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THE PATH OF STEWARDSHIP: HISTORICAL ORIGINS AND A REFLECTION ON IASB CONCEPTUAL FRAMEWORK EVOLUTION

Manuela Gonçalves Barros
UFMT
manuelagb@hotmail.com

César Augusto Tibúrcio Silva
UnB
cesaraugustotiburciosilva@gmail.com

ABSTRACT

This study aims to present reflections on the historical and cultural origins of accounting stewardship and its evolution as the objective of financial reporting in the IASB's Conceptual Framework, highlighting the influences of the US and Europe as the result of the most recent Conceptual Framework document. We noted that both the USA and Europe have influenced the current definition of the objective of financial reporting in the IASB's Conceptual Framework and that the resumption of stewardship in the 2018 document without declaring it as a general objective reinforces the power of influence of the USA and the decision usefulness in the Conceptual Framework convergence process. Although the 2018 Conceptual Framework supports the stewardship culture, its highlight as part of the decision utility contemplates the idea of stewardship developed in the USA, resulting from both the increase of the manager's power and the need to report on the effectiveness of management in generating return on shareholders. The research contributes to the debate on Conceptual Framework by presenting a critical approach to the evolution of stewardship in this and by discussing the origin of the term from the perspective of contributions from the USA and Europe. Understanding the origin and evolution of accounting stewardship is important since the accounting standards should flow from the stated objectives.

Keywords: Stewardship. Accountability. Decision usefulness. Conceptual Framework. IASB. FASB.

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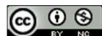

1 INTRODUCTION

This study aimed to present reflections on the historical and cultural origins of accounting stewardship and make a reflection on its evolution and future perspectives as the objective of financial reporting in the Conceptual Framework (CF) of the International Accounting Standards Board (IASB), highlighting the influences of the US and Europe in the result of the most recent CF document.

The objective of the general purpose financial reporting declared in the 2018 CF is to provide financial information on the entity that it reports; they are useful for existing and potential investors, lenders, and other creditors in making decisions regarding providing resources to the entity, this would encompass other objectives discussed in the literature: valuation usefulness and stewardship usefulness.

The first refers to accounting information usefulness for prospects of future cash flows or the entity's value estimate by capital market participants (Kuhner & Pelger, 2015; Pelger, 2016). Whereas stewardship usefulness – or the objective of stewardship[1] – refers to the usefulness of accounting information to encourage managers and employees and to measure their performance (Kuhner & Pelger, 2015; Aust *et al.*, 2021). The Conceptual Framework of IASB (2018b) refers to stewardship and, therefore, to stewardship usefulness as financial reporting usefulness for "exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources" (IASB 2018b, 1.2(c)).

Although the objective described in the 2018 CF is similar to that of 2010 (2010 CF), there has been a long way regarding the emphasis on stewardship. The discussions about the inclusion of stewardship as an objective of the financial reporting derived from the first phase of the project of conceptual framework convergence, and the CF project was officially added to the convergence agenda in 2004 after meeting the IASB and FASB committees (IASB 2004). The joint revision, conducted between 2004 and 2010, led to the publication of the CF revised in 2010. One of the amendments introduced by the International Accounting Standards Board's (IASB) 2010 Conceptual Framework (CF) was the shift away from emphasizing stewardship and towards positioning decision usefulness[2] as the exclusive objective of financial reporting. However, in 2018, the IASB revisited this framework, reintroducing the term 'stewardship' as a component of the broader concept of decision usefulness in financial reporting.

The research contributes to the debate on Conceptual Framework by presenting a critical approach to the evolution of stewardship in this and by discussing the origin of the term from the perspective of contributions from the USA and Europe. Regarding the relevance of the research, understanding the origin and evolution of accounting stewardship is essential since the accounting standards themselves should flow from the stated objectives.

We noted that the USA and Europe have influenced the current definition of the objective of financial reporting in the IASB's Conceptual Framework. However, the resumption of stewardship in the 2018 document without declaring it as a general objective reinforces the power of influence of the USA and the decision usefulness in the Conceptual Framework convergence process. The IASB declared on the Basis for the Conclusion of the 2018 CF that assessing management's stewardship is a necessary input for decision-making on resource

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[1] The Committee on Accounting Statements (Comitê de Pronunciamentos Contábeis - CPC) translated the term "stewardship" as the "management of resources of an entity's economic resources" (CPC 00, 1.3). In the literature, the term is associated to management integrity and performance, so that stewardship information are used to monitor the past, but also to prospect the future (Whittington 2008b).

[2] The term refers to the notion about the general objective of the financial reporting as from the decision usefulness program developed in the US in the 1970s. According to Pelger (2016), though the general notion of decision usefulness, presented in IASC (1989), is that of providing useful information for economic decisions, the original notion, presented in SFAC 1 of FASB (1978), and used in this paper, emphasizes information usefulness to evaluate future cash flows, i.e., to valuation usefulness.

allocation, not having an end in itself (IASB 2018a). This argument contradicts the opinion of several accounting researchers (i.e., Gjesdal, 1981; Bushman *et al.*, 2006; Kuhner & Pelger, 2015; Miller & Oldroyd, 2018 and Aust *et al.*, 2021) that information used for valuation purposes in capital markets are not the same as those used for stewardship decision-making.

