

JYU DISSERTATIONS 219

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**Jaana Kettunen**

# Transnational Regulation and the Infrastructure of Financial Reporting

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Esitetään Jyväskylän yliopiston kauppakorkeakoulun suostumuksella  
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## ABSTRACT

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The regulation of financial reporting is increasingly carried out by transnational regulators. Since 2005, companies listed in the European Union have been required to prepare their consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The IFRS represent a hybrid, in that a private sector body sets the standards, but they are legally binding in the European Union and elsewhere.

The common set of standards is intended to enhance the quality of financial reporting and increase the comparability of financial statements across borders. When the same standards are used across borders, they must be translated into the official languages of the adopting jurisdictions. The standards are also translated into accounting practice as accountants prepare the financial statements in accordance with them.

The present dissertation employs qualitative research methods to study the *infrastructure* of financial reporting. The dissertation consists of an introductory overview and three essays. Each of the essays focuses on the infrastructure of financial reporting from a slightly different perspective. At the same time, they analyse the standard-setting, interpretation, and implementation chain.

More specifically, the present dissertation examines the problematics of translation and the work required to translate the standards originally written in English into other languages. It also studies the interpretation of the standards by accountants who are not native English speakers, and the translation of the financial statements. Prior literature has documented how accounting concepts and concept systems in different languages do not overlap neatly. Therefore, the present dissertation sets out to examine the construction of equivalence between concepts that may originate in differing accounting traditions.

Overall, the dissertation follows accounting standards into organizational contexts with a focus on their interpretation and implementation. It sheds light on the work required to translate the standards into practice, and the work involved in causing a new accounting practice – in conjunction with a new business model – to emerge and spread. The dissertation shows that such work is intertwined with and requires various elements of the infrastructure of financial reporting, not least the different networks of expertise beyond the expertise traditionally associated with financial accounting.

Keywords: accounting regulation, translation, financial reporting, accounting infrastructure

# TIIVISTELMÄ

Kettunen, Jaana

Ylikansallinen sääntely ja taloudellisen raportoinnin infrastruktuuri

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Euroopan unionin alueelle listautuneet yhtiöt ovat laatineet konsernitilinpäätöksensä kansainvälisen tilinpäätösnormiston, IFRS-standardien, mukaisesti jo yli kymmenen vuoden ajan. Paitsi että Euroopan unionin (EU) antama IAS-asetus velvoitti listayhtiöt noudattamaan uutta tilinpäätösnormistoa vuonna 2005 tai sen jälkeen alkaneiden tilikausien konsernitilinpäätöksissään, merkitsi se myös suurta periaatteilista muutosta tilinpäätösraportoinnin sääntelyyn: IFRS-standardien antamisesta ja kehittämisestä vastaa yksityisen sektorin organisaatio, International Accounting Standards Board. Tämän yksityisen sektorin organisaation antamat standardit vahvistetaan EU:ssa lainsäädännön asemaan erityisen hyväksymismekanismin kautta. Aiemmin tilinpäätösraportoinnin sääntely oli pitkälti kansallista ja perustui esimerkiksi Suomessa pääasiallisesti lakeihin ja asetuksiin.

Ennen kuin IFRS-standardit voidaan vahvistaa osaksi lainsäädäntöä, ne on käännettävä EU:n jäsenmaiden virallisille kielille. IFRS-standardeja sovelletaan taloudellisessa raportoinnissa joko vapaaehtoisesti tai osana pakottavaa sääntelyä yli sadassa maassa, minkä vuoksi standardeja on käännetty ja käännetään myös useille muille kielille. Standardeja käännettäessä kääntäjä joutuu tulkitsemaan alkuperäistekstin merkitystä, jonka tulisi välittyä mahdollisimman muuttumattomana kohdekielelle käännettyssä standardissa. Toisaalta standardeja tulkitsevat myös tilinpäätösten laatijat ja muut standardeja soveltavat tai soveltamista valvovat tahot joko alkuperäiskielisinä versioina, käännöksinä tai molempia kieliversioita hyödyntäen. Tässä väitöskirjassa tarkastellaan standardien ja tilinpäätösten kääntämistä ja niiden kääntämiseen liittyviä ongelmia.

Laajemmin ottaen väitöskirja käsittelee taloudellisen raportoinnin edellyttämää infrastruktuuria. Väitöskirja koostuu johdantoosesta ja kolmesta itsenäisestä tutkimuksesta, jotka tarkastelevat taloudellisen raportoinnin infrastruktuurin eri osa-alueita. Kaikki esseet käsittelevät standardien laadinnan, tulkinnan ja soveltamisen muodostamaa jatkumoa kuhunkin esseeseen valitusta näkökulmasta. Väitöskirjan osatutkimuksissa sovelletaan laadullisia tutkimusmenetelmiä.

Kokonaisuutena väitöskirja osoittaa, että taloudellinen raportointi edellyttää myös muuta kuin puhtaasti talouteen tai normeihin keskittyvää asiantuntijuutta. Väitöskirjan osatutkimuksissa valotetaan taloudelliseen raportointiin keskittyvän sekä muun asiantuntijuuden rajapintoja. Väitöskirjassa analysoidaan myös uuden laskentakäytännön muodostumista uuteen liiketoimintamalliin liittyvän myynnin tulouttamista koskevan tapaustutkimuksen kautta. Taloudelliseen raportointiin liittyvän ja toisaalta raportointia mahdollistavan työn ja toiminnan tarkastelu niiden sosiaalisessa ja organisatorisessa kontekstissa täydentää aiempaa laskentatoimen kirjallisuutta, jossa standardien käyttöönottoa ja soveltamista on analysoitu useimmiten tilinpäätös-, osakemarkkina- ja muihin kvantitatiivisiin aineistoihin pohjautuen.

**Author's address** Jaana Kettunen  
Jyväskylä University School of Business and Economics  
PL 35  
40014 University of Jyväskylä  
jaana.m.kettunen@jyu.fi

**Supervisors** Professor Jukka Pellinen  
School of Business and Economics  
University of Jyväskylä

Professor Marko Järvenpää  
School of Accounting and Finance  
University of Vaasa

Professor Liisa Kurunmäki  
School of Business and Economics  
University of Jyväskylä

Professor Emerita Aila Virtanen  
School of Business and Economics  
University of Jyväskylä

**Reviewers** Keith Robson  
Department of Accounting and Management Control  
HEC Paris  
France

Juhani Vaivio  
Department of Accounting  
Aalto University School of Business  
Finland

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Ilomantsi April 2020

Jaana Kettunen

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## **PART II: Essays**

- I Kettunen, J. (2017). Interlingual translation of the International Financial Reporting Standards as institutional work. *Accounting, Organizations and Society*, 56, 38-54.
- II Kettunen, J. (2018). Multilingual work and translation in financial reporting. Manuscript under review to *Accounting, Auditing and Accountability Journal*.
- III Kallio, K., Kettunen, J., Baudot, L. & Hovi, J. (2018). Playing games in the virtual economy. Gamification of revenue recognition in the sale of virtual goods. Manuscript presented at the *Financial Reporting and Auditing as Social and Organizational Practice workshop* at the London School of Economics, December 2018.

# 1 INTRODUCTION

Financial reporting is an area marked by regulatory activities that are increasingly taking place in the transnational realm. Regulation encompasses both “hard” laws and “soft” rules; the former traditionally associated with the coercive power of the nation state and a legal obligation to comply, whereas the latter tend to come into existence as an outcome of a complex production process involving a diverse set of actors. (Djelic & Quack, 2018.) The International Financial Reporting Standards (IFRS)<sup>1</sup> represent a hybrid in that they have characteristics of both hard and soft law. A private sector body sets the standards, but they are legally binding in the European Union and elsewhere.

The mandatory adoption of the IFRS in the EU for the consolidated financial statements of listed companies was inarguably a significant event in international accounting harmonization. The common set of standards was intended to enhance the quality of financial reporting and increase the comparability of financial statements across borders. As a consequence of the international comparability and the higher quality of financial information, other benefits were expected to flow, such as the internationalization of operations, firms, and markets; better investment decisions, improved resource allocation and a general levelling of the playing field across borders. Since the wide-scale adoption within the EU, the IFRS have become required in different parts of the globe, in countries including such as Russia, Argentina, and Australia. Today, the IFRS are required for certain companies in over a hundred countries.

Any set of accounting standards does not just come about, however, as a solution to pre-existing accounting problems, optimally serving the needs of the users of financial statements (Hopwood, 1994; Young, 1994, 2006). The standards are outcomes of regulatory processes. As accounting standards impact constituents such as governments, firms, auditors and the users of financial statements; these constituents may attempt to influence regulation through participation in standard-setting due process, or otherwise. The rise of the IFRS

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<sup>1</sup> In this introductory essay, the acronym IFRS is used to refer both to a single standard and to more than one standard or the entire set.

has been followed by an evolution of a “whole ecosystem of organizations, committees and consultative arrangements” around the International Accounting Standards Board (IASB), the standard-setter (Camfferman & Zeff, 2018, p. 301). Overall, scholarly research has documented that accounting regulation is not a purely technical exercise but one that is embedded in a social and institutional context (e.g. Baudot, 2014; Botzem, 2012, 2014).

The present dissertation extends this line of thought. It sets out to enquire into the *infrastructure* (Kurunmäki, Mennicken & Miller, 2019; Power, 2015; Star, 1999) of financial reporting and transnational accounting regulation. Each of the three essays in the dissertation offers a different perspective on the *standard-setting, interpretation, and implementation* chain, and the infrastructure employed therein. Although the notion of infrastructure seems to have eluded concise definition in accounting scholarship (Kornberger, Pflueger & Mouritsen, 2017), infrastructure has been characterized as including both the material and the symbolic, as spanning the dichotomy of global and local, and as being relational in its nature (Kornberger et al., 2017; Kurunmäki et al., 2019; Power, 2015; Star, 1999). Infrastructures relate heterogenous elements such as people, categories, standards, and material artefacts (Bowker & Star, 2000; Kornberger et al., 2017; Star, 1999). The present dissertation studies the interaction of these different elements of infrastructure at the intersection between the global and the local (Star, 1999). Specifically, it touches upon the following interrelated elements of the infrastructure of financial reporting and regulation: financial reporting standards; accounting concepts and categories; data used in the financial reporting process; and the actors and networks of expertise involved therein.

The multiplicity of regulatory actors, processes and arrangements in diverse transnational contexts has been examined in the literature on transnational governance (Djelic & Sahlin-Andresson, 2006). This literature has also noted the blurring of boundaries between the public and private sphere in regulation, and between the regulators and the regulatees (Djelic & Sahlin-Andresson, 2006). Djelic and Quack (2018, p. 123) contend that recent years have seen a tendency in both practice and scholarly discussions to move away from an idealized global convergence or standardization towards “a concern for the adaptability of transnational rules to resilient and resistant contextual specificities”.

One such contextual specificity is language. When accounting standards and other rules are used internationally, they need to be made available in the official languages of these jurisdictions. Translation is, however, inherently problematic because one-to-one overlap between the accounting concepts in different languages does not exist (Evans, Baskerville, & Nara, 2015). Accounting is a culture-dependent domain, and accounting terms, concepts, and conceptual frameworks in different languages have not evolved hand-in-hand (e.g. Craig, Taonui & Wild, 2012; Evans, 2010; Xu & Xu, 2008). This creates challenges in translation, as the meaning of accounting standards should be rendered unchanged into other languages, and without changing the scope of interpretation. The present dissertation sheds light on the work and

infrastructure employed in making the standards originally written in English legally binding in another language. It addresses the issues of linguistic equivalence, comparability, and standardization in the context of the production of financial statements.

Standardization and regulation of accounting practices also occurs outside the boundaries of the standard-setting bodies. For example, Cooper and Robson (2006) suggested that large accounting firms are worth investigating as sites where accounting practices become standardized and regulated. Rather than implementing existing rules, powerful firms (either reporting entities or accounting firms) may promote their preferred practices and attempt to get them codified in regulation (Power, 2015; see also Hennes & Schenck, 2014). One of the essays in this dissertation examines a case where accounting methods for a new business model were developed, theorized, and standardized by accounting practitioners rather than the standard-setters.

The present dissertation consists of this overview and three essays. The remainder of this overview is structured as follows. The following section reviews the strands of literature in accounting regulation and translation to which the essays of this dissertation contribute. Section three discusses the research methodology, methods, and data that the essays draw upon. Section four offers summaries of the essays and discusses their specific contributions to the literature. A concluding discussion then follows.

## 2 LITERATURE REVIEW

As Figure 1 illustrates, this dissertation is situated between the partly overlapping research fields of a) transnational governance, b) accounting regulation, c) language and translation in accounting and d) financial accounting practice. It also borrows analytical concepts from translation studies and organization studies. Given that the dissertation aims to contribute primarily to accounting literature, in the following pages, the relevant strands of accounting literature are reviewed highlighting where the essays of this dissertation fit into the current scholarly discussions.

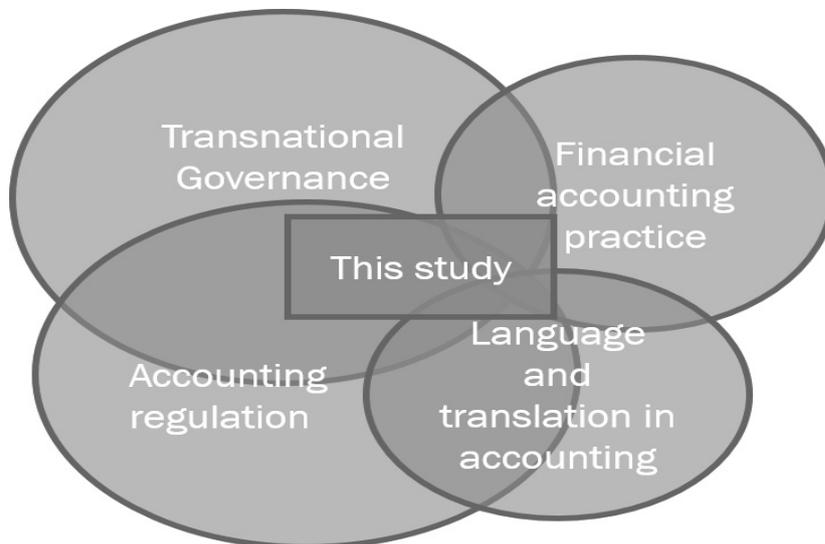


FIGURE 1 Research fields related to the present dissertation

## 2.1 Accounting regulation

The empirical literature on accounting regulation consists to a significant extent of positivistic, empirical archival studies or surveys based on large samples. The theoretical and methodological underpinnings of such studies, like any research, make some things visible and supposedly controllable while they leave other things and issues invisible. The present dissertation operates in the space that has escaped the gaze of the empirical archival studies, which primarily focus on the role and effects of financial accounting in capital markets (Gendron, 2010; Hopwood, 2000; Robson, Young & Power, 2017). Specifically, the thesis illuminates the space where the institutions of transnational accounting regulation are maintained, and the space where accounting rules are translated into practice, and accounting practices become standardized (Cooper & Robson, 2006; Robson & Young, 2009).

The literature on accounting regulation is vast and continuously expanding. To locate the essays of the dissertation in pertinent literature, the present review focuses on the following strands within it: a) the politics of accounting standard-setting; b) accounting regulation and the transnational arena; and c) implementation and interpretation of accounting rules. To specify, the following paragraphs review these strands of literature with an emphasis on research on accounting regulation in its social and institutional context.

### 2.1.1 Politics of accounting standard-setting

Accounting standard-setting, that is, “the process by which accounting rules are developed and changed” has been examined in a number of studies, many of which have been conducted in the North American or UK context (Cooper & Robson, 2006, p. 424). The institutional context influences the standard-setting processes documented in research reports. In Anglo-Saxon countries, accounting was historically subject to self-regulation by the profession whereas in countries such as France, Germany, and Finland, accounting has been a matter of public regulation initiated by the state (Puxty, Willmott, Cooper, & Lowe, 1987). The borders between regulation by the profession versus by the state are not, however, clear-cut (ibid.): The studies in Anglo-Saxon contexts document the state’s increasing interest in accounting standard-setting over time (e.g. Robson, 1991; Vieten, 1995). Likewise, recent studies in continental Europe pay attention to the role of private sector bodies in accounting standard-setting and regulation (Abela & Mora, 2012; Botzem & Quack, 2009; Chiapello & Medjad, 2009; Humphrey, Loft, & Woods, 2009).

The politics of accounting standard-setting have often been addressed in research in terms of overt conflicts of interests and constituent participation in accounting standard-setting. Typically, the studies on accounting rule-making examine the outcomes of constituent participation in a specific standard, or other key decision, based on publicly available materials such as comment letters submitted in the standard-setting due process (e.g. Baudot, Demek & Huang,

2017; Durocher & Fortin, 2014; Durocher, Fortin & Côté, 2007; Giner & Arce, 2012; Kwok & Sharp, 2005) or draft law process (McLeay, Ordelheide & Young, 2000). Some studies have, however, triangulated comment-letter analysis with views elicited from interviews with members of standard-setting boards (Kvok & Sharp, 2005) or survey responses by selected constituent groups (Georgiou, 2010).

Until recently, fewer studies have attempted to look into the “the black box” of accounting standard-setting beyond relating the external interest group comments to the outcomes of standard-setting due process. The exceptions include Morley (2016) who examines the IASB as a *social* entity and provides social psychological explanations on why a particular standard-setting process turned out the way it did, paying attention also to reciprocal influences between internal and external lobbying in course of the process. Similarly, Klein and Fülbier (2018) look inside the IASB’s standard-setting process based on audio tapes on the meetings concerning the amendment of a financial reporting standard, IAS 19. Young (1994) examines agenda formation at the standard-setter, the FASB, and “the construction of accounting issues as accounting problems” (p. 83) in the *regulatory space*<sup>2</sup>, acknowledging the “shaping of demand for accounting change both inside and outside the boundaries marked by the FASB” (p.85). Allen and Ramanna (2013) approach the decision-making at the FASB by relating the characteristics of individual board members to their voting behaviour.

The decision processes and agenda setting by the FASB have been recently investigated also by Jiang, Wang and Wangerin (2018). Practices and discourses in IASB’s/FASB’s joint standard-setting and converge efforts have been the subject to studies by Baudot (2014 and 2018), Erb and Pelger (2015), and Pelger (2016). Building on the studies by Hopwood (1994) and Young (2006), Stenka and Jaworska (forthcoming) analyse the discursive representation of the financial statement users as justification in standard-setting by the IASB. Together, these studies portray the process of standard-setting as social and institutional in its nature. Overall, there seems to be a growing interest in social studies of accounting standard-setting (e.g. Giner and Jorissen, 2019).

