

# **Financial terminology: overcoming the cultural gap - a German perspective**

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## **Abstract:**

The idea behind the introduction of International Accounting Standards within the European Union with effect from 2005 is to bring all accounting practices into line and create a common denominator for all accounting publications. It also looks like being a good idea. However, like Esperanto and many other good ideas to foster internationalisation, there is the downside. The downside here is that, at international level, we have beautiful pristine theory. In practice, at national level, all such ideas take on a life of their own and pursue their own course of development. In addition, there are national features which are specific to only one or only to a few countries and these have to be “transferred” to other accounting systems, which occasionally makes life difficult for those not thoroughly acquainted with the national system in question. Using accounting practices and conventions in Germany, this paper will look at the typical difficulties involved.

## **Advantages of implementing standard terminology practices**

It is provable that good terminology practice, i.e. the strict adherence to consistent terminology for the domain in question within the corporate organisation, can cut the amount of capital tied up in stores by unnecessary maintenance of stocks. It speeds up procedures and avoids confusion and mistakes. This results in better efficiency. It is very often the case that savings of a high order of magnitude can also be obtained through good terminology practice and the implementation of a uniform terminology strategy. The potential costs arising from the absence of Daniel Gouadec’s “terminologie vitale” are probably much higher than the costs involved in providing the terminology service of the quality required.

Typical advantages are:

- ☞ *Standardisation – both statutory, local and even company-internal*
- ☞ *Defined stipulations in connection with legal constraints (laws governing the environment, labour, contracts, product liability, etc.)*
- ☞ *Monolingual and multilingual adaptation of cultural aspects and systems with the aim of assisting in the globalisation, internationalisation and localisation of processes, procedures, documentation, etc. (giving due attention to features specific to the cultures in question, thereby avoiding embarrassing errors)*

To give an example of the problems involved in the loose use of terminology, I would cite the term “bread”. This word can be translated into virtually every language throughout the world, even to countries where bread is seldom seen or eaten. Every dictionary will provide a target-language equivalent for the English word “bread”. In general terms, this is a perfectly acceptable solution. It is no solution at all at an international bakers’ convention. Why? Because, if we compare what people of various

nationalities understand when they hear the word “bread”, it can very soon be seen that most people are talking about different things. The basic concept of “bread” as one of the staples of the western European diet is quite clear. What is not clear is the form, texture, colour and shape of the “bread” in question. Is it the British or American white bread or wholemeal bread, the French baguette, Italy’s ciabatta or bruschetta, India’s chapati, eastern Europe’s rye bread, grey bread, the flat bread variants in the Mediterranean countries, etc., etc.? Each and every one of these variants differs. They use different types of flour, are baked in different manners, are different in shape, they differ in taste and texture and are very difficult to compare. Add to these the other alternatives using basically the same ingredients: soda bread, American cookies, pancakes, crêpes, grissini, etc.

There is also the cultural aspect. The words used to welcome a guest in Russia and other countries of the east of Europe is to wish them “bread and salt” (“хлеб и соль”). This demonstrates the cultural importance of bread in these societies. In countries where, for example, rice forms the staple diet, these words of greeting are meaningless. In the west, bread was such an essential part of life that it has come to be used in colloquial English as a synonym for “money”.

## **Translatability of terms**

Even within the European community, there are difficulties in transferring ordinary day-to-day items into another language. There cannot be anyone who does not know the meaning of “cake”. But does the word “cake” conjure up the same object in the mind of the reader/hearer? In general, a cake is either round or square. It is cut into sections (half, quarter, etc.). This is the English “piece of cake”. Germans, however, differentiate between “Kuchen” (= “cake” as in English) and “Blechkuchen”, which is a cake baked on a large tray and cut into pieces afterwards. I have never seen the word “tray cake” or anything similar and the word “tart” normally follows the rules for “cake”. “Apple crumble” and cakes of that kind might just possibly be baked using the same method as the “Blechkuchen” but I personally have never seen it in Britain at any time. The German housewife is likely to offer you a “Teilchen”, i.e. a piece of “Blechkuchen”, with your coffee. The only problem is that it conveys the wrong idea when translated as “piece of cake”.

By analogy the same arguments obtain for the translation of phrases specific to the culture, especially such stereotype phrases as “je vous prie, madame, d’agrèer l’expression de mes sentiments les plus distingués”. Here, the solution is to use the “boiler-plate” method invented by Sue Ellen Wright of Kent State University in USA. You simply look for the phrase in your own language which is used in the same circumstances as the phrase in the source language which you are trying to translate and substitute the target language phrase for the source language phrase. This transfers the meaning and the impact of the text is retained.

## **Accounting terms**

Added to these linguistic, cultural-specific problems are a number of words which may have equivalents in other languages, but with an entirely different weighting. On top of these we find a great many terms and concepts which are restricted purely to the language of their countries of origin and are often also specific to certain knowledge domains. Such terms in German in accounting circles are, for example:

“Lastenausgleich”, “630-Mark-Jobs” now “400 Euro Mini-Jobs”, “Scheinselbständigkeit”, “Entgeldumwandlung”, etc.

The “Lastenausgleich” was a form of levy raised along with taxes to be used to alleviate the economic sufferings of those who lost everything during the war, for example, the displaced persons driven from their homes in the east. It was generally translated into as “equalisation of burdens levy”, which means less than nothing without knowledge of its origins.

The second term is the German equivalent of “mini-job” for which no insurance card is required, i.e. below the limit for taxation purposes (but now included in social security).

To be able to shed personnel from the payroll, thus saving the employer’s social security contributions, sickness pay, holiday pay, etc., some companies resorted to the ruse of terminating employees and promptly awarded them orders to do the same job as they had been doing as employees. As a rule, the ex-employee suffered no disadvantage and, indeed, often had distinct advantages from this change of status because the jobs were no longer subject to the constraints of labour law. The loser was the state, i.e. the tax authorities. This was then named “Scheinselbständigkeit” which could be translated into English as “bogus self-employment”. Again, background information is required by the non-German to understand what and why this term was invented and what it means.

The last term is impossible to translate. It is the quintessence of a scheme devised by the then German Minister of Labour, Walter Riester, to enable employees to make a voluntary additional contribution towards their retirement pension, allowing them to reap the benefits on retirement. In German it is generally referred to as the “Riester pension”. Once again, this term is virtually impossible to understand without detailed knowledge of its origins and has to be paraphrased because it resists virtually all attempts to translate it.

## **Comparison of difficult financial terms**

### **a) English terms**

Other terms in English (some with their German equivalents) used internationally, particularly in financial circles, and which cause problems of understanding in other countries are, for example:

**lock-up period**,                      **green shoe option**,  
**flagpole syndrome**,                **RAMBO = rescue after an MBO**,  
**sweat equity**,                         **acid test = quick ratio**,  
**ratchet scale**                        **term sheet – synonym for letter of intent**  
**due diligence**                        **cash flow**  
**debt mezzanine capital** – synonym for **senior mezzanine capital**  
**drag-along** (Mitverkaufsverpflichtung)  
**hands-off** (passiv)  
**going-concern principle** (Prämisse der Unternehmensfortführung)  
**business angel** (Privatinvestoren gegen Unternehmensanteile)  
**mezzanine financing** (Spätphasenfinanzierung)  
**free float shares**

