

Translation of IFRS Standards into Local Languages: Understanding Problematics of Translation

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Abstract:

This paper discusses the nature of the challenges related to the linguistic translation of IFRS and explores some of procedures that are aimed to respond to these challenges. Using archival data about the work of the Translation Review Committee (RC), translation guidelines and other materials provided by IASB as well as nine interviews of two translators and six RC members, the translation practice is described and the shifting influences of various professional and regulatory institutions on the translation are explored. The paper shows three issues. First, the paper shows that the quality of translations is far from a straightforward issue because translation cannot be accomplished without *interpretation* of the original standards and thus the target language text is a compromise between those who participate in the translation process. Second, translation of IFRSs sometimes involves tradeoff between formal fidelity to original standards and readability of the translated standards among the target language users of IFRS. Third, knowledge on accounting is essential in the translation of IFRS. The issues raised in this paper contribute to the formation of translation policies as a part of standard-setting process.

Key words: IFRS, translation, accounting harmonization, language

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1 Introduction

Linguistic and cultural differences have been viewed as impediments for international accounting harmonization. Today, companies listed in EU are required to draw up their consolidated financial statements in accordance with IFRS and the endorsed standards form a part of EU's legislation because they are enacted as EC regulations (EC 2002). Under the language regulation of EC (1/1958), all EU legislation has to be translated to each of the 23 official EU languages, and all the language versions are equally legally binding. Therefore the translation policy of EU is highly relevant for a successful implementation of regulations including IFRSs in the member states.

Both academic and professional accountants have expressed concerns about the adequacy and readability of the translated IFRS (Nobes 2006, Zeff 2007, Evans, Baskerville & Nara 2011, Hellmann, Perera & Patel 2010a & 2010b, <http://www.worldbank.org>) and some member states and members of European parliament have complained to EU about the quality of some translations of IFRS standards (<http://eur-lex.europa.eu>, www.europarl.europa.eu). Also some documented evidence exists that certain translations of IFRS have been directly misleading¹: For instance both “the statement of comprehensive income” and “profit and loss” were translated in the EU endorsed translation to Swedish as “rapport över totalresultat”. Consequently, the items which according to the English original were to be presented in “profit and loss” could according to the Swedish translation be presented in “rapport över totalresultat”, thus either in *profit and loss* or *other comprehensive income* (www.farforlag.se). This example shows that how the IFRS are translated has influences on how the financial statement preparers draw up the financial statements based on their interpretation of the meaning of the translated IFRS.

Any inaccuracies or even overt mistakes in the translated standards can lead to the situation where the application of the originally common standards is inconsistent between different jurisdictions. Moreover, assuring high quality² in translation of accounting standards is everything but an easy task. Previous literature in the field of *translation studies* acknowledges the limitations of translation: a translation can very rarely both render the original text word-for-word in another language and convey its meaning unchanged (e.g. Nida 1964, Catford 1978, Chesterman 2000). Accounting is conceptualized in different ways in different languages and their related cultures (Evans 2004, Hines 1989, Nobes 2006), and these differences surface in the translation of IFRS. If accounting harmonization and the international comparability of financial reporting are goals that are sought after, translation of IFRS is a necessary step in the harmonization process.

This paper seeks answers to the following research questions: *How do the problems of the translation arise in the context of IFRS? And are the concerns expressed by different stakeholders warranted?* While the problems of translating accounting texts in general and IFRSs in particular have raised concerns among various stakeholders, there are very few

¹ Having discussed with some (previous) members of the Swedish, German, Czech and Finnish Translation Review Committees, similar problems exist also regarding these languages. In addition, for some languages such as French, there are double translations – one by EU and another by IASB.

² For a well-known model for the assessment of translation quality, see House (1997, 2006).

academic studies that aim to describe the problems of translation in the context of accounting harmonization (Evans 2004, Evans, Baskerville & Nara 2010, Evans & Baskerville 2011). IASB and EU have their respective translation policies that govern the translation processes, and raising the awareness of the problems of translation amongst the standard setters could help them improve their translation guidelines and processes. Prior translation studies within the field of accounting have most often addressed particular accounting terms and concepts, such as the translation and interpretation of expressions of uncertainty (e.g. Doupnik & Richter 2003), or translatability of accounting texts (Evans 2004). This paper aims to address the problems inherent in the translation of accounting regulations in one of the most important contexts where they emerge, i.e. translation of IFRS. While the translation studies in accounting are somewhat scarce, there is an extensive linguistic literature on the related discipline of law, i.e. legal linguistics, which emphasizes the importance and implications of language use and translation in legally governed professional contexts accounting being one of them (Mattila 2002, Paunio & Lindroos-Hovinhoimo 2010, see also Evans, Baskerville & Nara 2011).

This paper makes following contributions: First, it extends to the literature on accounting regulation (e.g. Cooper and Robson 2006, Young 2006) and the implementation of international accounting standards; in particular, to the strand that problematizes the idea of achieved international comparability under the IFRS regime (Durocher and Gendron 2011, Nobes 2011). Second, it identifies challenges encountered by those translating accounting standards and draws upon the discipline of applied linguistics, in particular translation theory, in classifying and analyzing these challenges. Third, compared to the majority of previous linguistic research on accounting (e.g. Doupnik & Richter, 2003; Mills 1989), it takes a more holistic view on the problems of translation. Fourth, the paper shows that the quality of translations is far from a straightforward issue: As the translated IFRS standards are not a merely technically produced counterpart of the original text, the translated text is a *compromise* between those who participate in translation process.

The rest of the paper is organized as follows: The following section synthesizes theoretical literature from translation studies and theory of terminology with an emphasis on communication in professional contexts including accounting. The third section describes the research setting, data and methodology. The fourth section analyses the problems of translating financial accounting texts through some real-life examples of the problems encountered by the translator and the review committee and analyses them against IASB's translation policies. A concluding discussion then follows.

Abbreviations

DGT	Directorate-General for Translation
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards of Auditing
RC	Translations Review Committee

2 Literature review

2.1 Theoretical insights on translation, translatability and terminology

Whether it is possible to translate a text into another language is a question that has been pondered upon by linguists and philosophers for centuries. On a practical level, we can conclude that at least some dimensions of translatability are achieved as texts have been and are translated from one language (“source language”) into another language (“target language”) but often the translated text cannot convey all the nuances of meaning in the original text (Chesterman 2000, 8-11).