Furthermore, we discussed that changes in society and capital markets had a crucial role in the conceptual framework's evolution of the view on stewardship. Although the 2018 Conceptual Framework reinforces the stewardship culture originated in Europe, its highlight as part of the decision utility contemplates the idea of stewardship developed in the USA, resulting from both the increase in managers and the need to report on the effectiveness of management in generating return on shareholders. Even though we highlighted the recent movement in favor of increasing and improving the involvement of shareholders with the management responsible for promulgating and publishing stewardship codes in several countries, this reflects the importance that the objective has been achieving. However, it is not desired that this importance affects the elaboration of accounting standards.

2 CONCEPTS AND HISTORICAL ORIGIN OF THE OBJECTIVE OF STEWARDSHIP

In the simplified sense of the word, stewardship refers to the functions performed by a manager (Vangermeersch, 1996). Literature about the objectives of financial reporting indicates that, for many centuries, stewardship reverberated as the main accounting objective (Chen, 1975; Birnberg, 1980). Considering the different definitions of the term in the literature, it can be said that in the context of accounting, the objective is related to accounting information's function to enable the evaluation of the administration in complying with its obligations and to the responsibility and accountability of the administration's performance in the exercise of its functions. Whereas the function of valuation for investment purposes, presently considered prominent, would have appeared as an additional function, which expanded with the development of capital markets (Kothari *et al.*, 2010).

Specifically, since the Securities and Exchange Commission (SEC) assumed control over accounting regulation in the US, and with the development of the Conceptual Framework of FASB, the main focus of accounting shifted to the objective of providing information to public markets for valuation (Zeff, 2013; Pelger, 2016). This information refers to decisions on the purchase, sale, or maintenance of equity and debt instruments and decisions on concession or liquidation of loans, according to Basis for Conclusions of 2018 CF (IASB, 2018a).

The CF originally developed by FASB (FASB, 1978) presented objectives consistent with the report of the Trueblood Study Group (Ronen & Sorter 1989). Though the fundamental objective of financial reporting declared by the Trueblood Report had been to present useful information on the entity's valuation of value, time, and uncertainty of cash flows (Ronen & Sorter, 1989), accountability was also emphasized. This emphasis was marked by the recommendation that entities report aspects of their businesses that affect not only the shareholders' objectives but also those of society (American Institute of Certified Public Accountants - AICPA 1974), revealing a demand for management accountability concerning the administered resources.

The Trueblood Report presented the term accountability directly linked to the term responsibility and revealed it as encompassing stewardship, then defined as the efficient administration of resources and the accomplishment of plans to conserve and consume them (AICPA, 1974). Although stewardship had been indicated as a historical purpose of financial reporting, the document did not place it as the focus of financial reporting. It indicated perceptions that if this was the primary accounting objective, the information directed to this objective would be concentrated solely on past information, reducing the value of

demonstrations for prospects and accountability purposes.

Though often discussed in the international literature about financial reporting objectives (for instance, Chen, 1975; Gjesdal, 1981; Whittington, 2008b; Zeff, 2013; Pelger, 2016; Pelger, 2019), accounting stewardship is not precisely defined. The presence of stewardship in IASB's most recent conceptual structure, the 2018 document, indicates that the general purpose financial reporting should provide information so its users can evaluate the managers' administration of the entity's economic resources. Therefore, the financial reporting should include information on the efficiency and efficacy of the entity's administration and the governing board in complying with its responsibilities in using the entity's economic resources (IASB, 2018a).

The concept of stewardship goes back to prehistory and has changed with the evolution of societies and social relations, as well as the responsibility of agents, which have become more complex (Williamson & Lipman, 1991). In general, the origin of the concept of stewardship or administrator characterizes the so-called "Custodial Period," when the serf had the responsibility to maintain the assets of the master (owner) through the performance of structured tasks (Birnberg, 1980). The Custodial Period was overlapped by what Birnberg (1980) names the Asset Utilization Period, in which the serf, then a figure nearer to the administrator, gained greater autonomy in the performance of unstructured tasks and should inform the owner about the intended use of the corporative resources and previous changes, as well as the current situation of the administered resources.

From the perspective of personal trust, according to Williamson and Lipman (1991), the notion of stewardship that developed in England in the 13th century originated from the practices of trusts. Such practices derived from a long evolution of the relations of use and trust – Statute of Uses – in which the trustee, the formal holder/steward, administered a property in favor of the depositor or another person indicated by him, who would be the beneficiary. The relationship was established because the beneficiary could not guarantee the legal property and the distribution of rights over a particular asset and was developed to generate juridical consequences related to the protection of the beneficiary's interests (Williamson & Lipman, 1991).

