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IFRS implementation and studies in Turkey

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Abstract: The development of accounting system and practices in a country is a reflection of its economic development as well as legislative process. Turkey has not been an exception. Its economic development has led the accounting practices to change from tax and state oriented towards international harmonization. The purpose of this article is to provide an overview of IFRS (International Financial Reporting Standards) application in Turkey and an extensive review of IFRS related local literature gathered from major accounting, finance and business journals published in Turkey in 2005-2014 period. The local literature is expected to complement and provide insight to international literature on IFRS applications in Turkey. The findings suggest that local academic literature has been focused on application issues related to IFRS. Empirical literature findings suggest convergence problems in the application of IFRS which calls for better training and public oversight. Capital markets research findings show positive impact of IFRS adoption. Additionally, IFRS for SMEs, technical issues such as fair value measurements and convergence of tax and IFRS reporting are the important topics of discussion in local literature.

Keywords: IFRS studies, Turkey, accounting developments

JEL codes: M41

1. Introduction

IFRS is used widely all over the world. Approximately 90 countries have fully conformed to IFRS and others permit its use. Despite following the same steps and principles, each country had a different application experience and different consequences depending on local socio-economic factors. International literature includes country based studies as well as multi-country studies on the effects of IFRS application.

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However, there has been extensive literature published in local journals on IFRS as well. Hence the aim of this study is to provide an overview of local literature on IFRS in Turkey. The study is expected to contribute to the international literature by providing insight about the adoption process and local implementation issues and discussions provided by local literature. International literature on IFRS in Turkey focuses mostly on three issues; the application on listed companies, impact on financial statement items and financial ratios and lastly, impact on value relevance and accounting quality. According to the findings in the area, serious compliance problems exist in application, and IFRS had major impact on reported financial items, ratios and financial analysis. Despite the compliance problems, according to the research findings, value relevance and accounting quality has been improved for Turkish listed companies by IFRS application. However, this is just one part of the story.

The application of IFRS had not been an easy switch in Turkey. Culture of accounting for taxation had to be changed to accounting for decision-making. However the EU integration process and demands of the flourishing business has led the accounting change in the country. Listed companies came a long way since the mandatory IFRS adoption in 2005. With the new Commercial Law emphasizing corporate governance, transparency and accountability, both businesses and the accounting profession is entering a new phase. The success of this new phase depends on the appropriate application of IFRS by well-trained and ethical accountants. The aim of this paper is firstly, to provide an overview of accounting developments in Turkey for better understanding of the underlying factors of accounting choices. And secondly, providing a local focused literature review to understand the current state of IFRS application and its consequences.

Findings suggest that, it has been hard for businesses and accountants to adapt to a principle based accounting system. Additionally, translation and terminology problems and lack of knowledge base on IFRS led to compliance problems to this date. Local academic literature has been trying to address this problem by providing application based articles which constitute majority of research in the field. The major concern of the local literature has been publishing guidance on application of standards to aid practice. Secondly, topics related to IFRS such as fair value, tax and IFRS convergence and IFRS for SMEs had considerable attention. Especially, measurement of fair value estimates seemed to create a major discussion among academics and practice. Local literature also points that, IFRS for SMEs has not been understood well by the practice and lack of knowledge in this area is seen as a major problem for application.

Thirdly, despite all the problems of application the consequences of IFRS have been mostly positive for capital markets. Higher value relevance of earnings and book values and higher quality of earnings measured by conservatism, timeliness and earnings management has been observed after IFRS adoption.

The rest of the paper is as follows. Section two, provides an overview of accounting developments starting from the establishment of Turkish Republic. Section three continues with literature review and section four concludes.

2. Accounting developments

The development of accounting profession and practice in Turkey was influenced by the combination of economic development, legislative process, tax laws and cultural factors. Accounting development and practices are analyzed in sub-periods, as shown in Table 1, taking into consideration all these factors.