In order to analyze the problematics of translation in the context of IFRS, the theoretical part of this study borrows notions from the field of applied linguistics: In particular, the study draws on concepts from *equivalence theories* for describing overall issues that make any translation a problematic task but then the conceptualizations of equivalence theories are refined with concepts from the field of terminology (Saussure 1985). Furthermore, the concepts of *genre* and *register* are introduced because of fact that IFRS represent highly specialized professional language which adds a further dimension of complexity to the translation of the standards. Thus the way of using theory echoes that of Haggerty and Ericson (2000, p. 608) also adopted by Morales et al (2011).

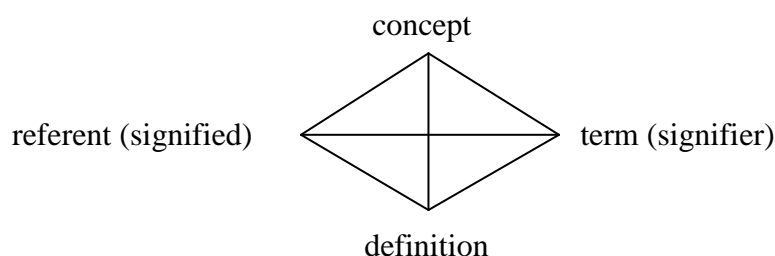
Our approach is entirely in keeping with [a] philosophy which animates one to ‘think otherwise’: to approach theory not as something to genuflect before, but as a tool kit from which to draw selectively in light of the analytical task at hand.

Translation theorists have analyzed translatability and translations with the concept of equivalence (Pym 2007, Chesterman 2000, 9-10). According to House (2006) “Equivalence also underpins our everyday understanding of translation: linguistically naïve persons tend to think of translation as a text which is a sort of ‘reproduction’ of a text originally produced in another language, where this reproduction is somehow of comparable value.” In general, equivalence refers to the relationship between the source text (or a part of it) and the target language text (or a part of it). According to Reiss and Vermeer (1986, 60) equivalence does not imply anything about the adequacy of this relationship. Ingo (1991, 81), quite the contrary, states that equivalence refers to the semantically most exact relationship between source text and target text. Furthermore, the term equivalence has been also used to refer to a translation method where the same situation is described with completely different wordings (Vinay 1958, 8-9). In this paper, when not specified, equivalence refers to the relationship between the source language text (or word) and the target language text (or word) without characterizing this relationship (Reiss and Vermeer 1986, 60). There is a body of literature in translation studies that conceptualizes various types of equivalence: for instance Nida (1964) makes a dichotomous distinction between *formal equivalence* (i.e. focusing on the same form) and *dynamic equivalence* (conveying the thought expressed in the source text at the expense of literality).

When full equivalence between concepts in two languages does not exist, translation studies identify following solutions to compensate the lack of equivalence between the concept

systems: First, the translator can use definitions to describe what the source language word means. However, this is strictly forbidden by IASB in the translation of IFRS (IASB, Terms of Reference). Second, the translator can translate literally (an expression consisting of multiple words). The problem with literal or word-for-word translation is that the source language terms and its translation may not refer to same object, e.g. American *high school* is not the same institution as the German *Hochschule* or the Swedish *högskola*. The third alternative is to make use of the closest existing concept in the target language culture even if the substance of the concept is not exactly the same. However, the closest existing concept can be chosen if the foreign cultural element is not main information to be rendered in the target language text. If this alternative is chosen, the closest target language concept needs to be appropriate in that particular context and thus the context helps to determine the meaning of the concept. Fourth, the translator can construct neologisms (new words from the material that exists in the target language) in order to convey the meaning of a concept in the original language. (Dahl 1991, 59-60, Evans 2010.)

Translation of terms is one of the main concerns when translating professional texts like IFRS. In the field of terminology, the interrelationship of different elements that are used in terminological analysis are traditionally illustrated either as a parallelogram (see figure 1) or a triangle originating from the early works of de Saussure (1985), who analyzed the arbitrary relationship between a word and its meaning with the notions of signified, signifier and sign.



(Adapted from Nissilä 2008 & Laurén, Mykin & Picht 1997)

Figure 1: The basic elements of terminological analysis: term, concept, referent and definition

The above figure 1 illustrates the links between the basic elements that are applied in terminological analysis and description of concept systems in professional language use. In addition to the Saussurean notions of signified and signifier the two angles of the parallelogram represent *concept* and *definition* the former being a mental representation of the referent and the latter being verbal description of the term and the concept. Term is an arbitrary symbol that the speakers of a particular language have chosen to represent the concept. For the purposes of translation studies it is worth noting that not only words but also the three other elements can differ between languages. (See also Nissilä 2008, 43-44 and Laurén et al 1997, 73-80).

When a text including terminology is translated from one language (source language) to another (target language) difficulties arise when not only the terms (signifiers) but also

concepts and even referents (signifieds) differ between languages and cultures (de Saussure 1985, see also Doupnik & Richter 2003, Evans 2004, Evans et al. 2011, Evans & Baskerville 2011). Moreover, sometimes the signifier-signified relationship may not be stable within a language over time (Mills 1989, Evans 2010, for the change of definition Hronsky & Houghton 2001) and a person's cultural and professional background may affect how s/he interprets a particular term (Doupnik & Riccio 2004, Doupnik & Richter 2006, Aharony and Dotan 2004).

2.2 Languages for Specific Purposes (LSP)

In addition to the viewpoint of translation studies and terminology, the language use in professional contexts has been analyzed from the viewpoint of genre theory (Bhatia 2004, Bhatia 2008): for instance Bhatia (2008) encourages an integrated analysis of discursive and professional practices “including other institutional voices that form part of the wider professional practice within which these discourses are invariably grounded”.

As accounting standards are a highly specialized (sub)genre that is produced, translated and applied in the professional contexts of accounting, I draw upon some concepts (see figure 2) from genre theory (Bhatia 2004) for the purposes of analyzing the interplay between text-internal features and text-external disciplinary and professional practices in the translation of IFRS. The idea of the integrated analysis of the text-internal features (linguistic characteristics) and the text-external features of a genre can be extended analogously to the study of translations: The text-internal features of the translation are shaped by the translation procedures (“the text-external”). Text writing has too often been viewed as a one person activity even though texts are often influenced by several people. Despite the fact that translation originates from the source text, the target language text is created in a co-operation of several parties and it is not a merely a technical projection of the original standards.

