

IFRS meets the realities of a post-communist Balkan State

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Abstract

Research Question: How will the Substance-over-Form (SoF) ‘organism’ survive, mutate and develop in a new and unfamiliar ‘environment’?

Motivation: Our study is motivated and inspired from a previous study published by Alexander *et al.* (2018) on “philosophy of language and accounting”. Alexander *et al.* (2018) used the “Substance-over-Form” principle as a case study investigation of the practicability, or non-practicability, of harmonising changes in accounting regulation across seven countries (and six languages). The objective of this paper is to investigate on a very different context: Albania (an EU candidate country, an ex-communist “Balkan state”, a different socially-constructed reality).

Idea: This analysis shows the evolution of the SoF concept, by emphasizing the importance of the translation of official documents from English to Albanian and *vice versa*, comparing the content, the quality, and the level of translation in accounting.

Data: We first analysed the main Albanian legislations on accounting from 1990 (opening year of the country to the free market economy) until 2021. Then, in order to assess the quality of translation from English to Albanian, we also critically examined the content and the level of translation of the 2018 IASB Conceptual Framework for Financial Reporting.

Tools: The paper follows a deductive approach, as the results come from contextual data or clauses. A manual content analysis is implemented. Subsequently, a critical semantic analysis and an in-depth investigation on the level of translation of the accounting concepts, with an explicit focus on SoF treatment, is performed.

Findings: The exposition, analysis and results are fully consistent with our theoretical framework, “social Darwinism”. We add the Albanian case to previous studies, providing a

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contrasting scenario in that Albania has a significantly different history over recent decades. We illustrate a different socially-constructed reality from the seven countries of Alexander *et al.* (2018), and extend the overall understanding and the overall picture. The Albanian “organism” (accounting GAAP system) is consistent with its socially-constructed reality/environment. SoF seems to be distorted in its passage from Directive/IFRS originating sources, and this may well be fully consistent with local needs, realities, and cultures.

Contribution: This research contributes to academic debate in three ways. First, it adds evidence to the literature on harmonisation processes, analysing the evolution of financial reporting regulation for a specific country and the application of a fundamental concept, such as SoF, comparing it to other national regulations. Second, this work contributes to further research, being a pioneer for the application of the “social Darwinism” to the analysis of a GAAP system. Finally, the paper contributes to the development of research on translation issues in accounting, by technically analysing the level of translation of the IASB Conceptual Framework for Financial Reporting and back-translating from national Laws.

Keywords: Financial Reporting, Post-Communism, Language in accounting, Comparability, Harmonisation (or dis-harmonisation), Social Darwinism.

JEL codes: M41

1. Introduction

This paper is fundamentally designed to provide inputs towards investigation of accounting change, or non-change, within Albania, as an example of the post-Communist countries which are generally accepted as constituting “the Balkan States”. These countries, following Bideleux and Jeffries (2007), are Albania, Bulgaria, Romania, Croatia, Serbia, Bosnia and Herzegovina, Macedonia (from February 2019 North Macedonia), Montenegro and Kosovo. Financial reporting provides information to a wide variety of users, for a wide variety of purposes, which will be interpreted through the lenses of a wide variety of cultures. We deduce two things from this. The first is that a wide variety of different “financial reportings” will be necessary. The second is that the danger of confusion by users (and regulators), and of using the “wrong one”, will be very real.

Our study is motivated and inspired from a previous study by Alexander *et al.* (2018) on “philosophy of language and accounting”. Alexander *et al.* (2018) used the “Substance-over -Form” principle as a case study investigation of the practicability, or non-practicability, of harmonising changes in accounting regulation across seven countries (and six languages). The objective of this paper is to investigate on a very different context: Albania (an EU candidate country, a less-developed ex-communist “Balkan state”, a different socially-constructed reality).

We chose Albania as an example of the existence of a European accounting community larger than the EUs political borders, by exploring the possible

translation issues in the main accounting documents and the application of the SoF concept in Albania before and after the EU Accounting Directive 2013/34/EU.

We are able to do this “properly”, since one of the authors is native Albanian. This enables a fully detailed linguistic and contextual investigation of all the relevant documents, translating in all directions. We, therefore, provide an example of in-depth analysis, which other researchers are invited to follow in further derivative studies of similar less-developed countries, including but not limited to the other Balkan States, for which they have local expertise.

We think that the term Balkan can be very important in reference to our framework. Social Darwinism talks about “struggle for existence” and without any doubt the various military conflicts that have ravaged the Balkans in the last two centuries have certainly marked the countries. Churchill summed up the situation by suggesting that “the Balkan peoples have loaded themselves with more history than they can bear”.

The paper is structured as follows. The next section presents the theoretical foundations. Section three delivers an in-depth discussion from previous accounting literature on the harmonization concept, language and translation issues. Then, a brief background on the Balkan Peninsula and an introduction to the Albanian accounting system is provided. Section four focuses on the description of the implemented research method, research justification and the examined documents, followed by the analysis of the Albanian “struggle for existence”. The final section draws together discussions, contributions over and above previous research, limitations of the analysis and suggestions for further research.

2. Theoretical foundations

We fully accept and endorse the theoretical framework of Alexander *et al.* (2018). That paper is published under the “creative commons attribution licence”, and is freely available and transferable, subject only to full attribution. Our aim is only to summarise the thinking behind that framework here sufficiently for the purposes of this current paper, but we avoid rigorous academic repetition, and readers wishing to pursue detailed supporting references may read the original paper.

In essence, that paper adopts a framework built on the idea of social construction, applied in two different respects. The first relates to the “reality” which we as accountants seek to represent. The philosopher Searle (1995) explained, based on the concept of “intentionality,” how social objects come into being. Searle (2006) defined a social fact as “any fact involving collective intentionality of two or more human or animal agents” (p. 16). According to Searle, people have the ability to share beliefs and desires, which – in certain conditions – can give rise to a specific type of social fact, namely, “institutional facts.” Applying this idea to the accounting

function, Alexander and Archer (2003: 5) argued that, “By virtue of collective intentionality, ownership claims, income, and other conceptual objects of accounting can, under appropriate conditions, be institutional facts.” Social facts become objectified, if at all, by like-minded thinkers within a particular community which shares a common intentionality. The “objectification” is limited by the size of that specific community, and, crucially, only applies within that community itself.

The second consideration relates to language, which is the unavoidable mechanism for communicating the contents of that shared understanding. Even more fundamentally, it is the essential mechanism for creating the shared understanding in the first place. Wittgenstein (2005), with his notion of “language games” whereby a mutual understanding and agreement about the “rules of the game” are an essential pre-requisite, provides the theoretical framework here. In his later philosophy Wittgenstein understood concepts such as SoF as receiving their meaning from the way they are used. He referred to ‘language games’, within which there is inevitably a coherence of thinking between the way any particular word or concept is applied. This coherence exists only because the participants understand and share the ‘rules of the game’. It is this coherence which makes communication possible, makes a shared understanding possible, and therefore makes agreement on social facts possible within, but crucially only within and not beyond, a specific community with common and coherent intentionality.