Perhaps surprisingly few studies have, however, examined “[e]arlier stages of rule-making process [which] involve contests over the powers of regulatory agencies, the composition of boards, and the overall structure of regulatory arrangements” (Walker & Robson, 1993, p. 3, cited by Chiapello & Medjad, 2009). The evolution of the constitution and organizational structure of the IASC/IASB, and the delicate balance between the independence, responsiveness and public accountability of the standard-setting bodies has been analysed by Camfferman (2013) and Camfferman and Zeff (2007) among others, and in the review by Botzem and Quack (2009) of the latter publication. Although the present dissertation does not address the governance or composition of regulatory bodies, or the contests therein, it does refine the literature on regulatory arrangements

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<sup>2</sup> Young (1994, p. 84) defines *regulatory space* as “an analytical construct that is defined ‘by the range of regulatory issues subject to public decision’ (Hancher & Moran, 1989, p. 277)”.

(e.g. Botzem, 2012, 2014; Camfferman & Zeff, 2018), and that on the processes and practices of standard-setting by examining the work of language translation of the IFRS.

Specifically, the institutional dynamics surrounding the translation of the IFRS are examined in Essay 1 of this dissertation, which sheds light on an area of the evolving regulatory arrangement: It shows that the responsibility for translating the EU-endorsed standards has shifted between the Directorate General for Translation for the European Commission (EC) and the local translation review committees set up by the IFRS Foundation (or its predecessor the International Accounting Standards Committee). These changes are reflective of the duality of the standards that originated as a form of *soft regulation* but are now legally binding regulations in the EU (e.g. Djelic & Quack, 2018). In examining these dynamics, essay illuminates the evolution of an infrastructure supporting transnational accounting standard-setting, and the boundary between the EU and the standard-setter in the development of such infrastructure.

### **2.1.2 Accounting regulation and the transnational arena**

While much recent research attention has focused on the role of globalization and transnational institutions in accounting regulation (e.g. Botzem, 2014; Cooper, Greenwood, Hinings, & Brown, 1998; Crawford, Ferguson, Helliard, & Power, 2014; Djelic & Sahlin-Andersson, 2006; Samsonova-Taddei & Humphrey, 2015; Suddaby, Cooper, & Greenwood, 2007), the interactions and activities of the dispersed network of actors that supports transnational regulation agendas are still not well understood (Gillis, Petty, & Suddaby, 2014; Suddaby et al., 2007; Camfferman & Zeff, 2018; however, see also Barrett, Cooper, & Jamal, 2005; Baudot, 2018; Mennicken, 2008).

International and transnational organizations have grown in importance in terms of the regulation of financial reporting in recent decades (Camfferman & Zeff, 2018; Djelic & Quack, 2018; Gillis et al., 2014). As Chiapello and Medjad (2009) rightly characterized it, the mandated adoption of the IFRS in the EU in 2005 involved an unprecedented privatization of accounting standard-setting. Considering the history of public regulation of accounting in continental Europe, the statutory requirement to draw up financial statements in accordance with standards of private origin is a considerable change (Chiapello & Medjad, 2009; Camfferman, 2013; Gillis et al., 2014). For the requirement to be implemented, the surrounding infrastructure needed to be developed (Camfferman & Zeff, 2018). The financial reporting standards that listed companies are required to follow within the EU, and widely beyond, are now set by a private sector organization, the IASB. The use of these standards is also permitted in certain jurisdictions that do not require reporting in accordance with the IFRS, such as Japan (Tsunogaya, Hellmann, & Scagnelli, 2015).

The growing importance of the IFRS, issued by a private sector standard-setter, has also entailed a proliferation of a “transnational regulatory

constellation”<sup>3</sup> at the heart of which lies the IASB (Botzem, 2014, p. 933; also Abela & Mora, 2012; Camfferman & Zeff, 2018), involving interorganizational interaction with other actors and institutions such as the EU and the SEC (Baudot, 2014, 2018). Similarly, the dynamics associated with the transnational financial regulatory structures have also been documented by Humphrey et al. (2009) and Samsonova-Taddei and Humphrey (2015), who primarily focus on auditing.

Further investigation into these actors, interactions and institutions in the transnational regulatory arena have repeatedly been suggested (e.g. Botzem, 2014; Camfferman & Zeff, 2018; Gillis et al., 2014; Humphrey et al., 2009; Mennicken, 2008) a call to which the present dissertation responds. More specifically, the empirical focus of Essay 1, the language translation of IFRS, is one node of such institutional interactions and activities within the transnational regulatory arena.

### 2.1.3 Interpretation and implementation of accounting rules

In their review on research on accounting regulation, Cooper and Robson (2006) encourage research into the interpretation and implementation of accounting rules in their social context. Overall, it is important to map the whole chain of events from standard-setting to interpretation and then to implementation of the standards, if we wish to understand how transnational accounting standards are created and then translated into accounting practice in a multitude of settings (Mennicken, 2008; Robson et al., 2017). Still today, the number of contextual studies examining the interpretation of accounting rules and the “back stage” of financial reporting is very limited (Huikku, Mourtisen, & Silvola, 2017; Lantto, 2014; Leung, 2016).

Cooper and Robson (2006) note that the interpretation and implementation of accounting regulation has been typically addressed in research in terms of negotiation. Research has considered, for example, that actors may promote accounting methods that are beneficial for themselves (Murnighan & Bazerman, 1990). Different aspects of negotiations between auditor and the reporting entity management have been examined in a strand of literature starting from an article by Salterio in 1996 (e.g. Gibbins, Salterio, & Webb, 2001; Gibbins, McCracken, & Salterio, 2005; McCracken, Salterio, & Gibbins, 2008; Salterio, 1996; 2012). These studies conceptualized negotiations, for example, using behavioural negotiation literature (Gibbins et al., 2001).

Our understanding of regulation would be enhanced if negotiations were conceptualized from other angles too, and if greater attention was paid to the interorganizational interaction, as Cooper and Robson (2006) suggest. Such research could involve, for example, examining decision-making around the meaning of specific accounting rules within the accounting firms (Cooper &

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<sup>3</sup> Botzem (2014) uses the notion of “transnational regulatory constellation” to conceptualize cross-border accounting regulation and the IASB’s position therein. “Such a constellation contains actors and institutions which interact in networks of social relations and unfold in organizational practices” (Botzem, 2014, p. 934).

Robson, 2006) and the interaction between the regulators and the regulatees (Johansen & Plenborg, 2018).

Since the review by Cooper and Robson (2006), more insight has accrued into the decision-making around the accounting treatments allowed or required by specific rules. The conceptualization of negotiation and the analysis of interorganizational interaction have also broadened. To illustrate, the decision-making around accounting treatments allowed or required by particular standards has been examined by McCracken, Salterio, and Gibbins (2008) through an interview-based study of auditor-client manager relationships. They build on the “social positioning” strand in negotiation literature, meaning that the investigation is not limited to the negotiation on substantive matters. Such a focus also encompasses “shadow negotiations”, that is, the negotiation over the interpretations of the role that each party has in the negotiation, and the actions that are permissible in the negotiation.

The interpretation of accounting and tax rules has been conceptualized with frameworks inspired by Bourdieu (Gracia & Oats, 2012) and Foucault (Van Zijl & Maroun, 2017). For example, Gracia and Oats (2012) draw on Bourdieu’s concepts of habitus, doxa, and capital to offer a relational understanding of regulatory processes in the tax field. They end with a call for research that examines the linkages between tax, accounting, and regulation, and that is capable of taking into account the influence of the broader context in which these practices take place.

Case studies of changes in the information disclosed in annual reports have been reported in two recent papers (Johansen & Plenborg, 2018; Oberwallner, Pelger, & Sellhorn, 2018). Johansen and Plenborg (2018) examine the decisions around the content of the notes accompanying financial statements. They conclude that a range of factors such as internal company politics, the existence of checklists and other templates that detail disclosure requirements, as well as the assumptions concerning potential actions by the enforcers affect the scope and presentation of the notes to the financial statements. These findings are somewhat similar to those of Oberwallner et al. (2018) who studied a case of voluntary change to financial reporting involving a company that cut the length of its annual report by a half. Oberwallner et al. (2018) identify enabling conditions at both individual, organizational, and field level, noting that the voluntary change was not criticized by the auditors or investors. Both Johansen and Plenborg (2018) and Oberwallner et al. (2018) pay attention to the social and organizational processes accompanying or hindering voluntary change in external reporting. Similarly, the discretionary behaviour around the accounting treatments allowed or required by specific accounting rules has been examined in the Finnish context in a case study by Kepsu (2012).

Furthermore, it has been argued that in order to apply the IFRS, accountants need to broaden their scope of expertise beyond that required when reporting in accordance with local GAAP (Lantto, 2014). Lantto suggests that the set of accounting standards in place affects accountants’ work practices significantly. In particular, the IFRS has brought about a need for greater “business

involvement” by accountants. Lantto conceptualizes these changes in roles, practices, and positions and in mechanisms of learning using the notion of *community of practice*. The notion of community of practice emphasizes that the members in the community “define with each other what constitutes competence in a given context”, in this case, the competence in interpreting and implementing IFRS (Lantto, 2014, p. 337 with reference to Wegner, 2000, p. 229). Both Lantto (2014) and Botzem (2014) suggest that in conjunction with the IFRS, the large accounting firms have taken a more significant role claiming access to the appropriate knowledge base and technical authority in interpreting the standards. Recently, the literature has paid attention to the additional layer of interpretation and translation involved when accounting standards are translated into financial statements in digital formats (Locke, Rowbottom, & Troshani, 2018).

Overall, extant research on the interpretation and implementation of accounting standards reports that financial statements are co-created by both internal and external actors including accountants, auditors, company management and others depending on the context (Huikku et al., 2017; Johansen & Plenborg, 2018; Salterio, 2012). Even though such a conclusion may sound self-evident, many earlier studies started from the assumption that the production process of the financial statement is independent of the auditor, who gives the audit opinion on the finalized statements. Further, existing research reports that different networks of expertise are involved in the interpretation of accounting standards and the production of the financial statements (Huikku et al., 2017; Lantto, 2014). Nevertheless, there remains scope for research that refines our understanding of the work, expertise, and interorganizational interactions involved in the production of financial statements (Robson, et al., 2017).

The investigation of the language translation of the IFRS (Essay 1), takes place at the interface of development, interpretation, and implementation of regulations, thus extending to the body of the research into the interpretation and implementation of accounting rules.

Essay 2 is also concerned with between-language differences and translation as an issue in the interpretation and implementation of rules into accounting practice. It highlights and analyses one aspect – the between-language differences in accounting concepts and concept systems – that may surface in the decision-making around how accounting standards are applied in practice, or how the scope of interpretation allowed by a particular standard is defined (cf., Cooper & Robson, 2006).

Essay 3 complements the investigation of interpretation and implementation of accounting rules by examining the emergence of a new revenue recognition practice initiated by preparers of financial statements and accounting firms (i.e. the alternative models to recognize the revenues from the sales of virtual goods and liabilities from revenue deferrals). As Young (1994) argues in her article on the *regulatory space*, changes in accounting domain often relate to recognition issues, such as when to recognize assets, liabilities, revenues, and expenses. The same article surmises that changes often seem to involve

recognition of new types of liabilities to postpone the recognition of revenue or to hasten the recognition of expense.

It is shown in the Essay 3 that the practices and categories deployed to account for the revenues from a newly established business model – free-to-play games – have been formed by accounting practitioners in reporting entities and/or originate from accounting-firm guidance, rather than being formed directly in the rules set by standard-setting bodies. The examination of revenue recognition as a case of the emergence of a new accounting practice (cf. Power, 2015) also provides additional insight into large accounting firms as “sites where accounting practices emerge, become standardized and regulated, where accounting rules and standards are translated into practice” (Cooper & Robson, 2006, p. 416).

All three essays in the present dissertation respond to the continued calls to study the development and interpretation of accounting regulations in their social context (Canning & O’Dwyer, 2013; Cooper & Robson, 2006; Gillis et al., 2014; Humphrey et al., 2009; Suddaby et al., 2007). The following section reviews literature addressing language and translation in accounting.

## 2.2 Language and translation in accounting

Research on translation in accounting is intertwined with that on accounting regulation. The studies on language and translation in accounting tend to centre around the *equivalence* problematic (Evans, 2018), and to view conceptual differences between languages and the need for translation as hindrances to international accounting harmonization (Dahlgren & Nilsson, 2012; Hellmann, Perera, & Patel, 2010; Sunder, 2011; Zeff, 2007). There are also differences as to the accounting terminologies in different varieties of English, which may add to the complexities of translation (Mourier, 2004; Parker, 1994). In general, the concept of equivalence refers to the different forms of correspondence between the source text (or a part of it) and the target text (or a part of it) (e.g. Catford, 1978; House, 2006; Jakobson, 1959/2000; Nida & Taber, 2003). Research in the academic fields of linguistics and translation studies suggests that due to the absence of perfect equivalence between languages, translation can involve balancing between the form and the content, for example (e.g. Nida and Taber, 2003).

Much of the research on translation in accounting revolves around the translation of the expressions of probability and uncertainty in accounting and auditing standards (e.g. Davidson & Chrisman, 1993; Douppnik & Richter, 2003; 2004; Huerta, Petrides, & Braun, 2013). Such studies have mainly applied experimental methods to investigate whether the interpretation of expressions of uncertainty is consistent among accountants with different native languages or cultural backgrounds (Davidson & Chrisman, 1993; Douppnik & Riccio, 2006; Douppnik & Richter, 2003). Accounting and auditing standards include an abundance of expressions of uncertainty, and differences in their interpretation

can lead speakers of different languages to interpret and apply accounting standards differently (Douppnik & Richter, 2003; 2004; Huerta et al., 2013).

Another strand of research examining the translation of accounting regulations encompasses qualitative comparisons of the English-language terms *fair presentation* and *true and fair view* with their counterparts in other languages (e.g. Aisbitt & Nobes, 2001; Evans, 2003, 2004; Kosmala-Maclullich, 2003, 2005; Nobes, 2009; Ordelheide, 1993; Walton, 1993). These studies tend to rely on back-translation (Douglas & Craig, 2007) as a method of analysis, arguing that when the examined target-language terms are translated back into English, many of the literal back-translations do not correspond to the original concepts in the English language (Nobes, 2009, 2013). The comparison between the source text and target text has also shown that translations of *fair presentation* and *true and fair view* may be inconsistent or lack formal equivalence (Aisbitt & Nobes, 2001; Dahlgren & Nilsson, 2012; Evans, 2004; Nobes, 2009). For example, the term *true and fair view* has been rendered as *une image fidèle* in French in the translation of the IASB's Framework: as the words "true and fair" have been translated with only one word, *fidèle*, formal equivalence is lacking. Despite the merits of these studies, back-translation as a method can only provide a limited insight into the quality of a translation or the issues around conceptual equivalence (cf. Douglas & Craig, 2007).

In the same vein, Alexander et al. (2018) apply qualitative methods to examine the national implementation of *substance over form* in enacting the Accounting Directive (2013/34/EU) in national regulations. Building on the language philosophies of Searle (1995; 2006) and Wittgenstein (2005), the authors analyse whether and how the notion of *substance over form* was transplanted to the regulations in national languages. According to the article, despite harmonization efforts, different interpretations and applications of the concept persist due to different underlying, socially constructed realities (Alexander et al., 2018).

Several studies report inaccuracies or overt errors in translated IFRS standards (Dahlgren & Nilsson, 2012; Hellmann et al., 2010; Nobes, 2006; Sunder, 2011). For example, "unless the risk is not material" has been rendered as *såvida risken inte är väsentlig* which means, "unless the risk is material" in the Swedish translation of the IFRS 7 (Dahlgren & Nilsson 2012, p. 49). The findings of these studies echo the "anecdotal stories of how Turkish or Japanese translations deviate from the intent of the original," which, as Sunder (2011, pp. 301-302) states, are "difficult to evaluate in the absence of unanimity behind bilingual authoritative voices".

These studies and the literature in translation studies do suggest that translation introduces at least subtle changes in meaning. It is also rare for there to be only one theoretically correct translation. Translation involves choices guided by the preferences of the translator, or those in the position to set the guidelines or requirements for the translators' work. Therefore, those translating and reviewing regulatory texts are in a position of both responsibility and power (Evans et al. 2015; Evans, 2018; Evans & Kamla, 2018) and the activities required

to translate accounting rules and financial statements merit more consideration in the research (Evans, 2018).

While prior literature on accounting indicates that translation is problematic, until recently, it has not addressed in detail the translation practices or work involved in attempting to produce acceptable linguistic equivalence. As Toury, a translation theorist, points out, however, "there is no real point in the product-oriented study [of translated texts] without taking into account questions pertaining ... to the strategies governed by the norms of establishing a 'proper' product" (Toury, 1995, p. 13).

The production of translations, multilingualism at work and the use of English as a *lingua franca* are a nascent field of study in accounting (Detzen & Loehlein, 2018; Evans & Kamla, 2018; Evans, 2018; Kettunen, 2017; Kamla & Komori, 2018). Given the existence of a parallel literature on language and translation practices, and their implications in the academic field of international business and management, there would seem to be potential to create bridges between that literature and accounting studies (Evans, 2018).

Multilingual work, translation, and the use of English by non-native speakers were recently examined by Detzen and Loehlein (2018) and Marini, Andrew, and van Laan (2018). Marini et al. (2018) examine translation through post-colonial lenses in their study of accountability practices in a South African microfinance organization. South Africa is an example of a context where multiple languages co-exist but do not have equal positions in the society. The authors take the standpoint that "translation is not merely a technical process but it reinscribes dominant cultural identities and practices" (ibid., p. 1928). Overall, the study pays attention to power inequalities and the role of intermediaries as cultural translators.

The power implications of language use and translation are also made clear in the Detzen and Loehlein (2018) study. The authors examine the tensions in what they call "global Englishization and local multilingualism" in the work practices of a large accounting firm. They argue that language skills and language use have organizational implications: the employees' language skills affect intra- and interorganizational relationships in the contacts between the accounting firm and its client firms. While English is the corporate *lingua franca* in the accounting firm, the study notes that it is the (local) client firm languages that "mediate organizational relationships and create, define, and maintain intra-organizational structures and boundaries" (Detzen & Loehlein, 2018, p. 2033).

Detzen and Loehlein (2018) and Marini et al (2018) extend prior literature by exploring and examining language practices and their implications in multilingual contexts. Both studies draw attention to the effects of translation and language use on group dynamics and boundaries.

A critical perspective on the study of translation is also adopted by Evans (2018), Evans and Kamla (2018), and Kamla and Komori (2018). Evans (2018) argues that the focus on equivalence has led to "the neglect of translation in accounting research" as "the adoption of the equivalence paradigm" entails the underlying assumption that "the transfer of meaning and concepts between

languages and cultures is a simple technical process of exchanging terms that are equivalent" (ibid., p. 1845). Instead of merely rendering the meaning unchanged into another language, Evans (2018) considers the act of translation "a socio-cultural, subjective and ideological process" (p. 1844).

