



Interlingual translation of the International Financial Reporting Standards as institutional work



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ABSTRACT

The International Financial Reporting Standards (IFRS) have been widely adopted well beyond English-speaking jurisdictions. Using the Finnish translation of the IFRS as a primary object of investigation, this article analyses the way in which the standards are translated into another language. Drawing on interviews with translators and translation review committee members and on an analysis of archival materials, it provides an empirically grounded understanding of practical problems of linguistic equivalence, and the institutional work required to maintain the IFRS as a global, translingual institution. Accordingly, the article highlights the constructed and negotiated nature of the linguistic equivalence between the IFRS and their translations. As translation lies at the interface between transnational standard-setting and local implementation, examining the IFRS translation offers further insight into the complex institutional interactions and practices that support transnational regulation. The article identifies the commonalities and discrepancies between the translation policies of the EU and the IFRS Foundation, and analyses the translation as a contested area of expertise involving multiple, recurrently changing constituents.

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1. Interlingual translation of International Financial Reporting Standards as institutional work

As standard-setting and regulation take place in an increasingly transnational and multilingual context, accounting concepts travel across borders and languages. On a global scale, the transnational standards originally written in the English language are ultimately translated into financial statements prepared in dozens of different languages. When regulatory texts such as accounting standards are initially drafted, accounting facts are constructed in the regulation process by labelling particular matters with either newly coined or existing accounting terms (Gröjer, 2001; Hines, 1988; Young, 2003). Thereafter, accounting standards are translated into other languages. Despite the rise and spread of English-language regulations (Botzem & Dobusch, 2012; Chua & Taylor, 2008; Djelic & Sahlin-Andersson, 2006; Mennicken, 2008), we know very little about the processes and related practices that facilitate the use of these standards in non-Anglophone countries.

Using the Finnish translation of the International Financial Reporting Standards (IFRS¹) as a primary object of investigation,

this paper analyses how the IFRS² originally drafted in English are translated from one language (the source-language) into another (the target-language), and how the problems of linguistic equivalence that arise during the translation are handled in their social and institutional context. The article also shows that the translation of the IFRS is a contested area of expertise, and the translation work is governed by different regulators. In this paper, the concept of *translation* refers to the rendering of a source-language text into the target-language.

The limits of interlingual translation are well recognised in the academic field of translation studies, and scholars have argued that very rarely will a translation both render the original text word-for-word into another language and convey its meaning unchanged (e.g., Catford, 1978; Nida, 1964; Toury, 1995). Moreover, several studies have suggested that accounting is conceptualised in different ways in different languages and their related cultures, which may impede the translation of transnational standards (e.g., Evans, Baskerville, & Nara, 2015; Zeff, 2007). Indeed, the perceived lack of equivalence between languages is manifest in the concerns

² In this paper, the acronym IFRS is used to refer both to a single standard and to more than one standard or the entire set.

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¹ For a list of abbreviations, see Appendix 1.

expressed by academics, professional accountants,³ and some representatives of European Union (EU) Member States⁴ over the adequacy, readability and comprehensibility of the translated IFRS (Dahlgren & Nilsson, 2012; Hellmann, Perera, & Patel, 2010; Nobes, 2006; Sunder, 2011; Wong, 2004).

This article makes the following contributions to the field. First, it extends the literature examining transnational accounting regulation (e.g., Botzem & Dobusch, 2012; Cooper & Robson, 2006; Erb & Pelger, 2015; Gillis, Petty, & Suddaby, 2014; Mennicken, 2008; Pelger, 2016). The translation of the IFRS has a unique position at the interface of development, interpretation and implementation of regulations. The article shows that translation processes are governed by transnational regulators – the IFRS Foundation and, within the EU, the European Commission (EC) – and that the translation work involves multiple, often changing, constituents. In doing so, the article responds to the continued calls to study the development and interpretation of accounting regulations in their social context (Canning & O'Dwyer, 2013; Cooper & Robson, 2006; Humphrey, Loft, & Woods, 2009; Suddaby, Cooper, & Greenwood, 2007). It also responds to the call by Mennicken to investigate ‘the networks of actors, instruments and the activities that support ... standardising agendas in local settings’ (Mennicken, 2008, p. 385).