These two considerations, arising from the very different starting points of Searle and Wittgenstein, arrive at essentially the same conclusion. Searle (1990) maintained that human beings are able to participate in cooperative behaviours, adopting complex devices such as language or other tools based on symbolization, to achieve collaborative actions and beliefs. The key point is very simple: subjectivity and human influence are everywhere. Coherence, operational feasibility, and the creation of institutional facts and shared realities will exist ONLY within truly like-minded communities. Alexander *et al.* (2018) apply this logic explicitly to SoF as follows (p.1962):

“To summarize, we can suggest that perceptions of, interpretations of and chosen applications of a principle such as SoF can only be agreed (harmonized) as social constructs, ever-changing by definition, through collective intentionality within groups of like-minded thinkers. A necessary condition for the creation of “like-minded thinking” is effective communication of “the thoughts,” through the highly imperfect medium of language – itself an ever-changing social construct.”

However, in the real world, there are many different, conflicting and often incompatible, ‘groups of like-minded thinkers’. So, the question arises as to how, or indeed whether, these different groups will develop and interact, and which are likely to be successful, and become dominant, where they meet and interface.

Extending beyond the thinking of Alexander *et al.* (2018), we suggest, as a thought process rather than as any kind of straight-jacket, the relevance of social Darwinism (see endnote for details) in considering which reporting mechanisms are likely to be widely used, and therefore are likely to survive¹.

The extension of the basic idea to the social sphere is not without controversy. To explore these issues in detail, investigate Herbert Spencer, and Lamarck as well as Darwin himself. There is an enormous literature, which we completely ignore here. The essential idea in our context is that a financial reporting regulatory system represents the “organism” which is involved in a “struggle for existence” in its economic/political/cultural environment. We find this way of thinking persuasive. But there are major complications. Crucially, not only is the “organism”, the “GAAP” system, continually mutating under human direction, but the environment is continually mutating under human direction as well. A key point, distinguishing the application of Darwinism in the social sciences from that in the pure sciences, is that social influence and social construction are affecting both the organism/organization and the environment/context in which the organization has to survive. Since, as we show in detail below, there are many different “environments” which require the accounting function, the whole situation becomes complex.

Our Darwinian application will link our particular species (accounting) with a consideration of its suitability for, and its survival within, its environment (economic/political/cultural), noting that both are constantly mutating under human influence. Further, there are multiple environments, implying the possible survival of multiple reporting systems.

To briefly summarise, there is local subjectivity and uncertainty of concept, of communication about the concept, and about the survivability over time and place of the concept. We find the way of thinking inherent in this exposition helpful in considering the detailed situation, past, present and likely future, in our particular case study of financial reporting legal regulation, and practice, in Albania. The SoF principle was developed, and is generally operated (in many subtly-nuanced different ways) in environments far removed from the context of Albania in 2022, that context itself being the product of a long and (to traditional ‘Western’ minds) highly esoteric cultural, political and economic history. How will the SoF ‘organism’ survive, mutate and develop in this new and unfamiliar ‘environment’? The paper proceeds to explore the various environments, and the application of these theoretical foundations, to the words of our title: IFRS Meets the Realities of a Post-Communist Balkan State.

3. Overview of the literature

3.1. Harmonization-convergence

“Convergence” (Baudot, 2014; Pacter, 2005;) is a term that gained currency in our field in the late 1990s. The earlier term was “harmonization”, which was used during the last quarter-century of the International Accounting Standards Committee (IASC), beginning in 1973. Today, the IASB, the FASB, and other national standard setters regularly use the term convergence, which means “the increasing compatibility of their respective standards at a high level of quality” (Zeff, 2007: 296). IASB has used the notion of “convergence” in its strategy for developing IFRSs (Camfferman & Zeff, 2018). The notion of “convergence” is directly related to the issue of jurisdictional constituents in that it presupposes the existence of national GAAPs existing alongside IFRSs, and that differences among the different sets of standards can be gradually reduced (Camfferman & Zeff, 2018: 304).

Camfferman and Zeff (2007: 451) wrote: “to establish uniform global standards, should the IASC tailor standards for developing countries, small businesses, particular industries and public sector and non-profit organizations”? In particular the EU’s strategy on accounting harmonization is the result of an evolutionary process which has its roots in the accounting directives and the demands of some of Europe’s larger companies to issue their securities and raise capital on international capital markets (Cairns, 1997, p.306).

In Nordemann’s words (1989, cited by Cairns, 1997: 310):

“It must be recognised that the major divergencies between financial reporting standards are within Europe, not between Europe and the rest of the world. It is unrealistic, therefore, to speak of a European accounting zone as if it represented a broad consensus or commonality of approach.”

Similarly, Flower (1997: 294) assumes that the Anglo-American ‘Europeans’ will always vote against the continental ‘Europeans’. Indeed, throughout his paper, Flower sees the IASC in terms of blocs and vetoes which is not the way that the IASC works. Flower reaches his nadir when he states:

“Under the IASC rules, a three quarters majority of the board (thirteen votes out of sixteen) is necessary for the issue of a Standard. Hence four votes are needed for a blocking minority.”

The detailed analysis of the various convergence projects in Camfferman and Zeff (2015) makes clear that convergence was a “much more complex process than one board simply imposing its views on the other, and that the meaning of convergence varied greatly over time and from topic to topic” (Camfferman & Zeff, 2018: 305).

Moreover Pittroff (2021) theoretically analyses alternatives to convergence from the viewpoint of legitimacy theory and path-dependence theory. She states:

“convergence is not unattainable from a path-dependence view, but is effectively a long-term process. Changes are only possible as long as they are considered to be legitimate, and any significant change of rules can lead to illegitimacy” (Pittroff, 2021: 383).

Path-dependence theory implies that “changes of systems are not impossible but necessary in order to adjust to changing environments” (Pittroff, 2021: 386). It has been concluded that real convergence of accounting practices is not attainable as long as corporate governance systems differ (Pittroff, 2021: 392).

Yet the jurisdictional angle remains pervasive. While it is natural that, during the initial stages of the movement towards IFRSs, researchers focused on the IASB and its standards, we believe that research focusing on individual jurisdictions and their relations with the IASB should attract more attention. We acknowledge that this is a riskier strategy for researchers, in the sense that the probability of attracting more citations is lower with a focus on specific jurisdictions, especially smaller ones. Comparative research may in some cases be a good strategy. But in our view, there is no substitute for building up a good understanding, country by country, of the relation between the IASB and its jurisdictional constituents (Camfferman & Zeff, 2018: 310).

3.2 Accounting language

“Cultural diversity creates differences in the understanding of concepts, leading to diversity in the definitions of common notions” (Alexander *et al.*, 2018: 1959). Searle’s and Wittgenstein’s philosophies of language provide “nuanced accounts of precisely how the meaning of accounting concepts” (Alexander *et al.*, 2018: 1959) or principles can vary according to cultural and historical context. Evans notes that accounting language constitutes a “language for specific purposes” (Evans, 2010: 453). This means that for the EU, they were looking at the legal accounts of only the British and Irish companies. In all other cases, they were looking at an unregulated translation, which mostly carries a health warning that only the national language version is to be relied upon.

Anecdotal evidence is that the degree of supervision exercised by the preparer accountants over the translation is highly variable. There is also the technical problem, familiar to linguists, that if you start with an English term and then translate it into (say) French or German, and then someone else translates the term back into English, it is far from certain you get back to the same English term. This can bring in a sense of non-comparability, even when the underlying recognition and

measurement are comparable (Walton, 2015:149). The view originating in the United States is that comparability is achieved by ensuring that “like things look alike, and unlike things look different” (Trueblood, 1966: 189).

3.3 Translation – interpretation

Evans *et al.* (2015) argue that the importance of translation in accounting is underestimated or disregarded, *inter alia* because it has limited effects for the culturally and economically most dominant stakeholders. They finally examine the implications of translation problems for less powerful stakeholders and smaller language communities.

