FORGING FINANCIAL ACCOUNTING STANDARDS: AN ANALYSIS OF MANAGEMENT'S INPUT

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ABSTRACT

This study addresses the question what are the qualitative characteristics of accounting standards promoted by business managers. Using content analysis, policy recommendations from managers are abstracted from comment letters. These policy recommendations are analyzed in terms of four qualitative characteristics: flexibility, income effect, transparency, and accounting model. Results are compiled to determine if there are regularities in preferences from this group of respondents towards certain characteristics of information provided by the financial accounting system. The results of the study show a preference for flexible, profit-enhancing standards based on an income statement model. Although managers tend to prefer less revealing rules, this tendency is weaker than the others.

INTRODUCTION

An accounting system's ability to provide financial information that meets the users' needs is dependent on choices made at both the implementation and standard-setting stages. Established in 1973, the Financial Accounting Standards Board (FASB or Board) is the private-sector organization charged with articulating authoritative standards of financial reporting and accounting. Managers are an important constituency of the FASB. As preparers, managers are in a unique position to shape financial communications to external parties through their choices in implementing the standards of accounting and reporting. They can also choose to be involved at the standard-setting stage by participating in the due process procedures adopted by the FASB. This includes submitting comment letters on proposed statements of financial accounting standards (SFASs).

This study takes an in depth look at the comment letters submitted by managers to address the question, what are the qualitative characteristics of accounting standards promoted by business managers. This question is broken down into four parts. Do managers' contributions reflect a preference for standards that provide them more or less discretion over the information reported (flexibility in implementing the standard), maximize or minimize earnings (income effect), emphasize or obscure their activities (transparency)? Are managers' responses to proposed standards strictly opportunistic or is there an implicit view of the function of financial reporting (accounting model) reflected in their submissions?

To address these questions, this study focuses on managers' responses to three exposure drafts (EDs) issued by the Board: Accounting for Income Taxes (FASB, 1986) resulting in SFAS No. 96, Accounting for Investments in Certain Debt and Equity Securities (FASB 1993) resulting in SFAS No. 115 and Employers' Accounting for Pensions (FASB, 1985) resulting in SFAS No. 87. Issues addressed and expressions of policy recommendations from managers are abstracted from comment letters. These policy recommendations are then analyzed in terms of four qualitative characteristics: flexibility, income effect, transparency, and accounting model. Results are compiled for each respondent and summed across respondents for each exposure draft and then across all three exposure drafts to determine if there are regularities in preferences from this group of respondents towards certain characteristics of information provided by the financial accounting system.

RESEARCH DESIGN

This section defines the constructs and describes the components of the study.

Definition of Concepts and Their Related Constructs

Flexibility

Flexibility allows management to choose from accounting alternatives based on its judgment, plans or company circumstances. Policies will be

classified as flexible if they permit alternatives and uniform if they do not permit alternatives.

Income Effect

In this study, income effect refers to the presence or absence of a bias towards a particular income result, profit-enhancing or profit-deflating. Income effect encompasses the question should there be stricter recognition criteria and different bases of measurement depending on the element involved. Policies that relax criteria for recognition of assets and revenues and/or circumscribe recognition criteria for liabilities and expenses are profit-enhancing. Policies that relax criteria for recognition of liabilities and expenses and/or circumscribe recognition criteria for assets and revenues are considered profit-deflating.

Transparency

Transparency in financial reporting is the ability to reduce information differentials between issuers of financial reports and the users of financial reports. It relates to the ability of the reported information to provide a fuller reporting of some phenomenon of interest. For this study transparency is related to the issue of more or less disclosure within the body of the financial statements of events or circumstances presumed to impact on the financial condition or results of operations. A policy recommendation that provides a fuller reporting of such an item is considered transparent; a policy recommendation that would not report or reports less about such an item is considered opaque.