In the early years of the Turkish State (1923-1960), the economic system was not truly capitalistic. The capital for private sector did not exist and most of the economic activity was conducted by the State Economic Enterprises (SEE) owned by the state. Accounting reports were prepared for the state. The aim of establishing accounting practices for SEEs by the government resulted in application of Uniform Accounting System in 1972. Uniform Accounting System was mandatory for SEEs and included fundamental concepts of accounting and accounting principles, reporting system, uniform chart of accounts, uniform accounting methods, and organization of accounting, finance and auditing departments within SEEs. The accounting plan has been prepared with the help of German consultants increasing the German influence on Turkish accounting practices (Elitas & Uc, 2009). The application of Uniform Accounting System by SEEs led the flourishing private sector accounting practices in the country. Additionally, Uniform Accounting Plan for Bank Enterprises is issued in 1982.

Lack of accounting professional guidance, centrally managed economic development, and tradition of protecting state's interests led taxation oriented accounting development in the early stages of the republic. For this reason, it would be incomplete to analyze accounting developments without taxation laws influence. The aim of the accounting regulations in Turkey was to protect the interests of the Treasury. Therefore, accounting practices for most companies in Turkey has been strongly influenced by the need to produce information to tax authorities (Cooke & Curuk, 1996). Tax Law which was enacted in 1949 based on German model, had a major impact on accounting practices. The law not only included principles of bookkeeping, but also economic assets evaluation measures. In the Law it was stated which value should be applied to which items (Masrap & Akbulut, 2006). In the absence of any other accounting system in place, tax law overrode the accounting applications. Financial statements were only prepared for taxation purposes rather than aiding financial decisions. In 1961, a new Tax Law was enacted adjusting the shortcomings of the previous one. However, the impact of tax law on accounting has not changed.

It can be concluded that from the establishment of the republic to 1960s, there has been a strong German influence in Turkish accounting practices. However, after 1960s, economic and political ties with the US started to show its effect on accounting practices bringing Turkey closer to Anglo-Saxon model (Elitas & Uc, 2009). Anglo-Saxon influence was strengthened by the return of accounting scholars educated in American universities and establishment of Capital Markets Board in 1980s.

The establishment of accounting profession in Turkish Republic starts with Law 3568 "The Law of Independent Accountancy, Certified Public Accountancy and Sworn-in Certified Public Accountancy" which became effective in 1989. Aysan (2010) states that, Law 3568 has come at a remarkably late date considering the establishment of the Republic in 1923. The late establishment of the accounting profession can be attributed to several reasons. The tension between the law profession and accountants (Aysan, 2010) and the scarcity of private business and lack of true free market (Cizakca, 1996) in the early years of the Republic can be viewed as major reasons. The accounting practices pre-1989 period were conducted according to the Turkish Commercial Code and Tax Procedure Law influenced by German laws.

Law 3568 has been a turning point in accounting development. The law established the accounting and auditing as a profession and established the necessary qualifications to become a member of the profession. In addition, it provided a basis for organization of the profession as the Union of Chambers of Certified Public Accountants of Turkey (TURMOB). TURMOB not only contributed to the development of accounting practice but also promoted international harmonization of the profession through establishing relationships with international accounting bodies.

In 1992, the "General Declaration for Implementing an Accounting System" had been published by the Ministry of Finance to create an accounting system for all enterprises except financial institutions. The new uniform accounting system including basic accounting concepts, principles and chart of accounts as well as implementation guidance became effective on 1994.

Concurrently, Accounting and Auditing Standards Commission of Turkey (TMUDESK) was established in 1994 by TURMOB to publish accounting standards. The Commission published some accounting standards in line with International Accounting Standards. But these standards were not used due to lack of sanction. However, work done by TMUDESK increased awareness about International Accounting Standards within the accounting profession and business world.

