table V here

We consider cross-firm discourse to be consistent when there is complete agreement that a particular aspect of complexity is (or is not) a root cause of complexity. This suggests that if all (or none) of the firms commenting on a standard consider *degree of choice* as a root cause of complexity in a proposed standard, then firm discourse is consistent. In contrast, if some firms consider *degree of choice* to be a root cause of complexity, then firm discourse is inconsistent. As reflected in Table V, Panel C, we note greater inconsistency than consistency between firms' perceptions about which dimensions and themes affect complexity (i.e., the root causes). Perhaps, not surprisingly, firm discourse tends to be at its most consistent when audit firms perceive *auditability* to affect the complexity of a proposed standard; however, firms identify *auditability* as an aspect of complexity much less frequently than any other theme. In contrast, firm discourse tends to be at its most inconsistent when audit firms perceive complexity in proposed standards as relating to diversity (*level of consistency*). Additionally, audit firm discourse exhibits inconsistency when firms perceive complexity as relating to the other aspect of diversity (*variation in standards*), to both aspects of multiplicity (*degree of choice*, *level of clarity*) and to two functions of standards (*operationality*, *usability*). Indeed, inconsistency is not uncommon.

Furthermore, analysis of the Big 4's discourse around these themes, indicates their understanding of root causes is not homogenous. For instance, KPMG supported a proposed change affecting disclosures of going concern entities as the firm perceived it would decrease complexity by requiring more useful and understandable information (*usability*) and produce a requirement that would be easier for preparers to apply (*operationality*):

"We believe initiating disclosure at the "reasonably likely" threshold would provide users with

important information on a more-timely basis to assist them in forming their views about the uncertainty. [...] We believe a single 24-month initial disclosure assessment period using a "reasonably likely" threshold would be more understandable and less complex to apply. [...] A 24-month horizon using a "reasonably likely" threshold would be applied more consistently and provide more timely, decision-useful information to investors.' (2013-300 KPMG)

In contrast, DT's discourse on the same proposal for going concern disclosure indicates opposition to the proposal as the firm perceives the change to increase complexity by being less understandable to financial statement users (*usability*) and making the appropriate disclosure difficult for the preparer to determine (*operationality*). According to DT:

'The proposed ASU adds complexity by artificially incorporating multiple levels in the determination of whether some form of financial statement disclosure is required with respect to an entity's going-concern presumption. [...]. While some delineation is warranted, we question whether all of these differentiations are necessary. As a result of such differentiation, determining the appropriate disclosure for the preparer, and auditing it, may be unnecessarily complex under the proposed ASU and may result in inconsistent application, which could ultimately confuse financial statement users.' (2013-300 DT)

This is an example in which neither of the firm's positions, perceived impact, nor identified root causes of complexity were in alignment.

Therefore, while discourse across audit firms generally is consistent in terms of whether firms support or oppose a proposed change and whether that change increases or decreases accounting complexity, we find that firms do not hold uniform opinions as to the root causes (dimensions and themes) driving complexity. Thus, what is understood by audit firms to affect the development of accounting standards, and to make them more or less complex, does not appear to be based on any "objective facts" but rather socially constructed (Alvesson 1993). Jacobs and Swink (2011, 677) put forth that "it is the effective management of complexity that poses the difficulty." If the audit firms themselves have different opinions as to what creates complexity, their engagement in standard setting potentially contributes to complexity in standards by not managing their views or presenting a unified understanding of the root causes of complexity, and its effects on particular stakeholders. By extension, differences in opinion over complexity in accounting standards may also impact audit firms' perceptions on appropriate

techniques for addressing complexity in the audit.

V. DISCUSSION AND CONCLUSION

With a focus on discursive engagement with accounting standards, this paper investigates the accounting profession's, and in particular the Big 4's, comment letter submissions on FASB proposals issued during the period from 2003 to 2014. In particular, we focus on the discourse around accounting complexity observed in the comment letters to develop an understanding of the ways in which audit firms characterize complexity in accounting standards.

Our analysis reveals that firms characterize complexity in several ways. Specifically, firms conceptualize complexity along three main dimensions: multiplicity, diversity, and interrelatedness. The multiplicity dimension points to characteristics of accounting standards that affect the number of accounting elements and choices available within accounting standards. Diversity indicates the degree to which accounting elements are treated in the same way across standards. Finally, interrelatedness represents the extent to which accounting elements serve different purposes or functions. Underlying these dimensions are several themes and categories of discourse that firms associate with complexity in accounting standards. Conceptualizing audit firm discourse on complexity allows us to provide a framework for the future study of accounting complexity.