Accounting Model

The financial statements produced by the accounting system are an attempt to describe or model aspects of the firm in order to provide useful economic information to decision makers. The balance sheet reports on the financial condition of the firm, i.e., the assets and claims on those assets, and the income statement reports on the current period's profit or loss. Since the financial statements share information, e.g., net income increases owners' claims on the assets; there is a tension between which statement is primary.

Under the income statement model, the purpose of reporting is to permit an evaluation of management's performance and to provide information useful in assessing future earnings trends. Therefore, the primary task of accountants is to measure and report operating income (income

derived from major, normal, recurring activities of the firm). To accomplish this, attention should be placed on matching expenses with revenues and reporting them in the appropriate time period. Accounting is an allocation rather than valuation process and the appropriate basis for measuring assets is their value in use rather than their current value. Management's intentions are incorporated into the accounting. Underlying the income statement approach is the assumption that the business is a going concern, i.e., will continue in business long enough to realize the benefits of its assets and satisfy its liabilities.

Under the balance sheet model, the primary task of accounting is to provide information useful in assessing the value of the business and changes in the value of the business. It addresses the concern that reported values for certain assets and liabilities have no external validity and therefore accounting claims to report the financial condition of the firm are not being met. The central problem is obtaining appropriate valuation of assets and liabilities. Management's intentions are not incorporated in the valuation.

The Board has taken a valuation or balance sheet approach, defining revenues and expenses as enhancements or reductions of assets and liabilities, moving away from measuring assets at value in use and towards basing measurements on some current value basis. The Board has introduced the element "comprehensive income," a more inclusive concept than "net income," to accommodate the additional information being reported. Comprehensive income does not have to be displayed on the income statement but accumulated comprehensive income exclusive of net income is reported on the balance sheet.

Selection of Exposure Drafts

Criteria for selection of exposure drafts to be included in the study are (a) topic affects a broad cross-section of industries, (b) proposed standard replaces existing authoritative literature, and (c) proposed policies impact the financial statements.

The purpose of the first specification is that such standards are more likely to elicit responses from a variety of respondents than amendments or standards that deal with an accounting problem in a particular industry. The purpose of the second criteria is to permit a comparison to the resolution of a comparable accounting issue. The third is necessary to allow an evaluation of preferences for

flexibility, income effect, transparency and accounting model. The selected exposure drafts are <u>Accounting for Income Taxes</u>, <u>Accounting for Investments in Certain Debt and Equity Securities</u> and <u>Employers' Accounting for Pensions</u>. SFAS No. 96 <u>Accounting for Income Taxes</u> was a comprehensive statement augmented by SFAS No. 109 <u>Accounting for Income Taxes</u>. The earlier standard was selected for inclusion in the study because the discussion preceding it covered a broader range of issues.

Selection of Sample Letters

One hundred letters from corporate sponsors were randomly selected for each exposure draft for a total of 300 comment letters. The choice of 100 letters per exposure draft is arbitrary, but deemed reasonable given the labor involved in analyzing the letters. Some of the letters could not be used because they did not reference any of the issues included in the study. The final count is 97 letters for income taxes, 97 letters for investments and 88 letters for the pensions' exposure draft. In total, 282 letters are included in this study.

Content Analysis

Content analysis is an objective, systematic approach to analyzing communications. It provides for sorting and aggregating written comments to permit a numerical analysis of verbal communications. Lists of policy issues and the Board's policy recommendations are abstracted from each exposure draft and compiled in codebooks. Issues are identified accounting problems, e.g., how should deferred tax assets and liabilities be classified on the balance sheet. A policy recommendation proposes an accounting response to an identified problem, e.g., classify all deferred tax assets and liabilities as noncurrent. These codebooks provide structure and thus facilitate consistent coding and reduce the amount of writing during the transcription process.