Table 1. Development of Accounting Systems

Type	Time Periods					
	1923-1960	1960-1980	1980-1990	1990-2000	2000-2010	2010-
Private Sector	Tax and Commercial Law based	Tax and Commercial Law based	Tax and Commercial Law based	Uniform Accounting System and Chart of Accounts (Ministry of Finance)	Uniform Accounting System and Chart of Accounts (Ministry of Finance)	IFRS for certain firms (New Commercial Code)
State Economic Enterprises	Budgets and Financial Reporting for the State	Uniform Accounting System (Public Economic Enterprises Rearranging Committee)	Uniform Accounting System (Public Economic Enterprises Rearranging Committee)	N/A	N/A	N/A
Listed Companies	N/A	N/A	Standard General Accounting Plan (Capital Markets Board)	Standard General Accounting Plan (Capital Markets Board)	IFRS process (inflation accounting, consolidation, mandatory adoption)	IFRS
Banks and Financial sector	N/A	N/A	Uniform Accounting Plan for Bank Enterprises	Uniform Accounting Plan for Bank Enterprises	IFRS process (mandatory adoption)	IFRS

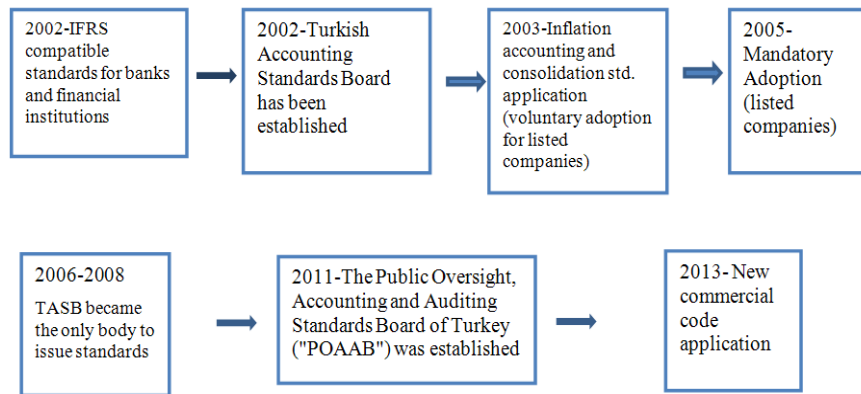
Another important contribution to accounting development in Turkey was the Capital Markets Board. The Board issued a standard general accounting plan for listed companies. Transparency and accounting uniformity was important for listed companies for attracting foreign direct investment to their businesses. The Board also promoted the entry of foreign investors to Istanbul Stock Exchange. During this period in early 1980s, big four auditors also entered the Turkish market. However, these developments had minor influence at the beginning since the number of listed firms in Istanbul Stock.

Exchange was small. As the stock market flourished it, increased the momentum in accounting developments towards the road to IFRS application as explained in the next section.

2.1. IFRS Implementation

Many institutions have contributed to the IFRS implementation process of Turkey. The Capital Markets Board of Turkey, Turkish Accounting and Auditing Standards Board, The Banking Regulation and Supervising Agency (BRSA), Turkish Accounting Standards Board and lastly The Public Oversight, Accounting and Auditing Standards Board of Turkey have all been involved in the process. The most influential of these institutions have been Capital Markets Board. In 2001, the Board issued a communiqué on inflation accounting and a revised communiqué on consolidation of financial statements which were compatible to related IASs. The first financial statements prepared using these communiqués were published as of December 31, 2003. In addition, the Board issued a broad set of financial reporting standards that are mostly compatible with IASs and IFRSs in 2003. These standards became effective for listed companies from the beginning of 2005 which set the time for mandatory adoption of IFRS for listed companies at Istanbul Stock Exchange. Figure 1, shows important events for the application of IFRS in Turkey.

Meanwhile, Banking Regulation and Supervision Agency has been working on IFRS compatible standards for banks and financial institutions. Following the banking crises in Turkey an oversight body was established for banking and financial institutions in Turkey. Transparency of banks and financial institutions has been the major concern of the Banking Regulation and Supervision Agency. Establishment of sound accounting standards were key to this issue. Consequently BRSA issued IFRS compatible standards for banks and financial institutions which were effective in 2002.

Figure 1. Important events in IFRS Application

The other important evolution in 2002 was the establishment of Turkish Accounting Standards Board by legal regulation. The board has legal power for setting Turkish Accounting Standards and sanction for all companies in Turkey. The Board started publishing accounting standards which were fully compatible with IASs and IFRSs. Searching for accounting harmonization within the country BRSA and CMB has abolished their standards for accounting standards published by the TASB which are compatible with the IFRSs adopted by the European Union in 2006 and 2008 respectively. These events made TASB the only publisher of IAS and IFRS compatible standards. Additionally, TASB accepted a harmonization (uniformity) with IFRS in order to achieve international acceptance.