In sum, much of the prior literature on translation in accounting operates in the equivalence paradigm, meaning that this strand of literature focuses on analysing the degree of similarity between a particular source language and target-language term (Evans, 2018). In terms of research methods, most of these studies rely either on back-translation, or experiments analysing how particular words in accounting standards are interpreted in different languages. More recently, the context of the studies applying back-translation has broadened from the translation of regulatory texts to include financial statements (Nobes & Stadler, 2018). The scope of translation research in accounting has recently broadened to encompass translation practices and multilingualism at work (Detzen & Loehlein, 2018; Marini, Andrew, & van Laan, 2018). Despite these advances, there remains "scope for further research that draws on the translation process as a source of additional data, lines of enquiry and contextual insights" (Evans, 2018, p. 1862). Research on the production of translations has also been encouraged by Nobes and Stadler (2018) who suggest that "[i]t would also be interesting to investigate who translates corporate annual reports (or different parts of the reports) in order to confirm or deny our intuitions on this".

Essentially, the problematics of translation are reflective of the fact that the broader concept systems and categories tend to differ between languages. Accounting categories emerge, change, and potentially cease to be used, a process that has been documented in the literature (Young, 2003; Evans, 2010). When accounting standards are drafted "things are fitted into old categories, the categories are stretched, and perhaps twisted and altered themselves" (Young, 2003, p. 621). The present dissertation endeavours to take steps towards remedying the gaps in the translation literature described above. It examines the work involved in producing accounting standards and financial statements in multiple languages. Drawing on the translation processes as a source of research data (Evans, 2018; Nobes & Stadler, 2018), the dissertation broadens the scope of translation research in accounting by examining several elements in the infrastructure employed. It pays attention to the work required to produce translations and to the processes, negotiations, databases, and actors involved in that work.

This is reminiscent of what Bowker and Star (2000) note in their book on classification and what they call information infrastructures, "the spread and enforcement of categories and standards involves negotiation or force. Whatever appears as universal or indeed standard, is the result of negotiations, organizational processes, and conflict" (Bowker & Star, 2000, p. 48). In terms of methodology, they argue in favour of paying more attention to classification and standardization work. To investigate information infrastructures, the authors encourage the detailed analysis of "what goes into making things work like magic" and who does that work (Bowker & Star, 2000, p. 9). Transferred to the

empirical settings of the present dissertation, questions such as the following ones arise: How come each of the thousand concepts in an IFRS vocabulary have a corresponding Finnish term given that concepts in different languages rarely overlap? How was the Finnish counterpart found for an English term representing a particular line item in a balance sheet? Or how did a game publishing company arrive at the figure €130 million that it states is the amount of revenue referral in its balance sheet?

Each of the essays complements the literature on accounting regulation and the standardization of accounting practices and illuminates different aspects of the infrastructure employed therein. Whereas Essays 1 and 2 relate more closely to translation between languages, Essay 3 touches upon the formation of new accounting categories by accounting practitioners in relation to revenue recognition. The following section describes the research approach, methodology, and methods used in this dissertation to study the selected elements of the infrastructure of financial reporting and their interaction, and the accounting work carried out by different actors.

## 3 RESEARCH APPROACH

### 3.1 Methodology

The present dissertation subscribes to the interpretative perspective<sup>4</sup> in accounting scholarship (Ahrens, 2008; Chua, 1986) in that it recognizes the subjective nature of meanings that research interviewees - and people in general - attach to activities, things, and issues. The present dissertation is committed to study, analyse and interpret financial accounting, and by extension, accounting regulation “in the contexts in which it operates” (Hopwood, 1983, p. 287; 2000). Such an approach inevitably involves interpretations made by a researcher who draws upon the reflections of her research subjects, and who decides how to interpret findings and where to shine the spotlight in reporting the research.

Against the assumptions of Burrell and Morgan (1979), who argued the incommensurability of paradigms and for paradigmatic closure, suggesting that interpretative research should be conducted strictly within the assumptions of subjectivism, the present dissertation combines both subjective and objective features (Ahrens, 2008; Kakkuri-Knuuttila, Lukka & Kuorikoski, 2008; Modell and Humphrey, 2008; Searle, 1995; Unerman & Chapman, 2014). It is underpinned by the assumption that there is a socially constructed reality and “institutional facts” that require human institutions for their existence, but also that a real world that is independent of human thought and talk exists (Searle, 1995).

Studying accounting in its social and institutional context entails attempting to capture the ambiguities, tensions, and contradictions, which surround accounting (regulation) in action, and paying close attention to the specifics in the context to form an empirically grounded understanding of the studied phenomena (Ahrens & Dent, 1998; Gendron, 2009; Hopwood, 2000; Potter, 2005). When writing up the research, the “story” may relate the specifics

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<sup>4</sup> I use the term *interpretative perspective* in line with Chua (1986) to position the present research rather than the term *interpretative paradigm* (Burrell and Morgan, 1979), which alludes to the exclusivity of paradigms.

in the context, but the intention is that the reader learns “not only about the specifics, but about interrelationships and patterns in a broader whole” (Ahrens & Dent, 1998, p. 9).

Theoretical concepts chosen by the researcher help to make the studied activities understandable and position them within a disciplinary area of common interest. The construction of the theoretical framing for the study is intertwined with shaping and defining the field that the researcher engages with in the given qualitative enquiry. Theory illuminates some aspects of the investigated phenomenon and sets others aside (Ahrens & Chapman, 2006; Unerman & Chapman, 2014).

When conducting the research reported in this dissertation, the researcher iterated between different theoretical approaches (Covaleski & Dirsmith, 1990; Gendron, 2009). The articles published in or under review for an academic journal that are included in the dissertation are outcomes of review processes. As a result, the balance between different theoretical perspectives continually evolved throughout these processes. To illustrate, the notion of institutional work (Lawrence & Suddaby, 2006) was first introduced in Essay 1 during the review process, to direct attention to the detailed practical activities and institutional interactions aimed at creating and maintaining an acceptable linguistic equivalence. While the researcher had initially conceptualized the translation activities merely through different concepts of equivalence that the translation activities aimed to produce, the notion of institutional work became helpful in conceptualizing translation work that serves to maintain the IASB as a translingual institution.

Overall, the present dissertation is multidisciplinary in the sense that the essays combine theoretical concepts from different academic fields and research traditions. It subscribes to the view that multivocality - potentially manifesting itself in the use of multiple theories or perspectives - is “one of hallmarks of qualitative and interpretative research” rather than an impediment hindering “rigour” in research (Gendron, 2009, p. 126, also Humphrey, 2014).

### **3.2 Data collection**

All the studies reported in this dissertation build upon semi-structured interviews and archival materials as research data. Semi-structured interviews were considered an appropriate method of data collection as they allowed the researcher to examine the “lived worlds”, experiences, and perceptions of the participants relating to financial reporting and regulation processes (Kvale & Brinkmann, 2009, p. 1).

A purposive sampling strategy was employed to select the cases and interviewees for the study (Miles & Huberman, 1994). The interviewees were selected so that they were collectively able to describe the phenomenon of interest from multiple perspectives (Eisenhardt & Graebner, 2007). Most interviewees were accounting professionals in senior positions. For the study of translation

work, experienced translators were also interviewed. Table 1 describes the interviews carried out and the archival materials collected for the analysis.

In the context of accounting regulation, the use of interviews “as a vital means of understanding [---] important developments in recent financial reporting history” has recently been encouraged (Camfferman & Zeff, 2018, p. 309). Indeed, the interviews were essential for forming an understanding of the social and institutional context such as that in which translations of the IFRS are undertaken (Essay 1) or the revenue recognition practices evolve (Essay 3). The research interviews contributed to framing research questions and focusing on themes that the researcher would have been unlikely to address if it were necessary to rely entirely on readily available data (Gendron, 2009).

As acknowledged by other qualitative researchers, what “we refer to as ‘data’ are constructions of both researchers – and their unique lived experiences – and those who are studied” (Boussebaa & Brown, 2017, p. 14). Carrying out interviews with research subjects is underpinned by the idea of “actors’ reflectivity in constituting social realities” (Gendron & Bédard, 2006, p. 212). This is in line with the theoretical choices of the dissertation, for instance, “the study of institutional work [that] would highlight the awareness, skill and reflexivity of individual and collective actors” (Lawrence & Suddaby, 2006, p. 219).

Beyond the research interviews described in the methods sections in the essays, the researcher interviewed translators at the EC’s Directorate General for Translation (DGT) in Brussels, Belgium, and also held informal discussions with practicing translators and those in managerial positions at the DGT. The researcher also took part in the same organization’s internal workshop on the translation of the IFRS. While the engaging with the professional EU translators is not emphasized in the published version of Essay 1, these interviews helped the researcher to form an understanding of the extent to which findings related to the organization of translation work in Finland are context specific, and not to overgeneralize the findings from the case of the Finnish language.

The interview data were complemented with other empirical materials to increase the reliability of the evidence, to better contextualize the investigations and to form more nuanced understandings (Vaivio, 2008). The types of data used in each article are specified below in Table 1. Data analysis is explained in more detail in the following subsection.

TABLE 1. Data sources

Essay	Number of interviews	Interviewees	Other data sources
Essay 1	14 (+3)	Translators, who had carried out translation of IFRS standards Members of IFRS translation review committee Besides the interviews with Finnish informants conducted for the article, the researcher held informal discussions with several other translators working at the DGT	The IFRS Foundation Translation, Adoption and Copyright Policy. IFRS Translations, Adoption and Copyright Update publications. Forewords to the translated IFRS. Archival data provided by the translation review committee, e.g. term lists, records from the committee meetings. Proceedings of the European Commission (EC), namely, documents pertaining to a question for written answer to the EC
Essay 2	14	Financial statement preparers, auditors and other IFRS experts	Company financial statements Written materials issued by international regulators, such as a report by the SEC staff
Essay 3	6	Financial statement preparers, auditors, members of Finnish Accounting Board	Company financial statements Press articles An Accounting Board decision A Supreme Court decision A "field study" in the virtual environment

### 3.3 Data analysis

Data analysis involved scrutiny of interview data and archival materials involving procedures typical of qualitative analysis, such as the organization of data, note taking, categorization, and generating visualizations of the flow of activities investigated. The analysis also involved comparing, contrasting, and contextualizing the findings from the interviews with the archival materials. Broadly speaking, the data analysis consisted of reoccurring and simultaneous

activities of data reduction, data display, and drawing of conclusions/verification (Miles & Huberman, 1994).

Qualitative researchers have developed practices to enhance the trustworthiness of their accounts. Although I share the view of Ahrens and Chapman (2006, p. 820) that “methodological and analytical checklists for good qualitative field research are at best indirectly helpful and potentially counterproductive”, below I discuss the measures suggested in prior literature to improve the reliability and validity - or trustworthiness - of qualitative research that were present in the current research (see also Golden-Biddle & Locke, 1993; Humphrey, 2014).

When conducting research for each of the essays in this dissertation, there was a strong overlap between data gathering and data analysis (Ahrens & Chapman, 2006; Ahrens & Dent, 1998; Miles & Huberman, 1994; Vaivio, 2008). The analysis began soon after the first interview and continued long after. The data analysis was interwoven with data collection to guide later interviews and to select archival data for closer analysis. Because the interviews were conducted over a longer period of time, the analysis was refined as additional data were collected, and previous insights could be questioned, too.

As others have noted, however, it is not easy to recapture how converting a stream of field experience and of archival materials into written studies actually occurs, and accordingly, to make the quality of methodological procedures “transparent” or “auditable” by describing them (Modell & Humphrey, 2008; cf. Power, 1997). In the course of the research documented here, certain decisions concerning what data were gathered and how they were analysed resulted from a sense of what felt adequate and appealing in a given situation rather than as a result of following exact methodological procedures that would have been decided upon *a priori* to improve reliability and validity (Modell & Humphrey, 2008; Baxter & Chua, 2008).

Such methodological flexibility can be viewed as desirable, if research is to develop “grounded and innovative understandings” of financial reporting and its regulation (Gendron, 2009, p. 124; also, Power & Gendron, 2015). Achieving such flexibility entails the researcher being responsive to patterns that emerge from the data, potentially unexpectedly, in the course of the research and not being overly constrained by methodological choices made *a priori* (Power and Gendron, 2015).

Composing the tentative analysis started early on, as “writing is itself a form of analysis” (Miles & Huberman, 1994, p. 117). Beginning the writing process at a somewhat early stage helped to identify blind spots in the data and in reconsidering the extent to which a preliminary framework of concepts in each study was helpful in “understanding the observed elements of the world, and then communicating this understanding” (Unerman & Chapman, 2014, p. 389).

Additional evidence was collected when it appeared necessary. In the course of the research, prior areas of empirical inattention could start to appear important, often as a result of the interaction between theory and data. (Chapman, 2008; Unerman & Chapman, 2014.) However, the research also involved

situations where the author opted against additional data collection: an illustrative example would be the decision not to broaden the investigation into empirical manifestations of the subcategories of the institutional work (Lawrence, Suddaby & Leca, 2009, 2011) concerning the translation work studied in Essay 1.

All essays in this dissertation combine interviews with other data sources as Vaivio (2008) recommends, for example. In addition to the semi-structured interviews with knowledgeable informants (Eisenhardt & Graebner, 2007), the written materials from both private and public data sources were gathered and analysed.

To illustrate, for Essay 1, I studied publicly available materials ranging from those published by the IASB on their translation policies to the forewords to the Finnish language IFRS - where problems concerning translations of particular terms were described - and also internal archival data provided by the translation review committee. The archival data from different sources supported building an understanding of the translation work in a broader regulatory context, that is, within a “whole ecosystem of organizations, committees and consultative arrangements” that surrounds the production of the IFRS (Camfferman & Zeff, 2018, p. 303). Nevertheless, it was also beneficial to complement interviews with other data to form a more nuanced understanding of the practical problems of equivalence. Further, the archival data also helped to address the recurrent methodological concern associated with the bias that may arise from a retrospective recall of the decision-making processes that underpin the translation processes (Toury, 1995). Overall, the archival materials aided formulating more detailed interview questions concerning the specifics, and in situating them in the broader whole (cf. Ahrens & Dent, 1998).

When writing up the research, references were made to empirical materials to allow readers to judge the validity of arguments (Ahrens & Dent, 1998, also Dai, Free, & Gendron, 2019), and to both show the data and the researcher’s interpretations of it (Gendron, 2009).

It has been suggested that accounting researchers should show greater reflexivity as concerns language and translation as a methodological issue. Reflexivity on language as a methodological concern can be carried out with the diverse strategies when reporting research in English for which data has been acquired in another language. Reflexivity involves making the multilingual aspects visible in the production of a monolingual research output, for instance. The strategies used in the present dissertation to make the language diversity encountered in the research process visible, resemble those characterized as *scrutinization* and *invention* in prior literature (Steyaert & Jansen, 2013; Evans & Kamla, 2018).

Finally, in line with Bamber, Christensen and Gaver (2000) and Vaivio (2008), I was careful not to overgeneralize the findings, which involved, for example, describing the specific institutional contexts in which each study was conducted to clarify that each study was context-bound and that its insights could differ from insights elicited in another country (Essay 1) or in a different period (Essay 3).

## **4 SUMMARIES OF THE ESSAYS AND THEIR CONTRIBUTIONS**

This section provides summaries of the essays that together constitute the dissertation. Essays 1 and 2 have been single authored by the doctoral candidate, and Essay 3 is co-authored.

The author of this doctoral dissertation has participated in all stages of conducting and writing up the research for Essay 3, those being data collection, data analysis, theorizing, and writing the manuscript. Her contribution to the essay will be specified in the following: The first set of interviews was conducted by one of the co-authors. The author of the present dissertation and one of the co-authors conducted a follow-up interview with a case company to gain a more detailed understanding of the revenue recognition practices. The author of the dissertation collected archival materials (media articles and accounting firm guidelines) related to the revenue recognition and familiarized herself with the context by conducting observation in the virtual environment. The SEC comment letters were collected by one of the co-authors. The author of the dissertation had the lead on positioning the study in the literature on financial reporting practice and the infrastructure of financial reporting. The section of gamification was written by one of the co-authors, and the author of the dissertation participated in revising it. All co-authors contributed to the empirical section. The author of the dissertation and two of the co-authors contributed to the discussion and conclusions section by integrating the empirical analysis with theory. The essay is the joint work of all co-authors, who have had differing roles at different stages.

### **4.1 Essay 1**

The article sheds light on the maintenance of the IFRS as translingual institution. Using the Finnish translation of the IFRS as a primary object of investigation, this paper analyses how the IFRS are translated from English into another language, and how the problems of linguistic equivalence that arise during the translation

are handled in their social and institutional context. The article elaborates on the complexities of translation. It also shows that the translation of the IFRS is a contested area of expertise, and different regulators govern the translation work.

The article combines conceptual tools originating from the academic fields of translation studies, literary studies, and organizational sociology. Specifically, the notion of *equivalence* (e.g. Nida, 1964; House, 2006) is introduced to conceptualize the general problematic of translation. Further, the concept of *intertextuality* (Bhatia, 2004; Kristeva, 1980) is mobilized 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 illuminate the practical actions through which linguistic equivalence is produced in the translation of the IFRS, the paper draws on the concept of *institutional work* (Lawrence & Suddaby, 2006). The article examines translation as a part of the complex arena of transnational regulation (see e.g. Cooper & Robson, 2006; Humphrey et al., 2009).

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 et al., 2014; Mennicken, 2008; Pelger, 2016). The translation of the IFRS has a unique position at the interface of the 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 EC – and that the translation work involves multiple, often changing, constituents. The article highlights that maintaining the influence of the IFRS as a global institution requires sustained institutional work, some of which takes place in local settings and through micro-level activities. In particular, the institutional work of translation is essential if the standards are to be used on a global scale. 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 et al., 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, the article contributes to the literature on the translation of accounting and auditing standards by examining the procedures through which different regulators, translators and accounting experts reviewing the translations address the practical problems of linguistic equivalence. By shifting the focus to 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. Prior studies have suggested that translation is inherently problematic (Baskerville & Evans, 2011; Evans, 2004; Evans et al., 2015; Zeff, 2007). They have analysed the problematics of translation in experimental settings (e.g. Doupnik & Richter, 2003), or by 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 article goes beyond prior literature on translation in accounting by examining the translation of the IFRS in its social and institutional context and elaborating on the complexities of translation. More specifically, it analyses translation as institutional work required to establish and maintain the IFRS as a global, multilingual institution (Lawrence & Suddaby, 2006). It provides an empirically grounded understanding of how translators and translation reviewers address the lack of perfect equivalence between accounting concepts in different languages. 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 et al., 2013) give us very limited insights into the activities involved in the creation of those translations.

