

Practical Issues in Education and Adoption of IFRS: Evidence from Russia

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Abstract

This paper examines how the recognition and spread of the International Financial Reporting Standards (IFRS) have affected accounting practices and accounting education in Russia. We use evidence from Russia as a case study to provide a historical perspective on the changes in its accounting system and analyze the translation and communication difficulties in accounting practices and education. By conducting Russian accounting textbooks' content analysis, we highlight IFRS translation issues in order to investigate the positional statement of the problems regarding the challenges with IFRS education. We also discover the current difficulties in teaching IFRS-based accounting to non-English speakers. Our findings outline the interrelation between the educational approach and practical applications of the existing knowledge on financial reporting. Finally, this research addresses the nature of the challenges that emerge due to the linguistic translations of the IFRS. We consider this paper will be of particular interest for non-native English-language speakers, including academics, practitioners, and standard setters.

Keywords: IFRS, Accounting Practice, Accounting Education, Translation, Russia

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1. Introduction

International standardization attempts are keeping going on all over the world (De George et al., 2016). However, discussion of whether the translations of International Financial Reporting Standards (IFRS) into different languages meet the goals of their nature is still open. The rise and spread of global standards affected accounting all over the world. In this regard, non-English speaking countries have challenged different difficulties during the IFRS implementation process. While the main challenges of the translation process refer to the field of pre-translation analysis, description of different types of equivalents, typology of translation similarities, complex description of lexical, the meaning of the evaluation criteria on translation quality should not be underestimated.

The IFRS are proposed, discussed, and issued in English by the International Accounting Standards Board (IASB) under the influence of the Anglo-Saxon accounting culture. Globally accepted financial reporting standards then undergo multi-language translations in order to be used by interested parties across the world. Therefore, the text of each translated standard is expected to provide the same impact and understanding as to the original one. However, the same quality and comparability could hardly be reached within non-English speaking countries if the educational process is not aligned with the existing international level. At the same time, cultural, political, and legal environments significantly affect how financial reporting standards are interpreted and applied in that country (Alexander et al., 2018).

Russia has been selected for this study for two main reasons. Firstly, the Russian language belongs to the Balto-Slavic language family, which is distinct from English and other languages, and it has its own characteristics. Secondly, the analysis of the Russian case adds to the understanding of similar difficulties experienced in post-Soviet Union countries. The review of the recent literature on the quality of financial reporting highlights the importance of delivering a consistent and coherent message through financial reports (Tarca, 2020). Thus, the primary purpose of this paper is to examine the experience from an accounting language perspective in the Balto-Slavic language family. The discussion is based on observation of the changes in accounting regulations along with the approaches to accounting education.

The paper is based mainly on the analysis of the IFRS implementation process ongoing in the addressed non-English speaking countries that belong to the "expanding circle" of the diffusion model of the English language (Kachru, 1990). By doing so, the paper contributes to the following research questions:

- Whether the challenges related to the linguistic (and non-linguistic) translations of IFRS in non-English speaking countries affect accounting practice?
- Should specific approaches to IFRS education be adapted to create the best background for global cooperation?

Through the Russian case study and IFRS textbooks content analysis, the results indicate that IFRS implementation, both in accounting practice and accounting implementation, cannot be based on the literary or verbatim translations but needs to fit local peculiarities and, what is more important – to consider local educational traditions.

We expect that the paper adds to the existing literature by the research of the educational issues by outlining the fact that the lack of appropriately trained accountants leads to certain difficulties that occur among non-English speaking professionals. The paper has further potential for spreading the discussion among the other non-anglophone countries. The limitations of the paper are viewed in the lack of local academic research on the raised issues provided in globally used and acknowledged databases. This leads to difficulties in conducting the initial literature review.

The further discussion contributes to the following three critical issues. First, it aims to shed light on the translation issues that remain in the center of the global accounting settings (Botzem & Quack, 2006). Second, the circle and the role of peripheral actors that have been driving the translation and implementation processes are set. Third, by outlining the challenges of cross-cultural harmonization. We, therefore, hope that this paper can support the findings of the prior literature by illustrating that IFRS translation in non-English speaking countries still causes a variety of misunderstandings.

The remainder of the paper is organized as follows. Section II discusses the translation of IFRS literature. Section III outlines the methodology, data, data analysis, and discussion for both the case study and content analysis. The conclusion is provided in the final section.