Overall, we find that audit firms oppose, rather than support, a greater number of changes proposed by the FASB. Firms' opposition to proposed changes is related to their perception that changes will: (1) increase, rather than decrease, complexity, and (2) affect preparers more often than users and auditors. We noted consistency in firm discourse across the proposed changes in relation to whether firms support or oppose a change and whether firms agree the change would increase or decrease complexity. However, we find that firms are inconsistent in their discourse

when we consider their perceptions of the root causes (i.e., dimensions and themes) that underlie complexity.

Thus, while the Big 4 may agree on certain aspects of complexity in accounting standards, we do not find unity and harmony in their discourse surrounding complexity in accounting standards. For instance, while the Big 4 tend to agree that the *level of consistency* affects complexity, they do not generally agree on how or why a proposed change would affect the *level of consistency*. Such inconsistency in firm discourse around complexity occurs frequently enough that it may, in and of itself, *construct* accounting complexity. As meanings and beliefs underlying controllability of the audit are multiple and never entirely fixed (Gendron and Spira 2009), so are meanings underlying what is and what is not *complex*; *complexity* seems continuously subject to contest.¹⁵ As such, the Big 4's conceptualization of complexity parallels that of Malsch and Gendron's (2009) work on financial practitioners' vacillating movements between inconsistent and sometimes contradictory thought, demonstrated through multiple lines of thought expressed in specific contexts.

Our analysis indicates that, depending on the firms' perceptions of the proposed standard and the impact the standard may have on particular stakeholders, their discourse can be inconsistent. We find that discourse around *increases in complexity* is often associated with the interests of preparers, or potential clients of the audit firms. Audit firm engagement in standard setting may involve rationalization of preparer interests; however, this is not merely a story of commercialism at odds with professionalism. While complexity might be presented as "natural" and professional expertise indispensable in dealing with complexity in accounting, the

¹⁵ We would argue that this finding is consistent with the research of Donelson, McInnis, and Mergenthaler (2016) who argue that "it is difficult to perfectly separate rules-based characteristics of the standard from both the complexity of the standard and the characteristics of the underlying transaction, including the complexity of the transaction."

profession's varied interests in engaging in accounting policy processes may also affect the profession's views on the accounting issues proposed. Therefore, the value added in this paper is in its focus on the varying discourses of the Big 4's engagement with accounting standards. These varying discourses enhance our understanding of the development of accounting standards by specifying how dominant actors' discourse around complexity is socially constructed (Malsch and Gendron 2011). Future research could further explore within-firm consistency and build on our exploratory work to study how potential non-uniformity in discourse affects other aspects of the development of standards.

Research has argued that it may be easier for the large audit firms to sway accounting debates in accordance with their commercial or private interests, especially considering the power fashioned by these firms' global resources and reach (Malsch and Gendron 2011). Many of the participants in accounting debates are themselves auditors and accountants or those, like regulators and investors, closely related to the world of professional accountancy (Power 2011). Staffing accounting policy-making bodies with highly experienced auditors constitutes a foothold by which the profession's discourses, internalized through many years of experience in public accounting, can act upon and influence policy decisions (Malsch and Gendron 2011). As such, discursive influence represents a level of power that should not be ignored in accounting policy debates (Malsch and Gendron 2011) and which we highlight by taking a critical view of comment letters.

Overall, our findings indicate that audit firms are "conflicted intermediaries" in the articulation of complexity in standards. Audit firms might be considered intermediaries in accounting standard setting, "providing assistance to regulators and/or targets, drawing on their own capabilities, authority, and legitimacy" (Abbott, Levi-Faur, and Snidal 2017, 6) to

understand accounting problems and weigh resolutions to those problems. Yet these actions are potentially “conflicted” in the sense that an audit firm’s views on accounting problems and resolutions might advantage preparer concerns over the firm’s own economic interests in sustaining complexity or the broader interests of financial statement users. We think this notion is important to highlight as a way to encourage more reflexive thinking around complexity and how it may be artificially sustained through networks of statements, technologies, and supporters (Malsch et al. 2017).