The most important step in the IFRS implementation came with the issuance of new Turkish Commercial Law. In 2012, the new Turkish Commercial Code was enacted after several years of discussion in legislative process and in public. The new commercial code was a major change in orientation from German to Anglo-Saxon influence. The new commercial code promotes fair competition, transparency, corporate governance principles and most importantly accounting and auditing standards. The new Turkish Commercial Code, effective for accounting periods beginning on or after 1 January 2013, requires companies meeting certain criteria to report under Turkish Accounting Standards (translated IFRS). This has been an important step to reduce the enforcement problems related to application stated by Alp and Ustundag (2009).

In addition to the list announced by the Council of Ministers, a Company that meets two of the following three criteria: (1) total assets of 150 million Turkish liras and greater; (2) net sales of 200 million Turkish liras and greater; and (3) average personnel 500 people and greater will prepare its financial statements according to the Turkish Accounting Standards.

The Public Oversight, Accounting and Auditing Standards Board of Turkey ("POAAB") was also established as an independent institution in sequence with the new code. POAAB supersedes TASB as publisher of accounting and auditing standards. More specifically, the board has given the authority to set and issue Turkish Accounting Standards compliant with International Accounting Standards; set the auditing standards compliant with International Standards on Auditing; license audit firms and oversee the accounting profession.

3. Literature review

IFRS related studies have flourished after 2000. However, majority of these studies were limited to the application and explanation of standards. Considering the state of accounting development and tax based accounting applications with strict rules, providing guidance on principle based IFRS was essential for successful application. Other studies include conceptual IFRS development studies and empirical studies of IFRS consequences.

A historical approach is adopted and accounting literature published in leading accounting journals that are available online in Turkey are analyzed beginning in the 2005 until April 2014 as presented in Table 2. Consistent with the aim of the study, the authors mainly focus on the published papers in Turkish language.

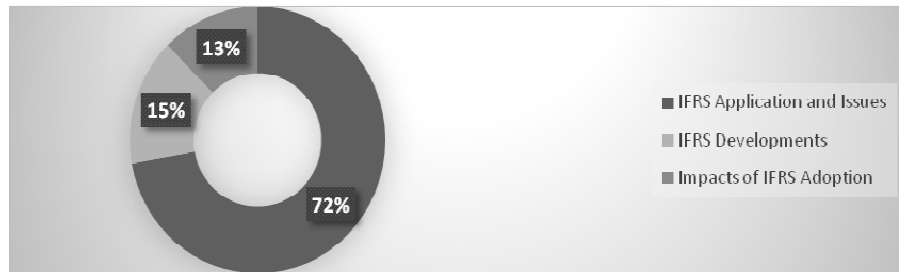
Table 2. List of the accounting journals analyzed

Journal	Publisher	Available on line since	Frequency
Muhasebe ve Bilim Dünyası (World of Accounting Science)	Accounting Academicians' Research and Collaboration Foundation (MODAV)	2008	4 times a year
Muhasebe ve Finansman Dergisi (The Journal of Accounting and Finance)	The Association of Accounting and Finance Academicians (MUFAD)	2005	4 times a year
Muhasebe ve Denetime Bakış (Accounting and Auditing Review)	the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey (TURMOB)	2000	4 times a year

Journal	Publisher	Available on line since	Frequency
Muhasebe ve Vergi Uygulamaları Dergisi (Journal of Accounting and Taxation Studies)	Ankara Chamber of Certified Public Accountants	2009	3 times a year
Mali Çözüm (Financial Analyze)	Istanbul Chamber of Certified Public Accountants	1991	6 times a year
Dayanışma Dergisi (Solidarity Journal)	Izmir Chamber of Certified Public Accountants	2009	6 times a year

To increase the scope of the study, two major journals on business studies are also analyzed as *Economics*, *Business*, *Finance* and *Ege Academic Review*. According to the literature review, a total of 169 articles are published regarding IAS/IFRSs between the years 2005-2014. The articles are analyzed in 3 classifications as IFRS Application and Issues, IFRS Developments, and Impacts of IFRS Adoption (Figure 2).