Managers' comment letters in response to exposure drafts form the basis for analysis. Issues addressed and expressions of policy recommendations are abstracted from the letters. These comments are assigned to precoded categories or encoded for grouping. This information is transcribed onto code sheets. In order to identify the manager's preferred solution to an accounting problem, the unit of analysis is the entire letter rather than smaller units such as sentences or paragraphs. For example, a manager may indicate in one

paragraph what he likes about the position taken by the Board but in the next paragraph explain why he prefers an alternative approach. If paragraphs were coded separately, the results would have shown the writer supporting two contradictory positions rather than identifying the writer's preferred approach.

The coding for this study was done by the author. However, two independent coders were asked to code a subsample of letters for each exposure draft and the results of their analyses were compared to this author's coding as a reliability test. The independent coders were second semester seniors majoring in accounting at Rutgers University, New Brunswick, New Jersey. When considering all the issues addressed by the individual respondents identified by the coders, agreement among the three coders on issue identification was 76% for income taxes, 77% for investments, and 79% for pensions. The author was more likely to identify an accounting issue than the independent coders. Issue identification agreement improves when only the study issues are considered as opposed to attempting to enumerate all the issues addressed by respondents. For the issues ultimately included in the study, agreement among coders was 100% on the policy recommendations when recommendations are evaluated as either/or (binary) rather than more or less (scalar). For a more complete analysis of the design and testing of the content analysis, see author's dissertation.

Select Issues to Include in Study

Two criteria are used to select issues to be included in the study: the issue impacts the financial statements and volume of response. In order to evaluate the income effect, it is necessary that the issue impact the financials. Volume of response is used to identify issues of special concern to respondents. If at least 20% of the respondents to an exposure draft comment on a particular issue, that issue is included in the study. Number of responses to a particular issue is used because it is not feasible to determine the relative importance placed on any particular issue by an individual respondent.

Evaluate Policy Recommendations Along Constructs

Policy recommendations are analyzed in terms of the constructs of flexibility, income effect, transparency and accounting model. This analysis is informed by a review of contemporary literature on the problems addressed by each exposure draft. This review helped to clarify the issues, alternatives and

consequences being debated. To evaluate this stage of the study, the author's dissertation committee and several other accounting professors reviewed the analysis and ranking of the policy recommendations. Their comments were helpful in refining the analysis. Space limitations prevent providing the analysis herein, but the detailed analysis is available in the author's dissertation. Table 1 on page 29 provides a key to the rankings of the policy recommendations. Tables 2, and 3 (page 30), and 4 (page 31) list the selected issues, policy recommendations and their rankings on the constructs for each exposure draft.

Classify Respondents According to Expressed Policy Recommendations and Measure Support

Overall support scores are determined for each policy recommendation, providing the basis for identifying managers' preferences along the dimensions of concern. The mean, median and mode are used to evaluate central tendency and interquartile range, standard deviations and standard errors of the average are used as measures of dispersion. (See tables 5 through 12 for ranking of respondents along the constructs and summary statistics (pages 33 - 34).

RESULTS

In this section, the policy recommendation rankings are combined with the level of support for each policy recommendation. The results are used to describe the characteristics of managers' responses for each exposure draft and over all of the exposure drafts.

Accounting for Income Taxes (Tables 5 and 6, page 33)

For the income tax exposure draft, the Board's policies in the aggregate are uniform, profit deflating, transparent and favor the balance sheet model. Respondents tended to promote flexible, profit-enhancing standards. On the issue of transparency, they displayed a weak tendency to promote transparent standards, with a significant minority supporting opaque standards. The respondents tended to range from being indeterminate on model to promoting an income statement model.

All three measures of central tendency, the mode, median and average, support the description that managers display a tendency to support flexible, profit-enhancing standards. The mode and the average support the description that managers

displayed a tendency to support transparent standards and the income statement model, but the median did not. The IQR is 2 for transparency indicating there were a significant number of respondents clustered around the other extreme. The IQR is 1 for model, indicating some dispersion between indeterminate and the income statement model.