At the same time, we must acknowledge certain limitations associated with our results. First, our focus on a select set of accounting proposals, not the entire population of FASB proposals during our period of study, may have skewed our results. The proposals that we did not include would more than likely reflect even greater complexity discourse, considering the convergence projects discuss major issues and differences between GAAP and IFRS for which there is no clear and easy answer. Furthermore, although discourse on complexity has been present in accounting standard setting for much longer, the FASB Simplification Initiative only formally began in 2014 and continues into the contemporary period. As such, we note that following this initiative over time may be an interesting extension for future research, as well as focusing on the social construction of accounting complexity on a global level.

In addition, our study was largely motivated by the contemporary and popular debates on complexity that we found to be pervasive in our analysis of Big 4 comment letters. At the same time, we collected comment letters from mid- and small-tier audit firms as well as professional accounting associations that indicate that these factions of the profession perhaps speak about complexity in a different way or even speak about other features of complexity. While the Big 4 hold a powerful position in the accounting regulatory space, the beliefs and practices of these

firms cannot merely be extrapolated to other actors in the accounting profession (Lander et al. 2013). Future research could explore differences in the way that mid- or small-tier firms conceptualize complexity or help to identify issues that are imperative to mid- or small-tier firms as compared to Big 4 firms. Perhaps the work of Lander et al. (2013), indicating that commitment to traditional professional ideals is considerably stronger within groupings of more locally grounded firms, could serve as the basis for such an endeavor.

Notwithstanding the number of standards and the sub-set of actors that were the object of examination, this study contains important implications for accounting standard setting. We contribute a rich understanding of how audit firms engage in the development of standards and articulate accounting issues. In the articulation of accounting issues, standard setters might demand more transparency in audit firm discourse and question the preferences exhibited by audit firms. If the mandate for auditors is to operate in the interest of the public, even if that means in the interest of public company investors, then their discourse surrounding complexity might indicate as much. Instead, we find audit firms frequently speak to complexity from the preparer's perspective, which seemingly contradicts not only the audit firms' public interest mandate but also the standard setter's focus on user (i.e., investor) decision-making. We suggest that audit firms and standard setters reflect more on the power of complexity and consider the role of this powerful construct within a standard-setting process claiming to accumulate accounting information that is useful for users of financial statements.

Our results encourage further exploration of accounting standards on several other fronts. For instance, more work could be done on not only audit firms' or the accounting profession's role in the construction of accounting complexity, but also on understanding the role that other powerful stakeholders play in the construction of accounting issues, problems, and standards. In

addition, with a focus on accounting standard *proposals*, rather than accounting standards enacted, our study does not speak explicitly to the firms' influence on moving a proposal to an actual standard. Future research might follow Pelger (2016) and focus on the way in which comment letter processes may limit the potential of stakeholders, including audit firms, to shape standard setter's final decision processes or, relative to this study, the level of complexity in accounting standards. In the audit context, engagement in field-based research aiming to study how auditors construct complexity in action, not least when they carry out audit engagements and negotiate with audit clients, is also relevant.

In closing, audit firms' engagement with standards does not take place in a vacuum and political, economic, and environmental factors may further affect the nature of their engagement in the standard-setting process. However, we should not assume that audit firms or other stakeholders merely "go through the motions" of engaging in comment letter submissions. Our analysis suggests that researchers should give more credence to studies of the processes by which actors engage in the development of accounting standards and, ultimately, how those processes may shape not only the outcomes of standard setting but also the development of accounting thought.

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TABLE I
Dimensions of Complexity