With the evolution of society, the constitution of the individuals' land property became less prominent, while other personal properties were included. In this sense, there were changes in the composition of equity, including government and corporate bonds, hypothec, and ordinary shares, with characteristics of greater volatility due to economic changes (Williamson & Lipman, 1991). According to the authors, this change altered the steward's role, whose duty became more the generation of interests than the maintenance of wealth.

Although Williamson and Lipman (1991) have highlighted that the focus on generating wealth should be considered in any attempt to define stewardship, Chen (1975) separates at least two concepts based on the steward's responsibilities, namely the classical and managerial concepts.

On the one hand, the classical term concept refers to the responsibility assumed by agents exclusively concerning the owners' interests. This concept focuses on net profit generation. In this case, a view is congruent with the Theory of the Owner, by which the administration should generate profits for the owner (Chen, 1975). On the other hand, managerial stewardship refers to management responsibility towards social interests, including the owners' interests. In this case, the owners are considered outsiders, as well as clients, suppliers, and creditors, which is in line with the entity theory concept, which takes away the emphasis on the role of the firm's owner (Chen, 1975). Therefore, one observes a conflict about what should be the administration's responsibility.

The contemporary approach to the concept, which emphasizes large firms, is congruent with the managerial concept of stewardship. It brings a notion of accountability –

i.e., the presentation of accounts and managerial responsibility (Lennard, 2007) – to internal and external parties to reveal and assess the entity's managerial actions and influence future actions (Birnberg, 1980; Gjesdal, 1981; O'Connel, 2007). This approach includes, besides the traditional management issues focusing on compliance with established norms, the issues of performance-oriented towards the notions of efficiency and efficacy and motivated by the desire to know and control the actions conducted by an entity (O'Connel 2007). From this perspective, the management should provide financial reports to comply with its responsibility towards shareholders and should provide social reports to comply with its social responsibility towards society (Chen 1975).

Whereas the contemporary approach to stewardship originated in medieval England, the concept's attainment in the US had some differences. Although the concept developed in the US originates from the advent of the Statute of Uses in England, it was based on delegated powers instead of hereditary powers. The delegation of faculties caused a change in the power structure characterized by the increase of the manager's power in contrast with the reduction of the owner's power (Williamson & Lipman 1991); this is clear in the context of the development of the capital market, in which the small shareholder does not have the rightful or actual power to interfere in the management, for not being the owner in a traditional sense (Chen, 1975). The increase of the manager's power in the US fueled the modern North American corporation's ascension, in which managers were selected based on their various capabilities (Williamson & Lipman 1991).

The difference in the US was mainly due to the lack of capital in Europe, which generated a demand for foreign capital. According to Williamson and Lipman (1991), the opportunity for higher interests for foreign investors, joined to the need for investment, originated the first corporations with powers of trusts. According to the authors, such powers functioned as a way to offer incentives and security to the capital of investment corporations. As highlighted in the theoretical model by Gjesdal (1981), when delegating the company's decisions to managers, the investors need more information to control the managers' activities.

Therefore, one observes that there was in the country an evolution of the term, which started from the idea of custody originated in Europe (Williamson & Lipman, 1991) to an idea of accountability mechanism – in which the directors and managers would have an obligation to provide the shareholders with relevant financial information on the controlled resources (Zeff, 2013). This development of stewardship in the US is more congruent with the classical concept of the term, bringing the idea of an indicator of management efficacy in generating returns to shareholders. In this perspective, Zeff (2013) suggests that it is understandable to have the perception that the objective of stewardship is incorporated into decision usefulness in terms of the 2010 CF.

Miller and Oldroyd (2018) highlight that the standard-setting bodies should consider the motivational aspects and information control of stewardship in interpreting the term. For these authors, stewardship information controls managers' activities when the agent and the principal misaligned interests. Therefore, this function differs from the role of decision usefulness developed in the US to help investors optimize their decisions on future results in the presence of uncertainties.

Zeff (2013) depicts the vagueness of the term stewardship when questioning its meaning. Would it be linked to the administration's honesty in using the entity's resources, efficiency in using resources, or an adequate return to shareholders? (Zeff, 2013). For Kuhner and Pelger (2015, 382), even when considering the general idea of someone's accountability towards somebody else for his or her activities and their consequences (Ijiri 1983), there is "confusion" concerning whom this responsibility exists. The reason is that the management provides information to different interested parties – like clients, creditors, and suppliers – who have different and, in a certain way, contradictory interests.

In theoretical terms, the concept of stewardship is usually considered from the perspective of the Theory of Agency, applicable in guaranteeing the minimization of information asymmetry between the principal and the agent. However, the managerial concept of the term is broader. In this sense, many studies (e.g., Bushman *et al.* 2006; Kuhner & Pelger 2015; Aust *et al.* 2021) that assess the relation between the use of information for stewardship (stewardship usefulness) and its use for valuation (valuation usefulness) focus on the verification of the use of accounting profits for performance evaluation of employed managers. Such studies work with a profit administration coefficient that relates changes in the manager's remuneration with profit changes.