2. Literature Review

Global financial reporting standards and their consistent application aim to increase international comparability (Tarca, 2020; Yip & Young, 2012). Although many attempts are made to translate and communicate accounting standards into local regulatory and professional frameworks in the described countries, it has been admitted that IFRS will not work by themselves and are not likely to contribute to global harmonization without support (Misirlioglu et al., 2013; Gendron et al., 2007). In this regard, the examination of the network of actors of the process should represent a preliminary stage of the successful implementation. The question of the broader investigation of the network of actors involved in defining principles of operating in accordance with international standards was raised in previous research (e.g., Mennicken, 2008). However, the problem of the "lessons not learned" (Plumlee & Reckers, 2014) is still inherent. One of the main issues is seen in a misunderstanding of the basic terms and principles by the global accounting network actors due to the cultural, linguistic, and educational traditions.

The past two decades influenced accounting theory and practice significantly in the sense of globalization, standardization, and digitization. These trends resulted in that accounting language, especially in non-English speaking countries, has undergone crucial changes. As suggested in recent accounting research devoted to translation issues, accounting can be viewed as a field that has recently undergone massive changes (Cho et al., 2020; Fuertes-Olivera & Nielsen, 2014). The changes that occurred during the past decades have led to the almost complete discarding of the existing financial reporting framework. As a result, there exists a certain need for modern lexicographical tools which are capable of capturing the dynamics of accounting terminology (Fuertes-Olivera & Nielsen, 2011). Further, teaching and technological approaches also lack actualization in accordance with the current level of development. In this regard, Baskerville and Evans's research (2011) states that problems and limitations that occur during the IFRS translation process between languages affect accounting practices and accounting education.

In the age of information technologies and the globalized world, translation by itself is not a significant issue anymore. It can quickly be done automatically and without any need for human interference. Thus, the importance of this process, by itself, in the modern world reduces, argues Catford's (1965) suggestion about its linguistics issue. In contrast, understanding and interpreting the translated material is a subject of interest not only for linguists but also for professional accountants and students. In the background, when the English language is supposed to create a common standard for communication that is likely to promote better understanding and transparency among people, the implications of translation problems for smaller language communities, especially those which are not part of Germanic languages family have strong potential to be exploited in ideologically or pragmatically motivated distortions in the implementation of accounting regulations (Evans et al., 2015).

For instance, it appears 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 speakers do not interpret English uncertainty expression in the same way) (Doupnik & Richter, 2003). This has a more substantial impact on the non-Germanic family languages. As a result, inconsistencies in the interpretation of these expressions in the financial statements reduce the comparability of these statements (Kettunen, 2017).

Moreover, the results of addressing the recent financial reporting issues research in Central and Eastern European countries indicate its massive orientation on fiscal and government users, which is rooted deeply in the communist regime (McGee & Preobragenskaya, 2005; Prochazka, 2011; Vysotskaya & Prokofieva, 2013).

From the educational perspective, in most non-English speaking countries, accounting educators face problems delivering unfamiliar concepts to students when teaching accounting and IFRS courses. At the same time, recent research acknowledges that although the translation is somehow possible, direct equivalence

is mostly unachievable (Holthoff et al., 2015). In these circumstances, the equivalent quality in global reporting can also be hardly achieved. Furthermore, there is certain evidence that both accounting educators and practitioners from non-English speaking countries were not prepared enough for the dramatic changes that occurred in their profession. In their research, Bassnett and Trivedi (2012) outlined the common problem for those working in the field of translation studies. That is the relationship between the original text and the translation of that original. At the same time, this issue is inherent in many other fields, e.g., law, medicine, etc. In this regard, the difficulties faced by translators arise because of the lack of suitable terminology and equivalent concepts (Brown, 1995). The essence of equivalent translation of accounting settings is caused by the importance of harmonization (Baskerville & Evans, 2011) and global economy demand. In its turn, using special accounting terms can lead to misunderstandings when the meaning of such terms is not fully appreciated by the recipient of the information (Holthoff et al., 2015; Evans, 2004).