Third, beyond its immediate contribution to the bodies of literature on translation in accounting, and transnational accounting regulation and standard-setting, the essay points to a new object of potential inquiry and analysis, “namely the *infrastructures* that support financial reporting” (Robson et al., 2017, p. 36). Further, the essay directs our attention to, and adds to our understanding of “the accounting ‘work’ being done by non-accountants within and outside the organization” (Robson et al., p. 36). Whereas the involvement of non-accountants, such as medical doctors, has been the object of scholarly inquiry in management accounting (e.g. Kurunmäki, 2004), the topic has received less attention in the area of financial accounting and reporting (see, however e.g. Power, 1992; Huikku et al., 2017). In particular, the present article directs our attention to the involvement of professional translators in the reproduction of the IFRS in languages other than English, and consequently, to the maintenance of the IFRS as a translingual institution.

The article illuminates avenues to further the agenda of studies of language translation in accounting. It is worth noting that the new research topics pointed out in the essay have been taken up in several recent papers (Evans, 2018; Nobes & Stadler, 2018) in a special issue on language and translation in the *Accounting, Auditing and Accountability Journal*.

## 4.2 Essay 2

This essay sheds light on translation issues in financial reporting. It seeks to advance our understanding of how the preparers and auditors of financial statements address conceptual differences between languages in financial reporting. To present a comprehensive view of the practical problems of transferring accounting concepts from one language to another, the study examines both the interpretation of the transnational standards by financial accountants who are not native English speakers, and the preparation of financial statements in multiple languages.

In line with Essay 1, Essay 2 is amongst the first accounting studies to emphasize the constructed nature of conceptual equivalence (see also Evans, 2018). The essays illustrate how the equivalence between accounting concepts in different languages is constructed in the translation process in contrast to simply being apparent or existing out there to be found by the translator.

Essay 2 builds on both linguistic and cultural theories of translation to analyse issues resulting from the lack of full equivalence between languages in financial reporting, and to conceptualize accountants' attempts to establish standardization, comparability, and comprehensibility in the language in the financial statements. Building upon the "cultural turn" in translation studies is a novel theoretical development in accounting research as prior translation research in accounting has primarily drawn upon the equivalence paradigm and back translation (Evans, 2018).

In particular, the analysis draws upon Lawrence Venuti's concepts of *domesticating* versus *foreignizing* in the translation approach (Venuti, 1995). Venuti developed these notions to conceptualize the approaches to addressing the incompatibility and the disparity in power between languages. This conceptualization of translation strategies or tactics takes an ethical stance on translation: it represents the view that translation is not merely the transfer of meaning into another language.

Domesticating versus foreignizing translation refers to "the question of how much a translation assimilates a foreign text to the translating language and culture, and how much it rather signals the difference of that text" (Venuti, 1998, p.102). Whereas translations tend to target fluency in the target language, Venuti criticized the practice of *domestication* of the text to the target-language culture. He highlighted that a domesticating translation approach involves "an ethnocentric reduction of the foreign text to [Anglo-American] target language cultural values" (Venuti, 1995, p.20). Consequently, Venuti argued for a foreignizing translation strategy, meaning that the translator should protect the cultural foreignness in the translation and not attempt to make the text too readable according to the standards of the target language.

Essay 2 finds that decisions on the use of terminology in financial reporting are concerned with balancing standardization, one-to-one equivalence, and the understandability of the terminology. Hence, the assumptions guiding translation are interpreted as revolving around *domestication* versus *standardization*.

With regard to the interpretation of the IFRS, the essay shows that there is considerable variation in practice between individuals, or organizations, as to whether the English-language source text or the translation is used, or whether the two versions may be read in parallel to triangulate the meaning. Further, the article illuminates the significance of hybrid expertise (financial accounting and translation/language skills) in the financial reporting process.

The study makes a novel contribution to two streams of accounting literature. First, with regard to translation research in accounting, the study takes up the suggestion to conduct research that looks inside translation processes to

generate contextually based insights (Evans, 2018). It also pays attention to the actors involved in producing financial statements in multiple languages as suggested by Nobes and Stadler, 2018. While previous studies (e.g. Baskerville & Evans, 2011; Evans et al., 2015) have scrutinized conceptual differences and elaborated on the difficulties involved in translating accounting standards and other regulations, still relatively little is known about other sites of translation in accounting, as for instance, Nobes and Stadler (2018) have pointed out. This study takes steps towards remedying that gap by seeking to provide empirically grounded understandings of how at the practical level financial accountants address the issues of equivalence, comparability, and readability.

Second, the current research contributes to the growing literature on financial accounting practice, or the work of financial reporting (Barker & Schulte, 2017; Huikku et al., 2017; Kornberger et al., 2017; Lantto, 2014), by examining a translation as a new aspect in “the process by which financial accounts are collectively constructed (their production)” (Robson et al., 2017, p. 36-37), or relatedly, “the process of authorship (i.e. writing, editing, negotiating and revising) through which the texts of financial communication are produced” (Sandell & Svensson, 2017, p. 81).

In addition to the academic interest in the topic, research on translation has been encouraged by the IASB which sets the IFRS<sup>5</sup>. The findings of the study should also be of relevance to standard-setters.

### 4.3 Essay 3

This essay enquires into the emergence of a new revenue recognition practice. The essay illustrates accounting regulation occurring beyond the standard-setting bodies: it documents the development of new revenue recognition models, and thereby, the development of accounting categories by accounting practitioners. The study illuminates the infrastructure involved in the implementation of these revenue recognition models into accounting practice, and the production of accounting estimates.

The empirical context of the study is the revenue recognition on the sale of virtual goods in free-to-play games. Virtual goods are items that can be used only in the virtual game environment (Hamari & Lehdonvirta, 2010). Examples include items such as speed-up tokens, clothes for avatars, or virtual machines and equipment. Like real goods, virtual goods can be consumed at a point in time or over time. The free-to-play games are offered to the game players without charge, and the business model is the trade of virtual goods that are transacted with real money.

The research is based on qualitative data including interviews, archival materials, and observation in the free-to-play game environment. Conducting

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<sup>5</sup> See <http://www.ifrs.org/IFRS-Research/Research-opportunities/Pages/General-issues.aspx#3>

accounting research in and on virtual spaces has been advocated by MacKenzie, Buckby, and Irvine (2013), for example. The growing economic importance of the operations taking place in the virtual environment “requires the identification and shaping of the intellectual dialogue required to make sense of those business operations” (MacKenzie et al., 2013, p.353). Research that is capable of doing that necessitates data collection in, and the analysis of, virtual environments, something that is undertaken in Essay 3.

The paper borrows concepts from adjacent fields of study to conceptualize the emergence of a new accounting practice: It builds on the notion of *infrastructure* (Bowker & Star, 2000; Power, 2015) and *gamification* to analyse the practice of revenue recognition on the sale of virtual goods.

*Infrastructure* is viewed here as a relational concept (Bowker & Star, 2000; Kurunmäki et al., 2019). Infrastructures can be characterized as relating heterogenous elements such as people, categories, standards, databases, and material artefacts.

The *gamification* frameworks tend to approach the concept from two main perspectives. The first approach to gamification involves studying the game level processes, that is, how game design is intended to influence game-player behaviour. The second approach to gamification uses the concept as to refer to the philosophy of “interiorization of game mechanics by society” (Mora, Riera, Gonzalez, & Arnedo-Moreno, 2015, p. 100). The latter approach also involves the use of game design-elements in non-game contexts.

In recent years, gamification has become a rapidly growing field of academic enquiry. Nevertheless, the topic seems to have largely escaped the attention of accounting scholars<sup>6</sup> and Essay 3 is among the first studies to introduce the notion in the accounting literature.

The study finds that the revenue recognition practices entail interiorization of the game-internal logic into accounting logic as concerns the measurement and timing of revenues. In particular, the timing of revenues is based on the categorization of the virtual items into “consumables” and “durables” based on how these virtual items are used in the game environment, the evaluation of the virtual activities with real-life criteria, and the prediction of game-player behaviour. Accordingly, the timing of revenues is dependent on the nature and use of the virtual items in the virtual environment. Notably, the accounting categories of “consumable” vs. “durable”, or the alternative revenue recognition models (“item life”, “user life”, or “game life”), put forward by the accounting firms or reporting entities do not correspond directly to the categories in the revenue recognition standards.

The study makes the following contributions to the research field of financial reporting: First, it examines the infrastructure required for a new revenue practice in the given context. The study shows that the establishment of the new revenue recognition model is enabled by “non-accounting” data required to make estimates for the revenue recognition model. In other words,

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<sup>6</sup> The exceptions include Mennicken and Nelson Espeland (2019) and Chapman, Chua and Fiedler (2019).

the range of accounting choices is enabled or constrained by data residing outside the traditional accounting records, such as the data on game-player behaviour. The study suggests that the accounting implications of the growing amounts and range of data, which were not originally collected for accounting purposes, have not been fully documented and analysed.

Second, the study offers an illustration of how accounting practices become standardized outside the standard-setting bodies, thus responding to the call by Cooper and Robson (2006). It documents the alternative revenue recognition models and corresponding categories created by accounting practitioners rather than standard-setters. The case of revenue recognition on the sale of virtual goods further illustrates how reporting entities and accounting firms advocate their preferred practices and seek to make them commonly accepted (cf. Power, 2015).

Third, the study adds to the literature on the implications for accounting of digitalization and the growth of virtual environments (MacKenzie et al., 2013; Jeacle & Carter, 2014).

#### **4.4 Interrelationship of the essays included in the dissertation**

The essays included in the present dissertation address a number of aspects in accounting regulation and standardization of accounting practices. Each of the essays focus on the infrastructure of financial reporting from a slightly different perspective, and at the same time, they analyse the *standard-setting, interpretation, and implementation* chain.

The essays were written in the order in which they appear in the dissertation. Essay 1 focuses on the intersection between standard-setting and the interpretation of such standards at the intersection between the global and the local by investigating the language translation of the standards. Essays 2 and 3 follow the standards into organizational contexts with a focus on interpretation and implementation.

## 5 CONTRIBUTIONS OF THE DISSERTATION AND CONCLUSIONS

While making more focused contributions to different strands of the literature on accounting regulation and that on accounting and language, the dissertation as a whole contributes a focus on the infrastructure of financial reporting and its regulation as an important object of enquiry. The dissertation has analysed selected parts of the infrastructure of financial reporting encompassing interrelated elements such as financial reporting standards, accounting categories – and their formation and transfer across borders and languages – and the actors involved in that infrastructure.

The essays of the dissertation illuminate different aspects of the infrastructure of financial reporting and regulation. Taken together, the essays complement the recent literature that views the production of corporate financial reports as “networked and distributed” in that multiple experts, professionals, and organizations occupy “the same reporting and regulatory space” (Lefsrud, Fox, Taminiau and Cooper, 2018, p.1, see also Huikku et al., 2017; Johansen & Plenborg, 2018; Robson et al, 2017). Such a view aligns with the broader literature on transnational governance that has documented the complex production processes of *soft regulation* in which a range of actors participate (see e.g. Djelic and Sahlin-Andresson, 2006; Djelic and Quack, 2018).

The dissertation extends the literature on accounting regulation in two primary ways. First, it analyses the translation of the IFRS as an activity at the intersection between the two regulators: the IASB and the EU. Second, the dissertation sheds light on standardization occurring outside the boundaries of the standard-setting organizations through the following means: increasing the uniformity of language in the financial statements and the development and standardization of accounting methods by accounting practitioners.

The present dissertation as a whole highlights the possibilities flowing from studying regulation and standardization that occur outside the formal standard-setting bodies (cf. Cooper and Robson, 2006). The different micro-level activities contribute to the standardization both in terms of maintaining the transnational standards in local settings and in the standardization of practices, categories, and

language registers by financial statement preparers and accounting firms. Approaching (the regulation of) financial reporting as an infrastructure is useful as heterogeneous elements and their interactions contribute to the regulation and standardization of financial reporting.

The dissertation also makes a methodological contribution to the study of translation and its problematics in accounting. The knowledge generated through interview-based or field studies on different aspects of translation work is helpful in understanding the problematics of translation in accounting contexts, and potentially mitigating them. While accounting research has tended to pinpoint instances where direct equivalence is lacking in accounting texts (e.g. Nobes & Stadler, 2018), the present dissertation provides insight into the processes, practices and decision-making that underlie translations. The dissertation shows that the work required to produce translations is worth investigating in accounting contexts too.

Further, the essays included in the dissertation show reflexivity when it comes to language as a methodological consideration in accounting research more broadly. As noted, for instance by Evans and Kamla (2018), linguistic diversity has outcomes on data collection and analysis and writing up the research. The methodology sections of the essays included in the present dissertation describe how language has played a role in selecting the empirical unit to be studied (Essay 1), data analysis, and rendering the quotations of interviews originally conducted in Finnish into research articles written in English. Such reflexivity on language as a methodological consideration in any accounting research – not solely that on translation and language – has subsequently been called for (Evans & Kamla, 2018; Kamla & Komori, 2018).

The research presented in the dissertation has been subject to some limitations, as is any research. A research design is based on a set of decisions by the researcher involving the choices regarding theory, domain, methodology, and methods (Ahrens & Chapman, 2006). Making choices is an essential part of focusing the research: a study documented in a research paper is inherently a simplification that has been guided by the choice of, for example, the theoretical framing used in interpreting the data, and it “leaves out many other matters of concern” (Ahrens & Chapman, 2006, p. 390). Alternative choices of theories or boundaries of the field to be studied in each individual essay could have provided to somewhat different outlooks. Some of these limitations are discussed below.

All research interviews, which the essays in the dissertation builds upon directly, were conducted with Finnish interviewees. As stated in Essay 1, “it is important to note that studying the trajectory of the organization of the translation work for other languages such as French, German, or Swedish would have yielded a quite different account” (Kettunen 2017, p.52). When writing up the research, attention was paid, however, to avoid offering an overgeneralization of the findings. Restricting the data collection to Finnish informants may have influenced both the institutional arrangements and problematics of translation described and analysed.

While the analysis in the Essays 1 and 2 is anchored in the interviews with Finnish informants and archival materials concerning translation into Finnish, I conducted around six interviews with (and had further informal discussions with) those involved with the translation of accounting standards and/or financial statements into languages such as French, Swedish, and Czech. While any thorough analysis of translation into those languages was beyond the purview of the present research, those interviews and discussions provided an additional basis on which to reflect on the case of Finnish translation. Those interviews and discussions also made it apparent that the problematics of translation, or changes in the institutional arrangements surrounding the translation into Finnish were not unique to this context, and accordingly, the findings generated from the Finnish context should be of more general interest.

Similarly, the interviews for Essay 3 were conducted with solely Finnish informants. On balance, the Finnish gaming industry is competitive in a global scale, and therefore, significant enough to study in its own right. It is assumed that the insights generated from studying the selected case companies are not constrained to the particular context, and that they are of interest to an international readership. Likewise, given that the studies were conducted over a certain time period, data collection conducted during an earlier or later time period might have resulted in somewhat different outlooks.

Further, only a limited amount of data can be collected and analysed for (qualitative) research. The access to research interviews may not be granted by everyone that the researcher might be interested in talking to; or if interviews are carried out retrospectively the interviewee may find it difficult to recall past events. The research documented in the present dissertation was not free from these impediments either.

In terms of the methods of data collection, the observation of things such as translation review committee meetings (Essay 1) or multilingual work when decisions are taken concerning scope of interpretation that a standard allows for in one language as opposed to another for instance (Essay 2) could have constituted another relevant method to gather data on the work of translation and practical problems of linguistic equivalence. The researcher chose, however, to settle for semi-structured interviews and the archival records as research data. A more elaborate discussion of the limitations of the individual studies is presented in the respective essays.

The dissertation illuminates several avenues of future research: Future studies could examine other forms of institutional work involved in sustaining the IFRS as a transnational institution and strengthening its position. To exemplify, the IFRS Foundation, and the surrounding organizations (Botzem, 2014; Camfferman & Zeff, 2018) engage in several activities that do not fall directly within the domain of standard-setting but may contribute to the “rise and rise of the IFRS” (Chua & Taylor, 2008, p. 462) and enhancing the legitimacy of the standards (see also Durocher, Fortin, Allini & Zagaria, 2019; Pelger & Spiess, 2017). For example, the IFRS Foundation develops educational materials and advocates framework-based teaching as an approach to teaching the

standards. These activities are carried out by the staff rather than the board members and could be worth examining through academic research.

Concerning the between-language differences and translation, the extant research (reported in English) has focused on translation into European languages. Future studies could examine the production of translations into non-European languages that have fewer common roots with English and that might illustrate alternative problematics of translation (also Balfourt, Baskerville & Fülbier, 2017; Craig et al., 2012; Pan & Patel, 2018; Sunder, 2011). There also remains scope for research that is capable of investigating various language issues from the perspective of the users of financial statements.

The present dissertation has considered the different networks of expertise involved in the financial reporting and regulation processes. Essentially, all three essays operated at the intersection between financial reporting and non-accounting expertise. Further investigation into the bodies of expertise involved in financial reporting could be fruitful given that the production of accounting numbers entails making estimates, predicting the future, and use of data originating outside the usual accounting databases. The growing amounts and types of data that companies might possess can have accounting implications which could be well worth investigating (see also Lassila, Moilanen & Järvinen, forthcoming). Furthermore, studies undertaken into the roles of occupational groups in the production process of the annual reports could provide additional insight into the construction of the financial statements.

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## **ORIGINAL PAPERS**

### **I**

#### **INTERLINGUAL TRANSLATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS INSTITUTIONAL WORK**

by

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## Interlingual translation of the International Financial Reporting Standards as institutional work



Jaana Kettunen

Jyväskylä University School of Business and Economics, Finland

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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, translanguing 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 (IFRS<sup>1</sup>) as a primary object of investigation,

this paper analyses how the IFRS<sup>2</sup> 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

<sup>1</sup> E-mail address: [jaana.m.kettunen@jyu.fi](mailto:jaana.m.kettunen@jyu.fi).

<sup>1</sup> For a list of abbreviations, see Appendix 1.

<sup>2</sup> 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.

expressed by academics, professional accountants,<sup>3</sup> and some representatives of European Union (EU) Member States<sup>4</sup> 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., Douppnik & 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; Douppnik & 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; Douppnik & Riccio, 2006; Douppnik & 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; Douppnik & Riccio, 2006; Douppnik & Richter, 2003). Further, the translation of uncertainty expressions (Huerta et al., 2013) and their interpretation (Aharony & Dotan, 2004; Douppnik & 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., Douppnik & Riccio, 2006; Douppnik & 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

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

<sup>4</sup> 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>.

Doupnik and Richter (2003), conceptualised their studies on different language groups with reference to the notion of linguistic relativism and the Sapir–Whorf hypothesis, which suggests that 'grammatical forms and categories provided by a language are thought to affect the manner in which speakers of a given language interpret the world' (Doupnik & Richter, 2003, p. 19; see also; Sapir, 1949, pp. 207–14). The differences in the interpretation of uncertainty expressions between cultural groups (in contrast to language groups) have been hypothesised based on the Hofstede–Gray framework on how national culture affects accounting values (Doupnik & Riccio, 2006; Doupnik & Richter, 2004; Gray, 1988; Hofstede, 1980). Collectively, the studies on probability and uncertainty expressions have provided insights into the interpretation of a very specific category of words. These studies suggest that in the context of accounting and auditing standards there are practical issues around equivalence between languages. However, they do not tell us much about the range of translation problems, or how the translators or those who apply the standards attempt to address these issues.

