A trial of strength: Tracing the translation of a taxonomy as a circulating reference

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Focus of the study

- To trace the tensions and trials of strength in the fabrication of the IFRS taxonomy as a 'faithful representation' of the IFRS.

- Motivation
  - Improve current understanding of
    - how a standard setting organization constructs faithful inscription representing their standard
    - how IFRS Taxonomy is becoming relevant within standard setting organization and more widely amongst users
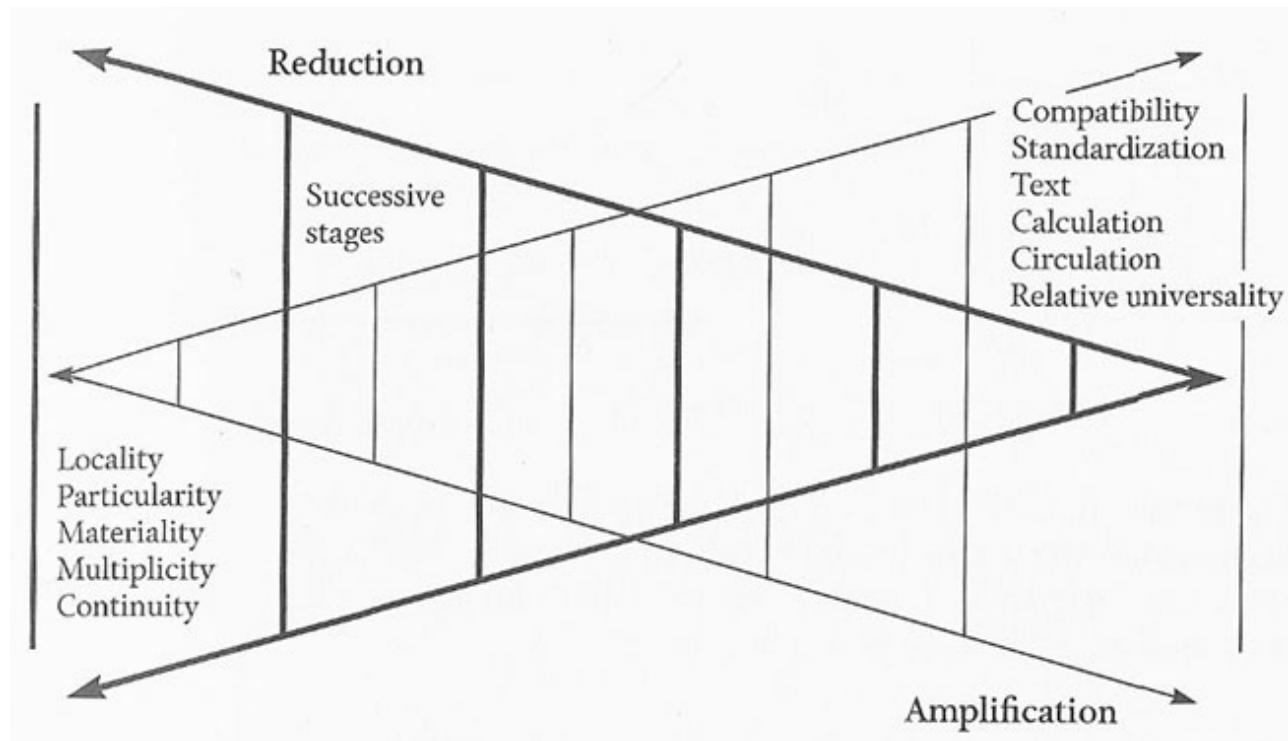 - Adoption implications

Theoretical underpinning

- Actor Network theory (ANT)

  - Focuses on objects in the process of knowledge becoming socially constructed (Callon and Latour, 1981)
  - "processes of fact fabrication and the technical and socio-political [network] ties that hold together to form truth" (Chua, 1995, p. 115)
  - Translation and Circulating reference