Accounting for Investments in Certain Debt and Equity Securities (Tables 7 and 8, page 33)

For the investments exposure draft, the Board's policies in the aggregate are uniform, profit enhancing, transparent and favor the balance sheet. Respondents promoted flexible, profit deflating, opaque standards based on an income statement model. A significant minority promoted uniform standards. The split on flexibility is apparent with slightly less than half of the respondents promoting flexible standards. There is a split on income effect between profit deflating and indeterminate, but few supported profit-enhancing policy recommendations. Rankings on transparency and model are strong. In their comments, managers tended to be concerned with income volatility rather than income effect (as defined in this study). None of the respondents in the sample promoted policies representative of the balance sheet model, and only four were ranked indeterminate on this construct.

The differences between the averages, modes and medians on the individual constructs indicate the distributions are skewed or u-shaped for flexibility, income effect and transparency. On model, these values indicate a more normal distribution. All three values, the average, mode and median, support the description that managers promote opaque standards. The IQRs for model and transparency are zero, indicating slight dispersion. Although the median does not support such a characterization, both the mode and the average indicate managers promoted flexible standards. The IQR for the median is 2, indicating a wide split among respondents, with a significant minority promoting uniform standards. All three support the characterization that managers prefer the income statement model.

Employers' Accounting for Pensions (Tables 9 and 10, page 34)

For the pension exposure draft, the Board's policies are, in the aggregate, uniform, profit deflating, transparent and reflect the balance sheet model. Overall, managers displayed a tendency to support flexible, profit-enhancing and opaque

standards based on an income statement model. However, they were somewhat split over flexibility, with a significant minority supporting uniform standards. The signs and averages of all of the constructs are consistent with this characterization. Income effect and model were particularly strong. However, the characterization as flexible is only weakly supported. The relationship between the averages, medians and modes on the individual constructs indicate the distributions are skewed or u-shaped rather than normal. The IQR for flexibility is 2, indicating a significant minority promoted uniform standards. The IQR for transparency indicates respondents were moderately dispersed between indeterminate and opaque.

Comparison of Results Over All Three Exposure Drafts (Tables 11 and 12, page 34)

This section combines the data from the three exposure drafts to arrive at "overall" results. Taken in their entirely, the Board's policies are uniform, profit deflating, transparent and favor the balance sheet model. Respondents promoted flexible, profit-enhancing, opaque standards based on the income statement model. Model was particularly strong.

Differences between the averages, medians and modes (Table 17) indicate the distributions are skewed or u-shaped. The IQRs indicate significant dispersion over the constructs flexibility, income effect and transparency and very little dispersion over model.

CONCLUSIONS

This study addresses the question what are the qualitative characteristics of standards managers promote in their correspondence with the Board. In terms of the issues incorporated in this study, the Board's proposals overall reflected the qualities of uniformity, profit-deflation, and transparency and are based on a balance sheet model. Conversely, managers' policy recommendations tend to reflect the qualities of flexibility, profit-enhancement, and opaqueness and are based on an income statement model. Managers showed variations in direction and intensity for these characteristics on the different exposure drafts. However, except for the income tax exposure draft, managers showed a strong tendency to want solutions based on an income statement model (measuring operating performance) rather than a balance sheet model (valuation of assets and claims on those assets).

ENDNOTE

This article is based on my dissertation, "Management's Preferences for Accounting Standards," completed at the Graduate School – Newark, Rutgers – The State University of New Jersey, January 2000. I wish to express my appreciation to my committee members, Drs. Paul J. Miranti, Jr. (Chair), Dan Palmon, Gary Kleinman, and Louis Orzack, for their guidance and assistance.