Moreover, the adequate and equivalent translation requires certain changes in the national framework for regulating accounting processes. This can be achieved by consecutive iterations starting from accounting education re-modeling. While teaching accounting in the international cohort is always a challenge, not only the communication difficulty is an issue. There is a more complicated problem that lies in the lack of equivalent terms in the languages from the non-Germanic family. Thus, promoting the equivalent interpretation and better understanding of accounting terminology (Baskerville & Evans, 2011) can help adopt IFRS in non-English speaking countries. Therefore, the difficulties of IFRS translation should be viewed from the two mutually sharp points: translating and interpreting.

The translated resources used both in accounting education and accounting practice processes cannot be verified by the original language representatives. This brings modern accounting standardization to a gap that traditionally can hardly be bridged. Meanwhile, the individuals should have the possibility to make the communication of their financial information more effective. Thus, financial information is supposed to be delivered to allow its users to make assessments and financial decisions based on successful navigation through the financial statements.

Each translation is a subject of a certain limitation of such a common situation as: “the words may be understood, but the concept may not be understood” (Zeff, 2007). This in a broad sense means that the translation should not be verbatim or literal. As a separate phenomenon, the translation should aim to transmit all the shades of meaning, not limited to separate words or verbal constructions.

3. Methodology

This study takes an interpretative approach by applying qualitative methods. Russia is used as a case study to analyze the translation and communication challenges in

accounting practices and education. In addition, the IFRS textbooks content analysis is conducted by highlighting translation issues to investigate the positional statement regarding IFRS education.

3.1. Case Study on Russia

In this section, we provide a historical perspective on the accounting system in Russia and report the translation and communication challenges in accounting practices and IFRS education. The case study method is considered to be most fitting (Yin, 2014, p.13).

3.1.1. Data Collection

The case study is based on the literature review which covers the analysis of a sample of Balto-Slavic countries' IFRS implementation experience and in-depth interviews with accounting educators and professionals. We conduct focus-group interviews where questions are used as a guideline. Transcripts are analyzed thematically. Participants include five Russian accounting professors and four accounting professionals with at least five years' experience in their respective fields. We ask two major questions to the participants. First, what are the major difficulties in IFRS translations in Russia considering accounting practices? Second, what are the major challenges in IFRS education, considering the language barrier?

3.1.2. Case Analysis and Discussion

Analysis of Balto-Slavic countries' experience of implementing the IFRS would contribute to understanding Russia's position in the big picture. This analysis is based on the cross-country study of the ten representatives of this language family: Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Russia, Slovak Republic, and Slovenia (Appendix Table 1). These countries are selected based on data available to have consistency in the data set. The main steps analyzed in the paper refer to the changes that occurred after the transition from planned economy towards the market in most of the named countries. Basically, changes in economic style are reflected in changes in accounting regulations that are represented mainly through issuing upgraded versions of accounting regulations. The data set shows the dynamics of the IFRS adoption process in Balto-Slavic countries. As it appears, the shortest period for this was required for Lithuania (8 years) and the longest – for Russia (18 years).

Only 15% of the popularity in Russia knows a foreign language, from which 80% refers to the English language (Levada Center, 2008). It would be argued that the reason for such a slower adaptation process in Russia may lay in the language barrier. In contrast to other countries of this language family group, where the knowledge of English language is averagely at the point of 33% (European Commission, 2012). The IFRS translation problems become even more apparent when looking through the translation process in countries using the Russian language as a state for decades, e.g., Ukraine, Belarus, Uzbekistan, etc. Since their accounting systems have roots in

the Soviet Union and primarily used the Russian language, their accounting systems face identical problems.

The focus group interview provided insights into both major difficulties in IFRS translations in accounting practices and education. The participants have mentioned that since historically Russian accounting was thoroughly influenced by the government, the paths of its future development are mostly determined by the authority bodies. Official professional regulation of accounting started in 1802 when the Ministry of Finance was established. Since then, the state and public institutes' management has aimed to provide necessary revenues to the government for its maintenance.

The most dramatic changes in Russian accounting occurred after the collapse of the Soviet Union. This period was started with a market-oriented legitimation of commercial activities, from 1994, when the "Law on Accounting" was issued. Russian accounting is being changed for more than 18 years already. Since 2012, the IFRS has become mandatory according to Federal Law 208-FZ 'On Consolidated Financial Statements. Nevertheless, several cases remain where a certain type of company must prepare its financial statements under Russian Accounting Standards.