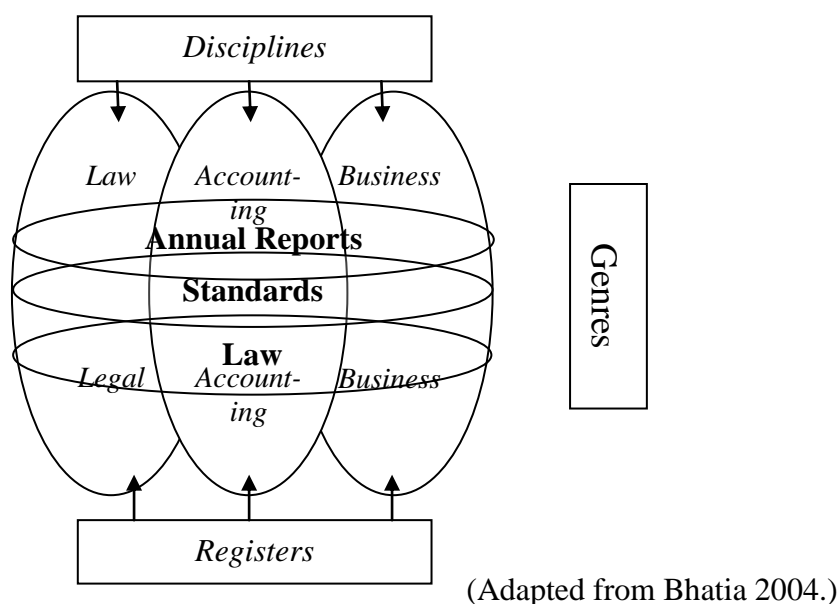


Figure 2: The interrelationship between genres, disciplines and registers

The figure 2 in the previous page illustrates the interrelationship between the terms *discipline*, *register* and *genre* which are essential notions for the analysis of language for specific purposes. Linguists often refer to language use in professional contexts as *registers*. Registers are closely related to disciplines: Disciplines are understood in terms of the specific knowledge and they represent the content whereas registers represent the language associated to the discipline. Genres extend to different disciplines but also genres have their disciplinary characteristics (Bhatia 2004, 31, House 2006, 346). IFRS include a wealth of professional terms which are a part of the financial accounting register, and the translation of the professional register is a major concern for anyone translating the standards.

2.3 Linguistic research on accounting

Translation and interpretation of uncertainty and probability expressions in accounting and auditing standards (such as *reasonably possible*, *probable* and *virtually certain*) have interested several accounting researchers (Aharony & Dotan 2004, Doupnik & Riccio 2004; Doupnik & Richter 2003, 2004; Lasward & Mak 1994, 1997; Simon 2002). The studies find that different cultural and language groups interpret the uncertainty expressions in different ways. This implies that the concepts that underlie the words differ between languages. In other words, not only the signifiers but also the signifieds of uncertainty expressions differ between languages. Moreover, the studies find that native language has effects on how speakers of different languages interpret uncertainty expression in a certain language (e.g. native English speakers and German speaker do not interpret English uncertainty expression in the same way) (Doupnik & Richter 2003).

The interpretation of uncertainty expressions differs also between individuals within the same language group (Doupnik & Richter. 2003, Simon 2002). Uncertainty expressions do not seem to refer to any exact probability figure but the research subjects rather identify a probability expression as a range (e.g. 60% - 90%) (Doupnik & Richter 2003). As accounting standards include an abundance of uncertainty expression, inconsistencies in the interpretation of these expressions by the preparers of the financial statements reduce the comparability of the financial statements.

Studies on translating accounting texts have usually discussed one or a few cases of how an (English language) accounting term has been translated into another language. These studies have focused on some key concepts such as *fair presentation* and *the true and fair view* (Walton 1993). Walton (1993) even argues that *true and fair view* has been viewed as a symbol of British accounting which has a political role while “no one knows what it means” and there is not much academic analysis on the concept. He suggests that true and fair view does not have an independent meaning but the meaning is dependent on the currently accepted accounting practice and thus the meaning changes over time and varies between different cultural groups (Walton 1993, see also Evans 2003). When true and fair view has been translated to other language, the target language terms that the translators have used are not often literal translation of the components of the original term (Nobes 1993, Aisbitt & Nobes 2001, Kosmala-MacLulich 2003). Aisbitt and Nobes (2001) argue that the translations of true and fair view are not perfect equivalents of the original term (see also

Kosmala-Maclullich 2003), which I interpret to be a potential indication of the imprecise meaning of the term, as discussed earlier.

The concept of *true and fair view* has been examined also from the viewpoint of language change. The previous *true and correct view* was replaced by the current *true and fair view* as accounting rules and practice had changed and thus the underlying concept had changed. As accounting is nowadays based on estimations, the term *correct* gave an impression of a very precise nature of the financial accounting that cannot be achieved with accounting methods that require estimations (in contrast to historical costs). (Walton 1993, Evans 2003, 2010.) The concepts of *income*, *expense* and *profit* and their (lack of) definitions in the IFRS Framework have been critically evaluated by Barker (2010).

The shifting meaning of accounting terms over time has also been discussed by Mills (1989) who illustrate the lexical change with the examples *ratio*, (the French) *le compte* and identifies some methods and sources of data for the diachronic study of language. Evans (2010) addresses the language change in accounting as a general phenomenon. She draws on socio-linguistic literature for discussing the mechanisms of and reasons for language change. In addition to the need to express new concepts, reasons for language change include socio-cultural change, and the desire to enhance the speaker's or other social group's prestige (Evans 2010, Parker 1994). The following reasons have been identified as ways to express new concepts (i.e. mechanisms of lexical change): an existing term changes its meaning (i.e. the signified changes, see also Hronsky and Houghton 2001), a word is borrowed from another language or new words (neologisms) are built (Evans 2010).

Some accounting researchers have also attempted to measure the meaning of accounting terms applying the semantic differential (in the sense proposed by Osgood, Suci and Tannenbaum 1957) and other related methodologies (Haried 1973, Flamholtz and Cook, 1978, Hronsky & Houghton 2001). These studies have focused on the extent to which various groups attribute the same connotative meaning to accounting terms. E.g. Hronsky & Houghton (2001) study the impact of connotative meaning on the classification decisions by experience auditors regarding extraordinary items. Their findings suggest that changes in the definitions of accounting terms have decision outcomes.