Language could be a problem when translating IFRS from English. For instance, Zeff (2007) notes that when the Fourth Directive was approved in 1978 by the European Economic Community (EEC), as the EU was then known, it included the all-encompassing requirement that the accounts give a “true and fair view” (TFV), which was a British concept, and it was translated into the languages of all of the EEC countries into the closest equivalents to a “true and fair view”². The translations of TFV, for example, are not, as a rule, literal translations of the English original (Rutherford, 1983; Alexander, 1993; Aisbitt & Nobes, 2001). Nobes (2021) focuses on the translation and the issue of multiple signifiers for the accounting element of ‘goodwill’ in four Germanic (English, German, Dutch and Swedish) and four Latin-based (Italian, French, Spanish and Portuguese) languages, by showing several problems. He concludes that the definition of goodwill adopted from the IASB does not encompass all the types of goodwill.

Language translation is not a simple technical, but a socio-cultural, subjective and ideological, process (Evans, 2018: 1844). The paper’s main argument is that translation, as well as the use of English by non-native speakers, have fundamental implications for accounting regulation, practice and research (Evans, 2018: 1844)³. Translation aims at “functional equivalence, such that the reader of a translation should read an exact translation of the meaning instead of a word-by-word translation” (Alexander *et al.*, 2018: 1961).

In accounting, in particular, lack of in-depth background knowledge is among the most serious reasons for poor-quality translations (Mourier, 1996; 2004). In fact, “[i]n financial reporting texts . . . much is implied and the mere knowledge of terms is not sufficient to achieve high quality” (Mourier, 2004: 146; see also Parker, 1994; 2001). “As legal translators need to be experts in comparative law, accounting translators need to practice comparative international accounting” (Evans *et al.* 2015: 16). Accounting is a culture-dependent domain (Engberg, 2006; Evans, 2010). As affirmed by Golyagina, “the meaning of accounting concepts emerges within semantic fields and is historically contingent” (Golyagina, 2021: 469). Evans and

Kamla (2015) suggest that “accounting largely appears to neglect translation – both as a research opportunity and as a methodological and epistemological consideration”.

Ambiguity and uncertainty in interpretation is of course not limited to translation, but part also of communication between speakers of the same language (Evans, 2018: 1851). Moreover, it is safe to argue that translation is not a simple mechanical and neutral activity. If we use it in our intercultural research – and in particular if we apply interpretive paradigms – we have an ethical obligation to be mindful of its implications. This has repercussions for our research methods (Evans, 2018: 1863).

In this sense, Alexander (2016) highlights many problems that “writers and academics may have in studying the current principles of International Accounting, and in developing research and scientific articles, in the English language, for dissemination to a wider public” (p.1). “The propositions may be summarised as follows. 1) Translations are usually wrong/misleading, leading to a failure to transmit the original meaning 2) Sometimes such a failure is deliberate, although the distinction between error and obfuscation can be difficult to detect; 3) Effective harmonised regulation across languages is logically impossible” (Alexander, 2016). Both Alexander *et al.* (2018) and Nobes and Stadler (2018) argue that part of the reason for continuing differences in interpretation is a lack of definitions provided in the European Union Directives, and IFRS Foundation standards, respectively⁴. “The result could only be diversity” (Alexander *et al.*, 2018: 1975).

Alexander *et al.* (2018) also argue that accounting information may serve different purposes: information purposes (for investors and other capital providers), tax and legal purposes. They point out that if “the role of information differs significantly, then the subjectively-determined “substance” behind that information can logically be expected to differ too” (p. 1975).

Interpretations are necessary to the effective application of the standards and therefore to the achievement of comparability (Zeff, 2007, p. 296), and comparability is a very difficult notion to understand even within a country, let alone globally (Zeff, 2007: 290).

4. A brief Balkan background and a detailed Albanian emphasis

As affirmed by Bideleux and Jeffries (2007: 1) “the words “Balkan” and “the Balkans” are heavily laden with multiple cultural meanings, connotations and stereotypical images. Some of these meanings and images are quite rightly considered to be demeaning, condescending, derogatory or at best ambiguous, and the terms “Balkan” and “the Balkans” are therefore by no means fully accepted by

this peninsula's inhabitants". Lampe *et al.* (1982: 2) affirm: "We have delayed the very mention of the word "Balkan" because its use must be defended and carefully defined. Its persisting appearance as a synonym for political unrest and fragmentation derives from the area's pre-1914 reputation as the "powder-keg of Europe"".

Another point of definition needs to be added: the term "post-communism". This is used to refer to the period after 1989 (in the former eastern Europe) or after 1991 (in the former Soviet Union) when, in the first case, the exercise of Soviet power ceased to be effective and, in the second, the rule of Moscow or the Soviet communist party came to an end and the USSR disintegrated. According to Deaconu and Cuzdriorean (2016), the accounting reforms in Balkan countries started between 1988-1991. The fall of the system is characterized by similar methods of transition from a central planning system to a liberalized system in all aspects of life (Deaconu & Cuzdriorean, 2016: 207).

In the case of Albania there was no effective "accounting profession" predating the communism "Soviet bookkeeping" periods. During the communism period the "accountant" was strictly a "public servant" (as indeed with the other public officials (Karklins, 2002)), with no reference to any external information desires or needs, and this was the only effective input into the post-communism period. There seems to be no material influence from real or "folk" memories of pre-communist accounting into the post-communist mix.

Within this general context, the Albanian scenario can be briefly introduced as follows. Albania moved to switch to a free and open market economy in the early '90s. These changes in the economic system, from a centralized economy to a market economy, presented several requirements regarding the creation of a new legal and institutional infrastructure in all the economic fields, and in accounting as well. Deep reforms and innovative measures were needed to build this infrastructure. The Albanian economic growth declined from 12-15% of GDP before the 2008 financial crisis. The economy has then steadily improved and the annual growth reached 3.8% in 2017 and 2.2% in 2019 (World Bank, 2021). The services sector is the key industry, led by tourism and construction. They are expected to be key drivers of the recovery phase after the devastating 2019 earthquake and the COVID-19 pandemic (World Bank, 2021).

In the accounting system, following the process of EU integration Albania has been involved in the recent flow of "global accounting" by introducing new National Accounting Standards (NAS) in 2006 that became effective in 2008. The first results from these NAS implementation in practice were not those of a 100% success due mainly to two sets of reasons, one set of a technical character – those arising from technical details or difficulties within standards themselves and with application in practice, and the other set of a bureaucratic character – which relate to some delays

in publishing the National Accounting Standards, in offering supportive training sessions or explaining and guiding materials as well as a weak campaign and publicity about the standards (Shkurti & Leka, 2007; Shkurti & Naqellari, 2010).

We integrate our findings with our theoretical framework thoroughly towards the end of the paper. But it is worth noting here that the lack of early success in the operation of the newly introduced requirements is absolutely predictable from our theoretical considerations. As noted earlier, changes in the organism (the GAAP system) must be consistent with changes in the environment (the cultural, economic, and socially constructed contextual reality).

Albania is an EU candidate country, as indeed are a number of countries in the region. As we argue, some of the implications of this detailed country case study carry important generalisable messages.

Albania can be proposed as an illustrative example of a Post-Communist (Balkan) Country very close to the EU regulation. Albania applied for European Union membership in April 2009, and, consequently, Albania follows IFRS Standards as adopted by the European Union with the ambition to bring its national accounting legislation closer to the legislation of member States (Miti & Dharmo, 2018).