Overarching dimensions, second-order themes, and first-level categories

<i>Overarching Dimension: Multiplicity</i>	
1. Degree of Choice	Representative Data from Comment Letters
A. Exceptions, exemptions, special treatments, conditions	“While we recognize that beneficial interests in securitized financial assets are complex and may differ from other financial instruments we do not believe such differences warrant exception treatment.” (2009 1740-100 PwC) “... we do not support the proposed Statement's elimination of an entity's ability to hedge specific risks (with certain exceptions) or to designate a hedge at its discretion” (2008 1590-100 Deloitte)
B. Approaches, options, alternatives, elections	“...we would be supportive of developing an EPS model that ... moves toward the elimination of differing methods of computing dilution for economically similar instruments.” (2005 1240-001 PwC) “... additionally, we believe that the approach in the proposed ASU may actually make the goodwill impairment test more confusing and complex by adding an optional more-likely-than-not assessment prior to the application of the current impairment test.” (2011 180 KPMG)
C. Flexibility to evaluate, decide content/format of FS	“Because the definition of near term in SOP 94-6 is consistent with the extant definition of reasonable period of time in AU Section 341, the inclusion of an open-ended time horizon for an assessment of an entity's ability to continue as a going concern may cause undue complexity for management and confusion for users of financial statements.” (2008 1650-100 KPMG) “...we believe that the details of reclassifications out of AOCI should be able to be presented in the footnotes.... we do not believe presentation of reclassification adjustments into net income whether on the face of the financial statements or through footnote disclosure should be required” (2011 240 EY)
2. Level of Clarity	
A. Detailed implementation guidance, bright line rules	“...there is a risk that constituents will interpret the examples too narrowly... we are not suggesting that the Board consider removing the implementation guidance, but ... the examples can be improved to provide guidance for more complex situations that require considerably more judgment in applying the guidance” (2008 1620-100 KPMG) “...the more difficult applications may be in situations involving multiple contingencies of various classes and types (and the potential aggregation of certain of those contingencies), we recommend that the Board provide additional application examples involving more complex scenarios” (2010 1840-100 PwC)
B. (Re) definition of constructs or conceptual improvements	“...we are concerned that the proposed definition may exclude some entities that the Board may not intend to exclude... it is necessary to address the current inconsistencies and complexity of retaining multiple definitions of a nonpublic entity and public entity within U.S generally accepted accounting principles” (2013 310 KPMG) “... the concept of extraordinary items should be eliminated from U.S. GAAP along with the requirement for entities to separately present such items on the income statement and disclose them in the footnotes. Eliminating the concept should

	improve the efficiency of the financial reporting process ...” (2014 220 Deloitte)
C. Level of detail in FS and Footnotes	“enhance disclosures allow financial statement users to understand the nature of credit risk within an entity’s portfolio, how the entity analyzes and assesses this risk in determining the appropriate allowance for credit losses, and the reasons for changes in the portfolio and the related allowance for credit losses. However, we do not believe that the extent and complexity of disclosures ... is necessary” (2009 1700-100 KPMG)
<i>Overarching Dimension: Diversity</i>	
3. Level of Consistency	
	“... the proposal amendment does not address many of the challenges that are prevalent in the application of FIN 46(R). It also introduces a new control concept, which has inconsistencies with other existing control concepts, and adds complexity to financial reporting.” (2008 1610-100 PwC)
A. Congruence between concepts and/or standards	“... definition of a financial guarantee insurance contract... is broader than in ... FASB Statement 133.... a financial guarantee insurance contract might be within the scope of both the proposed Statement and Statement 133. ... a contract could meet the criteria for a derivative and not be within the paragraph 10(d) exclusion in Statement 133 and also be within the scope of the proposed Statement. ... consider making the definitions in the proposed Statement and ...Statement 133 the same. Use of different definitions for the same terms also adds unnecessary complexity” (2007 1530-100 KPMG)
B. Uniform interpretation/application of standards	“.. presenting an operation as discontinued if a reporting entity has significant continuing operations and cash flows with the discontinued operation would not address concerns about the complexity of the existing standard and its inconsistent application” (2013 230 EY) “... a number of ambiguities and inconsistencies in the proposed guidance. In order to avoid inappropriate interpretation and inconsistent application of the criteria, ... there should be consistency between the proposed offsetting criteria, defined concepts and related application guidance” (2011 100 KPMG)
C. Comprehensive effort versus partial or subset	“...we support a comprehensive reconsideration of the accounting for all aspects of postretirement benefit costs ... changing this one component of periodic cost would add unnecessary complexity” (2003 1025-300 KPMG) “... retaining multiple, inconsistent concepts of kick-out rights within the consolidation literature will contribute to complexity in applying the overall consolidation model... the Board should undertake a separate project and address the application of kick out rights for all types of entities” (2008 1620-100 EY)
4. Variation in Standards	
A. GAAP and IFRS/Other	“... proposal states that many of its disclosure requirements are similar to the requirements in IFRS 7; however, there are a number of notable differences. We encourage the Board to deliberate with the IASB to determine whether there are opportunities to further converge these disclosure requirements” (2012 200 Deloitte) “... continue to work with the IASB to seek harmonization of application guidance and avoid the confusion that would result from having two models that similar in principle but applied differently in practice” (2013 220 KPMG)
B. Industry standards, guidance	“...concerned about the issuance of new specialized industry standards (unless such guidance addresses transactions unique to that industry) and their contribution to the increasing complexity of GAAP....accounting standards should be based on the