The second stream of research that has addressed the translation of accounting regulations comprises studies that analyse the translated accounting terms in comparison to their English-language counterparts. Applying qualitative analysis, such as back-translation into English, these studies have often concentrated on terms representing vague concepts such as *fair presentation* and *true and fair view* (TFV) (Aisbitt & Nobes, 2001; Evans, 2003, 2004; Kirk, 2006; Kosmala-MacLulich, 2003, 2005; Nobes, 2009; Ordelheide, 1993; Walton, 1993; Zeff, 2007). Some studies have argued that the translation of TFV into other languages has been inconsistent (Nobes, 2009, 2013). For example, German translations have rendered *true and fair* and *fair* identically, and Danish and Swedish translations include only one signifier for *true and fair* (Aisbitt & Nobes, 2001; Dahlgren & Nilsson, 2012; Nobes, 2009). Furthermore, when the examined target-language terms are translated back into English, many of the literal back-translations do not correspond to TFV (Nobes, 2009, 2013).

Despite the merits of studies on TFV, back-translation as a method of analysis has certain limitations. When a target-language term is back-translated into the source-language, the back-translation can introduce new shifts in meaning. Therefore, comparisons of a source-language term, (such as TFV) and the back-translated term (such as *true and sufficient picture*) can provide only a limited insight into the *quality* of a translation. Although back-translation may illustrate whether the translation from source to target-language is a direct translation, it does not address the issues around conceptual equivalence (Douglas & Craig, 2007).

Kosmala-MacLulich (2005) surveyed Polish accounting practitioners and found a lack of consensus on the most appropriate translation of TFV into Polish. She argued that this finding reflects the local unfamiliarity with the concept which has been predominantly constructed in the British and American context, and raises issues about the (un)transferability of concepts such as the TFV across languages and cultures. Similarly, it has been argued that the direct translation of other fundamental accounting terms, such as *gains* and *impaired*, can be problematic because the closest equivalent target-language terms are defined differently in the local accounting regulations than in the IFRS (Dahlgren & Nilsson, 2012; Evans et al., 2015; Huerta et al., 2013; Mourier, 2004; Zeff, 2007).

Third, recent studies point to overt mistakes or inaccuracies in translations that alter the meaning of the IFRS (Dahlgren & Nilsson, 2012; Hellmann et al., 2010; Nobes, 2013; Sunder, 2011). For instance, 'unless the risk is not material' has been replaced with '*såvida risken inte är väsentlig*,' which means, *unless the risk is material* in the Swedish translation (Dahlgren & Nilsson, 2012, p. 49), and *need not* has been translated into German as, *weder noch*, which

is a prohibition (Hellmann et al., 2010). These findings echo the 'anecdotal stories of how Turkish or Japanese translations deviate from the intent of the original,' which, according to Sunder (2011, pp. 301–302) are 'difficult to evaluate in the absence of unanimity behind bilingual authoritative voices.' Furthermore, Nobes (2006) discussed the Norwegian translation of International Accounting Standard (IAS) 41, para. 34, which requires an unconditional government grant related to a biological asset to be recognised as income when the grant becomes receivable. *Receivable* is expressed as *mottas* in the Norwegian version, meaning *received*, an interpretation that might postpone recognition of the given income and, thus, not match the intention of the original standard. These studies have argued that inaccurate translations can compromise the comparability of the IFRS financial statements.

### 2.1.2. Translation work in the context of transnational accounting regulation

Existing literature has not addressed the translation practices or work involved in attempting to produce acceptable linguistic equivalence in translated accounting and auditing standards in detail. In relation to experimental studies on translation and those examining inaccuracies or inconsistencies in translated regulations, the current article's contribution is to focus on the translation work and procedures through which transnational accounting regulations are translated. As Toury, a translation theorist, noted, 'there is no real point in the product-oriented study [of translated texts] without taking into account questions pertaining ... to the strategies governed by the norms of establishing a "proper" product' (Toury, 1995, p. 13). Accordingly, the current study analyses how translators and translation reviewers seek to render the meaning by means of the target-language and make English-language accounting concepts transferable to other languages. Thus, it does not focus on (the *inaccuracies* or *inconsistencies* in) the products of translation, and instead, steps back and provides detailed insights into the institutional work required to reproduce the IFRS in other languages.<sup>5</sup>

Studying the translation of the IFRS as social and institutional practice contributes to the wider literature on accounting regulation because translation lies at the interface between transnational standard-setting and local implementation. If we wish to understand how transnational accounting standards are created and then translated into accounting practice in a multitude of settings, it is important to map the whole chain of events from standard-setting to interpretation and then to implementation of the standards.

While recent research attention has focused on the role of globalisation and transnational institutions in accounting regulation (e.g., Botzem, 2010; Crawford, Ferguson, Helliard, & Power, 2014; Humphrey et al., 2009; Samsonova-Taddei & Humphrey, 2015; Suddaby et al., 2007), the interactions and activities of the dispersed network of actors that supports transnational regulation agendas are still not well understood (Gillis et al., 2014; Suddaby et al., 2007; however, see also; Barrett, Cooper, & Jamal, 2005; Mennicken, 2008). The empirical focus of this article, the translation of IFRS, is one node of such institutional interactions within the transnational regulatory arena. The International Accounting Standards Board (IASB) -approved translations are co-produced by representatives of the IFRS Foundation's staff, professional translators, accounting firms and other constituents approved by the

<sup>5</sup> Some accounting scholars have briefly acknowledged that the IASC/IFRS Foundation has developed and put in place a particular translation process for IFRS, including a review by accounting experts (Baskerville & Evans, 2011; Dahlgren & Nilsson, 2012; Evans et al., 2015; Huerta et al., 2013). Evans et al. (2015) referred to a similar translation process for the International Standards of Auditing (ISA).

standard-setter.<sup>6</sup> The translation review committees are a point at which transnational standardisation, knowledge of local practices, and English and target-language concept systems come together (cf., Barrett et al., 2005; Mennicken, 2008). Examining how IFRS translations are created offers further insight into the complex interactions and practices that support transnational regulation.

The following subsection gives a brief overview of how translation has been conceptualised in linguistics and translation studies. As these conceptualisations highlight, translation usually brings with it at least subtle changes in meaning and/or alters the textual features of the source text.

## 2.2. Translation and equivalence

Translation is a broad concept with multiple meanings. In the academic fields of linguistics and translation studies, the notion of translation encompasses language and mainly refers to what Jakobson (1959/2000) termed ‘interlingual translation’ meaning translation from one language to another.<sup>7</sup> More specifically, the concept can be used in the sense of translation being (1) a process (the act of translating) or (2) a product (translated text).

The academic discipline of translation studies employs several approaches. Before the 1980s, research on translation (e.g., Catford, 1978; Jakobson, 1959/2000; Nida, 1964) mainly drew on linguistics to provide its theoretical background, but since then translation studies as a field has developed, and now research into translation is conducted from a variety of angles, if not multiple disciplines (Hatim & Munday, 2004). Rejecting a linguistic approach to translation, authors like Bassnett and Lefevere (1990) and Venuti (1998) encouraged researchers to shift the emphasis from the text to the ‘broader issues of context, history and convention’ (Bassnett 1998, p. 123), which they characterised as a cultural turn (Bassnett & Lefevere, 1990; Lefevere & Bassnett, 1998).

Translation scholars have used the notion of *equivalence* to describe the different forms of correspondence between the source text (or a part of it) and the target text (or a part of it) (e.g., Catford, 1978; House, 2006; Jakobson, 1959/2000; Nida, 1964; Nida & Taber, 2003). The *equivalence problematic* relates to the longstanding debate on the balance between form and content in translation; translation is a balancing act. Equivalence is, however, a relative concept, and various types of equivalence have been conceptualised. Within the linguistic paradigm of translation studies, Nida (1964) distinguished between formal correspondence (or formal equivalence) and dynamic equivalence (see also, Nida & Taber, 2003) and that distinction remains influential (Hatim & Munday, 2004). According to Nida and Taber (2003, p. 201), formal correspondence is ‘a quality of translation in which the features of the form of source text have been mechanically reproduced in the receptor language’ (Nida & Taber, 2003, p. 201). In contrast, dynamic equivalence is a ‘quality of translation in which the message of the original text has been so transported into the receptor language that the response of the receptor is essentially like that of the original receptors’ (Nida & Taber, 2003, p. 200). A ‘translation which attempts to produce a dynamic equivalence

rather than a formal correspondence is based upon “the principle of equivalent effect” [Rieu & Phillips, 1954]’ (Nida, 1964, p. 159). Formal correspondence and dynamic equivalence represent opposing approaches to what should be given priority in a translation when perfect correspondence in form and meaning is absent; however, between these two approaches lie various gradations of acceptable translation, and preferences as to priority tend to vary over time and between professional fields (Nida, 1964; see also; Evans et al., 2015).

To clarify, the studies on the translation of TFV presented in the previous section can also be looked at through the lens of formal correspondence versus dynamic equivalence. The studies implicitly address the question of whether there is a formal correspondence between the term *true and fair view* and its translation. For instance, in cases where the individual words *true* and *fair* are translated with a single term into the target-language, a formal correspondence is absent. Yet, all but one of these studies remain silent about whether the target-language concept is interpreted and applied similarly to the notion of TFV in the source-language (cf. Kosmala-MacLulich, 2005). In other words, the dynamic equivalence between TFV and its translations is not addressed.

A translation oriented towards dynamic equivalence exemplifies a user-oriented approach to translation. Such a user-oriented or functional approach to translation (Reiss, 1977/1989; Reiss & Vermeer, 1986; Nord, 1997) considers the function of the target text as the most important criterion informing the translator’s decision. Within the functional approach, Reiss (1977/1989, pp. 113–114 in Munday, 2012) argued that the text, rather than a word or sentence, is the level at which equivalence is to be sought. Rather than fixating upon the source text, Reiss and Vermeer’s (1986) Skopos theory emphasises the target text and its purpose (i.e., *skopos*) as well as contextual factors. According to Evans et al. (2015) user-oriented or functionalist approaches to translation have gained ground within professional domains in recent decades, albeit not in accounting.

Overall, translation studies portray translation as a balancing act involving choices. Collectively, the different conceptualisations such as formal correspondence versus dynamic equivalence—or Skopos theory—direct attention to the tension between rendering the form or the message of the source text to the target-language. They imply that translation introduces subtle changes in meaning, and that it is relatively rare for there to be only one theoretically correct translation. Translation is instead directed by the preferences of the translator(s), or those who are in the position to set the principles that guide the translators’ work. Hence, like accounting, translation is not a merely technical problem, and accordingly, translators and translation reviewers are in a position of both responsibility and power (Evans et al., 2015). Therefore, the activities required to produce translations of IFRS, and other transnational regulations, merit more consideration in research.

## 2.3. Professional texts as outcomes of collaborative activity

From a linguistic standpoint, accounting language is *language for specific purposes (LSP)* (Evans, 2010; Evans et al., 2015). The research on LSP has described professional texts as ‘the result of collaborative activities on the part of a number of professionals, who have specific roles to play’ in text construction activities (Bhatia, 2004, p. 219). Indeed, both the original IFRS texts and their translations are outcomes of detailed processes involving collaborative activities, which has a bearing on the characteristics of the final texts.

The inherent ambiguity of language and the difficulty to determine meanings precisely pose challenges to translators, who are expected to retain the scope for interpretation unchanged in translation. Translation of an LSP may be particularly problematic,

<sup>6</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Role-of-the-IFRS-Foundation-in-the-translation-process.aspx>.

<sup>7</sup> Accounting research (e.g., Chua & Taylor, 2008; Mennicken, 2008) has often drawn on the concept of translation as it exists in the sociology of translation which originates in science and technology studies (e.g., Callon, 1986; Latour, 1987, 1994). In the Latourian sense (1994, p. 32), translation refers to the ‘displacement, drift, invention, mediation, creation of a new link that did not exist before and modifies in part the two agents’. In this paper, the concept of translation is not used in the Latourian but in a more traditional sense referring to translation from one language into another.

partly because the translators need to distinguish meanings associated with professional terminology from meanings in everyday language. For instance, the terms *conservatism* or *reserve* may not translate to the target-language in the accounting context in the same way as they would in everyday language; nor do all accounting terms refer unambiguously to well-specified referents, and neither do accounting concepts overlap neatly in different languages (e.g., Evans, 2004). Instead, their meanings are often indeterminate, dependent on the context, and those meanings vary between languages. The conceptual underpinnings of accounting rely on the knowledge bases of other disciplines and traditions of thought which adds another dimension to the general ambiguity of language (Zambon & Zan, 2000). The IFRS are principles-based accounting standards and, as such, are characterised by some deliberate ambiguity to allow room for interpretation and application of the standards in various business environments (Evans et al., 2015).

Given that the texts produced in professional contexts are often co-authored, they have a distinctly rich intertextual patterning (Bhatia, 2004). I draw upon the notion of *intertextuality* in the analysis of the translation of IFRS to emphasise the relational nature of the textual meaning (see Bhatia, 2004; Kristeva, 1980) and to describe the practices related to interpreting the source text and searching for target-language terms. Intertextuality 'refers to a number of relationships that the text in question may have with those which in some way have been used, referred to or exploited either directly or indirectly in the construction of the text in question' (Bhatia 2004, p. 126). The analytical perspective of intertextuality implies that the meaning is not seen to only reside in the text in question. Instead, it is 'seen as emerging from the relations texts have with other texts' (Solín, 2004, p. 267).

#### 2.4. The translation of the IFRS as institutional work

The current research suggests that the notion of institutional work offers a useful lens through which to examine the activities required to produce and maintain multiple language versions of the IFRS. The notion of institutional work makes it possible to focus on the practical actions through which acceptable linguistic equivalence, and accordingly, the IFRS as a global, translingual institution is (re)produced in translation. Without the translation work, the IFRS would remain inaccessible to accountants who do not read English. The institutional work perspective is adopted in this paper to draw attention to the constructed nature of the equivalence between languages suggesting that translation ties together threads of previously distinct concept systems, and to highlight the collective efforts of local actors in the maintenance of the IFRS.

The study of institutional work investigates the interaction between actors and institutions (Lawrence & Suddaby, 2006; Lawrence, Suddaby, & Leca, 2009). The practical actions through which institutions are created, maintained and disrupted are central to the research on institutional work (Lawrence et al., 2009).<sup>8</sup> The perspective pays close attention to 'the small worlds of institutional resistance and maintenance in which institutionalisation and institutional change are enacted in the everyday getting by of individuals and groups,' acknowledging that a range of actors is necessary to facilitate institutionalisation (Lawrence & Suddaby, 2006; Lawrence, Suddaby, & Leca, 2011, p. 57). The institutional work perspective offers a way to address the activities undertaken

to create acceptable translations of newly issued standards and to maintain the linguistic equivalence constructed in earlier translations. Significantly, the notion of institutional work also encompasses institutional maintenance, as a 'supporting, repairing, and recreating' institutions (Lawrence & Suddaby, 2006, p. 230), allowing the translation of IFRS to be examined as an ongoing and recurrent activity rather than one-off event. As new standards are issued and existing ones amended, the IFRS as a translingual institution requires constant maintenance.

Following the practice tradition, Lawrence and Suddaby (2006) view institutional work as intelligent, situated institutional action. A practice orientation has been compared to process-oriented studies: Studies of practice focus on 'the internal life of the process' (Brown & Duguid, 2000, p. 95 in; Lawrence & Suddaby, 2006, p. 218). A 'practice perspective highlights the creative and knowledgeable work of actors which may or may not achieve its desired ends and which interacts with existing social and technological structures' (Lawrence & Suddaby, 2006, p. 219). Accordingly, the current study examines the practical actions undertaken by translators and translation reviewers to render the IFRS into another language while adhering to translation policies set by the standard-setters.

#### 2.5. Summary

Research on the translation of accounting regulations has been conducted in relation to (i) the problems of translating expressions of uncertainty in accounting and auditing standards, (ii) the incompatibility of accounting concepts in different languages and (iii) inaccuracies in some IFRS translations. In turn, linguistics and translation studies have suggested that perfect equivalence between languages does not exist. Translators therefore need to balance the different linguistic characteristics of the target text, and the ways in which they correspond to the source text. Furthermore, translation unavoidably involves interpretation of the source text and tends to lead to at least subtle changes in meaning. As translation is not merely a technical exercise, it warrants research within the complex arena of transnational regulation. This paper attempts to address the institutional work employed to produce language translations of the IFRS. The following section introduces the translation and language policies of the IFRS Foundation and the European Commission (EC) concerning IFRS.

### 3. Introduction to the case: situating the translation of IFRS in the regulatory context

The working language of the IASB is English, and the standard-setter has stated that the approved version of any discussion document or IFRS should be in English.<sup>9</sup> The IASB also acknowledges that the high-quality translation of the IFRS into other languages is imperative for the international distribution and use of its standards.<sup>10</sup> The IFRS Foundation has its own translation, adoption and copyright policies, which includes a specific translation and review process involving accounting experts.<sup>11</sup> The IFRS Foundation argues that in order to 'ensure that IFRS remain uniform across all languages and that translations are of the highest standards, the IFRS Foundation maintains ultimate control over the translation

<sup>8</sup> A few recent accounting studies have utilised the notion of institutional work to investigate professional domain change (Suddaby, Saxton, & Gunz, 2015) and the diffusion of management innovations (Chiwamit, Modell, & Yang, 2014; Hayne & Free, 2014).

<sup>9</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/IFRS-Translation-Review-Committees.aspx>.

<sup>10</sup> IASB, 2001. Changes and challenges. *IASB Insight*, Q1/Q2: 1 [http://www.ifrs.org/Archive/INSIGHT-journal/Q1-and-Q2-2008/Documents/INSIGHT\\_Q1Q208\\_lowres.pdf](http://www.ifrs.org/Archive/INSIGHT-journal/Q1-and-Q2-2008/Documents/INSIGHT_Q1Q208_lowres.pdf).

<sup>11</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Official-translation-process-and-policies.aspx>.

process for IFRS.<sup>12</sup>

However, within the EU, the Directorate General for Translation (DGT) for the EC is in charge of the translation of IFRS because the endorsed standards are enacted as EC regulations. The EC regulations, including the IFRS as adopted by the EU, are equally legally binding in all official EU languages (EC, 1958, 2002; see also; Nobes, 2013). In other words, the DGT currently provides the legally binding translations of the endorsed IFRS.