To summarize, it should be noted that the transition process towards IFRS implementation in Russian Federation began in 1994 when the "Program of Reforming the Accounting System" was declared. It stated that the process should be completed by 2000. This Program was followed by several "Concepts of Accounting" issued in 1997, 1998, and 2004 which also prescribed specific steps to be undertaken in order to complete IFRS adoption.

In recent years, business practices in Russia have undergone significant changes in terms of aligning accounting and finance practices with the worldwide recognized approaches. This is due to the globalization processes, on the one hand, and to the need for extra capital and corporate decisions on going public, on the other. The need to use the same single set of accounting standards facilitated the adoption process of IFRS in Russia, although the implementation process has been quite challenging (Kim, 2016). However, stakeholders of financial information need reliable mechanisms to make informative decisions. This forms a demand for producing higher-quality reports of greater financial transparency (Alon, 2013; Barth & Schipper, 2008). Compliance with the IFRS is considered to provide comparable, accurate, and reliable information which can attract foreign investors (Garanina & Kormiltseva, 2014).

The participants find it useful to explain peripheral actors' focus, circle, and role during the IFRS translation and adoption process. It would also help to understand difficulties in IFRS translations. The international standardization process is a day-to-day process of the activities driven by local, peripheral actors who try to support and shape standardizing agendas in local settings to make changes for a globally integrated world (Mennicken, 2008). From a broad view, accounting standardization

has a specific set of actors that differ by their attitude to adoption. Thus, there we outline three main groups of actors: central, medial and peripheral.

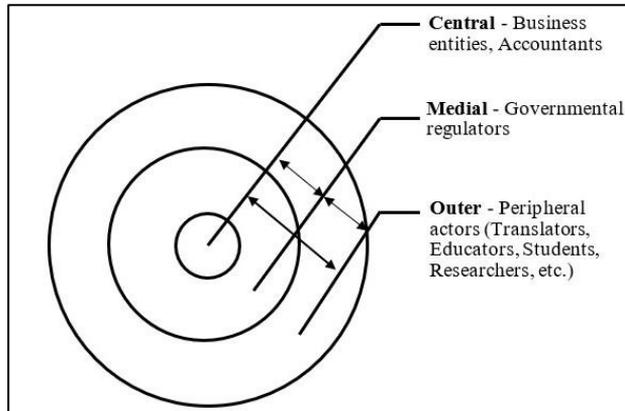


Figure 1. Actors of IFRS adoption

The current study presents an analysis of descriptive statistics in Table-1 for the price and returns series of gold spot and nifty index, where price denoted P_t , and returns, denoted R_t , for the sample. The gold price series show positive skewness coefficients, indicating a right-skewed distribution, while the return series of gold and nifty index demonstrates a negative skewness coefficient with a left-skewed distribution. Furthermore, a leptokurtic distribution can be deduced from the excess kurtosis values for the prices and returns of the two series.

Figure 1 represents three interconnected worlds: Accountants, Government and Translators, and Educators and Students. The participants report that the accountants are strongly connected with the government. This kind of connection is more robust in the countries where the economy is more regulated by the government, e.g., Russia. In their turn, government bodies are interlinked with translators and educators. This kind of connection also depends on the role that is played by the government in this process. At least, translators and educators should be in strong connection with accountants that belong to the inner circle. It would be expected that such kind of connection can affect the quality of the IFRS implementation process.

Regarding the English-Russian translation, Mirzoyeva (2014) states that the process of economic terms translation should take into account such characteristics of many economic terms as their metaphorical color, as the adequate representation of the metaphorical will help to deal with the existing variety of transformations. Russian IFRS translation issues mainly refer to such terms as assets, comprehensive income (basically is mixed with income and profit), provisions, allowance, etc.

In their study, McGee and Preobrazhenskaya (2005) stated that accountants who can read the international standards in the original English have a competitive

advantage. It also allows them to consult the original English version of IFRS when they have difficulty understanding the translated version of IFRS (Baskerville & Evans, 2011). However, in some countries of the described regions (e.g., Russia), there can hardly be found at least one accounting educational program that is delivered in English. At the same time, the importance of providing professional accountants with a thorough understanding of special terms is obvious. This issue becomes even more important when assessing the employability skills expected from accounting graduates (Stoner & Milner, 2010).