	transaction or activity for which accounting guidance is needed and not based on the particular industry in which the entity operates” (2007 1530-100 Deloitte)
	“... a single investment company standard should be used to define "investing entities" of all types... A single investment company standard would then govern which types of entities would qualify for fair value accounting” (2011-210 PwC)
<i>Overarching Dimension: Interrelatedness</i>	
5. Operability of Standards	
A. Implementation cost prohibitive to preparer	“...efforts to improve disclosures by obtaining input from a variety of preparers of financial statements about the operational aspects of the sensitivity analysis, including the complexity and costs of preparing the proposed disclosures. Providing sensitivity disclosures may prove challenging for certain reporting entities that do not currently provide this information or do not have it readily available (e.g., they may be required to upgrade their systems” (2009 1710-100 Deloitte) “... efforts to reduce the costs and complexity of applying the current goodwill impairment guidance... We observe that many companies spend considerable time and incur substantial costs to perform their goodwill impairment tests, and that it is not clear whether users receive commensurate benefits” (2011-180 PwC)
B. Availability/Reliability of Evidence/Estimates	“...we question whether the information about cash flows ... is readily available from many actuarial systems and... whether the Board underestimates the complexity and cost of compliance, as they relate to compiling, analyzing, and auditing the information” (2003 1025-200 KPMG)
C. Understandable, acceptable concepts, treatments	“... we understand the purpose for discussing the concept of certainty-equivalent cash flows ... we are concerned that some may find the discussion confusing. In addition, the result of such an approach in a multi-period scenario is sometimes counterintuitive” (2004 1201-100 EY) “... we understand the theoretical appeal of such information in assessing an entity's quality of earnings, disclosing a range of other "acceptable" values that could reasonably have been recorded by the Company as of the measurement date could be misleading. Assessing various indications of value and determining the point estimate that is deemed to be the most representative of fair value is judgmental and frequently complex” (2009 1710-100 EY)
6. Usability of Standards	
A. Relevant information for decision making	“...we would be supportive of developing an EPS model that better reflects the economic dilution of complex instruments to current shareholders and moves toward the elimination of differing methods of computing dilution for economically similar instruments” (2005 1240-001 PwC) “... may seem that the correct answer to this question is automatically to disclose all gains and losses on a gross basis, this type of disclosure may actually confuse the user of the financial statements as the user will not have all of the detailed information required to determine how the gross amounts were calculated. ... the users of the financial statements are most interested in understanding the net effect of how the impacted income statement line item has been altered” (2007 1510-100 EY)
B. Understandable, acceptable concepts, treatments	“... use of multiple effective dates adds unnecessary complexity to the transition provisions and will result in confusion among financial statement users. ... we believe it will be difficult to explain to users of their financial statements why the adoption of a new accounting standard has an effect on the financial statements in two successive periods” (2003 1025-300 EY) “Having different requirements for entities whose financial statements are "widely distributed" versus for those whose financial

	statements are not will, in our view, create unnecessary complexity, potentially confuse financial statement users, and provide little, if any, incremental benefit” (2010 1760-100 PwC)
C. Subjectivity, volatility, unpredictability	“We believe that developing accounting guidance in this area that differs from existing auditing standards will result in unnecessary complexity in financial reporting and will not serve the interests of users of financial statements. Rather, it creates unnecessary complexities in financial reporting by allowing for the possibility for management and auditors to reach different conclusions using the same information and judgments about the future.” (2008 1650-100 EY)
7. Auditability of Standards	
A. Availability/Reliability of Evidence/Estimates	“...we question whether the information about cash flows ... is readily available from many actuarial systems and... whether the Board underestimates the complexity and cost of compliance, as they relate to compiling, analyzing, and auditing the information” (2003 1025-200 KPMG) “ ...we question the procedures available to an auditor to corroborate the information (or lack thereof) in the financial statement footnotes without attorneys providing adequate information to auditors. ... may result in disclosure that likely defaults to simply considering only the asserted amount of the claim" (2010 1840-100 EY)
B. Litigation Concerns	“ ...proposed statement assumes that the amount of the claim is an objective amount that is publicly available. This is not the case for many lawsuits... Without an objective claim amount ... would require disclosure of the best estimate of the maximum exposure to loss...this amount may be highly useful to the disclosing entity's adversaries. ... given the complexity and unpredictability of the litigation process, this disclosure could itself be the source of litigation if the ultimate resolution of the contingency differs materially from the disclosed estimates” (2008 1600-100 EY)
C. Enforcement of Standards/Links to Regulators	No passages coded