Some linguists have studied excerpts from accounting domain as a "language for specific purposes" or technical language (Bhatia 2004, Bhatia 2008, Flowerdew and Wan 2006, Flowerdew and Wan 2010, Nissilä 2008) as discussed in the previous section. Nissilä (2008) examined terms and concepts used in Swedish language balance sheets of Finnish and Swedish companies from the viewpoints of terminology, sociolinguistics and language planning. Her findings suggest that accounting terms often refer simultaneously to concrete referents and abstract referents whose substance is the intangible concept and that accounting terms and concepts differ between countries within the same language (Nissilä 2008).

Discourse analysis is used in several social science disciplines and has also been applied to various accounting topics. However, this paper does not seek to identify specific discourses even if it examines language use and therefore, reviewing discourse analytical studies is out of the scope of this paper. In addition, several researchers have been interested in the

readability of accounting texts. These studies have measured some grammatical features of the writing style, which affects the ease of comprehension, such as number of words per sentence or word length (e.g. Smith and Taffler 1992.) These studies often view readability rather mechanically as something that is embedded in the text and ignore the readers' side (see Sydserff & Weetman 1999). The readability studies have mainly addressed narrative accounting disclosures. This paper does not address that kind of "mechanical" readability of the translated accounting standards.

There are no published journal articles on the translation of IFRS into other languages. However, Hellmann, Perera & Patel (2010a) briefly discuss some inaccuracies in the German translation of IFRS. A working paper of Evans et al. (2011) address the problems of translating accounting standards and other regulations from the original English into other languages. Drawing on the philosophy of translation and literature on translation in other professions, Evans et al (2011) recommend a shift towards the needs of the target text readers (i.e. dynamic rather than formal equivalence) (Evans et al 2011). Based on a survey to IFRS textbook authors, Evans and Baskerville (2011) find that the text book authors do not exclusively rely on their native language translation of IFRS but consult the English original version of the standards. These findings emphasize the importance of knowledge in other languages and accounting cultures (Evans and Baskerville 2011).

In sum, prior studies in the interface between accounting and linguistics mainly address accounting terms and not the translation of in-context expressions (however, see Doupnik & Richter 2004) or the translation process. These studies analyze a few accounting terms usually applying de Saussure's early distinction between signifier and signified but the extent to which they link the terminology to the text-external professional practices is somewhat limited. None of the previous studies examines the procedures related to the translation of IFRS into other languages.

3 The research setting, data and methodology

This study examines the translation of IFRS through a case study of Finnish translation. The analysis in this study is formally based on two types of data: interviews of persons who have been involved with the translation of IFRS and archival materials concerning the activities of the RC. The responsibility for coordination of how IFRS are translated has to EU languages shifted several times between EU and IASB. Since the endorsed IFRS became part of EU legislation, Directorate General for Translation (DGT) is responsible the translation of the standards. Therefore during a period of less than two years 2005-2007 and again from 2010, the IFRS were translated in DGT by professional translators. In contrast, IASB provided the translations before 2005 and between 2007 and 2010, and during that time the standards were translated by a translator and reviewed by a group of accounting experts (Translations Review Committee, RC) for each language. Thus the key people in the IASB translation process for each language are the translator, the coordinator and the RC. In Finland, in contrast to other countries, the translator (under the IASB process) was also coordinating the RC, and she had prior education and work experience within financial accounting. When the standards are translated in EU, the key person is the translator working for DGT or some other translator to whom EU has outsourced the translation.

As the research addresses abstract linguistic and social phenomena from an interpretative approach, appropriate data collection methods would be a survey questionnaire, interviews or examining available data that has been gathered for other purposes. Because the research field is largely unexplored, key informant interviews were conducted in order to let those involved with the translation to tell their perceptions on and experiences from translation. As compared to a survey questionnaire, I was able to pose follow-up questions when conducting the interviews. Moreover, a wealth of archival data had been compiled during a decade of translation activities and the researcher decided to use them as research data, because the detailed notes give concrete examples on difficulties of translations and divergence of opinions amongst the RC members. The data of this study concerns the Finnish translation of IFRS.

The problems in translation of IFRS are illustrated by theorizing the empirical data from the viewpoint of translation studies and terminology. The method of analysis is explorative, comparative and interpretative. The paper draws upon methods from terminology (as a field of applied linguistics) for analyzing the accounting and non-accounting concepts referring to abstract object. The paper aims to emphasize the difficulties of translation that are specific to translating financial accounting texts.

At the moment, I have interviewed eight persons: The interviewees are two translators who have translated IFRS into an EU language in co-operation with the respective translations review committee (RC) and six RC members. One of the interviewed translators is an accounting professional (translator A) who also possesses academic education in translation studies whereas the other translator (translator B) works in European Commission's translation service DGT and does not have background in accounting. Three of the interviewed RC members represent financial supervisory authorities, two interviewees represent the insurance sector and one is an academic. (For a more detailed description of the interviews, see the Appendix.)

The archival data used for this study consist of seven different types of written materials: a) the confidential guidelines for the composition and workings of the translations review committee issued by IASB (Terms of Reference), b) list including new terms and their context plus translator's suggestions for alternative translation of the term, c) records of RC meetings mostly including terminology decisions, d) records of RC subgroup meetings where amendments to draft translations have been decided upon, e) draft translations and RC members' suggested amendments to them, f) translated IFRS standards and g) the forewords for the actual standards.

In principle, RC let the researcher to access all the archival data concerning the translation of IFRS but as the archive is extensive and detailed (dozens of folder gathered during the last ten years), but the researcher chose for investigation the following example standards: IAS 1, IAS 39 and IFRS 3, as the interviewees had stated that the latter two were particularly difficult to translate. The archival data proved essential for understanding the translation process and conceptualizing the more general problems of translation through specific examples. The records from the translation process allow the researcher to see where the RC members have had different suggestions for translation of terms and whole sentences and thus to identify points that have been difficult to interpret and translate. In several cases, the

records also include the bases of conclusion for suggesting a particular term or translation and it can be seen that the lines of reasoning differ occasionally between RC members.

4 Difficulties in Translating IFRS into Finnish

In this section, the problematics of translating IFRS are illustrated and discussed through examples from the translation from English to Finnish. Finnish is one of the official EU languages, and it represents the Finno-Hungarian language group within Uralic language family in contrast to English, German, French etc which are a part of the Indo-European language family. Some of the problems may differ between language-pairs while others may be more “generic” and may also appear in translation between language-pairs other than English-Finnish. For instance, the given terminological differences that are discussed in this section may be specific to Finnish. Yet the differences in conceptual systems are one of the main concerns in translation between any language pairs.