Given that there can hardly be found any business course being delivered in the English language in Russia, IFRS courses are used to be provided only in Russian as well. Moreover, IFRS courses at the university level usually include a very broad discussion of specific IFRS disciplines in accounting specialization (Vysotskaya & Prokofieva, 2013).

3.2. Content Analysis on IFRS Educational Materials

Since the educational aspect significantly impacts the IFRS implementation process, we provide a content analysis of the key textbooks on IFRS adoption available in Russian to outline the routs and tendencies in teaching IFRS in Russia. Textbooks always have a pivotal role in education. They are a delivery system of facts resulting from political, economic, and cultural activities (Apple & Christian-Smith, 1991). Therefore, we conduct the IFRS textbooks content analysis by highlighting translation issues to investigate the positional statement regarding accounting education.

3.2.1. Data Collection

We focus on IFRS textbooks and educational materials in Russian and use the data available through the Scientific Electronic Library at <https://elibrary.ru> in Russia. This database is Russia's most extensive online library of scientific textbooks and publications. In addition, textbooks used in the analysis are indexed by the Russian Citation Index (RCI).

3.2.2. Data Analysis and Discussion

Among 205 results of the search, from 2011 to 2021 with 1086 authors involved, for the books which contain "IFRS" in their title, keywords, or annotation, only 36 of those refer to educational materials on IFRS, involving 137 authors. Among those, two books were published three times in different years. Those texts were published by the same authors under the same title and therefore have not been considered in the analysis as separate materials. We, therefore, need to adjust our numbers of 36 published educational materials to only 32 books and 135 authors. The results show that only 15% out of printed materials on IFRS refer to educational materials. As for the authors, educational publications involve only 12% of the whole range of the authors who made contributions on this topic.

Further analysis is provided by the date of publishing and the author's activity of publishing in the English language. We should also state that there is no single textbook in the English language that makes Russian IFRS education resources unavailable for international auditory and, thus, for international students.

From the perspective of the RCI database, an increased rise of the IFRS-related textbooks publishing can be viewed. This is partly because of RCI database was started as a project in 2005, and not all related to that period publications were included in the named citations index.

Although IFRS are initially created in English, and there is an immense quantity of supportive literature for facilitating the transformation process, Russian educational literature does not provide sufficient literature review. This might be due to the enormous volume of difficulties that accountants face after graduation during their professional work. Thus, there is certain evidence that Russian accounting education is not likely to be able to meet global requirements without changing the approach.

In their research, McGee and Preobragenskaya (2005) stated that practitioners affiliated with international accounting and audit companies consider that materials they provided for the instruction and the resources they had to draw upon were of superior quality to those available in universities. Still, this problem was not raised and didn't draw enough attention from accounting academics and practitioners.

There is also a geographic skew towards the central part of the country. Thus, only five textbooks were written by the authors not affiliated with Russia's major cities (Moscow and St. Petersburg). Again, this states the problem of the educational quality in peripheral parts of the country. Moreover, there is a serious issue with the visibility of Russian accounting educators in the global arena of research. By their nature, faculty positions at universities all over the Russian Federation are associated with a certain part of the research. However, only 1% of the selected authors have publications in the journals included in the worldwide citation index.

We hope these results add to the existing literature by providing a clear picture of the quality of the IFRS education within the Russian Federation. Furthermore, these results can be used to outline the future steps of its improvement. From this regard, we suggest conducting more translation work on teaching materials. Since no Russian resources were approved as a qualitative translation of teaching materials on IFRS that can be recommended for educational purposes at the universities, it is essential to provide students with materials that can help to understand the metaphorical color of the basic principles and standards, along with the variety of their transformations.

4. Conclusion

Since the paper is devoted to the analysis of the accounting system development in Russia, it looks at the history, translations, and educational issues of IFRS in order to

provide a broader perspective of this arena and to contribute to the issues of finding common mistakes and, in contrast, the best practice in IFRS implementation process. This is done by describing the overall context of accounting education and experience in implementing IFRS within the existing accounting system and the system of higher education in Russia.