Table I reflects the aggregation of our first-level categories (i.e., letters) and second-order themes (i.e., numbers) into (three) overarching dimensions of complexity. In addition, Table I provides examples of the representative data from comment letters that we coded under the first-level categories.

TABLE II
FASB Proposals and Comment Letters

Year	FASB Proposals	Big 4 Letters	Non-Big 4 Letters	Association Letters	Total Comment Letters
2003	7	26	12	26	64
2004	2	8	3	15	26
2005	7	28	15	31	74
2006	3	11	8	19	38
2007	1	4	0	3	7
2008	7	28	22	39	89
2009	8	31	19	19	69
2010	7	31	35	29	95
2011	7	27	27	29	83
2012	6	24	26	36	86
2013	10	38	37	50	125
2014	8	31	30	47	108
Total Submitted	73	287	234	343	864

Table II presents the number of FASB proposals on new or revised statements by the year in which the proposal was issued and the corresponding number of comment letters by accounting profession type. It is possible that accounting firms or professional associations submitted more than one letter on each proposal.

TABLE III
Frequency of Complexity Codes

	% of Letters		Support%	Oppose%	Neutral%		Decrease%	Increase%	Mixed%
Overarching Dimension: Multiplicity	76.7%		18.6%	55.0%	3.1%		17.8%	50.4%	8.5%
1. Degree of Choice	56.6%		11.6%	44.2%	0.8%		10.1%	39.5%	7.0%
2. Level of Clarity	50.4%		13.2%	34.9%	2.3%		13.2%	33.3%	3.9%
Overarching Dimension: Diversity	68.2%		17.8%	49.6%	0.8%		17.1%	45.0%	6.2%
3. Level of Consistency	51.9%		10.9%	40.3%	0.8%		10.1%	36.4%	5.4%
4. Variation in Standards	36.5%		10.9%	25.6%	0.0%		10.9%	23.3%	2.3%
Overarching Dimension: Interrelatedness	64.4%		15.5%	48.1%	0.8%		14.7%	45.0%	4.7%
5. Operability of Standards	51.2%		8.5%	41.9%	0.8%		8.5%	39.5%	3.1%
6. Usability of Standards	38.0%		11.6%	26.4%	0.0%		10.9%	24.0%	3.1%
7. Auditability of Standards	15.6%		1.6%	14.0%	0.0%		1.6%	13.2%	0.8%

Table III reflects the frequency that each dimension and second-order theme appears in our coding of comment letters, as well as how the frequency distributes across the Big 4's positions and perceived impact on complexity. This table can be read as follows. *Degree of Choice* appears in 56.6% of letters coded. Audit firms oppose proposals affecting degree of choice in 44.2% of the letters coded. Audit firms associate *Degree of Choice* with increases in complexity in 39.5% of the letters coded. Note that the total for a dimension (e.g., *Multiplicity* = 76.7%) does not equal the total of the underlying themes (e.g., *Degree of Choice* = 56.6%; *Level of Clarity* = 50.4%) and the total of the three dimensions does not equal 100% since a comment letter can discuss complexity along various themes and dimensions.

TABLE IV
Features of Audit Firm Engagement

Panel A: Relationship between Position and Perceived Impact

	Increase (66.7% of Letters)	Decrease (23.3% of Letters)	Mixed (10.0% of Letters)
Oppose	98.8%	3.3%	53.8%
Support	0.0%	96.7%	15.4%
Neutral	1.2%	0.0%	30.8%

Panel A indicates the percentage of comment letters that audit firms perceive as increasing, decreasing, or mixed complexity. Conditional on this percentage, this table reports the extent to which, when audit firms perceive a change as either increasing or decreasing complexity, or having a mixed affect, they also oppose, support, or are neutral towards the proposed change. This table can be read as: 66.7% of comment letters identify a proposed change to increase complexity; of these letters, 98.8% of them oppose the proposed changes.