4.1 Terminology

4.1.1 Between-language Differences in Conceptual Systems

The level of equivalence between discipline specific terms in the source language and target language is one of the main concerns when translating professional text such as IFRS standards. In order to understand the meaning of disciplinary terms (and how knowledge is organized within the discipline), one needs to understand the interrelationship between different terms and concepts, in other words, how concepts are organized into concept systems. The ways to conceptualize accounting knowledge differ internationally as the accounting terms which represent the concepts are arbitrary and accounting systems have developed in different cultural and legal settings (Hines 1989, Evans 2004, Nobes 2006), which causes difficulties when concepts deriving from a particular concept system need to be expressed in another language. Similar differences can also exist within a language (Nissilä 2008, Parker 1994, Parker 2001). Moreover, IASB requires that each source language term is always translated with the same target language term (Terms of Reference) and any exception from this rule needs to be justified. This word-for-word requirement emphasizes formal equivalence or what IASB terms “consistency” of the translation. As the meaning of words is determined by the context, the procedure does not ensure that the translation conveys the essential thought of the original text (i.e. dynamic equivalence)

As noted earlier, concepts from different languages rarely overlap neatly with each other. In abstract terms, concepts often cover a certain semantic field rather than accurately refer to one well-specified referent. For instance, English language conceptualizes gradual decreasing of assets by off-writing expenditure with e.g. *depreciation* of tangible fixed assets and *amortization* of goodwill while Finnish language uses the same term “poisto” for these two³. But while English language also applies amortization in the context of repayment of a debt by a borrower, the Finnish language uses the term “[lainan] takaisinmaksu” instead of the term “poisto” the latter being strictly an accounting term. This illustrates why the term-for-term requirement is problematic in translation of terms the meaning of which depends on

³ According to anecdotal evidence similar difficulties appeared in the translation of these terms to Swedish.

the context. Below are excerpt from IFRSs 2006 illustrating the semantic difference between the English and the Finnish terms.

Depreciation: unit of measure

An entity is required to determine the **depreciation charge** separately for each significant part of an item of property, plant and equipment. (IAS 16:IN10)

Poistot: määrittämistaso

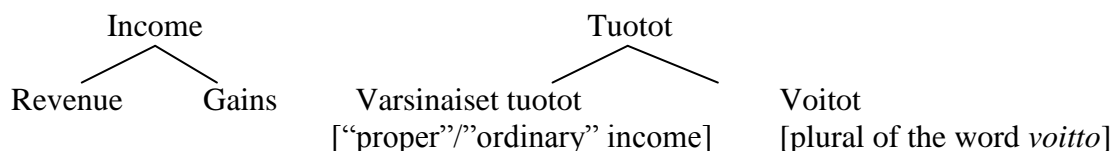
Yhteisön täytyy määrittää **poistot** aineellisen käyttöomaisuushyödykkeen jokaiselle merkittävälle osalle erikseen. (IAS 16:IN10)

prohibits the **amortisation** of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with IAS 36 *Impairment of Assets* [IFRS 3: IN7(g)]

liiketoimintojen yhdistämisessä hankitusta liikearvosta ei saa tehdä **poistoja**, vaan liikearvo on testattava arvon alentumisen varalta IAS 36:n *Omaisuserien arvon alentuminen* mukaisesti vuosittain tai sitä useammin, mikäli tapahtumat tai olosuhteiden muutokset viittaavat siihen, että omaisuserän arvo on mahdollisesti alentunut. [IFRS 3: IN7(g)]

The words highlighted above in bold are the Finnish counterparts of the English terms depreciation and amortization. “Poistoja” and “poistot” are different grammatical cases of the same word “poisto”. The example illustrates that same target language term can function as the translation of two different source language terms when the semantic field of the target language term conveys the same meaning as the source language terms in the particular *context*.

Another illustrative example of the differences between the English and Finnish concept systems are notions of income, revenue, gain and profit and their related translations to Finnish. In IFRS, the concept of income encompasses both revenues and gains whereas in Finnish language does not differentiate between income and revenues, or between revenues and gains in a like manner.



The definition of **income** encompasses both **revenue** and gains. Revenue arises in the course of the ordinary activities of an [---]. (FW 74)

Tuottojen määritelmä kattaa sekä **varsinaiset tuotot** että voitot. Varsinaiset

tuotot syntyvät yhteisön tavanomaisessa toiminnassa [---].(FW 74)

Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity. Gains represent increases in economic benefits and as such are no different in nature from revenue. Hence, they are not regarded as constituting a separate element in this Framework. (FW 75)

Voitot ovat muita tuottojen määritelmän mukaisia eriä, jotka saattavat syntyä joko yhteisön tavanomaisessa toiminnassa tai muussa toiminnassa. Voitot edustavat taloudellisen hyödyn lisääntymistä, ja sellaisenaan ne eivät luonteeltaan poikkea varsinaisista tuotoista. [---](FW 75)

Profit is frequently used as a measure of performance or as the basis for other measures, such as return on investment or earnings per share. (FW 69)

Voittoa käytetään usein toiminnan tuloksen kuvaajana tai pohjana muille tunnusluvuille kuten pääoman tuotolle ja osakekohtaiselle tulokselle. (FW 69)

Here the Finnish word *voitot* ‘gains’ is the plural of the word *voitto* which is the Finnish equivalent to ‘profit’. Thus the same target language term has been used as an equivalent to two different source language terms. While the translation of these terms is seemingly inconsistent, the purpose of this investigation is not to argue that the translation would be incorrect. What is more, the term *profit* is not explicitly defined in the Framework and it has been argued that the concept of profit in IAS1 is inconsistent and even flawed (Barker 2010). Even though income is defined in IFRS and the standards repeatedly use the terms income, expenses and profit, there are also other similar terms in the English language and these concepts might not fit together as nicely and unambiguously in other accounting texts. For instance, especially Northern American accountants sometimes talk about *net income* or *earnings* instead of profit. Further, the definitions of *gains* and *revenues* are vague in that no clear cut distinction between the two is made. This echoes a concern raised by one of the interviewed review committee members:

And then, relating to the terminology. It has been clear to us in Finland what is expenditure (Fi meno), what is expense (kulu) and what is a cost (kustannus) but in English it is a lot 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 content in English, it is utopist to think that some absolute consistency could be reached. There have been some differences in usage, and probably will be because of these traditions.