Second, by shifting the focus on how translators and translation reviewers address the practical issues of linguistic equivalence, the current research makes a methodological contribution to the literature on the translation of accounting regulations. The problematics of translation in the domain of accounting have previously been addressed by conducting experimental studies (e.g., Doupnik & Richter, 2003), comparing excerpts from translated accounting standards with their English language counterparts (e.g., Dahlgren & Nilsson, 2012; Nobes, 2006) or analysing English-language accounting concepts in comparison to those in other languages (e.g., Evans, 2004; Kosmala-MacLulich, 2005). The current article examines the translation of IFRS as a social and institutional practice or, more specifically, as institutional work required to establish and maintain IFRS as a global, multilingual institution (Lawrence & Suddaby, 2006). It provides an empirically grounded understanding of the practical problems of linguistic equivalence, and how they are addressed by translators and translation reviewers. Accordingly, the article highlights the constructed and negotiated nature of linguistic equivalence. This is a novel contribution to the literature because the extant studies pertaining to the translation of the IFRS (e.g., Dahlgren & Nilsson, 2012; Evans et al., 2015; Huerta, Petrides, & Braun, 2013) tell us very little about the activities involved in the creation of these translations.

The remainder of this article proceeds as follows. The following section describes the theoretical background to the study. Section 3 serves as an introduction to the case of translating IFRS into the Finnish language by describing the regulatory context in which the translation of IFRS takes place. Section 4 provides an outline of the case selection, research methods and empirical materials. Section 5 analyses how translations of IFRS are created and how the problems of linguistic equivalence are handled in practice by those involved in the translation work. It also illuminates how the translation of the IFRS is a contested area of expertise. The final Section 6 presents a concluding discussion of the main arguments and opportunities for future research.

2. Literature analysis: translation

This section begins with a review of how prior accounting literature has examined translation in the context of transnational accounting regulation. It then offers a brief overview of how scholars in linguistics and translation studies have conceptualised translation. In particular, the notion of *equivalence* is introduced to conceptualise the general problematic of translation. Further, the concept of *intertextuality* is introduced for the analysis of how translators and translation reviewers attempt to make sense of the source text and search for equivalent target-language terms and expressions. In order to shed light on the practical actions through which linguistic equivalence is produced in the translation of the IFRS, the paper draws on the concept of *institutional work*, which is discussed in the fourth subsection. The final subsection offers a summary.

2.1. Previous research on translation of accounting regulations

2.1.1. Translation as a barrier to transnational accounting harmonisation

An emerging body of literature considers translation to be a potential barrier to transnational accounting harmonisation (Baskerville & Evans, 2011; Dahlgren & Nilsson, 2012; Doupnik & Richter, 2003; Evans et al., 2015; Hellmann et al., 2010; Nobes, 2006, 2013; Sunder, 2011; Zeff, 2007). Some scholars point out that translation might change the intended meaning of a regulation, which, in turn, might hinder transnational harmonisation of accounting practices (e.g., Dahlgren & Nilsson, 2012; Holthoff, Hoos, & Weissenberger, 2015; Nobes, 2006, 2013; Sunder, 2011). The following paragraphs introduce the different approaches accounting scholars have taken to studying the translation of accounting regulations. Thereafter, the next subsection describes how the empirical topic of the current article complements these approaches and contributes to the wider literature on transnational accounting regulation.

First, there is a tradition of conducting experimental research on the translation and interpretation of expressions of probability and uncertainty (such as *reasonably possible*, *probable* and *virtually certain*) in accounting and auditing standards (e.g., Davidson & Chrisman, 1993; Doupnik & Riccio, 2006; Doupnik & Richter, 2003, 2004; Huerta et al., 2013). Experimental studies follow the positivist research tradition in that they apply quantitative methods to examine whether speakers of one language interpret uncertainty expressions differently than speakers of another language. The findings from these studies suggest that the concepts underlying the words differ between languages, which may have a bearing on how adequately uncertainty expressions, and consequently accounting and auditing standards, are translated into other languages (Davidson & Chrisman, 1993; Doupnik & Riccio, 2006; Doupnik & Richter, 2003). Further, the translation of uncertainty expressions (Huerta et al., 2013) and their interpretation (Aharony & Dotan, 2004; Doupnik & Richter, 2003; Laswad & Mak, 1997; Simon, 2002) differ among individuals who are native speakers of the same language. Based on the findings of experimental studies, researchers have concluded that inconsistent interpretation of uncertainty expressions by preparers of financial statements with different native languages can lead to the inconsistent application of accounting standards, especially given that accounting standards include such expressions in abundance (e.g., Doupnik & Riccio, 2006; Doupnik & Richter, 2003).

Although languages are embedded in cultures, experimental studies have sought to disentangle the language effect from the culture effect. These two effects have been conceptualised through different theories. Both Davidson and Chrisman (1993), and

³ See <http://www.ifac.org/sites/default/files/publications/files/challenges-and-successes-in.pdf>.

⁴ See Thyssen (2011). Question for written answer to the European Commission <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+WQ+P-2011-008747+0+DOC+XML+V0//EN>.

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