The main difference between the translation policy of the IFRS Foundation and that of the DGT for the EC is that while the IFRS Foundation's translation policy requires a 'review by a committee of accounting experts who are native speakers with proven knowledge and expertise in the area of the IFRSs',<sup>13</sup> the translation policies of the DGT do not require any review by accounting experts.<sup>14</sup> Consequently, not all legally binding EU language translations are reviewed by accounting experts and/or approved by the IFRS Foundation.

Fig. 1 depicts the steps for official translation of the IFRS as set out by the IFRS Foundation. This study sheds light on the institutional work employed in the construction of acceptable linguistic equivalence in translation by providing insights into what happens within and between the steps circled in the figure.

Each translation review committee (TRC) has a translator and a coordinator,<sup>16</sup> and TRCs are composed of representatives of the large and mid-tier accounting firms, financial statement preparers, academics, and specialists from industries such as the banking and insurance sectors, all of whom are native speakers of the target-language. Translations are further controlled by the IFRS Foundation's translation coordinator who is based in London. The users of financial statements are not, however, represented on the TRCs which reflects the general tendency of the users not being actively included in standard-setting (Durocher & Gendron, 2011; Hopwood, 1994; Young, 2006). The IFRS Foundation has set the objectives for the review process:

The purpose of the review process is to ensure the accuracy of the translated text compared with the English original. The purpose of the translation is not to interpret or explain the standards, but merely to render the meaning of the English text in another language. Consequently, Review Committee members may not add, reduce, or alter in any way the substance and the content of the standards and interpretations as approved by the International Accounting Standards Board, although grammatical and syntax adaptations to improve the readability of the text in the language in question are acceptable. (Terms of Reference, IFRS Foundation).

This excerpt from the Terms of Reference (for TRCs containing instructions set by the IFRS Foundation on composition of the TRCs, workflow and principles of translation: *unpublished*) sets out multiple goals: the concern with ensuring the accuracy of the target-language text compared with the English original and a prohibition against interpreting or explaining the text. With regard to the literature on translation introduced in the previous section, the goal of ensuring *accuracy* compared with the English source text seems an ideal lacking a clear path to its realisation.

<sup>12</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/IFRS-translations.aspx>.

<sup>13</sup> See <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Official-translation-process-and-policies.aspx>.

<sup>14</sup> Verbal communication with the DGT translator.

<sup>15</sup> Adapted from <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Official-translation-process-and-policies.aspx>.

<sup>16</sup> The Finnish TRC differs slightly from that of other countries in terms of the distribution of its work; The Finnish translator also coordinates the TRC.

Translation of the IFRS into Finnish started in 2002. The Finnish TRC originally consisted of a translator and three reviewers. Today, it comprises a translator and 19 reviewers including one representative from the Accounting Regulatory Committee, one from the Ministry of Employment and the Economy, and an observer from the DGT. The Finnish translations, which the TRC produces in cooperation with the DGT for publication in the *Official Journal of the European Union*, are approved by both the EU and the IFRS Foundation.

#### 4. The research setting, data and methods

A purposive sampling strategy was employed to select the case (Miles & Huberman, 1994). In order to examine translation of the transnational regulations in the realm of accounting, the IFRS were selected for the following reasons: first, such translations are as legally binding as the original English-language standards; second, in the vast majority of countries where financial statements are prepared in accordance with the IFRS, those preparing the financial statements are not native speakers of English. Therefore, many of them are likely to rely on the translated IFRS.

The analysis of the practical problems of linguistic equivalence investigates how translation is conducted in practice. This article explores and examines the case of the Finnish translation of IFRS as an illustration (Siggelkow, 2007) of the translation of transnational regulations. As indicated above, the activities and interactions related to translation have received scant attention in the contextualist research even though translation has a unique position at the interface between transnational standard-setting and local implementation. Because it is the native language of the researcher conducting the interviews, the Finnish language was selected to avoid additional translation issues in the exchanges between the researcher and the interviewees (Welch & Marchan-Piekkari, 2006; see also; Sunder, 2011). It also allowed the researcher to examine the archival records in the target-language.

The Finnish language belongs to the Finno-Ugric language group within the Uralic language family, in contrast to English and, for example, French, German and Swedish, which are of the Indo-European language family. Finnish vocabulary and syntax differ substantially from those of English. For example, the Finnish language does not differentiate between him and her, and there are neither prepositions nor articles in Finnish. This can be illustrated by a simple example: 'in the house' translates literally to Finnish with one word, *talossa*, and the ending of the word indicates a meaning that is similar to an English preposition. The specifying meaning, which the definite article 'the' carries, is lost in translation. In addition to the languages having different roots, the translation of IFRS between the language pair English-Finnish is further complicated by the fact that the respective legal systems have little in common. Accordingly, translation issues are to be anticipated (Baskerville & Evans, 2011; Evans et al., 2015).

From the institutional viewpoint, translation into Finnish is representative of translation within the EU in that all EU language versions of the endorsed IFRS are equally legally binding. The Finnish case is particularly interesting as the translations are also created in accordance with the official translation process set out by the IASB.<sup>17</sup> In other words, the same Finnish translation is approved by both the IASB and the EU. Examples of such IASB-approved translations also exist for German, Japanese, and Russian translations but not those in Estonian, Italian or Swedish.<sup>18</sup> An enquiry

<sup>17</sup> <http://www.ifrs.org/Use-around-the-world/Documents/Jurisdiction-profiles/Finland-IFRS-Profile.pdf>.

<sup>18</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Available-translations.aspx>.

into translation into Finnish thus allows us to examine the creation of the IASB-approved translations.

In order to understand the translation work and the interactions between the translators and the accounting professionals reviewing the translations, semi-structured interviews were carried out with eleven Finnish TRC members including the TRC translator, and one professional translator working for the DGT in Brussels. The empirical part of the research project commenced in June 2010 with a meeting with the TRC translator in Finland. The data analysis was interwoven with data collection to guide later interviews and to select archival data for closer analysis (Miles & Huberman, 1994). The initial three-hour interview with the key informant helped in phrasing questions for the subsequent interviews. The TRC translator also provided documentary material including Terms of Reference for TRCs [including instructions set by the IFRS Foundation about the composition of the TRC, workflow and principles of translation (unpublished)] and minutes from meetings where decisions on terminology had been made.

The preliminary idea for the research was to explore the types of linguistic problems inherent in translating accounting regulations, given the references to such problems in the prior literature published around the time of the transition to the IFRS in the EU (e.g., Douplik & Richter, 2003; Evans, 2004; Nobes, 2006; Zeff, 2007). It was soon discovered, however, that not only are the challenges of translation extensive, but that the translation processes are far more complex and are more heavily influenced by the different regulators than the prior academic literature and publicly available materials had indicated. Specifically, the recurrent shifts between the EU and IFRS Foundation in the governance of translation have resulted in recurring changes in the translation practices and in the constituents who participate in translation.<sup>19</sup> Therefore, I decided to broaden the investigation to include the work required to address the practical problems of equivalence between languages.

The interviews yielded more than 16 h of material, of which 12 could be directly transcribed from audiotape. While the TRC members were invited to participate in the interviews for this study based on their roles on the committee, it is important to note that the work of translation is not their principal duty as accounting professionals. All the interviewees apart from the DGT translator were senior accounting professionals, and the group included advisory directors in accounting firms as well as senior accounting experts from financial supervisory authorities (see also IFRS Foundation, 2012, p. 1 for the composition of TRCs).

The data from the interviews were supplemented with a diverse range of documents including excerpts from the translated standards. The archive data proved central to understanding the translation work and conceptualising the more general problems of translation through specific examples. It also helped to address the recurrent methodological concern associated with the bias that may arise from retrospective recall of the decision-making processes that underpin the translation process (Toury, 1995).

Specifically, the archival data used for this study consist of nine different types of written materials: (1) the guidelines for the composition and workings of the translations review committee issued by IFRS Foundation (Terms of Reference, unpublished), (2) a list of new terms and their context plus the translator's suggestions for alternative translations of the term, (3) records of TRC meetings, most including terminology decisions, (4) records of TRC subgroup meetings in which amendments to draft translations were determined, (5) draft translations, and TRC members' suggested amendments to them, (6) translated IFRS, (7) the forewords to the

actual standards, (8) printed email correspondence between translators and TRC members and (9) training materials for EU translators relating to common mistakes arising in the prior translations of the IFRS.

In the first stage of analysis, I searched and examined publicly available data on the translation policies of the EU and the IFRS Foundation (e.g., the process chart of the official translation model of the IFRS Foundation, Fig. 1), which form the background of the construction of the translations (Bhatia, 2004).

In the second stage, I made notes on the translation problems raised during the interviews and on the ways in which the TRC members sought solutions to these problems. In addition, I noted the interviewees' criticisms of translations that they had (not) selected. Although the interviews were transcribed verbatim, I listened to the recordings several times because transcriptions do not capture non-verbal information (Bucholtz, 2007). By listening to the recordings I was better able to infer the interviewees' opinions, such as whether they seemed to consider that a particular translation problem was significant. Then, similar translation problems identified by the interviewees were merged into broader categories such as *terminology*, *ambiguity and indeterminacy of source text*, and *complexity and foreignness of the substance*.

The third stage of analysis concentrated on seeking to identify particular means adopted by the TRC members to interpret the source text and how they participated in the creation of the translation. In addition, I noted what the accounting experts said about their role as reviewer and what they sought to accomplish through the work of translation. Drawing on the notion of intertextuality, I also paid attention to the ways in which other texts were used to aid comprehension of the source text and to construct the target text (Bhatia, 2004). I identified reoccurring phases in the translations, and generated visualisations of the workflow of the translation review committee. The visualisations and narrative descriptions were then compared with the IFRS Foundation's official process description (see Fig. 1) and other publicly available material identified in the first stage.

In the fourth stage the findings from the interviews were compared with documents copied from the archives of the TRC. The archive material was especially helpful clarifying the practical problems of constructing linguistic equivalence described by the interviewees, and for analysing the suggestions and criticism expressed during the terminology work. Accordingly, selected excerpts from the Finnish translations were compared with the source text in order to infer a more detailed understanding of the issues described by the interviewees. For example, some interviewees indicated that the TRC had held lengthy discussions on how to translate problematic terms, such as *asset*, *measurement*, *dealer market*, *broker market*, *observable* and *domestic partner*. Therefore, I compared the contexts in which these terms are used in the source-language against the target-language standards, and the ways in which the terms link to concept systems in the respective languages so as to analyse why rendering these concepts adequately in the target-language was problematic.

Furthermore, the archival materials were not only used to illustrate but also to contrast the findings from the interviews. Because the interviews were conducted over a longer period of time, stages two, three and four were repeated to refine the analysis each time that additional data was collected.

##### 5. Constructing acceptable linguistic equivalence: the case of translating the IFRS into Finnish

Maintaining the influence of the IFRS as a global institution requires sustained institutional work, some of which takes place in local settings and through micro-level activities. The institutional

<sup>19</sup> See <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+WQ+P-2011-008747+0+DOC+XML+V0//EN>.

work of translation contributes to the maintenance of the IFRS as a translingual institution and is essential if the standards are to have global reach. The translation of the IFRS into the Finnish language, which is the empirical focus of this section, connects the financial reporting in Finland to the IFRS. It also enables the local accounting profession to be part of 'the new world' of the IFRS, as an interviewee put it. Without translation work, Finnish financial reporting and the IFRS would have a considerably weaker connection. This section also elaborates on the complexities of translation, illustrating that translation is more than a technical activity in the local implementation of the global standards.

The section consists of three subsections. The first subsection focuses on the translation of terminology and shows that one-to-one equivalence between a given English-language term and the corresponding target-language term – as required by the IFRS Foundation's translation approach – is often *constructed* during translation as opposed to merely being a given. The efforts involved in the maintenance of one-to-one equivalence created in previous translations and those made to select target-language terms capable of being embedded in other texts are also examined in the first subsection.

The second subsection analyses how translators and the reviewers of translations deal with inherent ambiguity and uncertainty as they seek to convey the meaning of the source text in the target-language. It is argued that translation inevitably involves a degree of interpretation of the source text, and that the TRC members infer its meaning by drawing on their respective bodies of knowledge, by referring to other texts invoked in reading the standard in question, and through discussions between committee members.

The final subsection illustrates that the translation of the IFRS is a contested area of expertise. It does so by investigating the differing translation policies of the EU and the IFRS Foundation, and analysing the accounting experts' and translators' views on the role of the expert review in the translation work. It looks into the institutional dynamics surrounding the translation of the IFRS by tracking the recurrent shifts in the organisation of the translation of the IFRS in the EU.

### 5.1. Translation work on terminology

This subsection examines the activities undertaken by the TRC to translate the IFRS concepts into the target-language, and the practical problems of conceptual equivalence encountered therein. The study will show that an existing word-for-word equivalence between languages is not always available. In the absence of that option, the formal correspondence of terminology is constructed through committee activities that follow a process governed by the standard-setter. Terminology work plays a central role in the IASB translation approach: For each standard a list of key terms extracted by the IFRS Foundation is translated on a one-to-one basis, and the translated terms are agreed upon in committee meetings.

In practice, more than one target-language term/word was often suggested as an appropriate translation of a source-language term/word: a situation typical of the absence of conceptual equivalence

between the source and target-language as described by Evans (2004). The lack of conceptual equivalence between source and target-language also meant that the TRC coined new terms to describe source-language concepts, and a few terms were left untranslated. Moreover, as languages are dynamic, the terms used in the source text are occasionally changed even though the underlying concept does not change or vice versa, and in these cases it must be decided whether to, and if so how to mirror these changes in translation. These issues will be expanded upon below.

#### 5.1.1. Addressing a lack of equivalence between the source-language and target-language terminology.

Although the IFRS Foundation's translation policies generally require that each source-language term is always translated using the same target-language term across different standards, such formal correspondence does not occur naturally and must be constructed during the translation process. The requirement for term-for-term translation seems to be based on the assumption that the two terms in these different languages would signify the same referent in a text-external reality. However, several accounting terms such as 'income' or 'capital' do not have an explicit referent (Macintosh, Shearer, Thornton, & Welker, 2000), and in newly developed accounting standards 'things are fitted into the old categories, the categories are stretched and perhaps twisted and themselves altered' (Young, 2003, p. 621). Moreover, the underlying concepts and their interconnections differ between languages. To illustrate, the Finnish language does not have a term equivalent to an asset in the singular.

Given that the IFRS include concepts previously absent from local regulations, or the local accounting tradition more generally, translators and translation reviewers seek out potential translations from a variety of other texts. A noteworthy example of such intertextual practices (Bhatia, 2004) involved in translating terminology is the search for a target-language equivalent to *comprehensive income*. The concept of *comprehensive income* was unfamiliar to Finnish accounting thought, and the local regulations did not contain any concept equivalent to it. Therefore, the translator specifically asked for the Finnish terms used to describe the concept in the organisations where the TRC members work. One of the TRC members noticed that cross listed companies filing with the US Securities and Exchange Commission (which are few in number) used the term *laaja tulos* in their Finnish language financial statements. The term *laaja tulos* was later chosen by the TRC from the four alternatives suggested by the translator as the one most closely equating to *comprehensive income*.

Certain interviewees familiar with the US GAAP pointed out that several new terms and expressions in the IFRS derive from the standards set by the Financial Accounting Standards Board (FASB), and they therefore considered those standards a relevant reference point when inferring the meanings of the expressions newly introduced into the IFRS. It seems likely that the intertextual ties between the IFRS source text, and the US GAAP have also been strengthened as a result of projects conducted jointly by the IASB

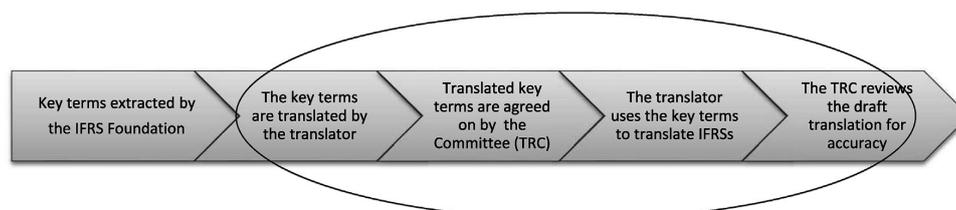


Fig. 1. The IFRS Foundation translation process.<sup>15</sup>

and the FASB (see e.g., Baudot, 2014; Pelger, 2016; cf. Bhatia, 2004).

When translating terms, the TRC engages in defining boundaries of concepts and the extent to which the source-language and the target-language concept overlap. To ensure the appropriateness of target-language terms, the contexts in which the terms are used in the respective languages were examined and compared. Doing so involved drawing on various texts directly or indirectly depending on the nature of the vocabulary used in the standard in question (cf. Bhatia, 2004; Solin, 2004). Some of these surrounding texts were referred to when reading the source text; others became reference material through the use of a search engine, as some translation reviewers described:

Interviewee D: The translator has always done some preparatory work now and then by Googling to find out what contexts the word appears in. So it's been a fairly typical procedure in recent times, to use Google to find examples of the contexts the word is used in. If somehow you're in the situation that somebody suggests translating a term in a certain way, to see if it's appropriate to use that term. So you must check whether the word is used in any other contexts. To see if [the Finnish term] will be misleading ...

Interviewee E: The translator does most of the work when he or she provides these suggestions [for Finnish terms] to be used ... Then you can read a text written by a professional in the field or go to Google to find out on the internet where a certain kind [of expression] is used. So you just try one way or another to find out how the word is used elsewhere. But our translator goes amazingly thoroughly through all the Finnish dictionaries and these language questions to find out what sort of situation you can use some [word] in ... You have to try out how other people understand it. So I've certainly quite widely [found out what my colleagues think]. For example, in finance matters when there's been [an issue finding Finnish equivalents to terms] ... then I've asked our finance experts who know better what sort of language is used and what exactly something means. I've been talking to them about the terms that were to be voted on.

In practice, the translator offers suggestions on the translated terms, where applicable with information on their contexts in other IFRS, or more broadly in the source and/or target-language. Although the interviewee quoted above describes the search for equivalent terms, or consulting colleagues, some interviewees said that they did not get very involved in questions of terminology prior to the committee meetings where the terms are discussed and eventually voted upon. The interviewees did stress the importance of these meetings in decision making on terminology. Having heard other TRC members' viewpoints, and their reasoning for selecting or rejecting particular terms, the interviewees considered themselves able to form a more informed opinion, and to contribute to the process of selecting appropriate target-language terms.