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Table 1

Key to Rankings on Constructs

Rank	Flexibility	Income Effect	Transparency	Model
-1	Uniform	Profit deflating	Opaque	Balance Sheet
0	Indeterminate	Indeterminate	Indeterminate	Indeterminate
1	Flexible	Profit enhancing	Transparent	Income Statement

Table 2

Rankings of Policy Recommendations for Accounting for Income Taxes

PR	Description	Count	F	E	T	M
1.0 General Approach to Accounting for Taxes						
1.01	*Asset-liability method*	*47*	*-1*	*-1*	*1*	*-1*
1.02	Deferred method	13	1	1	-1	1
1.03	Net-of-tax method	1	1	1	-1	-1
1.04	Flow-through method	1	1	1	-1	0
1.05	Combination of net-of-tax and asset-liability method	1	1	1	-1	-1
1.06	Favors interperiod tax allocation; method is not specified	4	0	0	0	0
2.0 Scope						
2.01	*Comprehensive model*	*1*	*-1*	*-1*	*1*	*-1*
2.02	Mixed comprehensive and flow-through model	77	1	1	-1	1
3.0 Recognition Criteria: Assets						
3.01	*Strict asset recognition criteria*	*5*	*-1*	*-1*	*-1*	*-1*
3.02	Probability of future earnings criteria	44	1	1	1	1
3.03	Recognize prepaid tax assets	1	1	1	1	1
3.04	Differentiate between deferred tax assets and net operating losses	6	1	1	1	1
3.1 Measurement: Tax Rates						
3.11	*Use currently enacted tax rates*	*20*	*-1*	*0*	*1*	*-1*
3.12	Use origination rates	7	-1	0	-1	1
3.13	Use rates expected to be in effect	1	1	0	1	-1
3.14	Use origination rates for prepayments, otherwise currently enacted rates	1	1	0	-1	1
3.15	Use alternative minimum tax rate	1	-1	1	-1	-1
3.17	Use origination rate until item reverses, apply currently enacted rate as item reverses	1	1	0	-1	1
3.18	Preference is indeterminate	1	0	0	0	0
3.4 Measurement: Discounting						
3.41	*Do not discount deferred tax assets and liabilities*	*4*	*-1*	*-1*	*-1*	*-1*
3.42	Allow discounting of deferred tax assets and liabilities	26	1	1	1	-1

The Board's policy proposals are italicized. The first column, "PR," refers to the policy recommendation code number. The second column, "Description," gives a very brief description of the policy recommendation. The "Count" column gives the number of respondents in the sample promoting the recommendation. Columns four through seven contain the constructs' assigned values, 1, 0 or -1 (see Table 1). The columnar headings are Flexibility (F), Income Effect (E), Transparency (T) and Model (M).

Table 3

Rankings of Policy Recommendations for Accounting for Investments in Certain Debt and Equity Securities

PR	Description	Count	F	E	T	M
	1.0 Scope: Liabilities					
1.01	*Exclude liabilities from scope.*	*6*	*-1*	*0*	*-1*	*-1*
1.03	Must include liabilities if assets are marked to market	31	-1	0	1	1
1.04	If matched to asset, allow liability to be marked to market	3	1	0	1	1
	1.2 Scope: Entities					
1.21	*All entities not already using fair values except not-for-profits*	*1*	*-1*	*1*	*1*	*-1*
1.23	Suggests some exclusion	32	1	-1	-1	1
	2.3 Classification: Debt Instruments					
2.31	*Strict criteria for "held-to-maturity"*	*0*	*-1*	*1*	*1*	*-1*
2.32	Relax criteria for "held-to-maturity"	49	1	0	-1	1
2.33	Eliminate criteria for "held-to-maturity"	2	1	0	-1	1
	3.0 Measurement: Assets					
3.01	*Report trading and available-for-sale securities at fair value; held-to-maturity at amortized cost.*	*3*	*1*	*1*	*1*	*1*
3.02	No securities should be reported at fair value	36	-1	-1	-1	1
3.03	All securities should be shown at fair value	2	-1	1	1	-1
3.04	Only trading securities should be shown at fair value.	12	1	0	-1	1

The Board's policy proposals are italicized. The first column, "PR," refers to the policy recommendation code number. The second column, "Description," gives a very brief description of the policy recommendation. The "Count" column gives the number of respondents in the sample promoting the recommendation. Columns four through seven contain the constructs' assigned values, 1, 0 or -1 (see Table 1). The columnar headings are Flexibility (F), Income Effect (E), Transparency (T) and Model (M).