Accordingly, the “struggle for existence” (to directly use Darwinian terminology) of the Albanian generally accepted accounting principles (GAAP) is also strongly influenced by Albania’s path towards the European Union (as shown in Table 1).

Table 1. Albania’s path towards the European Union

June 2003	The EU perspective for the Western Balkans is confirmed during the Thessaloniki Summit.
June 2006	The Stabilisation and Association Agreement with the EU is signed.
April 2009	The Stabilisation and Association Agreement enters into force. Albania presents its application for membership of the EU.
November 2010	The Commission issues its Opinion on Albania's application for EU membership, including a set of 12 key priorities to be fulfilled.
December 2010	Visa liberalisation to Schengen area for citizens of Albania.
June 2014	The European Council grants Albania the status of candidate country for EU membership.
February 2018	The European Commission adopts its strategy for “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans”.

April 2018	The European Commission recommends that the Council decides that accession negotiations be opened with Albania in the light of the progress achieved, maintaining and deepening the current reform momentum.
June 2018	The European Council delineates the path towards opening negotiations in June 2019.
March 2020	The European Council decides to open accession negotiations.

Source: Albania 2018-2019 Reports⁵.

5. Research method

This section presents the research method, and it is structured into 2 sub-sections. Sub-section 1 focuses on research approach and research justification. Sub-section 2 introduces the data collected and the research techniques adopted for the analysis.

5.1 Research approach and research justification

The justification of this research is to shed light on significant issues (such as the treatment of the Substance-over-Form principle and the importance of translation issues in accounting), by providing “rich” descriptions of what goes on in a particular context (such as the ex-communist Balkan area), exploring the existence of a European accounting community larger than its political borders and focusing on a specific case study (such as Albania) (Daymon & Holloway, 2010: 13).

Arguably, in order to observe these phenomena, we are adopting a “single case study design”, exploring the accounting system of a selected country (Daymon & Holloway, 2010: 119). The Albanian case represents a different socially-constructed reality, which contributes to the environment of the existing EU member states, and it is certainly different from that of Romania and Poland, two post-communist countries with over a decade of full EU membership.

As mentioned in section 2, referring to Darwinism, social influence and social construction are affecting both the organism/organization and the environment/context in which the organization has to survive. Consequently, we think that Albania (“Land of the Eagles”- a phrase taken from predecessor etymology) is an interesting study and very different in particular from Romania (“Citizen of Rome” – a phrase similarly derived). Romania is a post-communist country that shares some common characteristics to Albania. However, Albania is still a different context from Romania and, indeed, has a different story to tell.

From a linguistic viewpoint, Albanian forms a separate group of the Indo-European language family. Some scholars suggest that Albanian is the only survivor of the

Illyrian group once spoken on the south-eastern peninsula of Europe (Hamp, 2002). The official language of Romania is Romanian, a Romance language (the most widely spoken of the Eastern Romance branch), which presents a consistent degree of similarity to Aromanian, Megleno-Romanian, and Istro-Romanian, but shares many features equally with the rest of the Western Romance languages, specifically Italian, French, Spanish, Portuguese, and Catalan (Coteanu *et al.*, 1998). The Romanian alphabet contains the same 26 letters of the standard Latin alphabet, as well as five additional ones (namely *ă, â, î, ț, and ș*), totalling 31.

The Albanian language is divergent. *Shqip* (from *Shqipëri*), the Albanian language, is an Indo-European language spoken in Albania, Kosovo and Western Macedonia and by smaller numbers of ethnic Albanians in Southern Balkans, Italy and Greece (Hamp, 2002). Albanian has 36 letters and it is written in a standard Roman-style orthography adopted in 1909. According to Hamp (2019: 1628), “Albanian remains lamentably opaque, practically a closed book to the scholarly world at large”. For this reason, with this study we would like to inform and engage with an international audience for the research area of accounting.

From a political perspective, from 1946 to 1990 Albania was an extremely isolationist, Stalinist and anti-revisionist communist state. Albania was the only Communist country to reject de-Stalinization and to impose a severe dictatorship. Instead, with the arrival of Soviet Communism in the area, Romania quickly adopted many Soviet influences, and Russian was also widely taught in the country during Romania's socialist years.

In addition, as affirmed before, Albania is an official candidate for membership in the European Union, and Romania in contrast has been a full member State for well over a decade.

Therefore, we are focusing on a single national context (Albania), with a different cultural, social, economic, political, linguistic and regulatory dimension from Romania and from other countries. All these elements can influence the accounting system and the “struggle for existence” of a country/context; therefore, every context has a different story to tell, and Albania is indeed a different context.

As suggested in Alexander and Servalli (2010) “We should interpret accounting evolution in its economic, political and social environment and consider the survival and development of any particular regulatory system as dependent on its suitability for the functions which it is required to provide”.

Our essential approach is to analyse official transcripts of the various documents involved, making comparisons of transcripts from original English language texts (and *vice versa*). As a consequence, this paper is purely deductive (Read, 1914) because the results come from contextual data or clauses. Read, about this approach,

affirms: “In fact it is more and more apparent that the distinctions drawn among Sciences are entirely for the convenience of study, and that all Sciences tend to merge in one universal Science of Nature. Now this process of the unification of knowledge is almost another name for deduction; but at the same time, it depends for its reality and solidity upon a constant reference to observation and experiment” (Read, 1914: 227-228). For this reason, the method follows both a description logic, which is aimed at highlighting similarities and differences, and a causal logic, in order to grasp the reasons and the causes for these differences (Hopwood, 1983; Hopwood & Miller, 1994; Nobes, 1999).

Many scientific papers have been dedicated to accounting changes in emerging economies (e.g., He *et al.*, 2009 study IFRS adoption in China; Borker, 2012 analyses IFRS in the BRIC countries; Albu *et al.* 2014 study Romania; Kiliç & Uyar, 2017 focus their research on Turkey; Udofia, 2018 investigates the IFRS adoption in Nigeria). Although some recent studies have been focused on former Soviet Union countries (Alexander & Ghedrovici, 2013, on the Republic of Moldova; Tobór-Osadnik *et al.*, 2013, on Poland; Alexander, 2013, on the use of accounting in the U.S.S.R.; Albu *et al.*, 2011; Petre & Albu, 2020 on Romania; Alexander & Alon, 2017, on the Republic of Belarus), little attention has been given to international accounting research in the Balkan States, and in particular to an EU candidate country, such as Albania (Hoxha & Bollano, 2009; Shkurti & Naqellari, 2010; Miti & Dharmo, 2018). Therefore, our research tries also to fill this gap in the literature. We are adopting Albania as a country strongly motivated to be integrated in the European accounting system.

5.2 Data collection and data analysis

This research is based on secondary data. First of all, we selected the main Albanian legislations on accounting from 1990 (opening year of the country to the free market economy) until 2021. In order to assess the quality of translation from English to Albanian, we also critically examined the content and the level of translation of the 2018 IASB Conceptual Framework for Financial Reporting.

With the opening to the free market economy in 1990, many changes were made, and the Albanian transition period was characterised by a chaotic political, legal and institutional infrastructure. Albania claimed to have completed its process as a transition economy, moving from a centrally planned to a prevalent market economy (Alon & Hageman, 2013).