A particular difficulty noted by several interviewees – both translators and accounting experts – was that not only are some of the IFRS concepts foreign (a problem already described by Zeff, 2007) but the terms refer to things such as company forms or financial instruments which are not part of routine business activities in the jurisdiction of the target-language. Thus, problematic absences encompass not only accounting terms but also the objects whose accounting treatment is governed by the standards. Several TRC members noted that in a small country like Finland, its capital market has not been as subject to international influence as in other

territories, and has accordingly not developed to the same extent as in the territories where the IFRS were developed. More than one interviewee stated that the object or type of transaction under scrutiny may not exist in the business environment of Finland:

Interviewee F: Sometimes the phenomenon did not yet exist here; or it did but it was not talked about. Not at least in the same way as the IFRS conceptualises it. [...] And then there are these English equivalents that weren't found. In the world of financial instruments, if we have an option structure where there is a cap, a floor, and a collar ... well, then nobody would translate them [literally] as *katto* ('cap, ceiling, roof') and *lattia* ('floor') and *kaulus* ('collar') ... Because it is so well-established in the finance world, in practice, they are referred to using the English terms, and it would feel like a naïve approach to translate them [...] So I think that not all the financial instrument vocabulary can be translated.

Interviewee B: And then for example this 'recoverable amount,' which is not plain Finnish, so how do you say it to an ordinary accountant who's preparing consolidated financial statements? [...] The recoverable amount is not normal Finnish language, which you would use when talking with your colleague [...] So in a way we invented new Finnish language and coined new economic and accounting terminology [...] So in that sense there are terminology problems in that there are no words ... or there may be a word equivalent to 'recoverable' and a word [equivalent] to 'amount' but when you combine the two words, they don't make [a term] ... no such [equivalent] word will be found.

The above interview excerpts illustrate that one-to-one translation of terms is not without its limitations. The TRC members considered that not every source-language concept could be translated into comprehensible target-language terms. Therefore, the above-mentioned source-language terms *cap*, *floor* and *collar* are presented in parentheses in the Finnish language IFRS. Similarly, although TRC members searched diligently for terms in a variety of other texts, and contacted colleagues for advice in their organisations, terms such as *in-substance defeasance*, *sinking fund* and *wash sale* resisted translation and consequently were left untranslated.

A few interviewees were critical of the comprehensibility of certain terms that the TRC had opted to translate. An accounting expert asserted that she would not be able to attach any meaning to certain translated terms. 'If someone talked to me about a *miinusoptio* [Finnish for *out-of-money option*] I wouldn't know what the word means'. This provides further evidence to substantiate Zeff's views (2007, p. 296) that 'even if it is translated as accurately as practicable into the language of the second country, the concept may not be understood. The words may be understood, but the concept may not be understood'.

Beyond the terminological issues examined above, the connotations of professional terms may differ between languages. Young (2003) argued with reference to the standards set by the FASB that the rhetorical approaches evident in the standards employed by the standard-setter serve to maintain the myth of accounting objectivity. Accounting terms such as *measurement* connote, I would suggest, the ideal of objectivity in accounting. When translating terms into Finnish, certain TRC members rejected transferring some of these unfamiliar connotations to the target-language. For instance, a translation reviewer pointed out that measurement in

accounting does not equate to objective measurement in other contexts, and the Finnish language equivalent of the term measurement does not traditionally denote *valuation* in the context of accounting. The translation reviewer pondered the possibility of translating measurement with the Finnish equivalent of *valuation*, explaining that he had checked the term choice against the German, French, Spanish, and Swedish translations of IAS 16 (although the translator had warned the reviewer against drawing parallels between languages):

Although I do not know those languages that well, one can come to a conclusion concerning the basis for the translation. Is it based on valuation or measurement? It looks like only English-speaking countries have taken this measurement road. Elsewhere they still use the term valuation. I also dug into older literature in English. Before the 1960s, the term *measurement* did not exist. In the fifties and sixties there were a few articles and books discussing whether valuation and measurement carried different meanings. And in 1971, the committee of the Accounting Review made the choice to use the term measurement.

Some of the interviewees described how they theorised certain choices of term by referring to various texts or bodies of knowledge, as illustrated by the above quotation. Having discussed the alternative target-language terms in a meeting, the TRC translated the term *measurement* using the target-language equivalent of *valuation*, a term traditionally used in the accounting contexts in the Finnish language. Similarly, the TRC considered what sort of observation the *observable* in observable prices or observable market designates and to what extent it might be captured by alternative target-language words.

#### 5.1.2. Maintaining a consistent translation

The IFRS Foundation's translation policy requires that each source-language term is always translated with the same target-language term (IFRS Foundation, *Terms of Reference*, unpublished), and any exception to this rule must be justified. According to the translators interviewed, the Directorate General for Translation has a similar requirement. The practice of ensuring the consistent translation of terms within and across standards may be an important form of institutional work for the maintenance of the IFRS as a translational institution. An outcome of the term-for-term correspondence may be that issues around conceptual equivalence remain unproblematised in situations where different language versions of an IFRS are read in parallel.<sup>20</sup>

The interviewees reported the TRC worked to maintain consistent terminology across different standards, and often referred to the translations of previous standards when a new standard or an amendment was being translated. Additionally, the DGT translators might suggest aligning the terminology to a certain extent with other EU texts. As a consequence, there is a strong intertextual patterning between the translations of different IFRS as the choice of vocabulary and phrasing for the translations of any newly issued or amended IFRS is strongly affected by the way earlier standards have been translated (cf. Bhatia, 2004).

In addition to collaborative activities between TRC members, maintaining consistency across different IFRS was facilitated

technologically through the use of *translation memory*<sup>21</sup> software and the list of translated terms. Despite the technological aids, maintaining terminological consistency requires effort and judgement. The translation reviewers frequently underlined the significant role of the TRC translator in maintaining the consistency of terminology across standards. They pointed out that the translator had the most knowledge of the basis for the decisions made in translating previous standards. However, previous translations were not simply mechanically reused in subsequent standards due to the context-dependent meaning of words in both languages. Difficulties arose partly because target-language equivalents must be chosen based on their perceived appropriateness in the context of the standard where they first appeared. When source-language terms reappear in subsequent standards in different contexts, or as a part of another word combination, the previously selected target-language equivalents might not carry a meaning that is appropriate in the new context.

A TRC member described the difficulties arising when fundamental concepts are used in the source text in a manner that appears inconsistent to a Finnish reader.

*Interviewee D:* And then, relating to the terminology, it has been clear to us in Finland what expenditure is (in Finnish, *meno*), what expense is (*kulu*), and what a cost (*kustannus*) is, but in English it is much less well-defined because the term cost encompasses costs in cost accounting, but it is also *meno*, expenditure, in other contexts as *meno* would be defined in Finnish. When the same term has varying meanings in English, it is utopian to think that some absolute consistency could be attained. There have been some differences in usage and probably will be because of these traditions ...

This is another illustration of why the term-for-term requirement is problematic in translation when the meaning depends on the context. Abstract concepts often cover a certain semantic field rather than referring solely to a well-specified referent. Therefore, the TRC strives to determine whether the meaning of a previously selected target-language term overlaps with its source-language counterpart in a given context, thus, implicitly defining the boundaries of the concepts. Another example of conceptual differences is the translation of the terms *depreciation* and *amortisation*. The English language conceptualises the gradual decreasing usefulness of assets by writing off costs in a process called depreciation for tangible fixed assets and amortisation for goodwill and other intangible assets; In contrast, the Finnish language uses the same term, *poisto*, for both.<sup>22</sup> The English language also uses the term amortisation, in the context of repayment of a debt by a borrower, while the Finnish language uses a different term, *takaisinmaksu*, as *poisto* is strictly an accounting term. The Finnish TRC chose, however, to translate both amortisation and depreciation of assets using same term, subsequently justifying the choice in the foreword to the translated bound volume of the standards.

#### 5.1.3. Translation problems arising from changes in source-language terminology

It is recognised that language is dynamic, and accounting

<sup>20</sup> To give an example of the opposite, translations of *the true and fair view* (TFV) into different languages have been problematized in several studies on the grounds that the term has been translated inconsistently (Dahlgren & Nilsson, 2012; Nobes, 2009, 2013). Furthermore, an interviewee indicated that it is not uncommon that she or her colleagues read at their daily work the original IFRS and the translation in parallel to interpret a certain requirement.

<sup>21</sup> A translation memory is a database that consists of text segments in the source-language and their previous translations to the target-language. Translation memory software suggests possible translations of segments based on prior translations, and shows the technical level of equivalence between a given source-language segment and the previously translated text segment in percentage form.

<sup>22</sup> According to Dahlgren and Nilsson (2012), similar difficulties arose with the translation of 'depreciation' and 'amortisation' into Swedish.

terminology changes over time (Evans, 2010; Mills, 1989). However, the current research establishes that the terms used in the IFRS and the underlying concepts do not always change simultaneously. The shifting meaning of a term, or changes to the term when its referent has not changed, combined with the word-for-word requirement in particular, creates issues for those involved with the translation. In such circumstances the translators and translation reviewers pondered whether and when the translation should reflect terminological changes in the source text as compared to earlier standards.

An event that was often brought up in the interviews was the decision-making process regarding the translation of the *statement of financial position* when this term replaced the *balance sheet* in IAS 1 in 2007. Before the terminology meeting, all but one of the TRC members signed on to a suggestion to adopt a more literal translation of the *statement of financial position*. But during the meeting, one member convinced the rest of the committee that the Finnish term could not be changed. Interviewees recalled her saying, for example, that ‘the balance sheet [in Finnish *tase*] is the balance sheet and it can't be anything else’.<sup>23</sup> This decision making by consensus also illustrates that meetings significantly affect the decisions made by the TRC. An interviewee remarked that ‘luckily’ they did not change the term because ‘doing so could have confused financial statement users and the media.’ Indeed, introducing a new target-language term would have created new terminological differences between the Finnish language IFRS and local accounting regulations.

The decision not to amend the Finnish term corresponding to the *balance sheet* may be interpreted as reflecting a concern with ensuring the success of translation in the form of forthcoming intertextuality. The familiar and concise target-language term, *tase*, continues to be embedded in other texts, including financial statements. When the target-language IFRS terms are used in other contexts by the preparers of financial statements and the media, among others, these constituents implicitly preserve and reproduce the one-to-one equivalence constructed by the committee. This serves to maintain the equivalence of terminology constructed in the translation.

In summary, this section has examined the practical problems of linguistic equivalence, and the activities that trigger the creation and maintenance of a formal correspondence of terminology between languages. The lack of a pre-existing conceptual equivalence between the languages is apparent, in that often several different target-language terms were suggested as translations for one source-language term. However, the TRC coined new terms to describe IFRS concepts, and a few source-language terms were left untranslated.

It was also argued in this section that the consistent translation of terms appears to be an important form of the institutional work in the maintenance of the target-language IFRS. As a result, there is a strong intertextual patterning across different standards in the translated IFRS. The terms used in the IFRS and the underlying concepts do not, however, always change simultaneously, which, combined with the term-for-term requirement, causes issues for those involved in translation. Due to the context-dependent meaning of words, the TRC engages in defining the boundaries of concepts by deciding whether their meanings overlap adequately in a particular context. Occasionally, the translation reviewers also focused on selecting target-language terms capable of being embedded in other texts, thus reproducing the constructed linguistic equivalence intertextually in texts outside the actual standards, such

<sup>23</sup> Similarly, the term Bilanz was retained in the German translation (Evans et al., 2015). ‘This is not an oversight – the possibility of using alternative translations was debated during the translation of the 2007 revision of IAS1, but the reviewer chose to retain the term – Bilanz. We are grateful to Robin Bonthron for pointing this out.’ (Evans et al., 2015, p. 17).

as in forthcoming financial statements or media articles.

## 5.2. Coping with ambiguity and uncertainty in the meaning

The ambiguity and indeterminacy of language have attracted considerable attention in linguistics and legal theory (e.g., Cao, 2007; Joseph, 1995). It is argued in this subsection that these inherent properties of language pose considerable practical challenges to the IFRS translators and translation reviewers. A certain degree of interpretation appears to be an unavoidable aspect of the translation of IFRS, although the IFRS Foundation maintains that the ‘purpose of the translation is not to interpret or explain the standards’ (IFRS Foundation, Terms of Reference, unpublished). This subsection investigates how translators and translation reviewers deal with the ambiguity and uncertainty around intended meanings within the source text. Although the translation process established by the IFRS Foundation highlights the formal correspondence of terminology, the translators and translation reviewers underlined the efforts made to render the meaning(s) of the source text appropriately in the translation. Rendering the intended meaning beyond individual words is undoubtedly a desirable goal. Furthermore, the constituent perceptions of the extent to which that goal is being achieved will likely have an impact on the stability of the IFRS as a translingual institution.

For each standard, a subgroup of TRC members was chosen to review the draft translation to ensure that the meaning was not altered in translation (see Fig. 2). A TRC member described the difficulty of interpreting and rendering the meanings of longer text segments in translations as follows:

Interviewee G: One of the main problems in the translation of IFRS is not terminology, which is also a difficult issue, but understanding what something means. A single sentence in which there is no foreign word can be discussed in the group for a long time. Sometimes the text can be understood in several ways. Also, native speakers who we consult can have difficulties [with understanding the text].

Another TRC member emphasised that ‘The role of the reviewer requires that you should see not only if it looks fluent, but also that the idea corresponds to what has been said in the original text.’ These statements show that translators and translation reviewers find it problematic to make sense of the source text and transfer the meaning unchanged to the target text. They also illustrate that the interviewees strive to convey the meanings of longer segments of text, rather than the individual words, into the target-language. While research has acknowledged that translators should not try to resolve ambiguities but aim to capture them in the translation (Evans et al., 2015), ambiguity cannot always be maintained in translation, as some of the interviewees pointed out.

The data informing the current study indicate that uncertainty about the meaning of the source text arises from two main sources. First, with regard to how the text is structured verbally (including syntax), both the translators and accounting experts noted that it is not always clear which word or phrase a particular (relative) pronoun refers to (i.e., what the antecedent of the subordinate clause is). The following excerpts briefly illustrate this problem of grammatical ambiguity, in particular that of ambiguous cross-references:

When management is aware, in making its assessment, of material uncertainties relating to events and conditions *that* [italics added] may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties (IFRS., 2008; IAS 1.25).

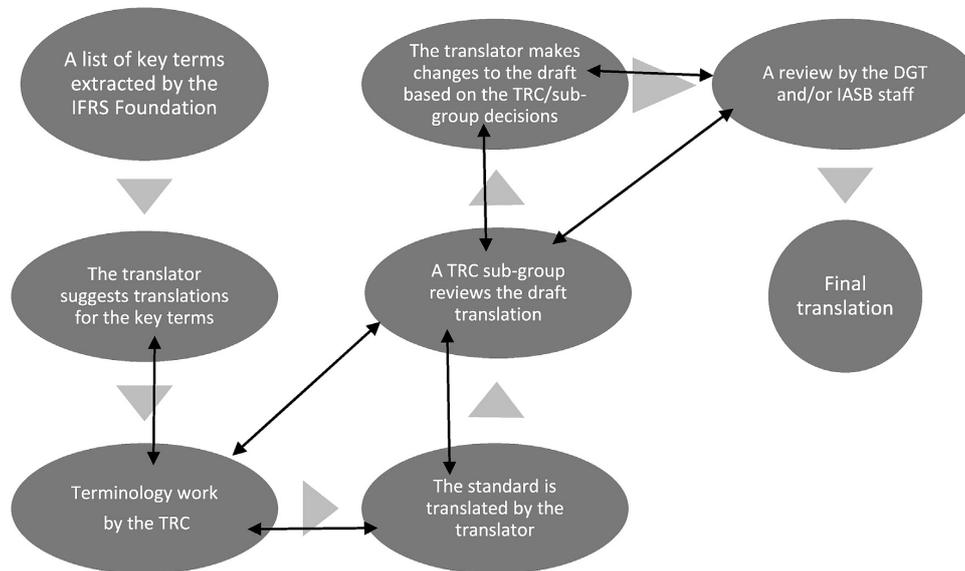


Fig. 2. The translation process based on the data of the current study.

... eliminate all deferred losses and gains arising on derivatives *that* [italics added] were reported in accordance with previous GAAP as if they were assets or liabilities (IFRS., 2008; IFRS 1.B4).

In the first excerpt above, the term *that* could refer to either *uncertainties* or *events and conditions*. In the latter excerpt, *that* could refer to either *losses and gains* or *derivatives*. Ensuring that the translation correctly captures the intention in these sentences, if a dual reference was intended, is not possible in Finnish. Theoretically, a translation carrying either of the two possible meanings is a correct translation. While a certain degree of indeterminacy may sometimes be intentional in order to allow the standard to be applicable in different business environments, the referential ambiguity in the above excerpts is scarcely likely to be intentional on the part of the standard-setter. For these reasons, TRC members needed to decide which meaning to render in a translation. If the translator is not an accounting expert, it may be even more difficult to infer the referential relationships (and thus the standard-setter's intended meaning) in each context. As the DGT translator noted:

Referential ambiguity brings forth [a problem], because none of us [in the translation team at DGT] is an accounting expert. And then if there is a short elliptical sentence, we may invert the referential relationship when translating.

According to more than one translation reviewer, however, accounting experts can also struggle with sentences in which the grammatical structure permits of two interpretations, although accounting experts can draw on the context to resolve such ambiguities.

Second, issues with comprehending the original standards, and uncertainty about the standard-setter's intentions, were said to derive from the general complexity or foreignness of the substance of the regulation. One of the accounting experts interviewed reflected on the need for interpretation and the difficulty of comprehension as follows:

Interviewee C: [the] IFRS can be difficult, which is not only a linguistic matter. It's just that they are so difficult to comprehend that also we as professionals can have [difficulty understanding] what IASB wants, if it's not totally clear ... and they are forthcoming norms ... and they have not been in use yet, so it's not even known ... what the IASB is seeking ...

To some extent, making sense of the source text may become a *negotiation about another negotiation*, in that the TRC members negotiate the content produced by negotiations conducted at the IASB. It should be noted, however, that the word *negotiation* is not used here in the sense that TRC members would have sought to create translations in a self-interested manner. Instead, the differing professional backgrounds of TRC members seemed to influence which issues they considered in the course of the translation. It is worth noting that the translation reviewers are able to define the bodies of knowledge they deem relevant in terminological decision making (cf. Pelger, 2016). For example, the academic (whose research interests include measurement theories) presented viewpoints on the meanings of terms such as *observable*, and *measure/measurement* versus *value/valuation* and on their conceptual equivalence with target-language terms in various contexts. This again illustrates that the meaning is inferred in relation to other texts or bodies of knowledge invoked during the reading and translation process (Bhatia, 2004).

Furthermore, TRC members reported they found translation problematic because 'standards are by nature a compromise,' and because 'the IFRS are [written in] neither American nor British English' or 'some standards have been created in a rush.' Indeed, the conceptual roots of standards are diverse and the standard-setters have tried not to bind the terms tightly to any geographical location. One could also say that the perceived difficulty of translating a text is not independent of who is translating it. An interviewee noted that TRC is heterogeneous and they 'are in contact with the standards in different ways,' also saying that:

[The relative difficulty of comprehension] is related to our differing backgrounds. I follow all the time what happens with

the IFRS, beginning from when they are being developed. So I have some kind of understanding of what they want to say. Then, what is the final English-language version of the standard ... I know ... or I think that I know, what they mean by it. But if you haven't followed it ... or read the basis for conclusions ... and if you really haven't followed it from the beginning of the project, when they made some preliminary decisions and when they changed it, and those bases and discussions ... then it is certainly more difficult.