The approach based on the manager's remuneration, which follows the logic of compensation for financial results, emphasizes the owner's theory, which is more related to the behavior of small firms. Meanwhile, it devaluates the theory of the entity and does not consider stewardship usefulness in its broader sense, leaving a gap regarding the assessment of the use of accounting information for management evaluation.

Evaluating the relation between accounting information usefulness for assessment and purposes of stewardship enables reflecting on demands of essential characteristics that differentiate useful information for each objective. Despite historical cases in which useful information for assessment was used to complement agreements of management responsibility within organizations, such information is not a substitute (Miller & Oldroyd, 2018). The explanation is that due to being predominantly retrospective, stewardship information demands greater verifiability to be effective; this is incompatible with useful information for valuation, which is prospective.

Considering that accounting information is an instrument for ex-post assessment of management performance. It generates ex-ante incentives for managers (Kuhner & Pelger, 2015), and emphasis should be given to enabling the demands of other interested parties who are not the owners (shareholders) to be assessed regarding management performance. Therefore, the relevance of other financial reporting, such as Integrated Reporting (IR), which has its objective to: "Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies" (International Integrated Reporting Council – IIRC, 2021, p. 2). Another objective highlighted in the RI is to: "Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term" (IIRC 2021, p. 2); this is an example of stewardship information used to make resource allocation decisions. Though this is not the sole purpose of stewardship information, this use reinforces the idea that this information would not have an end in itself and strengthens the argument that stewardship is a subset of decision usefulness. However, Miller and Oldroyd (2018) stress that the demand for stewardship information to dissuade agents from undesirable behavior is evident, given the contemporary international focus on corporate governance arrangements and the frequency of accounting scandals.

3. THE OBJECTIVE OF STEWARDSHIP IN THE CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

This section discusses the evolution of stewardship with the objective of financial reporting until the 2018 CF, including a perception of the US and the United Kingdom (UK) 's influence on how this objective was treated in CF revisions. First, it should be stressed that, traditionally, both countries have high levels of exposure to investors' engagement (Fenwick and Vermeulen, 2018). This engagement reveals the interest and participation of shareholders in addressing issues related to environment, sustainability, and governance (ESG), which presupposes the significance of accounting stewardship in both contexts.

The difference between the US and the UK regarding stewardship-related culture is at the root of this objective, thus in the type of investors' engagement. This engagement has been increasing regarding the performance of institutional investors. In this sense, the UK has a more rooted stewardship culture, i.e., historically, it is characterized for emphasizing the demand for disclosure and the manager's accountability on the resources under trust.

The culture developed in the UK resulted in a set of regulation measures related to stewardship. According to Fenwick and Vermeulen (2018), in 2010, the country became the first to adopt the Stewardship Code, directed to institutional investors, to make them more engaged in the entities' administration. The authors report that, after the UK's first step, other countries started a movement of promulgation and publication of stewardship codes to encourage a significant and constructive engagement of institutional investors. In this chronology, the first stewardship code of the US – The Investor Stewardship Group – was created in 2017. Despite the high shareholders' activism in the country, there is a strong force of alternative institutional investors that make short-term minority investments (Fenwick & Vermeulen 2018), which is related to the stronger force of decision usefulness in the US.

3.1 INFLUENCE OF THE US AND EUROPE IN THE INITIAL PHASE OF CONVERGENCE OF IASC/IASB AND FASB CONCEPTUAL FRAMEWORKS

Since IASB and FASB established the Norwalk Agreement in 2002, the regulators have tried to converge their accounting standards (IASB; FASB, 2002). A project of conceptual structure, whose objective was to develop a common CF to converge and improve the existing structures of both boards, was introduced in the convergent agenda of FASB and IASB in 2004 (Gornik-Tomaszewski & Choi, 2018). The project was established in several phases – phases A to H – and defined that the convergence of the financial reporting objective should be treated together with the qualitative characteristics in the first phase. To the present, phase A was the only phase completed (IASPlus, 2012) and dealt with the financial reporting, encompassing the issues of stewardship, primary users, financial stability, and reporting entity (IASPlus, 2011).

After the inclusion of the CF project in the convergent agenda, the Agenda Paper of April 2005 compared the objective of the financial reporting of existing structures (Pelger, 2016), i.e., Chapter 1 of SFAC 1, of 1976, and Chapter 1 of IASC Framework, of 1989 (Gornik-Tomaszewski & Choi, 2018). It was concluded that the objective of stewardship should not be presented distinctly from the general objective of decision usefulness because it was a subset of it (Pelger, 2019). Since the beginning of the convergence of objectives, there has been a perception of the prominence of valuation usefulness as the main aspect of decision usefulness. Table 1 presents a short view of the accounting frameworks of FASB and IASB in terms of the declaration of accounting stewardship as an objective of the financial reporting or financial statements.