Table 4

Rankings of Policy Recommendations for Employers' Accounting for Pensions

PR	Description	Count	F	E	T	M
	1.0 Measurement: Imputed Interest Rate and Plan Assets					
1.01	*Use settlement rate and fair value of plan assets at balance sheet date.*	*1*	*-1*	*-1*	*1*	*-1*
1.02	Use actuarial or time-adjusted expected earnings rate and actuarial or time-adjusted fair value of plan assets.	54	1	1	1	1
1.03	Fixed income securities should be valued at amortized cost.	1	-1	0	-1	1
1.04	Do not rely solely on settlement rate.	1	1	1	1	1
	1.2 Measurement: Attribution Method					
1.21	*Based on terms of the plan. Usually the projected unit credit method for plans based on future compensation levels and the unit credit method otherwise were appropriate.*	*7*	*-1*	*0*	*1*	*-1*
1.22	Allow some choice in actuarial method and include a cost-based method	44	1	0	-1	1
	1.4 Recognition: Deferred Gains and Losses					

PR	Description	Count	F	E	T	M
1.41	*If at the beginning of the year, the aggregate unrecognized gain or loss exceeds 10% of the larger of the projected benefit obligation or fair value of plan assets, amortization of unrecognized gains or losses should be included in income*	*4*	*-1*	*0*	*-1*	*1*
1.42	Use a larger corridor, e.g., 20%	16	-1	0	-1	1
1.43	Do not use a corridor approach for unrecognized gains and losses.	6	-1	0	1	1
1.7 Measurement: Amortization Method and Period						
1.71	*If amortization is required, the minimum amortization is the excess divided by the average remaining service period of active employees expected to receive benefits under the plan.*	*9*	*-1*	*-1*	*1*	*1*
1.72	Be less restrictive in choice of amortization period.	8	1	1	-1	1
1.73	Use a mortgage- or interest-type method of amortization.	7	-1	1	-1	1
1.74	Use average total service career life of participants who are expected to receive benefits under the plan	5	-1	1	-1	1
1.75	Adjustments for actuarial gains and losses should continue to be part of the overall actuarial computation of the pension cost allocation	2	1	0	-1	1
1.76	Experience gains and losses should be amortized over a shorter period than actuarial gains and losses.	1	1	0	-1	1
2.0 Recognition: Liability						
2.01	*At a minimum, a liability equal to the unfunded balance of the accumulated benefit obligation will be reported on the balance sheet.*	*11*	*-1*	*-1*	*1*	*-1*
2.02	It does not represent a recognizable liability.	40	-1	1	-1	1
2.05	Use vested benefit obligation rather than accumulated benefit obligation (ABO).	3	-1	1	-1	-1
2.06	For multiemployer plans, do not recognize withdrawal liability or proportionate share of accumulated benefit obligation.	11	1	1	-1	1
2.07	Allow offsetting of over- and underfunded plans unless a large liability exists.	6	1	1	-1	-1
2.08	Do not recognize a liability for the portion of the ABO that represents previously unrecognized actuarial losses.	1	1	1	-1	-1
2.09	Exempt regulated companies from recognizing liability.	1	1	1	-1	1
2.1 Recognition: Asset						
2.11	*If fair value of plan assets exceeds the ABO, do not recognize an asset.*	*5*	*-1*	*-1*	*1*	*-1*
2.12	If unfunded ABO must be recognized as a liability, than the overfunding of the ABO should be recognized as an asset.	16	-1	1	-1	-1

The Board's policy proposals are italicized. The first column, "PR," refers to the policy recommendation code number. The second column, "Description," gives a very brief description of the policy recommendation. The "Count" column gives the number of respondents in the sample promoting the recommendation. Columns four through seven contain the constructs' assigned values, 1, 0 or -1 (see Table 1). The columnar headings are Flexibility (F), Income Effect (E), Transparency (T) and Model (M).