The meaning of the original text to be conveyed in the target-language was not only inferred from the final text of any standard per se. Rather, the meanings were constructed intersubjectively and intertextually based on the TRC members' interpretations of the standard-setters' intended meanings. Those intended meanings in turn tend to be formed in the course of the standard-setting process and with reference to other texts such as similar standards or the Conceptual Framework. In particular, the goal of dynamic equivalence cannot be achieved in translation, if it can be achieved at all, only on the basis of the current text as the meanings of sentences in the present standards are the result of developing and revising standards since the formation of the International Accounting Standards Committee (IASC).

In summary, the TRC members make efforts to infer the meaning in the source text as intended by the standard-setter and to convey it unchanged into the target-language. The institutional work aimed at capturing the meaning in translation takes different forms ranging from the grammatical analysis of sentences to actively following standard-setting due process from its early stages. In other words, the hybrid expertise possessed by the committee, and their long term commitment to the standards makes it possible to approach instances of ambiguity or uncertainty in the meaning simultaneously from various angles. Ambiguity and indeterminacy are, however, inherent properties of language and, as such, stand as challenges to the work of translation.

### 5.3. Translation of the IFRS as a contested area of expertise and regulatory influence

This subsection addresses the institutional dynamics surrounding the translation of the IFRS as it continues to be an unsettled area marked by a range of policies and regulatory influences. More specifically, responsibility for translating the EU-endorsed IFRS has shifted between the DGT and the local TRCs set up by the IASC/IFRS Foundation. The differing translation policies of the DGT and the IFRS Foundation and their impact on the degree of involvement of translators and accounting professionals in the translation process, were briefly described in Section 3. These policies will be discussed further in this section. The IFRS Foundation describes its approach to authorising translations in its translation, adoption and copyright (TAC) policy as follows<sup>24</sup>

The Foundation owns the worldwide copyright to the IFRSs in all languages and therefore owns the exclusive right to reproduce, or authorise others to reproduce or translate, IFRSs. ... The quality of the translation is protected – as copyright owner, the Foundation sets the translation process, and decides who carries out the translation, ensuring that there is a single, high-quality translation in each language ... as copyright owner, the Foundation decides who to license to translate. Licences are non-exclusive but the Foundation supports its licensees' shared

commercial interests, ensuring that a single, authorised translation is sustainable. Income from authorised sales of official translated publications helps the Foundation to cover the translation costs.

Significantly, the TAC policy declares that the IFRS Foundation has sole responsibility for establishing the translation process; a policy intended to protect the quality of translations. Overall, the IFRS Foundation emphasises that translation into different languages must adhere to a uniform, well-specified process. The practices of translating into different languages are, however, more varied. Despite references by the IFRS Foundation to a uniform translation process and ensuring a single high-quality translation in each language, the IFRS Foundation does not have direct control over the translations into several EU languages. Likewise, multiple translations exist for languages such as French and Portuguese, one translation undertaken by the DGT and another by a local professional association outside the EU.

In sum, the translations created by the DGT, as well as those by the TRCs affiliated with the IFRS Foundation, are not always recognised by the IFRS Foundation or the EC respectively.<sup>25</sup> The translations of the EU-endorsed IFRS are not necessarily reviewed by accounting experts. In contrast, the IFRS Foundation only approves the translations undertaken in accordance with its translation process including an expert review.

#### 5.3.1. Shifting sites of translation

The trajectories of organising the translation work reflect the dynamics arising from the duality of the IFRS that originated as a form of *soft regulation*, but are now legally binding regulations in the EU. The first translations of the then IAS were created by professional organisations, such as the former IASC member bodies before the widespread adoption of IFRS by the EU. The then IASC acknowledged the need for an official translation process when it undertook the German translation in 1997 (IASB., 2001). For the EU, the IASC Foundation (the predecessor of the IFRS Foundation) was contracted by the EC to provide official translations of the endorsed IFRS in cooperation with the local TRCs during various periods between 2003 and 2009. From October 2005 to June 2007, the DGT provided translations without the participation of the IASC Foundation. The translation contract between the EC and the IASC Foundation was terminated at the request of the latter in June 2009, and the DGT has been responsible for the EU translations since then.<sup>26</sup>

The case of the Finnish language translation examined in this paper appears to be an exception to the current translation practices of the EU-endorsed IFRS. Despite the recurring organisational changes described above, all the IFRS have been translated into Finnish by the same translator and reviewed by accounting experts, except for the period 2005–2007 and a short period in 2009–2010, when the DGT alone was in charge of the translation. Currently, the Finnish translations are approved by the IFRS Foundation and endorsed as EC regulations. In practice, the former Finnish TRC has been supplying one of the DGT's subcontractors with translations

<sup>24</sup> <http://www.ifrs.org/Use-around-the-world/Adoption-and-copyright/Documents/Translation-Adoption-Copyright-Policy-August-2013.pdf>.

<sup>25</sup> In an answer to a parliamentary question, Ms Vassiliou on behalf of the EC stated as follows: "As for the uniform application of standards within the European Union, it is the version published in the *Official Journal of the European Union* that is binding, regardless of the possible existence of other translations." (<http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=P-2011-008747&language=EN>). Not all EU languages are included in the list of available translations by the IFRS Foundation. (<http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/Available-translations.aspx>).

<sup>26</sup> See <http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=P-2011-008747&language=EN> and <http://www.khtmedia.fi/julkaisut/kategoriat/ifrs/ifrs-standardit-2013>.

that have been further reviewed by the DGT.<sup>27</sup> The present involvement of the former TRC contradicts the understanding expressed in prior literature that the DGT 'has been preparing all translations of endorsed IFRS since June 2009, without input from the IFRS Foundation' (Evans et al., 2015, p. 4; see also; Somssich et al., 2012). While the issues affecting translations into other languages are beyond the scope of this paper, it is worth noting here that DGT translators may refer to the translations approved by the IFRS Foundation as a basis for creating the EU-endorsed translations if such translations exist.<sup>28</sup>

### 5.3.2. Translation of the IFRS as a contested area of expertise

The site of translation has an impact on who is entitled to carry out the translation, and on the practices and procedures through which the translations are created. As Cooper and Robson (2006, 415) stated, the 'institution and location where regulation takes place affect both the outcome and the legitimacy of the rules and practices produced.' The translation of the IFRS appears as a contested area of expertise, where the relative involvement of occupational groups varies between languages and jurisdictions, and the appropriateness of translations is ultimately questioned. Similarly, the interviewees in this study called into question certain target-language equivalents chosen by translators (as opposed to accounting experts), and a few expressed disbelief that translators alone could render the IFRS adequately into other languages.

Translation at the DGT differs from the translation process created by the IFRS Foundation in a number of aspects. The EU-endorsed IFRS are either translated by the in-house translators of the DGT or outsourced to contractors and subjected to the DGT's internal quality control. Because the DGT is a public organisation and part of the EC, the DGT translators tend to primarily rely on experts in national ministries of finance for advice rather than those working in the private sector,<sup>29</sup> which is in line with the European tradition of the State being involved in the regulatory processes (see Chiapello & Medjad, 2009; Crawford et al., 2014). For some languages, however, the DGT or its subcontractors maintain contact with national accounting associations or the TRCs associated with the IFRS Foundation. Regarding the translation process, the DGT translators are not expected to follow the sequence of activities required by the IFRS Foundation.

As the above description of the shifting sites and the variations between languages in constituents and practices illustrates translation of the IFRS remains an unsettled area of expertise. Traditionally, the translation of EC regulations has been undertaken and monitored solely by translators. The domain of accounting has however expanded into translation work through the involvement of the profession in the setting of standards and their claim to possess the required technical expertise. Nevertheless, the contest over who possesses legitimate expertise has not taken the form of an overt struggle between accountants and translators. In fact, the IASB approach to translation relies on hybrid expertise and the co-production of translations by accountants and translators.

While the interviews conducted for this study focused on the practical problems of linguistic equivalence and translation into Finnish within the framework set by the IASB, the interviewees' perceptions of and concerns about the quality of the translations not reviewed by accounting experts emerged in several interviews. Many of the interviewees (from both the translator and accountant

groups) emphasised that they considered a knowledge of accounting, and specifically expertise in the IFRS, to be a prerequisite for the translation work. Similarly, some of the accounting experts interviewed criticised the translators' approach towards devising Finnish terms intended to correspond with the detailed professional terminology in English. An interviewee went on to say that 'the translators are taught to use such voluptuous pure Finnish which no [accounting] expert would use even in her worst nightmare.' The interviewee was opposed to what she described as translations that were 'too Finnish,' and was concerned that they might not be used in practice – a concern that a few other reviewers also raised.

On the practical side, the discontinuities resulting from the contractual issues between the EU and the IFRS Foundation influenced the production of the subsequent translations. As those involved in the translation process had changed, those charged with conducting the later translation abandoned the idea of using some of the previous translations due to perceived mistakes or inaccuracies. An interviewee described the situation as follows:

We have that kind of problem that when the standards were translated by freelancers ... those translation memories [database content] ... and also the versions published in the *Official Journal* at that time were bad ... and were corrected for the volume by [the name of a publisher] ... which means that we can't use all those previous texts ... which as such are supposed to be official regulations. As a matter of fact, we have been able to create the kind of translation memory that is reliable enough [only going back to translations since] 2008.

The preceding quotation illustrates that the later translators were hesitant about complying with terms chosen by their predecessors. Although the TRC normally worked to maintain the one-to-one correspondence of terminology that they had established in previous translations, certain translations by subcontractors were considered to be inadequate as reference material in the creation of new translations by both later translators and IFRS experts.

The above narrative on the recurrent shifts between the DGT and the TRCs complement recent studies on the EU/IASB dynamic (e.g. Chiapello & Medjad, 2009). Prior analysis, such as that of Bengtsson (2011) and Crawford et al. (2014), focused on the overt struggles over the control of accounting standards within the EU, whereas this section has drawn attention to the somewhat more mundane (yet important) activities supporting transnational regulation. Specifically, it has highlighted the recurrent shifts in the organisation of translation work, and the discrepancies between the translation policies of the EU and the IFRS Foundation. This subsection has also shown that the institutions and locations of translation are intertwined with the professions entitled to carry out the translation of the IFRS. As was discussed in this subsection, the IFRS Foundation's translation policy delegates a more integral role in translation work to the accounting profession than does the translation policy of the EU. Notably, the difficulties of the translating the IFRS into the EU languages have not dissipated, despite the fact that the IFRS were adopted by the EU more than a decade ago.

Despite changes in how the translation of the IFRS is organised at the transnational level, the particular case of the Finnish language translation studied in this paper does not stand out as an illustration of a struggle between professions. Rather, the DGT translators and the former members of the Finnish TRC continue their collaboration (albeit under an amended arrangement) to maintain what both parties consider good translation practice, and thereby to maintain the legitimacy of the translations. In other words, the local actors resisted the institutional change taking place at the transnational level, specifically by continuing the provision of

<sup>27</sup> It is noted on the IASB webpage that a Finnish translation of the 2014 *Blue Book* is available. However, no reference is made to the existence of other DGT translations.

<sup>28</sup> Verbal communications with an anonymous DGT translator, June 2015.

<sup>29</sup> Verbal communications with three anonymous DGT translators, June 2015.

the IASB-approved translations of the EU-endorsed IFRS. This action contributed to preserving the existing translation process by retaining an expert review. The continued expert review in the case of Finnish language translation appears to be an exception to current practices of translating the IFRS into the EU languages, and it is important to note that studying the trajectory of the organisation of the translation work for other languages such as French, German or Swedish would have yielded a quite different account.

## 6. Discussion and conclusions

This paper has shed light on the practical problems of linguistic equivalence by enquiring into the empirical topic of the translation of the IFRS into the Finnish language. Drawing inspiration from the notion of institutional work (Lawrence & Suddaby, 2006), the present study has explored the detailed practical activities and institutional interactions aimed at creating and maintaining an acceptable linguistic equivalence in the course of translation, and thereby maintaining the IFRS as a translingual institution. Indeed, the institutional work of translation is essential for the global reach of the IFRS. It has been shown in the paper that the formal, one-to-one equivalence between terms in the English-language IFRS and their translations is often constructed during the translation committee processes, as opposed to simply being apparent. Similarly, the translators and translation reviewers strive to maintain the previously established one-to-one equivalence when translating the current standard. Efforts are also made to select target-language terms that it is assumed will embed well into other texts, ensuring the long-term sustainability of the translations. Overall, the translation of the IFRS is an ongoing activity which involves negotiation and the balancing of case-specific criteria that the committee members present and must reach an accord on.

The present study contributes to two related bodies of accounting literature. First, it contributes to the literature on the translation of accounting and auditing standards by examining the procedures through which different regulators, translators and accounting experts reviewing the translations address the practical problems of linguistic equivalence. This is a novel contribution to the literature because extant studies have examined the outcomes of translation activities, that is, translated text segments and terms, focusing primarily on inaccuracies, translation errors (e.g., Dahlgren & Nilsson, 2012; Nobes, 2006; Sunder, 2011), or differences in the interpretation of uncertainty expressions (e.g., Aharony & Dotan, 2004; Doupnik & Richter, 2003). Several accounting studies have suggested that translation is inherently problematic (Baskerville & Evans, 2011; Evans, 2004; Evans et al., 2015; Zeff, 2007). When compared with prior research, the present study clearly elaborates on the complexities of translation and contributes a focus on translation work in its social and institutional context.

While prior accounting research on translation recognises that accounting concepts may not neatly overlap in different languages, the findings from the study of Finnish language translation illustrate that issues arise in attempting to render the meanings of text segments (as opposed to words) into another language. In particular, inferring the meaning in the source text was considered problematic because of the occasional foreignness of the substance and the inherent ambiguity and indeterminacy of language. In other words, problems of translation do not only arise from the absence of the means to render a specific meaning in the target-language (which is also a common problem) but from the need to make sense of the source text. Following the standard-setting process from its early stages contributes greatly to making sense of the final text in the IFRS. Overall, the meaning was not merely carried by the text under review itself but the TRC members drew

on other texts and their professional knowledge bases to infer the meaning of the source text to be rendered in the target-language.

Second, with regard to the scholarship on transnational accounting regulation and standard-setting, the study of the translation of regulatory texts furthers our understanding of the institutional interactions and activities within the transnational financial regulatory arena. The translation of the IFRS has a unique position at the interface of setting and implementing standards, and it also lies in the middle ground of activities supporting regulation governed by the IFRS Foundation and those by the EC. Apart from transnational standard-setters and regulators, the translation review committees are a node of interaction between representatives of large and mid-tier audit firms, industry specialists, the preparers of financial statements, and other constituents approved by the standard-setter. Importantly, the IASB-approved translations of the IFRS are not created by a single translator but are the outcome of collaborative activity between translators and selected constituents following a specific process. Despite the detailed process set up by the standard-setter, however, the committee members have the responsibility for the translation and it is they who ultimately decide what aspects are taken into consideration in translation.

While the present study has focused on institutional work carried out by translators and translation reviewers to maintain the IFRS as a translingual institution, the standard-setter also engages in institutional work to maintain the status of the translations of the IFRS. For instance, the IFRS Foundation argues that 'multiple translations of IFRSs into the same language would endanger comparability, transparency and the long-term sustainability of high-quality IFRS translations.'<sup>30</sup> Equally importantly, multiple translations might serve to problematise the ideal of linguistic equivalence, and in particular the one-to-one equivalence of terminology between languages, which the IFRS Foundation's translation process relies on.

The developing and shifting nature of the organisation of the translations of the IFRS into EU languages aligns with other analyses of the dynamics associated with the transnational financial regulatory structures (see e.g. Humphrey et al., 2009). The organisation of the translation of the IFRS is not a static phenomenon but one that shifts and changes. The roles of the transnational agencies, and accordingly, the actual constituents undertaking translation have changed recurrently, often abandoning or reintroducing the IFRS Foundations' translation approach. For the moment, the end of the contract between the EU and the IFRS Foundation appears to have prompted discontinuing the expert review of several EU language translations. Interestingly, large and mid-tier audit firms, or other private-sector constituents are no longer represented in the reproduction of the non-English-language versions of the endorsed IFRS. This observation on the present situation contrasts with the findings of several studies pointing to the large audit firms occupying more terrain in transnational accounting regulation and related activities (e.g., Cooper & Robson, 2006; Humphrey et al., 2009).

The interviews and archival materials this paper draws upon are restricted to the case of Finnish language translation, and so the paper does not address the intra- or inter-organisational negotiations and decision making of the IFRS Foundation and the EU on the organisation of translation work. Similarly, although it is stated that 'The IASB is keen to avoid issues problematic to translation in these documents' (IFRS Foundation, 2010, p. 2), we do not know whether and how the standard-setters or the staff attempt to address issues of translation during the standard-setting process. While this paper has

<sup>30</sup> <http://www.ifrs.org/Use-around-the-world/IFRS-translations/Pages/IFRS-translations.aspx>.

examined the organisation of translation for an EU language, the IFRS are translated in a multitude of jurisdictions beyond the EU. The institutional and linguistic contexts where translation activities take place are diverse and might differ substantially from those examined in the present paper. This issue could be a matter of future research.

In sum, there are clear opportunities for research to understand better how accountants and auditors deal with the issues of multilingualism and translation. It would be useful to gain insights into various language and translation related practices in the realm of financial reporting, including the interpretation of transnational standards and regulations by accountants and auditors who are not native English speakers, and the preparation of financial statements in multiple languages. Despite the growing body of literature on translation as a potential barrier to transnational accounting harmonisation we have very little insight into the views of those who prepare, use and audit financial statements on the approaches they adopt to address the practical problems involved in handling linguistic equivalence in the context of their daily work, or into the negotiations on the degree of discretion possible with specific translations. This again, as suggested by Cooper and Robson (2006), highlights the sustained importance of conducting research on the broader topic of the interpretation and implementation of rules.

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### Appendix 1

#### Abbreviations

EC	The European Commission
EU	The European Union
DGT	The Directorate-General for Translation
FASB	The Financial Accounting Standards Board
IASB	The International Accounting Standards Board
IASC	The International Accounting Standards Committee
IFRS	The International Financial Reporting Standards
IAS	The International Accounting Standards
ISA	The International Standards on Auditing
LSP	Language for Specific Purposes
TRC	Translations Review Committee

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## II

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by

Jaana Kettunen

Manuscript<sup>1</sup> under review in *Accounting, Auditing and Accountability  
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### III

## **PLAYING GAMES IN THE VIRTUAL ECONOMY: GAMIFICATION OF REVENUE RECOGNITION IN THE SALE OF VIRTUAL GOODS**

by

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Paper presented at Financial Reporting as Social and Organizational  
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