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## **An Empirical Investigation of the Influence of Back-translation and Context on Accounting Judgments: Evidence from China**

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### **ABSTRACT**

International convergence of accounting standards has resulted in researchers' greater interests in international accounting research, which often involves the translation from one language into other languages. A number of studies have conducted to examine the cross-cultural and cross-national similarities and differences in accountants' judgments on 'uncertainty expressions'. National culture has been a dominant variable in explaining differences in accountants' judgments. However, it has been argued that the employment of the culture concept has been an excuse for intellectual laziness (Patel, 2004). The differences in subjects' judgments may not be fully attributable to differences in national culture. One of the possible reasons for cross-cultural and cross-national differences in judgments may attribute to language and translation. Importantly, back-translation method, as an established translation method, has been most widely used in cross-cultural and cross-national studies, assuming that equivalence of research instrument can be ensured. No empirical evidence has been provided so far in accounting to examine this implicit assumption. This study questions this implicit assumption in a significant number of cross-cultural and cross-national studies published in leading journals, such as Accounting, Organizations and Society (AOS).

To address this gap in literature, a within-subject experiment was conducted among final year undergraduate accounting students from three Chinese universities. The first objective of this study is to examine subjects' judgments on the concept of control, which is the essential criterion in preparing consolidated financial reports between the English scenario and the same scenario translated into Simplified Chinese by using back-translation method. The second objective is to examine the influence of economic context, namely financial performance of corporations, on subjects' judgments on the concept of control. The interaction effect of back-translation and economic context has also been examined in this study.

This study has significant methodological contributions to international accounting research by providing evidence that subjects made inconsistent judgments on the concept of control in English and Simplified Chinese. The influence of translation and back-translation on accounting judgments cannot be underestimated or ignored. National culture may not be the main reason for cross-cultural and cross-national differences in judgments. The results of this study also show that the influence of economic context on subjects' judgments on the concept of control varies in different languages. Economic context cannot be ignored in applying IFRS to practice. This study has important implications to international accounting convergence and improving learning and teaching of accounting to university students.