Table 1
IASB/IASC 1989 and FASB 1978 Frameworks – The declared objectives of financial statements and financial reporting in connection with stewardship.

IASB/IASC *Framework* (1989): **Declared objective of financial statements**	**FASB *Framework* (1978):** **Declared objective of financial reporting**
"The objective [...] is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions." (IASC 1989, paragraph 12).	SFAC 1 did not provide a single standalone objective. Eight objectives were presented, and none was considered a basic objective. Even so, emphasis was given to decision usefulness, specified from a broader focus on useful information for investment and credit decisions, to a specific focus on useful information for evaluating the company's cash flow prospects (FASB 1978).
Reference to stewardship in the frameworks	
Stewardship information was identified as a feature of the financial statements: "Financial statements also show the results of the stewardship of management, or the accountability of management for the resources entrusted to it. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions; these decisions may include, for example, whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management." (IASC 1989, paragraph 14).	Stewardship was one of eight stated objectives: "Financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it." (FASB 1978, paragraph 50).

In none of the frameworks is stewardship presented as the general objective purpose of financial reporting or accounting statements. As the objective of the revision referring to the 2005 Agenda Paper consisted mainly of aligning the existing charts, the recommendation of the participating members was to keep the role of stewardship as it was stated (Pelger, 2016). Thus, it was considered that decision usefulness encompasses providing management information and the responsibility of managers, entities towards stakeholders, or both, and the public in general.

FASB was the first to explicitly and formally define in a conceptual framework the objectives of financial reporting (Pelger, 2016) and present stewardship as a function stated in a CF. However, decision usefulness was identified as the predominant objective, focusing on useful information for investment and credit decisions (FASB, 1978). This identification originated in the US decision usefulness program in the 1970s, establishing a fundamental body of knowledge to shape the initial CF proposals (Zeff, 2013).

Although the first formal definition of stewardship as an objective of financial reporting came from the US regulator, reflecting on why this objective should be declared is essential. According to Pelger (2016), stewardship caused a certain strangeness from the viewpoint of decision usefulness, and its inclusion in the existing frameworks would have occurred mainly for historical reasons. Zeff (2013) observes that, differently from what occurred in the IASC framework, the treatment of stewardship by FASB was presented in paragraph 50 of SFAC 1 in a relatively short statement; this indicates that the stewardship function was not in the foreground in the CF of FASB.

On the one hand, the definition of stewardship as one of the eight objectives declared in SFAC 1 indicates that an entity's management is responsible for not only the custody and keeping of the entity's resources but also for its efficient and profitable use and for protecting

them from impacts of unfavorable economic factors in the economy. Insofar as the administration offers company securities to the public, there is a voluntary acceptance of broader accountability responsibilities towards potential investors and the public in general, in a way that society could also impose broad or specific responsibilities to entities and their administrations.

On the other hand, Macintosh (1999) states that the Securities Act in the US in the 1930s and the resulting increased regulation led to a change of the stewardship to accounting standards oriented to decision usefulness or the investor. Thus, it is deduced that in the perspective of FASB, stewardship could not reflect a broader set of users. This perspective may have been reflected over the initial phase of convergence of the financial reporting objective in the CF project. It is also noteworthy that FASB does not approach how the information of management stewardship would be used for economic decisions.

The perception that the needs of stewardship are already covered by decision usefulness can be related to the fact that due to the highly developed capital market in the US, the activity of investors before the administration occurs indirectly using investment decisions based on their valuation. Thus, investors' dissatisfaction regarding the results of their investments would be channeled to decisions to buy and sell shares; this is consistent with the declaration of SFAC 1 that most of the productive activity in the US is achieved using entities owned by investors and that those investors-owners are usually more interested in dividend payments and market value appreciation of their shares than in the active participation in the steering of corporative issues.

Therefore, the guidance of accounting standards for investors and the reduction of stewardship are closely related to the definition of the financial reporting user and its changes over time. The FASB detailed a list of possible users of the reports, including owners, creditors, suppliers, potential investors and creditors, employees, managers, clients, financial analysts, regulators, unions, and the general public (FASB, 1978). Despite the detailing, SFAC 1 declares that its objectives focus on investment and credit decisions since investors and creditors would be the most obviously highlighted external groups that use financial reporting information and usually have no authority to prescribe the desired information.

The framework of IASB, created by the predecessor IASC in 1989, followed the British solid emphasis on stewardship. Unlike the US approach, the UK approach did not contemplate decision usefulness and did not privilege one user group to the detriment of other groups. The UK approach emphasized among information users the current and potential investors, current and potential creditors, suppliers, current and potential employees, unions, current and potential clients, and the government (Zeff, 2013). Thus, though the explicit indication of the stewardship function in the CF of IASC occurred ten years after the SFAC 1 of FASB, culturally, the idea of stewardship that encompasses different users in the accounting information originates in Europe.