Similarly, to the other Eastern European countries, the earliest most important Albanian “Law on Accounting” (Law no. 7661, dated 19 January 1993), was written having in mind the Western legislation (Shkurti & Leka, 2010; Nachescu, 2010; Kruja *et al.*, 2008). Based on this Law, in July 1993 the Albanian Government also

approved the Albanian National Accounting Plan (GAP General Accounting Plan - PKP *Plani Kontabel i Pergjithshem*). Therefore, a Codified Accounting System similar to the French accounting system was followed (Cela, 2004), and since January 1994 Albanian entities began to prepare their financial statements following Albanian GAAP.

According to Cela (2004), the French accounting system was considered the most suitable one to be applied in Albania for the following 5 reasons:

- (1) Tradition: A similar model of Accounting System with a strict regulatory and legal framework was adopted in Albania since 1947. Therefore, the new Accounting System would be easier for the Albanian practitioners.
- (2) Need for general or wider application: the New Accounting System should be applied by a wide range and various entities. This would be achievable with the adoption of an appropriate and effective model adopted in Europe.
- (3) Lack of experience: Albanian practitioners were not provided with adequate experience on International Generally Accepted Accounting Standards, so it was necessary to present the standards in form of written guidelines, other explanatory material and codes.
- (4) Linkage between accounting and fiscal practices: In Albania there is a strong link between accounting and fiscal rules and the accounting financial result is the basis for the corporate income tax. Therefore, it was essential to develop a process of harmonization for business entities.
- (5) Requirements arising from other related laws and regulations: Law “On commercial companies” explicitly required the selection of an EU model of continental accounting system.

In that post-communist background, the only practicable approach to be followed by the Albanian authorities was to adapt their accounting system to the European Directives, as there was no national basis from which to create an original Albanian accounting system (Cela, 2004). Describing the Albanian accounting environment in the early 90's, Cela (2004) also underlines three types of difficulties: the lack of appropriate knowledge and experience in accountancy, the lack of trained and skilled people, and the need to quickly apply the new accounting legislation. According to Bollano (2012), in the Albanian environment of that time, the most important professors and practitioners of accounting were educated in Western countries and this influenced their contributions to literature and practice.

After 10 years, thanks to the financial assistance of the World Bank, a new Accounting Law (Law No. 9228) was prepared, promulgated by the Decree of the President of the Republic of Albania dated 26 May 2004, and amended by Law no. 9477, dated 2 September 2006. The new Accounting Law defines “the general principles and regulations for the preparation of National Accounting Standards, for the purpose of preparation of financial statements, and book-keeping” (Article 1, “Objective”). It is available in Albanian and in English. The English version,

described as an “unofficial translation” was made available by the National Accounting Council⁶.

Also, the new Accounting Law, fully applicable from January 2006, states the creation of the National Accounting Council, as a public and independent professional standard setter, and contributes to the development of “good” accounting practices and to the true and fair view of Albanian financial reporting (Cela, 2004). The main accounting concepts are now defined within the Albanian accounting system that, as shown in Table 2, is grounded in the accrual basis of accounting and in the going concern assumption.

Table 2. Accounting system in Albania

Main Accounting concepts	Definitions
<i>Book-keeping</i>	Journal entry and account recording of all transactions and economic events, that belongs to an entity.
<i>Accounting system</i>	A system recognising, measuring, classifying and presenting financial data concerning the activities of an entity.
<i>Entity</i>	Natural and legal persons, public and private, both profit and non-profit oriented that operate and have a permanent establishment (seat) in Albania.
<i>Compliance with Accounting standards</i>	Financial statements present a true and fair view of the financial position, performance, changes in financial position and cash flows of the entity. They are prepared and presented in accordance with accounting standards.
<i>Underlying assumptions and principles</i>	Financial statements provide transparency through full disclosure and provide a fair presentation of necessary data for the decision-making purposes. They are prepared on an accrual basis of accounting and on the going concern assumption that the activity of the entity will continue for the foreseeable future. All transactions and events are treated in compliance with accounting policies that ensure the completeness, neutrality, prudence, and faithful representation of the financial statements.
<i>Comparability</i>	Financial statements should enable users to perform comparisons between different accounting periods and/or different entities.
<i>Components of Financial statements</i>	Balance sheet, Income statement, Statement of changes in equity, Cash flow statement, and Notes to financial statements.

Source: Accounting Law No. 9228 Date 29.04.2004⁷.

In addition, Law no. 9477/2006 requires the following classes of entities to prepare their financial statements using IFRS Standards:

- Listed;
- Commercial banks, financial Institutions, insurance and reinsurance companies, and securities funds and investment companies;
- Companies that are subsidiaries of any parent company whose shares are listed in any stock exchange around the world;
- Companies that exceed both of the following criteria in the two preceding years: annual turnover more than Lek 1,250,000,000 (approximately 9 million euros) and average number of employees more than 100.

All the other corporate sector entities must prepare their financial statements in accordance with Albanian National Accounting Standards (NAS), issued by the National Accounting Council of Albania (NACA) and approved by the Minister of Finance. The 16 National Accounting Standards implemented in Albania between 2008 and 2009, and reviewed and improved in 2012 and in 2014, are intended to be fully consistent with the IAS/IFRS⁸. In particular, the core accounting standard no.1 is equivalent to the Framework for Preparation and Presentation of Financial Statements of IASB (in its 2010 version) and its introduction represents the main change in the Albanian accounting environment (Miti & Dhamo, 2018).

In May 2018, a new legislation on accounting and financial statements was published (Law no. 25/2018), which replaced the existing Albanian legislation from 1st January 2019. By contrast, the new legislation aims to partially align the Albanian law with EU Directive 2013/34 on financial statements and other reports of economic entities. In particular, the new Albanian regulation includes classification of economic entities according to three criteria: total assets, total revenue from economic activity and average number of employees. It requires the application of IAS/IFRS only to public interest entities and regulators. All the other entities are required to apply NAS, but they may voluntarily apply IAS/IFRS in addition.

All the aforementioned documentation is analysed implementing a manual content analysis avoiding the use of software. Doing so, we reduce one of the major problems of this method, which consists in the subjectivity during the coding process (Krippendorff, 1980; 1989; 2004). More specifically, through a critical semantic analysis, we analyse on a paragraph-by-paragraph and line-by-line basis, in order to investigate the level of translation of the accounting concepts, with an explicit focus on SoF treatment. The findings are tabulated and compared, in order to allow proper understanding and discussion of the implications.

6. Evidence from a detailed Albanian investigation

We analyse the quality of the translation from English to Albanian, critically examining the content of the Conceptual Framework for Financial Reporting

published by the IASB in May 2018 and analysing the main Albanian accounting laws. Firstly, we verify the quality of the translation of the whole “Conceptual Framework for Financial Reporting” document from English to Albanian.

An in-depth analysis of the translation and the meaning of the main accounting concepts has been developed. We compare the content of both versions of the Conceptual Framework for Financial Reporting to evaluate the level of translation in terms of accounting concepts (e.g., distinction between accrual principle and cash principle or book-keeping and accounting).

The correspondence of the “Conceptual Framework for Financial Reporting” content of the two documents is shown in Table 3. From a thorough analysis, we notice that the Conceptual Framework 2018 published in English is written in 86 pages and the Albanian one in 90 pages (28,793 words written in English versus 31,592 words written in Albanian⁹).