Interviewee 3

In order to make a way into to the logic of term choice in the translated standard, we need to understand the text-external background in which the concept systems of the source language and the target language are embedded: While IFRS applies the balance sheet approach, the previous Finnish accounting thought historically relied on the flows based

income statement approach, and the balance sheet only contained residual items. This fundamental difference between the underlying accounting theories may have led to these terminological problems in the translation of IFRS: The Finnish and English concepts do not neatly overlap with each other because the English language concepts are interrelated to each other differently than the Finnish ones.

The interrelationship between the terms corresponding to *gains* and *profit* in Finnish (translation) might to be based on the idea that in accordance with to the flow based approach it may be argued that gains (*voitot*) are in nature to a certain extent similar to profit (*voitto*) because *gain* is a “net concept” of positive value (otherwise it would be a loss) while *revenue* is gross. Thus the chosen Finnish concepts have been bended to the IFRS context in way that emphasizes the dynamic equivalence between the source and the target text rather a formal word-for-word correspondence; the meaning of the word *voitto* (*pl. voitot*) ‘profit (gains)’ is disambiguated here by its context despite the lack of formal equivalence with the original wording. Moreover, both in the original and the translation some concepts are fuzzy and lack clear boundaries for application regardless of the fact that they are defined in the Framework.

4.1.2 Lack of Equivalent Concept in the Target Language (Accounting Register)

Sometimes the phenomenon did not exist here yet. Or it did but it was not talked about. Not at least in the same way as IFRS conceptualizes it.

Interviewee 1

There are a few terms that have been left untranslated or where the English term is given beside the target language term. Despite the efforts of RC for instance the terms *in-substance defeceance*, *sinking fund* and *wash sale* have not been translated into the target language. In few cases English language term is given in parenthesis beside Finnish terms. For instance the terms *cap*, *floor*, *collar* and *projected unit method* are given with the translation because the equivalent Finnish terms are not well-known or widely used. Finnish accountants apparently use in these cases the English terms and RC preferred using the English terms to coinage of new words or word-for-word translations that would be unfamiliar and thus potentially incomprehensible to the users of the translation. There are also a few terms that were not translated in the earlier versions of the standards but which are translated in the later editions of the standards.

Differences of concept systems have to be taken into account in translation also when it comes to words that are used both in layman’s language and professional register (see figure 2). That the meaning and use of words are context-bound and that the concept systems differ between languages has implications on the translation of both colloquial and technical expressions. Furthermore, meaning of a word can differ between the colloquial and the professional and thus it can be difficult to find a word that conveys a specified meaning in the professional context even if there were one or more target language words that could serve as equivalents in standard or colloquial language use.

And then there are these English equivalents that weren't found. In the world of the financial instruments, if we have an option structure where there is cap, and floor and collar... Well then nobody would translate them [literarily] 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 with the English terms and it would feel like a naïve way to translate... in English or into Finnish text. So I think that not all the financial instrument vocabulary can be translated.

Interviewee 2

The above examples show that while the formal equivalence could be achieved (in Finnish language there are words that carry the meaning of *cap*, *floor* and *collar* in the sense of the tangibles objects that these words signify in the non-technical language) but the dynamic equivalence in accounting register was lacking.

The terms *classify* and *designate* are another object lesson of difficulties related to consistent translation of terms that have equivalents in standard Finnish. However, the standard language equivalents of *designate* are not part of the technical accounting register of Finnish in same context as in IFRS. In IFRS, *classify* and *designate* are used in e.g. the context of IAS39 (IFRS 2006 and 2008), note that the translation has changed between 2006 and 2008 while the original has not.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
(a) those that the entity intends to sell immediately or in the near term, which shall be **classified** as held for trading, and those that the entity upon initial recognition **designates** as at fair value through profit or loss;
(b) those that the entity upon initial recognition **designates** as available for sale; or

IAS39 (IFRS 2006, emphasis added)

[---] (a) niitä, jotka yhteisö aikoo myydä välittömästi tai lyhyen ajan kuluessa
– nämä erät on **luokiteltava** kaupankäyntitarkoituksessa pidettäväksi
– ja niitä, jotka yhteisö alkuperäisen kirjaamisen yhteydessä **määrää** kirjattaviksi käypään arvoon tulosvaikutteisesti;
(b) niitä, jotka yhteisö alkuperäisen kirjaamisen yhteydessä **luokittelee** myytävissä oleviksi; tai

IAS39 (IFRS 2006, emphasis added)

(a) niitä, jotka yhteisö aikoo myydä välittömästi tai lyhyen ajan kuluessa
– nämä erät on **luokiteltava** kaupankäyntitarkoituksessa pidettäväksi
– ja niitä, jotka yhteisö alkuperäisen kirjaamisen yhteydessä **nimenomaisesti luokittelee** käypään arvoon tulosvaikutteisesti kirjattaviksi;
(b) niitä, jotka yhteisö alkuperäisen kirjaamisen yhteydessä **nimenomaisesti luokittelee** myytävissä oleviksi; tai

IAS39 (IFRS 2008, emphasis added)

Finnish language does not have an equivalent accounting term to *designate* that fits to all contexts in IFRSs as regards grammar and substance. One possible equivalent would be *luokitella* but it cannot be used as a translation because the translation uses it as equivalent to *classify*. In 2008, RC had agreed in their meeting that *designate* is translated as *määrittää* (dictionary ‘define’, ‘determine’, ‘establish’, ‘adjust’, ‘qualify’, ‘modify’). However, RC decided later that this translation is not the best equivalent in all contexts. The target language term was changed towards *nimenomaisesti luokitella* (in English literally: ‘specifically/explicitly classify’) which is used in the final translation (IFRS 2008) whereas *classify* is translated as plain *luokitella*. This illustrates that due to the context-bound meaning of terms and between-language differences of concept systems, translation is not always a unidirectional process starting from the term list. On the contrary, some target language terms need to be amended for contextual reasons while the translation of the standard is being drafted.