Table 5

Income Taxes, Ranking of Respondents on Constructs

	Flexibility		Income Effect		Transparency		Model	
Rank	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
-1	16	16%	9	9%	29	30%	21	22%
0	22	23%	22	23%	21	22%	29	30%
1	59	61%	66	68%	47	48%	47	48%
Totals	97	100%	97	100%	97	100%	97	100%

Table 6

Income Taxes, Summary Statistics

Statistics	**Flexibility**	**Income Effect**	**Transparency**	**Model**
Average	0.4	0.6	0.2	0.3
Median	1	1	0	0
Mode	1	1	1	1
IQR	1	1	2	1
Variance	0.6	0.4	0.8	0.6
St. Dev.	0.8	0.7	0.9	0.8
St. Error	0.2	0.1	0.2	0.2

Abbreviations: Interquartile range (IQR), Standard Deviation around the Average (St. Dev.) and Standard Error of the Average (St. Error). The standard error is calculated at a 95% confidence level.

Table 7

Investments, Ranking of Respondents on Constructs

	Flexibility		Income Effect		Transparency		Model	
Rank	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
-1	28	29%	60	62%	77	79%	0	0%
0	22	23%	32	33%	15	15%	4	4%
1	47	48%	5	5%	5	5%	93	96%
Totals	97	100%	97	100%	97	99%	97	100%

Table 8

Investments, Summary Statistics

Statistics	**Flexibility**	**Income Effect**	**Transparency**	**Model**
Average	0.2	-0.6	-0.7	1
Median	0	-1	-1	1
Mode	1	-1	-1	1
IQR	2	1	0	0
Variance	0.7	0.4	0.3	0.0
St. Dev.	0.9	0.6	0.5	0.2
St. Error	0.2	0.1	0.1	0.4

Abbreviations: Interquartile range (IQR), Standard Deviation around the Average (St. Dev.) and Standard Error of the Average (St. Error). The standard error is calculated at a 95% confidence level.

Table 9

Pensions, Ranking of Respondents on Constructs

Rank	Flexibility		Income Effect		Transparency		Model	
	Count	%	Count	%	Count	%	Count	%
-1	32	36%	5	6%	55	63%	9	10%
0	18	21%	7	8%	13	15%	4	5%
1	38	43%	76	86%	20	23%	75	85%
Totals	88	100%	88	100%	88	101%	88	100%

Table 10

Pensions, Summary Statistics

Statistics	Flexibility	Income Effect	Transparency	Model
Average	0.1	0.8	-0.4	0.8
Median	0	1	-1	1
Mode	1	1	-1	1
IQR	2	0	1	0
Variance	0.8	0.3	0.7	0.4
St. Dev.	0.9	0.5	0.8	0.6
St. Error	0.2	0.0	0.2	0.1

Abbreviations: Interquartile range (IQR), Standard Deviation around the Average (St. Dev.) and Standard Error of the Average (St. Error). The standard error is calculated at a 95% confidence level.

Table 11

Overall, Ranking of Respondents on Constructs

Rank	Flexibility		Income Effect		Transparency		Model	
	Count	%	Count	%	Count	%	Count	%
-1	76	27%	74	26%	161	57%	30	11%
0	62	22%	61	22%	49	17%	37	13%
1	144	51%	147	52%	72	26%	215	76%
Totals	282	100%	282	100%	282	100%	282	100%

Table 12

Overall, Summary Statistics

Statistics	Flexibility	Income Effect	Transparency	Model
Average	0.2	0.3	-0.3	0.7
Median	1	1	-1	1
Mode	1	1	-1	1
IQR	2	2	2	0
Variance	0.7	0.7	0.7	0.4
St. Dev.	0.9	0.8	0.9	0.7
St. Error	0.1	0.1	0.1	0.1

Abbreviations: Interquartile range (IQR), Standard Deviation around the Average (St. Dev.) and Standard Error of the Average (St. Error). The standard error is calculated at a 95% confidence level.