Table 3. Table of Concordance

Conceptual Framework for Financial Reporting	<i>Kuadri Konceptual për Raportimin Financiar</i>
Status and purpose of the Conceptual Framework SP 1.1-1.5	<i>Statusi dhe qëllimi i Kuadrit Konceptual SQ 1.1-1.5</i>
Chapter 1: The objective of general purpose financial reporting 1.1–1.22	<i>Kapitulli 1: Objektivi i raportimit financiar për qëllim të përgjithshme 1.1-1.22</i>
Chapter 2: Qualitative characteristics of useful financial information 2.1-2.39	<i>Kapitulli 2: Karakteristikat cilesore te informacionit financiar te dobishem 2.1-2.39</i>
Chapter 3: Financial statements and the reporting entity 3.1-3.15	<i>Kapitulli 3: Pasqyrat financiare dhe njesia raportuese 3.1-3.15</i>
Chapter 4: The elements of financial statements 4.1-4.68	<i>Kapitulli 4: Elementet e pasqyrave financiare 4.1-4.68</i>
Chapter 5: Recognition and derecognition 5.1-5.26	<i>Kapitulli 5: Njohja dhe çregjistrimi 5.1-5.26</i>
Chapter 6: Measurement 6.1-6.91	<i>Kapitulli 6: Matja 6.1-6.91</i>
Chapter 7: Presentation and disclosure 7.1-7.20	<i>Kapitulli 7: Paraqitja dhe dhenia e informacioneve shpjeguese 7.1-7.20</i>
Chapter 8: Concepts of capital and capital maintenance 8.1-8.10	<i>Kapitulli 8: Konceptet e kapitalit dhe te ruajtjes se kapitalit 8.1-8.10</i>
Appendix-Defined Terms	<i>Shtojca - përshkrimi i kushteve</i>

Approval by the Board of the Conceptual Framework for Financial Reporting issued in March 2018 *Të miratuara nga Bordi*

Source: The official translation from English to Albanian is obtainable from the IASB website.

The use of 2,799 more words in Albanian may be first justified from the differences in the syntactic properties between the two languages. However, it is also essential to point out that, although many of its staff members are English native speakers, the English language used by the IASB is considered to be a working language, and they use “English as *lingua franca*” (Evans, 2018: 1847-1849).

The IASB’s documents are translated into different languages “to achieve the mission to develop a single set of high-quality global accounting standards for use around the world” (see IASB website¹⁰).

The resulting “English” adopted may well be international English, but it is not “English English” (Evans, 2018). As a matter of fact, sometimes this can lead to convoluted and imprecise messages in the final text. It is not, therefore, always a satisfactory basis for purposes of preparation in other languages without ambiguity (Evans, 2018). For instance, The IASB official translation process consists of a professional translation by the Translation Team and a review by a Committee of Experts with at least one native speaker (see IASB website¹¹). However, the critical problem of the translation between languages and “equivalence in translation” (Evans, 2018) between the accounting systems adopting the IFRSs remains. So “the paradigm of accounting language objectivity and global equivalence may not be appropriate” (Golyagina, 2021: 469).

The second phase of our analysis consists in the textual analysis of the translation level of the English-Albanian “Conceptual Framework for Financial Reporting”. We find that accounting concepts are accurately translated and defined (some examples are shown in Table 4), with a clear distinction between accrual and cash accounting concepts.

However, some interesting problems arise. In particular, we notice that “possible” (able to be done or achieved, or able to exist) and “likely” (it will probably happen or is expected) are used with their different meanings in the English version. These two similar but different concepts have been translated in Albanian using the same word [*E mundur/mund*]. If we literally back-translate from Albanian to English this word means “possible”. In line with Zeff (2007), these words can cause different estimation and application of the likelihood, and challenge comparability, with a direct effect on the harmonization process.

We also notice a difference in the translation of “entity”. In the entire Albanian document “reporting entity” is translated as “economic reporting entity” [*Njesi ekonomike raportuese*].

Table 4. Accounting concepts from the two documents

Financial Statements	<i>Pasqyrat Financiare</i>
Users	<i>Perdoruesit</i>
Reporting entity	<i>Njesi ekonomike raportuese</i>
Assets	<i>Aktivitetet</i>
Liabilities	<i>Detyrimet</i>
Equity	<i>Kapitali neto</i>
Income	<i>Te ardhurat</i>
Expenses	<i>Shpenzimet</i>
Cash Receipts	<i>Arkëtime</i>
Payments	<i>Pagesa</i>
Reasonably certain	<i>Mjaftueshmërisht e sigurt</i>
Probability	<i>Probabiliteti</i>
Possible	<i>E mundur/ të mundshme</i>
Likely	<i>Mund/ më shumë mundësi/ i mundshëm</i>
Unlikely	<i>Nuk/ pak</i>
Foreseeable	<i>Të parashikuar</i>
Accountability	<i>Përgjegjshmërinë</i>
Accrual accounting	<i>Kontabilitetit mbi bazën e të drejtave dhe detyrimeve të konstatuara</i>
Relevance	<i>Përkatësia</i>
Faithful representation	<i>Paraqitja me besnikëri</i>

Source: authors’ elaboration from the original documents.

Moving from this difference, we investigate the reporting entity definition at a national level, by analysing the National Accounting Standard 1 (NAS1). NAS1 is only available in the Albanian language, and it is equivalent to the IASB Conceptual Framework for Financial Reporting at a national level.

Once again in the whole document the reporting entity concept is translated as an “Economic reporting entity” [*Njësia Ekonomike Raportuese*], emphasizing the economic substance. This translation of the term is also officially validated in the glossary of the IFRS key terms from English to Albanian, published and updated by the National Accounting Council of Albania. In line with Evans (2018), our findings confirm that “translation is not a simple technical, but a socio-cultural, subjective and ideological process” and “has fundamental implications for accounting regulation” (Evans, 2018: 1851).

We further analyse the treatment of the Substance over Form (SoF) concept in the Albanian accounting system, consistently with the theory of the social construction of “reality” and “language” developed by Alexander *et al.* (2018) and outlined in Section 2.

In the recent publication of the Law no. 25/2018 on “Accounting and Financial Statements”, effective from 01.01.2019, which aimed to partly harmonize the Albanian Accounting System with the new EU Accounting Directive 2013/34/EU, Substance over Form principle (SoF) is not mentioned. In fact, SoF was already introduced in the Albanian accounting system with the publication of National Accounting Standard no.1 on 1st January 2008 and it has remained unchanged.

In particular, SoF principle is defined in NAS1 (sections 57-58) as follows:

“Economic transactions are recorded in financial statements according to their economic content, that may not necessarily coincide with the legal form.

During the recording process of the business transactions should not only be considered their legal basis, as the economic content has also a fundamental importance¹².”

[Për regjistrimin e transaksioneve ekonomike në pasqyrat financiare merret në konsideratë përmbajtja e tyre ekonomike, e cila nuk është e thënë që të përputhet gjithmonë me formën e tyre ligjore.

Për regjistrimin e transaksioneve të biznesit nuk mbahet parasysh vetëm baza ligjore, mbi të cilën ato janë formuluar ose krijuar, por edhe përmbajtja e tyre ekonomike, e cila është e një rëndësie maksimale.]

The “economic” concept is prevalent (note that the word is used twice in the same sentence) and it seems to be used to accentuate the Substance over Form (SoF) concept in the Albanian accounting context. As quoted here, section 57 explicitly indicates that the “legal form” can be ignored, and indeed must be ignored if this is necessary to “record the economic content”. But section 58 is more ambivalent, although it does say that the legal form must be “considered”, not that the legal form must ultimately influence the actual recording practices. At minimum, there are nuances of inconsistency here.

An official glossary to translate IFRS concepts into Albanian language is published by the National Accounting Council of Albania. The definition of SoF available slightly differs again from the above translations:

SoF IFRS Glossary applied in Albania:

“According to this principle, transactions and the other events are recorded and illustrated following the content and the economic reality and not just basing on their legal form¹³.”