Our research adds to the existing literature by the following findings:

- the issues of the challenge's origin related to the linguistic (and non-linguistic) translation of IFRS in the Balto-Slavic language family should be examined and treated accordingly,
- the approaches to IFRS teaching adapted for creating the best background for global cooperation remain unsettled, at least, in Russia.
- In the history of accounting development in Russia, the government played the most significant role in accounting regulation for many years in these countries. The English language is not widely spread among business entities, some of the terms used in IFRS cause certain difficulties in translating when preparing the financial reports.

The IFRS adoption process in Balto-Slavic languages differs from country to country. Implementation of IFRS within countries that do not belong to the Germanic language family cannot be based on the literary or verbatim translations but needs to fit local peculiarities. It took an average of 13 years for these countries to adopt IFRS. Still, the quality of IFRS translations differs from country to country.

The circle of peripheral actors of the IFRS adoption process should be provided with a comprehensive analysis of the existing educational resources for IFRS teaching and accounting standards setting.

The educational system and existing education programs on IFRS teaching of the various Russian universities are not yet prepared to offer adequate resources for studying IFRS. Current Russian IFRS research does not refer to the original language and differs in several important ways. Since conducting such research requires specific skills that need time to obtain, these conflicts seem to be hardly resolved soon. About a decade ago there was mentioned that the materials the international firms use are often in English, while materials used in the Universities in Russia are primarily in Russian. But this fact resulted not only in the issue that the Universities had a translation problem from English to Russian but also in the problem that they cannot provide an appropriate understanding of the international accounting standards along with the situation when that or another standard should be used. Therefore, the predictions made by McGee and Preobragenskaya in 2005, namely, about the issue that not all academics can read the international standards in the original English and will have to rely on the Russian translation, are likely to come true, as the authors of educational materials continuously repeat the mistakes that the translated materials contain.

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Appendix A

Table 1. Accounting and IFRS development in a sample of Balto-Slavic countries

Country	Year	Accounting changes	IFRS	Source
Bulgaria (13 years)	1991	Accountancy Act and National Chart of Accounts issued		World Bank, Report on the observance of standards and codes (ROSC) Bulgaria, 2008
	1993	National Standards application		
	2001	Joined the EU New Accountancy Act		
	2003		Adoption, IFRS translation	
Croatia (13 years)	1992-1993	Accounting Act	The first translation of IAS	Sodan & Barac, 2017
	2005	New Accounting Act	IFRS translation, Adoption	
	2013	Joined the EU		
Czech Republic (15 years)	1991-1993	Adoption of Accounting Act		Mackevicius et al., 2008; Sucher & Jindrichovska, 2004
	2000		IFRS translation	
	2001-2003	Accounting Act amendment in the regard of IFRS implementation		
	2001	General chart of accounts issued		
	2004	Joined the EU		
	2005		Adoption	
Estonia (12 years)	1990-1991	Adoption of the Regulation of Accounting		Alver et al., 2014
	2003		Adoption	
	2004	Joined the EU		
	2005		IFRS translation	
Latvia (13 years)	1992	Accounting and Accounting Reporting Laws		Subaciene et al., 2018
	1993	Chart of Accounts approved		
	2002	New Law on Accounting		
	2005		Adoption	
Lithuania (8 years)	1997	Accounting Law issued	IAS translation	Mackevicius et al., 2008
	2001	New Accounting Regulation		
	2004	Joined the EU		
	2005		Adoption	

	1994	Act on Accounting		
Poland (11 years)	2000	New Accounting Act		Krzywda & Schroeder, 2007
	2004		IFRS translation	
	2005	Joined the EU	Adoption	
	1994	Law on Accounting		
	1998	Government Decree "On approval of the accounting reform program in accordance with the IFRS"		
Russia (18 years)	2004	"Concept of development of accounting and reporting in the Russian Federation in the medium term"		McGee & Preobrazhenskaya, 2005; Vysotskaya & Prokofieva, 2013
	2010		Adopted by listed companies and credit organizations	
	2011		IFRS translation	
	2012		Adoption	
Slovak Republic (14 years)	1991-1993	Accounting Act		The Institute of Chartered Accountants in England and Wales: http://www.icaew.com/en/library/subject-gateways/accounting/accounting-by-country/slovakia
	2003	New Accounting Act		
	2004/2005	Joined the EU	Adoption	
Slovenia (11 years)	1993-1994	Companies Act and Slovenian Accounting Standards (SAS) adoption		Novak & Valentincic, 2017
	2004	Joined the EU	Adoption	