Luokitella could potentially be used as the Finnish equivalent to *designate* if it did not serve as an equivalent to *classify*. This illustrates that meaning of the Finnish term covers a somewhat different but also somewhat overlapping semantic field as the English terms *designate* and *classify*. The translator deemed it important to differentiate between the two English terms in target language text and thus be more faithful to the original text. However, it is not very clear whether the meaning of the translated text would be altered if *luokitella* served as equivalent to both *designate* and *classify*. Moreover, we do not know whether the target language reader notices that *nimenomaisesti luokitella* and *luokitella* have different meanings in the target language text.

The translator said in the interview that they have been able to find target language terms for all the source language terms that are defined in the original set of standards. This can indicate several issues: The terms that are defined in the standards represent more familiar concepts or they are more commonly used and, therefore it is easier to find equivalent Finnish terms. It is also possible that definition of the term made it easier to find an equivalent (an existing word or a neologism) in the target language because the definition helps them understand the essential meaning of the term.

4.2 Interpretation of the Source Language Text

One of the main problems in the translation of IFRS is not to 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 English speakers who we consult have difficulties [with understanding the text].

Interviewee 1

I remember that based on my own work when I tried to do so that I first translate and then have a look at the translation done by the Translator. That when the sentence is five six lines long then... Well, finding the idea and a fluent translation...it takes a remarkably long time. [---] But also in the role of the reviewer you should also see, not only if it looks fluent by also that the idea corresponds to what has been said in the original text.

The translator identified the interpretation of the source text as one of key issues in the translation. This shows that the meaning of the standards cannot be rendered accurately in another language if the translator does not understand the source text. Problems in understanding/interpretation of the original can be linked to how the text structured in verbally (including syntax) or to the substance of the text. As regards the syntax, both translators noted for instance that it is not always clear to which word or phrase a particular pronoun refers to (i.e. what is the antecedent in the sentence), and this makes understanding of the original standards a more difficult task. Concerning the substance, it is sometimes difficult to understand the content of a standard if it regulates reporting of a phenomenon that is not common in the target language society or if the phenomenon exists but it has been reported in a different way. In the latter case, due to the conceptual differences (which were discussed in the previous section) and the differences in syntax, especially dynamic but also formal equivalence is difficult to achieve as rendering the meaning accurately in another language is particularly problematic when the underlying phenomenon is complex and unfamiliar to the target language reader.

4.3 Professions, Disciplines and Their Competing Registers

“RC members have complained that the [target language] term is an actuarial term.”

A remark by the translator A in the records.

RC members have identified the term as a non-accounting term which I interpret as an example of a conflict between registers (see figure 2) associated with their respective disciplines. However, the RC members do not argue explicitly that the Finnish term would refer to a wrong referent (see figure 1) or underlying concept but they do not consider the Finnish term to be equivalent to the English term because it is not part of accounting register and it has “an actuarial flavor”. This illustrates that referring to the same referent is not a sufficient precondition for a target language term to be a perfect equivalent to the source language term. Quite the contrary, people who possess professional/disciplinary knowledge prefer or accept terms that are part of their disciplinary discourse/register.

4.4 Professional Translator’s Lack of Accounting Knowledge

Today the translations of the endorsed standards are provided by EU’s Directorate General of Translation (DGT), and in practice they are translated either by in-house translators of DGT or outsourced to the external contractors who are recruited through a tendering procedure (see EC 2010). In either case, professional translators rather than accountants translate the standards and the translated standards do not need to be reviewed by any accounting professionals under the EU translation policy. Prior to current arrangement, IASB and EU had for several years an agreement according to which IASB submitted the official translations to EU and the local accounting expert groups functioned as reviewers of the translations.

Interviewees implied that some of the standards that were translated by an EU translator contained even direct mistakes⁴ that may have been avoided if the standards were reviewed by an accounting professional who knows the conceptual system of financial accounting and understands the underlying accounting methods. The lack of the professional translator's accounting knowledge hinders an accurate translation of the standards, which I interpret as another representation of the previously discussed problems. As the concept systems differ between languages and original text is fuzzy, the translator cannot fully convey the meaning of the standards to another language and the translated text may contain translations that an accountant considers as overt mistakes.

Both the accounting professionals (i.e. RC members) and the translators who were interviewed for this study emphasized the importance of accounting knowledge for the success of the translation. The translator working for DGT described the conceptual difficulties in IFRS translations as follows:

“And then some concepts. If we take the basic concept “asset” which can be translated in thousand and one ways... which are in contrast to the EU regulations... We have tried to come up with a concept that would be good enough in all contexts. Thus the biggest problem and controversy is that IFRS has a long tradition. In the CPA association, they have done this in a certain way, and the experts deem a certain term to be better in the particular context. And when the terms and concepts change... and we [translators] as outsiders... We have a kind of “EU-funnel view” that for each concept there should be only one equivalent concept as far as possible... so that everyone would know that we are talking about the same thing. So the biggest controversy is in the ways of working of the different actors. And when we do the translations we are trying to see how it has been translated before... And then we find out that it's the other equivalent for the word “asset”⁵ which the experts would deem as the correct one in this context.”

Translators working for DGT view IFRS as an integrated part of EU legislation, and thus aim at consistency in terminological choices not only between different IFRS standards but also within the vast masses of text that are produced and translated in EU. Hence they use previous translations as starting points for the new one. The problems thus arise when the same term carry varying meaning in different context. The DGT translator also noted that when they come across terms that are completely new to them, translators try to search for information on other contexts where these terms have been used. Then it happens at times that the search results only to other IFRS related documents; and IFRS appears as a self-referential concept system. Similarly, RC members regarded not only accounting knowledge in general but very specific knowledge on accounting methods as crucial for the translation.

⁴ Anecdotal evidence on similar problems in translations to other languages (e.g. German) exist. However, some of these mistakes have been corrected in the current translations.

⁵ Alternative translations of the term asset have been discussed in the forewords to the Finnish translation of IFRS which had been reviewed by RC. E.g. the Finnish equivalent *varat* ‘assets’ does not have a singular. Further, this term did not traditionally serve as the title for the “asset side” of the balance sheet.

“Luckily in the 1990s there were those USA standards so I also had some basis through US GAAP so that it wasn’t all Hebrew what is the case. But it is quite demanding...or at least to me.”

“I say this directly that in my opinion... Well this review working group, I don’t know in how many countries there is such a group. Aye, it increases the quality of the translations very much so.[---]This in my opinion the purpose of this Review Committee. When the translator sends us the draft translations, it is the responsibility of the Review Committee to say that “No, this should be rather said like this. And in these conversations we ponder which is the correct [alternative].” [---]

Interviewee 2

Review committee members also described how their previous substance knowledge or in particular knowledge about internationally used financial accounting standards (IFRS and US GAAP) had guided them to a better understanding of the content of those IFRS standards that they were translating. A significant practical implication of the perceived importance of the expert review on the translation policy in Finland was the national CPA association continued the review process on a voluntary basis when the contract between EU and IASB ended.