[Parimi që transaksionet dhe ngjarjet e tjera llogariten dhe paraqiten sipas përmbajtjes dhe realitetit ekonomik të tyre dhe jo thjesht sipas formës ligjore të tyre.]

The sense of SoF is here mainly the “prevalence of the content over the form”, which seems to be similar to the French “way of thinking” (Alexander *et al.*, 2018: 1966). Consistently with the other countries described by Alexander *et al.*, 2018, Albania has its own definition for SoF, available only in Albanian (NAS1) and a translation of the SoF principle as defined by the 2013 Accounting Directive in its English version has not been taken into account¹⁴.

This situation is very significant. We notice that in Albania the broad sense of all the several slightly different versions which we translate into English, including the version still enacted today, is that the legal form must be considered, *inter alia* (“not just the legal form”). This is explicitly not what Directive 34 requires (as quoted in endnote 14), as the legal form (and indeed the form without any adjective) is not mentioned. This suggests a continuing adherence to the relevance (though not the exclusive influence) of the legal form, which is not authentic to the EU Directive of 2013.

Through the Albanian case study, we show that an ex-communist country has, *de jure*, intensely changed its accounting system, implementing a fast harmonization process with the ambition to converge into the European accounting system. Doing so, we try to validate how a GAAP system (“the organism”) mutates and adapts itself to the change of the legal, economic, political and cultural environment of a country (Albania), surviving the “struggle for existence” (Vorzimmer, 1970), as presented in section 2 and endnote 1. Further, as a possible future development, a thorough investigation of the *de facto* position of reporting practice in Albania (both in the Albanian language and in English) is within the capabilities of the author team.

7. Discussion and conclusions

7.1 General discussion

As a summary starting point, we link this paper to previous research, namely the Alexander *et al.* (2018) paper which inspired and motivated it. We extract from the final paragraph of Alexander *et al.* (2018: 1976).

"Our final broad conclusion ...is that harmonisation of different socially constructed realities is more important than harmonisation of different socially constructed words. But as our theoretical framework, through the exposition of social construction and language games, demonstrates this is also logically impossible.....The scope for flexibility and miss-communication through

multiple layers of localised social construction is multiplicative rather than additive. Our detailed exposition of the SoF principle illustrated this perfectly."

Our conclusions here support the general findings of variability, dis-harmonization and the strong presence of local influences found by Alexander *et al.* (2018), despite the very different environmental and contextual circumstances of Albania as an emerging economy as presented and contrasted in the previous sections. So, our additional findings add strength to the earlier conclusions for the 7 different and distinctive EU member countries analysed in Alexander *et al.* (2018).

To sum up, we copy here, as our Table 5, Table 1 from that paper (Alexander *et al.*, 2018: 1970), relating to SoF in the 7 countries, with our findings from the Albania case added.

Table 5. Substance over form, as implemented in sample countries, translated back into English

<i>Accounting Directive</i>	Items in the profit and loss account and balance sheet shall be accounted for and presented having regard to the substance of the transaction or arrangement concerned
<i>UK</i>	Transactions and other events and conditions should be accounted for and presented in accordance with their substance and not merely their legal form
<i>France</i>	Individual statements: no explicit codification Consolidated statements: "prevalence of substance over appearance"
<i>Italy</i>	Accounting and reporting of the items is made considering the substance of the transaction or the contract
<i>Germany</i>	No explicit codification
<i>Austria</i>	Items in the financial statements are accounted for and presented having regard to the economic substance of the transactions or the arrangements concerned
<i>Poland</i>	Events, including business transactions, should be recognized in account books and disclosed in the financial statements according to their business significance
<i>Romania</i>	The accounting for and presentation of the items in the balance sheet and the profit and loss account having regard to the economic substance of the transaction or arrangement concerned
<i>Albania</i>	Economic transactions are recorded in financial statements according to their economic content, that may not necessarily coincide with the legal form. During the recording process of the business transactions should not only be considered their legal basis, as the economic content has also a fundamental importance.

Source: Alexander *et al.* 2018: 1970, with extension by the authors.

Moreover, a clear message is to support the validity of the "social Darwinism": any accounting system has to survive within its environment, that environment being specific to time, place and context. Arguably, both the "organism", i.e., the "GAAP"

system, and the environment are continually mutating under human direction. Since there are many different “environments” which require the accounting function, the whole situation becomes complex, sometimes determining the failure of harmonization and comparability.

“The adoption of standards that ignore differences between corporate governance systems leads to national adjustments of the adopted standards so that they fit the local system” (Pittroff, 2021: 381). And in accordance with Nobes and Zeff (2016) these national adjustments threaten convergence because accounting reports are no longer comparable.

We also confirm the importance of translation in accounting and accounting standard setting, consistent with previous research (Searle, 1995; Robson, 1991; Evans, 2010; Evans & Kamla, 2015; Evans *et al.*, 2015; Evans & Kamla, 2018; Evans, 2018).

7.2 A more formal analysis

We can appraise the implications of our work and findings under a number of different headings. For clarity we divide our comments and considerations as follows.

7.2.1 The case study and the similarities and differences with the original 7 member countries

As we show in Table 5, Albania in effect joins the other countries in showing considerable individuality. If we are looking for some kind of convergence in thinking and regulating between countries, then this is not closely visible in the original 7 countries of Alexander *et al.*, and it is certainly not made clearer in general direction by the addition of Albania.

Further, we show that Albania seems unusually ambivalent within itself, statements being included in successive regulatory provisions that clearly allow for the ignoring of legal form (para 57) and require its active consideration (though not its dominance or eventual relevance, para 58). This is perhaps consistent with both Germany and France, which the earlier paper shows, in both cases, to ignore, or at best obfuscate, the clear wording of the Directive (each as published in its own language). Indeed, Albania in the quoted definition from the Albanian language Glossary harks back to the common continental/legal devotion to legalism (form).

7.2.2 Integration of the case study with our theories and lessons for those theoretical considerations

In our theoretical exposition in Section 2, we argued that subjectivity and human influence are everywhere, and that our Darwinian application will link our particular

species (accounting) with a consideration of its suitability for, and its survival within, its environment (economic/political/cultural), noting that both are constantly mutating under human influence.

Further, there are multiple environments, implying the possible survival of multiple reporting systems. The analysis of our case study findings suggests a consistency with this framework. The Albanian environment is not similar in a number of ways with the environment of the existing EU member states, and is certainly different from that of Romania which has had well over a decade of full EU membership, as emphasised earlier in Section 5. The organism, the current Albanian GAAP system, as illustrated in particular by the substance over form principle, in order to survive within its current environment, is not closely following the implications of the EU Directive, or the path created, though inconsistently between themselves, by a number of the previously analysed EU member states. These various differences can be shown to be substantial, not merely formal or verbal. The differences are likely exacerbated in particular by language and translation issues across and between the multitude of languages involved, but they are often real in themselves. So, in essence the theory broadly works, and this in turn leads to the next sub-sections in this analysis.

7.2.3 Implications for Albanian developments

Our basic conclusion, consistent with our theoretical framework, and important in practice for Albania, can be stated very simply. We suggest that the stakeholders and decision-makers in Albania related to Albanian economic entities are in many situations strongly dissimilar from the stakeholders and decision-makers of IFRS and IFRS-style GAAP more globally. It follows that the appropriate GAAP system and details for the Albanian scenario *should* be different from the appropriate GAAP system and details for the other external scenarios. This automatically follows, as a principle, from the need for an organism (a particular GAAP system), if it is to survive effectively, to be broadly consistent with the environment within which it has to operate/survive.