Panel B: Themes that Audit Firms Perceive to Increase/Decrease Complexity

	Opposition to Increased Complexity	Support for Decreased Complexity
Degree of Choice	60.0%	44.8%
Level of Clarity	49.4%	55.2%
Level of Consistency	55.3%	41.4%
Variation in Standards	35.3%	44.8%
Operationality of Standards	58.8%	37.9%
Usability of Standards	36.5%	48.3%
Auditability of Standards	20.0%	6.9%

Panel B indicates the extent to which, when audit firms speak to a particular theme, they perceive a proposed change as either increasing or decreasing complexity. This table can be read as: in proposals where firms perceive the proposed change to increase complexity and they oppose this increase, 60.0% of them discuss *Degree of Choice* as a root cause of complexity. In proposals where firms perceive the proposed change to decrease complexity and they support this decrease, 44.8% of them discuss *Degree of Choice* as a root cause of complexity.

Panel C: Relationship between Affected Stakeholders and Perceived Impact

	Increase (66.7% of Letters)	Decrease (23.3% of Letters)	Mixed (10.0% of Letters)
Preparers	64.0%	33.3%	76.9%
Users	48.8%	40.0%	38.5%
Auditors	9.3%	20.0%	23.1%

Panel C indicates the percentage of comment letters that audit firms perceive as increasing, decreasing, or mixed complexity. Conditional on this percentage, this table reports the extent to which, when audit firms perceive a change as either increasing or decreasing complexity, or having a mixed affect, they also perceive that change to affect preparers, users, or auditors. This table can be read as: 66.7% of comment letters identify a proposed change to increase complexity; of these letters, 64.0% of them discuss the impact on preparers and 48.8% discuss the impact on users.

Panel D: Themes that Audit Firms Perceive to Affect Certain Stakeholders

	Preparers (58.1% of Letters)	Users (45.7% of Letters)	Auditors (13.2% of Letters)
Degree of Choice	57.3%	57.6%	52.9%
Level of Clarity	53.3%	52.5%	35.3%

Level of Consistency	54.7%	57.6%	58.8%
Variation in Standards	32.0%	42.4%	35.3%
Operationality of Standards	56.0%	55.9%	70.5%
Usability of Standards	34.7%	59.3%	41.2%
Auditability of Standards	20.0%	13.6%	47.1%

Panel D indicates the percentage of comment letters discussing the impact of complexity on preparers, users, or auditors, and conditional on this percentage, the extent to which each theme is discussed. This table can be read as: 58.1% of comment letters discuss the impact of complexity on preparers, 45.7% discuss the impact on users, and 13.2% discuss the impact on auditors. Of the letters discussing the impact of complexity on preparers, 57.3% of them discuss *Degree of Choice*, and 53.3% of them discuss *Level of Clarity*.

TABLE V
Between-Firm Consistency

Panel A: Consistency between Firms with Respect to Positions		
	Percentage	
Letters take a similar position with respect to a proposal (either all support or all oppose)	65.7%	
Letters take different positions with respect to a proposal	34.3%	
Panel B: Consistency between Firms with Respect to Perceived Impacts		
	Percentage	
Letters agreed on a proposal's effect on complexity	62.9%	
Letters all agreed that the proposed change would increase complexity	48.6%	
Letters all agreed that the proposed change would decrease complexity	11.4%	
Letters all agreed that the proposed change would have a mixed affect	2.9%	
Letters disagreed on the effect of a proposal on complexity	37.1%	
Panel C: Consistency between Firms with Respect to the Root Cause of Complexity		
	Consistency%	Inconsistency%
Degree of Choice	37.1%	62.9%
Level of Clarity	34.3%	65.7%
Level of Consistency	22.9%	77.1%
Variation in Standards	42.9%	57.1%
Operationality of Standards	40.0%	60.0%
Usability of Standards	42.9%	57.1%
Auditability of Standards	71.4%	28.6%

Table V shows between-firm consistency in discourse with respect to position (Panel A), perceived impact on complexity (Panel B), and root cause of complexity (Panel C). For the comment letters on proposals that we have coded, we identify those proposals that have at least two effective comment letters allowing us to do a consistency analysis. Consistency is reached if all effective letters with respect to a proposal have the same opinion. For instance, in Panel C, the consistency percentage refers to the proportion of proposals in which all firms' effective comment letters indicate that a particular dimension of complexity is/is not a root cause of complexity in the proposed standard.