Theoretical underpinning

Referent is transformed into a reference to make gains of usefulness, but there will be losses

References circulate when actor translations are preserved as references are transformed

For references to circulate, all actors need to believe that references are legitimate or faithful representations of the referent
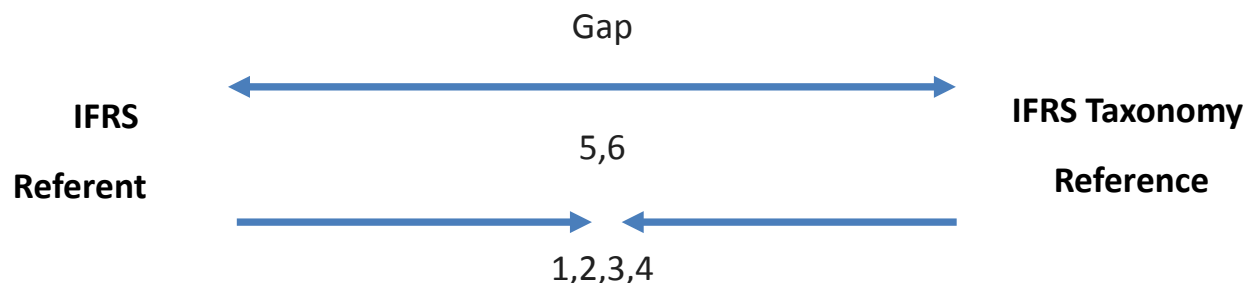
Data

- 32 Interviews (2012-15)
- documentary analysis
- Observation six years

Summary of analysis

Gap

IFRS   ⟵————————————⟶   IFRS Taxonomy

5,6

Referent   ————⟶   ⟵————   Reference

1,2,3,4

Narrowing the gap: 1) **Obligatory passage point faithfulness conditions**
                              2) **Technology-neutrality**
                              3) **Due process for interessement**
                              4) **Accessibility devices**

Widening the gap: 5) **Problematisation not shared**
                              6) **Tension between principles-based nature of IFRS and prescriptive requirements of IFRS Taxonomy**

Findings and analysis - OPP (1)

IFRS Objectives

- "IFRS brings **transparency** by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.

- IFRS strengthens **accountability** by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Our standards provide information that is needed to hold management to account. As a source of globally comparable information, IFRS is also of vital importance to regulators around the world.

- IFRS contributes to economic **efficiency** by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs." (emphasis in original) (IFRSF, 2016b).

IFRS Taxonomy Objectives

-"*Assists* transparency: increases accessibility of information for all market participants.

- *Assists* accountability: structured electronic data supports market enforcement of IFRS by regulators.

- *Assists* efficiency: accessible data may reduce costs to process IFRS information allowing users to focus on analysis." (emphasis added) (IFRSF, 2016a)

> The role of the IASB was to be enhanced in order to "**provide assurance that the IFRS Taxonomy content does not conflict with or interpret IFRSs** and that electronic reporting considerations are duly reflected" (Hoogervorst, 2014, p. 6)

Principles vs tagging (6)

- Tension between principles-based nature of IFRS and prescriptive nature of IFRS Taxonomy requirements
- Key struggle in transformation of IFRS to IFRS Taxonomy is related to their inherent incompatible nature:

- "tension between the principles-based approach to disclosure [i.e., the IFRS] followed by the IASB and the more prescriptive requirements of a computer-based tagging system [i.e., XBRL-based taxonomy representation]" (Teixeira, 2013, p.1).

Conclusion

- Trials of strength between competing imperatives for taxonomy to be a faithful reference for the IFRS
- Important devices to increase translation of a wider range of actors (due process for legitimacy and accessibility devices)
- Future proofing with technology neutrality
- Filers need to be convinced – perhaps iXBRL?
- Tension must not be a barrier to taxonomy contributing to standard setting (common elements, clarity of concepts)