5 Discussion and conclusions

In conclusion, as listed companies domiciled in dozens of different countries draw up their consolidated financial statements in accordance of with a common set of standards, the problems of harmonization have shifted from harmonization of different sets of accounting standards to the level of implementation and enforcement the common set of standards (Durocher and Gendron 2011, Kvaal and Nobes 2011). This paper problematizes the quality of translated IFRS, which is one of the key issues of for a successful international accounting harmonization.

One of the characteristics of accounting terminology is that several accounting terms refer to abstract concepts and thus do not have a referent that could exist independent from the concept (see also Macintosh, Shearer, Thornton & Welker 2000, Nissilä 2008). This difficulty manifests as difficulties of translating foreign concepts: if the target language does not have a similar concept, rendering the meaning of the original concept is particularly problematic. Due to the abstract nature of many accounting terms and the differences in how to conceptualize accounting phenomena in various languages the ultimate accuracy of the translation is more a goal than reality when translating IFRS. Translation involves choices and at times the translator needs to e.g. balance between the fidelity to the concept system in the English language text and the readability of the target language text and its understandability to the reader. Translation of IFRS involves *interpretation* and the final translation is a *compromise* between those who translate the standards.

Even though word-for-word equivalence does not often exist some of the difficulties could be circumvented by seeking for equivalence on the level of sentences rather than on the level

of words, that is, dynamic equivalence (see Catford 1978, Nida 1964, Evans et al 2011). Dynamic equivalence means that in some cases, translators can (or have to) render the meaning of the standards in another language in larger units than single words (Nida 1964). However, discarding the word-for-word translation presumes understanding of the meaning of the original standard and thus some degree of interpretation of the original standards. The translator needs to understand financial accounting in order to be able to find a more dynamic equivalence for the translation. Moreover, any ambiguity or fuzziness in the original standards further complicates the translation process and so does the use of terms that are not widely established. Thus the accuracy of the translation does not only depend on the skills and knowledge of those translating IFRS but also on the qualitative characteristics of the original standards.

When abstract ideas are translated from English to other languages we could perhaps talk about the “appropriateness” of the translation rather than the “accuracy” of the translation. If the target language term refers to a concept that is not well-defined and the concepts systems differ between languages, its translation cannot be perfectly accurate. In spite of that, some translations are more appropriate than others in the given context.

IASB’s translation policy, on the one hand restrains the choices that the translator has in order to overcome the grammatical and terminological differences between languages but, on the other hand, the involvement of accounting professionals that is mandated by IASB helps the translator to manage the ambiguities of the original text.

Furthermore, the IASB’s objective of “consistency” (cf. formal equivalence) does not necessarily guarantee that the meaning of the original standards is delivered unchanged in the target language text. In the IASB’s process, the use of the term list, in which there is only one target language term for each source language term, and utilizing translation software are procedures that are aimed to increase consistency. As the meaning of a term is context-bound, consistent translation of the key terms increases the formal fidelity to the source text but does not always assure the equivalent effects.

When accounting terms are translated into another language the high level of equivalence in the term-referent-relationship is not as such a sufficient precondition for a successful translation of the term. The register associated with a discipline serves several social purposes (Evans 2010) and deviation from the professional register can be viewed as inappropriate or unacceptable by the professional and academic accountants reading the translation.

The expertise in the substance field is one of characteristics of a “good translator” identified in the prior studies in the area of translation, and also the findings of this study suggest that accounting expertise on the one hand helps to handle with the ambiguities of the source text and on the other hand, to express the meaning in another language in a manner that is understandable to and acceptable by other accounting professionals. This paper has also discussed the more general problems of translation, some of which are independent of the translation process and the translator. Thus expert review of the translations is highly recommendable but does not eliminate the problems inherent in any translation.

If the investigation on translation of accounting texts is to be moved forward, a better understanding of translation processes and policies in the context of financial accounting and auditing needs to be developed. In future, contextualist research might explore on the one hand, the translation processes related to accounting and audit regulations (IFRS, ISA etc) and on the other hand, how other accounting texts, such as financial statements are translated. Additionally, future research could investigate how the preparers of the financial statements deal with the alleged lack of readability or accuracy in the translated IFRS standards.

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Appendix I

Interview questions:

The researcher asked the interviewees about the following themes:

- a) Their role in the translation process
- b) How the standards are translated
- c) The issues that are problematic in the translations of IFRS
- d) Solutions that have been found to the problems of translation
- e) What is done if the target language lacks an equivalent concept?
- f) The local accounting thought vs. IFRS and its effects on the translation
- g) The interviewees' opinions on the language of the original standards
- h) Changes in the translation process over time
- i) The role and the importance of the translations of IFRS

How the interviews were conducted:

The first interview with the translator A was conducted in June 2010 and the second in October 2010. The first interview was based on themes and it was explorative in nature because the public material concerning the work of RC committees is limited and the researcher was given the access to the archival material after the first interview. Between the first and the second interview of translator A the researcher familiarized herself with some of the archival data from RC and IASB, and was able to ask more relevant questions about the translation process and the specific difficulties associated with the translation of IFRS. The interviewee suggested that the researcher would give her questions before the second interview which the researcher agreed on. The translator A answered the questions first in a written form and the subsequent interview put flesh on the written answers.

The duration of the first interview was three hours and the second one was two hours. The researcher took written notes during the interviews and wrote additional and more detailed notes after them. Interviews with the translator A were not tape recorded because this was a precondition for the discussion set by the interviewee. Despite the limitations of the unrecorded interview data this was a successful data collection mode because it allowed the interviewee speak more openly and the interviewee hold pauses during the discussion which allowed the researcher to write extensive notes on the issues that she deemed important. Moreover, as the interviewee gave some written answers for the questions of the second interview, there is also authentic data concerning the second interview. However, the interviewee may have been more cautious when answering in a written form than in a more spontaneous discussion setting.

The interviews of the RC members were based on themes and they were tape recorded. The durations of these interviews were from one to one and half hours. The researcher also asked the interviewees to tell freely about issues that they deemed important but the researcher has not asked about.