As a general comment, the more that the users of financial reports are taking economic investment and risk-based investment decisions, rather than calculating tax, legal dividend restrictions, and similar precise calculations, then the more the international “organism”, rather than local regulations designed in the local idiom and tradition for local purposes, is required. If the ‘market for information’ has no need of rational, flexible, and relevant economic and financial data, then it would be an expensive and confusing mistake to provide it.

7.2.4 Implications for the spread, or non-spread, of IFRS as a species

This follows on directly from the flow of our discussion. In countries which do not ‘need’ information designed for external-to-the-entity suppliers of finance, it is

unnecessary to supply it. Further, and crucially, attempts to supply it will not be effective. The imposed organism, bereft of an environment consistent with its survival, will either change/mutate, or, much more likely, die and disappear. See for example Alexander and Alon (2017), which makes, and illustrates in the case of Belarus, exactly this argument.

Note however that the more Albania moves, gradually but genuinely and successfully, down the long road to eventual EU membership (a path which Belarus, being very much within the Russian orbit of influence as Alexander and Alon make clear, is not following), the more it will be forced to adapt its environment, and therefore also its GAAP system, away from the old rule-based Soviet-form-style mentality. Human thinking, mentality and socially-constructed reality, will have to shift at the same time.

It is important to emphasise that this important message is truly generalisable. The details are always country-specific, but the general argument really is general and transferable across jurisdictions and cultural contexts (different Darwinian-style environments). Imposition of externally-derived regulatory systems (the organism) into an unchanged socially-constructed economy/context will be doomed to failure.

7.2.5 Multiple environments/context/users and user needs/socially constructed realities

Broadly, our exposition, analysis and results are fully consistent with our theoretical framework, which itself follows on from that of Alexander *et al.* (2018). Following the same substance over form application as the earlier paper does, we add to its findings, and provide a contrasting scenario in that Albania has a significantly different history over recent decades. We illustrate a different socially-constructed reality from the seven countries of Alexander *et al.* (2018), and extend the overall understanding and the overall picture.

7.3 Conclusion: the validity of our theories, and therefore the failure of comparability

Finally, as a brief overall conclusion, the applicability of the social construction framework with the added explanation here of social Darwinism, is shown to be valid as an explanatory framework. The Albanian organism will, in the long run, be consistent with the needs and characteristics of the Albanian environment. Comparability of accounting and reporting across countries, even if communication across the languages and cultures is imperfect for theory-of-language reasons, will only come about if there is a need for comparability as an input into decision-making by users and stakeholders across countries.

7.3.1 *Contribution and further research*

This research contributes to the literature in three directions. First, it adds evidence to the literature on harmonization processes (among others Zeff, 2007; Arnold, 2012), analysing the evolution of financial reporting regulation for a specific country and the application of a fundamental concept, such as Substance over Form (Alexander *et al.*, 2018), comparing it to other national regulations.

Second, this work contributes to further research being a pioneer for the application of the “social Darwinism” (Vorzimmer, 1970) to analysis of a GAAP system. Finally, technically analysing the level of translation of the IASB Conceptual Framework for Financial Reporting and back-translating from national Laws, this research contributes to the development of research on translations issues and accounting (Nobes, 2021; Evans & Kamla, 2015).

The paper leaves opportunities for further research. For example, extensions of the Albanian case study may be replicated using native speakers for other countries, a need especially strong amongst emerging economies. Also, as a separate paper, possible inconsistencies between important accounting concepts can be explored by analysing the financial reports of future Albanian listed companies.

In our view there is no substitute for building up a good understanding, country by country, of the relation between the IASB and its jurisdictional constituents. This paper, for a country where the authors have insight and expertise, does exactly that.

We show that the concepts of socially-constructed reality, and of the socially-constructed messages within words, sentences and arguments, inform the creation of this understanding, and warn us of the dangers of inserting our own social constructions into an analysis of a differently constructed set.

We also, in an essentially parallel but enforcing theoretical argument, show the validity of social Darwinism in predicting the likely survival of an accounting system (the organism) within the context in which it is being inserted (the economic/political environment).

Accounting and reporting regulations and practices must meet the needs of the users, the decision-makers, who are the ‘customers’ of the accounting and reporting function. It is in this sense that an emerging country, such as Albania, will only effectively imbibe, apply, and operate a flexible, subjective, and user-focused reporting concept like substance over form when the economy, and the players within the economy, need the economic-decision tools which it facilitates. As emphasised above, this indeed makes this paper, and its detailed Albanian case, relevant for a global audience within the accounting regulation and harmonization field.

Notes

1. The original scientific Darwinian process of natural selection can be set down in the following logical pattern (Vorzimmer, 1970: 6-7):
 - I). Inherent in the reproductive faculties of organic nature is a tendency to multiplication at a geometric rate of increase.
 - II). So fixed and finite are the interrelationships of organic nature that those elements which constitute the sustenance for yet other forms will not match this rate of increase.
 - A. (Conclusion from I and II). There is, among all living organisms, a struggle for existence.
 - III). In all organic forms there appear a number of inheritable variations. Among these there occasionally appear some which prove advantageous to the individuals possessing them in the struggle for existence.
 - B. (Conclusion from A and III). Those organisms which possess advantageous variations will survive the struggle for existence.
 - C. (Conclusion from B and I). A permanent and adaptive change in the forms of organic nature will be effected (as, over time, the new forms replace the old).
2. For an examination of some of the travails when translating and implementing ‘true and fair view’ in the EEC/EU, see Nobes (1993) and Aisbitt and Nobes (2001).
3. [...] translations inevitably transform to some extent the original text. Reading Michel Foucault in French, for instance, is not exactly the same as reading the English translation. The meaning is sometimes different, and the esthetics of the text, for sure, are not the same (Humphrey & Gendron, 2015: 52).
4. For an important study of IFRS in the European countries see among the others: André P. (2017) “The role and current status of IFRS in the completion of national accounting rules – Evidence from European countries”, *Accounting in Europe*, vol.14, No. 1–2: 1–12.
5. https://ec.europa.eu/neighbourhood-enlargement/countries/package_en;
https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near_factograph_albania.pdf;
https://ec.europa.eu/neighbourhood-enlargement/countries/detailed-country-information/albania_en.
6. http://www.kkk.gov.al/foto/uploads/File/Ligji%209228%20date%2029.04.2004_anglisht.pdf.
7. This document is published in English by the Albanian National Accounting Council and taken from their website. It is self-described as ‘unofficial’, but we interpret this as simply meaning that only the Albanian original has legal significance.
8. Firstly, only 14 National Accounting Standards were published. From 1st January 2009 National Standard no. 15 on “Accounting and financial reporting principles applied on micro enterprises” (in accordance with the IFRS for SMEs) and from 1st January 2016 National Standard no. 16 on Non-Profit Organizations were also implemented.
9. One of the authors is a native speaker.
10. <https://www.ifrs.org/issued-standards/ifrs-translations/#why>.
11. <https://www.ifrs.org/issued-standards/ifrs-translations/#review-committees>.
12. Translated by the authors. A national definition in English is not obtainable as the Albanian NASs are only published in Albanian.

13. Translated by the authors.
14. "Items in the profit and loss account and balance sheet shall be accounted for and presented having regard to the substance of the transaction or arrangement concerned" Article 6.1 (h), Directive 2013/34/EU.

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