The European formulators of accounting policies traditionally attribute stewardship to a more important role in financial reporting than in the US (Zeff 2013). Even with a CF influenced by the Theory of Accounting of the US, like Paton and Littleton, the British approach maintained its vision regarding the importance of information that enables the assessment of management in the administration of resources entrusted to it. This difference in the treatment given to stewardship can be observed from the perspective of the governance culture.

In the UK, there is a direct link between financial reporting and corporative governance (Eberle & Lauter, 2011), which contrasts with the US scenery (Bush, 2005). In this sense, Pelger (2016) indicates that in the UK, the role of shareholders is significantly more active than in the US, which occurs due to a culture of shareholders with a strong interest in the business. The activity of those shareholders goes beyond solely buying and selling their shares; they intervene in the business by directly orientating the CEO's performance.

Although the culture of stewardship is stronger in Europe, during the effort of convergence of the financial reporting objectives, the International Accounting Standards Board (IASB) diminished the stewardship function of accounting information management. It became closer to the US position (Zeff, 2013). This lessening did not go unnoticed, and several criticisms arose after the non-recognition of the objective of stewardship as separate from the conceptual framework. Lennard (2007) was one of the critics of this reduction and argued that stewardship should be recognized and specified as a general objective of financial reporting.

The agenda defined in 2005 by FASB and IASB culminated in the publication of the initial CF proposal in the 2006 Discussion Paper (IASB 2006), which presented a draft of the first chapters of the improved conceptual framework proposed by IASB and FASB. Although this proposal made several references to stewardship, it used a concept that concentrated solely on the responsibilities of the administration towards capital providers, which had already been interpreted as a depreciation of stewardship (Murphy *et al.*, 2013). After this depreciation, different interested parties had a strong negative response, which may have occurred due to the historical entrenchment of stewardship in accounting.

The publication by Lennard (2007) was a kind of argument before the Discussion Paper issued by IASB (IASB, 2006) and the alternative view that IASB members had established (Whittington 2008b) that stewardship and decision usefulness (which emphasized valuation usefulness) are parallel objectives with different emphases and, therefore, they should be defined as separate objectives. The alternative view originated the publication of Stewardship/Accountability as an Objective of Financial Reporting by the European Financial Reporting Advisory Group (EFRAG) (Pro-active Accounting Activities in Europe (PAAinE) 2007), prepared by the team of the Accounting Standards Board (ASB, 2007), in the UK, and approved by ASB, EFRAG, and the accounting standards regulators in Denmark, France, Germany, Italy, and Poland. The document related the meaning of stewardship to the idea of accountability.

The ASB document reported that 78% of the respondents to the 2006 Discussion Paper of IASB (IASB, 2006) supported the alternative view on stewardship and concluded that it should be maintained as an objective of the financial reporting. The justification was to guarantee an adequate emphasis on the entity's overall performance and not solely on the potential future cash flows. Most respondents who commented on stewardship considered that the objective refers to assessing the administration's competence and integrity, including the success of its strategy in business management (ASB, 2007).

For the respondents who supported stewardship as a separate objective of financial reporting, stewardship should serve as a dialogue between the administration and shareholders, providing the information the latter need for their decision-making (ASB, 2007). According to the report in ASB (2007), such decisions include, e.g., retaining or replacing managers, evaluating the adequacy of the administration's remuneration, and considering the administration's proposals on possible strategy changes and the success of previous strategies. Despite this predominant idea, the document stresses the existence of other views on stewardship and affirms that all of them also make some link between stewardship and the theory of agency, either directly or indirectly.

3.2 STEWARDSHIP IN THE 2010 AND 2018 ECS

After a long period – between 2004 and 2010 – corresponding to the convergence that would originate the second CF of IASB, the issue around the inclusion of stewardship in the conceptual framework as a parallel objective to decision usefulness possibly led to the main change resulting from the joint revision project, manifested in the 2010 CF.

Due to the intense criticism of the idea presented in the 2006 Discussion Paper that

providing useful information for resource allocation is the sole general objective of the financial reporting – and that useful information to assess how the management has fulfilled its stewardship function would be part of this objective – an essential aspect of this feedback was incorporated into the Exposure Draft on the Conceptual Framework issued in May 2008 (IASB, 2008). A specific comment was added on the stewardship usefulness of financial reporting, making explicit that users use financial reporting for stewardship purposes (Murphy *et al.*, 2013).

According to Zhang (2011), the 2008 Exposure Draft maintained that the supply of relevant information for future cash flow prospects would encompass the stewardship reporting requirements. The result was that in the 2010 CF stewardship was not included as a separate objective of the financial reporting and decision usefulness – with emphasis on decisions of buying, selling, or hold equity securities and debt instruments, and the supply or liquidation of loans and other forms of credit – was included as a general objective of financial reporting.

The success of phase A of the convergence project resulted in the issuance of chapters 1 and 3 of the FASB Conceptual Framework (SFAC 8) and chapters 1 and 3 of the IASB Conceptual Framework (CF 2010) (Gornik-Tomaszewski & Choi 2018). The chapters "The Objective of general-purpose financial reporting" and "Qualitative Characteristics of useful financial information" were identical in both frameworks.

The decision not to present stewardship as a separate objective followed the idea of Staubus (1959), referring to decision usefulness and the capital market regulation in the US, which determined the protection of investors and creditors. By choosing investors and creditors as the main users of accounting information, the central objective of financial reporting became the supply of useful information for investment decisions. Thus, there was a highlight on the importance of prospects for future cash flows regarding informational needs (Staubus, 1959).

The 2010 CF also mentioned that, in order to make a prospective valuation of future cash flows, it is necessary to have information on "how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources" (IASB, 2010, OB4). Though the mention reflects the idea of stewardship, the term itself has been excluded – having been used only on the Basis for Conclusions of the 2010 CF, reaffirming the reference to stewardship in substance. The justification was that there would be difficulties in translating the term into other languages (IASB, 2011).

There was a tendency towards the adoption of FASB ideas; in this sense, together with the argument regarding the difficulty of translating the term stewardship, the familiarization of the members of the IASB board in the US and FASB team of the project of convergence with the program of decision usefulness, made them strong opponents of a stewardship objective (Pelger, 2016). In addition, two other factors led the UK to accept the justifications for excluding the objective. Firstly, the proponents of stewardship, most of them with experience in the UK, could not define an alternative program to decision usefulness; secondly, some board members had difficulty seeing the importance of the separate objective (Pelger, 2016). According to Camfferman and Zeff (2015, p. 365), the Board of IASB was not convinced that mentioning stewardship, either by this term or any other, would make a difference.

The arguments for not declaring stewardship as a separate objective of the financial report lead to a reflection on the US power of influence in CF convergence. Although the US members had been able to reaffirm their positions resulting from decision usefulness, based on the US Accounting Theory, there was strong opposition to abandoning stewardship, which was ignored (Pelger & Spieß, 2017). Thus, it could be questioned if the IASB gave way to the US position so that the convergence project would not be abandoned.

The criticism of stewardship's abandonment in 2010 included disagreement about the conflict between decision usefulness and stewardship objectives. Furthermore, it was argued that the accusations that the term allows the attribution of different meanings and that

stewardship as an objective of financial reporting has implications for accounting measurement in terms of the basis of value also fit for the usefulness of the decision (Pelger, 2016).

The conflicts relating to fundamental issues of financial reports among members of the ISAB Board (European and North American) and between the boards and their constituents in the first phase of the CF revision hindered the continuity of the joint work (Pelger, 2019). This difficulty and the pressure of other projects (Gornik-Tomaszewski & Choi, 2018) resulted in the interruption in November 2010 of the joint effort of convergence of FASB and IASB (IASPlus, 2012). After a public consultation in 2012, the IASB decided to continue, outside of the joint project, the revision of CF as a priority project in one sole phase (Gornik-Tomaszewski & Choi, 2018). Due to the responses to the Discussion Paper 2013/1 (IASB 2013), the IASB resumed the discussion on the meaning of stewardship. The document indicated that assessing the administration's efficiency concerning resources should be an objective of the financial reporting. It declared that the IASB did not intend to remove the concept of stewardship from the objective of the financial reporting (IASB 2013). In the sequence, in the 2015 Exposure Draft (IASB, 2015), the Conceptual Framework was affirmed as strengthening accountability by reducing an information gap between capital providers and those to whom they had entrusted their money. It was also stated that the standards based on the CF provide the necessary information for the administration's accountability.

The IASB Board revised the CF text in 2018 to clarify its original intention (IASB 2018a). It may have been a response to the previous difficulties faced by the boards associated with the US. The IASB Board brought back the term stewardship in the 2018 CF. It emphasized the objective of general purpose financial reporting to provide information that helps evaluate how the entity's managers manage its economic resources and how useful the financial reporting is for making decisions that affect the voting rights or other ways of influencing the management's actions on the use of the entity's economic resources (IASB, 2018b).

4 PERCEPTIONS AND PERSPECTIVES ON ACCOUNTING STEWARDSHIP

Despite the highlight of the stewardship objective in the revision of the 2018 CF, again, the regulator did not declare it as a separate objective. A reflection on the change in the 2018 CF points out that it occurred when FASB stopped performing the joint work of the CF revision; this reinforces that the regulator would be the most responsible for the non-support of stewardship as a separate objective of the financial report for general purposes.

Though the US also recognized the importance of stewardship, it lost strength insofar as the capital market became the leading way to discipline management in the country (Whittington, 2008a). Whereas Europe, which culturally supports direct controls and fewer market sanctions (Whittington, 2008a), reinforced its advocating of stewardship with the reintegration of the term and the highlight of accountability in the 2018 CF.

Another factor that might have influenced the unfolding of stewardship in the 2018 CF, in the sense of reinforcing the importance that the objective has been achieving, is the recent movement in favor of increasing and improving the involvement of shareholders with the management, which reflected in the promulgation and publication of stewardship codes in several countries, including the US.

Regarding reflections on the development of financial reporting, the resumption of stewardship in the 2018 CF did not show substantial effects in its remaining contents without declaring it a general objective. The absence of effects indicates that the emphasis given by the inclusion of the term does not cause a real impact on accounting and financial reporting, but it can be a way to harmonize the constituents without materially affecting the future definition of accounting standards (Pelger, 2019). Therefore, although Vangermeersch (1996) defends that

there is much work to be done to adjust accounting statements and disclosure for a stewardship structure, it is difficult to conclude whether the declaration of stewardship as a general objective of financial reporting, leveling it with decision usefulness, would produce changes in standards definition.

Despite questioning the effects of standards definition, the confidence crisis in contemporary accounting regarding the veracity problem of financial reporting was strengthened by the regulators' attempts to reduce the emphasis on stewardship (Murphy *et al.*, 2013). The quest to solve this problem might have resulted in the resumption of the emphasis in the 2018 CF. Murphy *et al.* (2013) reveal that the US is an example of a country that, through other types of formal regulation, in this case, the Sarbanes-Oxley Act (SOX), returned to stewardship as a central instrument to re-emphasize the primacy of truth in the written law of corporate accounting (Murphy *et al.*, 2013), this occurred in contrast with the posture that FASB/IASB had adopted.

The perception that the evolution of how stewardship is considered in the Conceptual Framework of financial reporting should take into account that, even though power relations have a substantial role in the definition of accounting standards, cultural evolution and that of society's relations are essential so that regulation has strength and is practiced. In this sense, the discussion by Zimmerman (2015) is relevant in reflecting on how society is evolving in the twenty-first century. According to the author, twenty-first-century entities stand out for being based on knowledge and becoming more dependent on their employees' human capital. These entities have become more intensive in intangible assets and, therefore, have required more direct control from investors to align more significantly with their interests.

The change in the entities' profile, according to Zimmerman (2015), can be observed from the importance that private equity firms have achieved by responding to the demands of the new century's companies. These entities face increased competition and several conflicts of interest, making their challenges regarding capital access different from those faced by their precursors. By providing a package of services comprising capital and governance, private equity entities require accounting information to control conflicts of interest, both internally and within the firms in which they invest. Controlling those conflicts also emphasizes the demand for stewardship information, strengthening the roots of accounting statements' role (Zimmerman, 2015).

The important reflection on the role that economic forces of technological innovation and competition perform in the entities' changes of nature, how they are financed, and the role of information in capital allocation, specifically related to the efficient and effective performance of the administration, enables a view on how the discussion about CF should continue in terms of the objective of financial reporting, these effects should produce an even greater appreciation of stewardship as a pillar of accounting.

5 FINAL CONSIDERATIONS

Understanding the origin and evolution of the concept of stewardship is essential for comprehending how the current CF approaches this objective. In this study, we present reflections on the historical and cultural origins of accounting stewardship and its evolution as the objective of financial reporting in the IASB's Conceptual Framework. We highlighted the influences of the US and Europe in the result of the most recent Conceptual Framework document.

We noted that the USA and Europe have influenced the current definition of the objective of financial reporting in the IASB's Conceptual Framework. However, the resumption of stewardship in the 2018 document without declaring it as a general objective reinforces the power of influence of the USA and the decision usefulness in the Conceptual Framework

convergence process. The IASB declared on the Basis of Conclusion of the 2018 CF that assessing management's stewardship is necessary for decision-making on resource allocation, not having an end (IASB 2018a). This argument contradicts the opinion of several accounting researchers (i.e., Gjesdal, 1981; Bushman *et al.*, 2006; Kuhner & Pelger, 2015; Miller & Oldroyd, 2018 and Aust *et al.*, 2021) that information used for valuation purposes in capital markets are not the same as those used for stewardship decision-making.

Although the 2018 Conceptual Framework reinforces the stewardship culture, which originated in Europe, its highlight as part of the decision utility contemplates the idea of stewardship developed in the USA, resulting from both the increase of the menager's power and the need to report on the effectiveness of management in generating a return on shareholders. Even though we highlighted the recent movement in favor of increasing and improving the involvement of shareholders with the management responsible for promulgating and publishing stewardship codes in several countries, this reflects the importance that the objective has been achieving. However, this importance is not desired to affect the elaboration of accounting standards.

Future research could investigate, using qualitative research, how stewardship is perceived in countries where IFRS was applied later. Specifically, we find it relevant to investigate how accounting professionals and others responsible for disclosure in companies perceive stewardship in the Conceptual Framework and in what way and with what priority they believe in meeting this informational demand. This is because we believe that, despite all the recent discussions about stewardship, the fact that it is not declared as a general objective in the Conceptual Framework means that it is still little understood and little applied. Given that the role of accountants in increasing communication between companies, their investors, and management is critical, we believe in the relevance of this type of research.

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