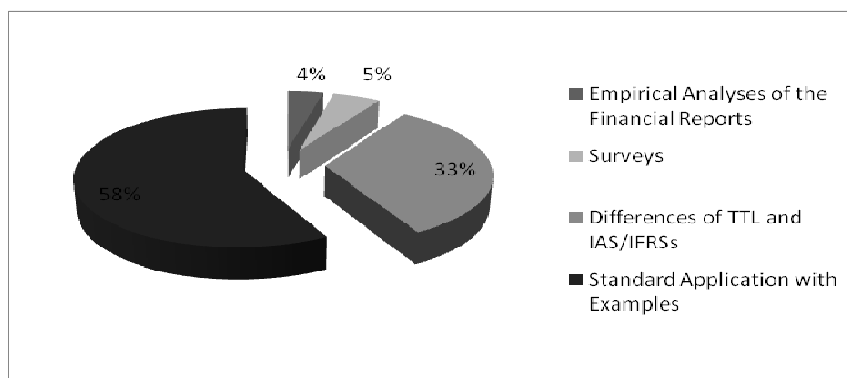
Figure 2. Classifications and percentages of the articles analyzed



3.1 IFRS application and issues

As can be seen in Figure 2, 72% of the articles focus on the issues regarding the application of IFRS in Turkey. Articles reviewed in this category mainly adopt practitioner view, and explain the application of IAS/IFRSs by giving common examples from Turkish business. Additionally, analyzes the differences of Turkish Tax Law (TTL), uses surveys to measure the perceptions of professional accountants, and empirically analyzes the financial reports of companies (Figure 3).

Figure 3. The percentage of the classification of the articles on IFRS Application and Issues (2005-2014)



When the frequency of the standards explained in literature is examined (Figure 4), it is found that researchers focus on the application of IFRS (TFRS) for SMEs in Turkey mostly. Although the researchers and the professional accountants think that the financial problems of SMEs in Turkey would be lowered with the adoption of IFRS for SMEs, and transparency and reliability of the financial statements will increase, more reliable information will be presented to policy makers, and the importance of accounting will step up as a profession (Selimoglu, 2009; Ozkan & Ozsahin, 2012); issues and obstacles regarding the application exists. Uyar and Gungormus (2013) finds that proponents for IFRS for SMEs outnumber the opponents in a survey study of accounting professionals. Moreover, their findings suggest that the knowledge level on IFRS for SMEs and the differences of IFRS for SMEs from IFRS is low among accounting professionals. In a multi-country study, Albu *et al.* (2013) found that there is moderate support for IFRS for SMEs across different stakeholders in Turkey through interviews. Their findings show that preparers, regulators and professional bodies have strong support for IFRS for SMEs application.

Erdogan and Dinc (2009) and Fidan and Cinit (2013) apply a survey to Turkish professional accountants, and their perceptions on IFRSs and IFRS for SMEs are mostly negative. Professional accountants think that IFRS for SMES will have a negative impact on workload, learning and applying the standards is too hard, and chart of accounts is inadequate for the application. Although, Dalkılıç (2011) implies that IFRS for SMEs should be explained by examples practically for Turkish professionals, and trainings should be continuous. Ozturk (2008) points out the lack of financial and intellectual support for the costs associated with these training requirements. Financial reporting tradition for tax purposes and tax legislation instead of financial reporting for accurate financial reporting is one other important obstacle behind the harmonization process of IFRS for SMEs (Poroy Arsoy & Bora, 2012). The effect of depreciation in deferred income tax, the

concept of salvage value, useful life identification and alteration, selection and modification of depreciation and pro-rata depreciation are some of the main differences of tax legislation for SMEs, however SMEs in Turkey will benefit from IFRS for SMEs specifically in performance measurement (Dalkılıç & Cagle, 2012).

**Figure 4. The Frequency of Explanation
Turkish Accounting Standards (TAS) in Articles (2005-2014)**

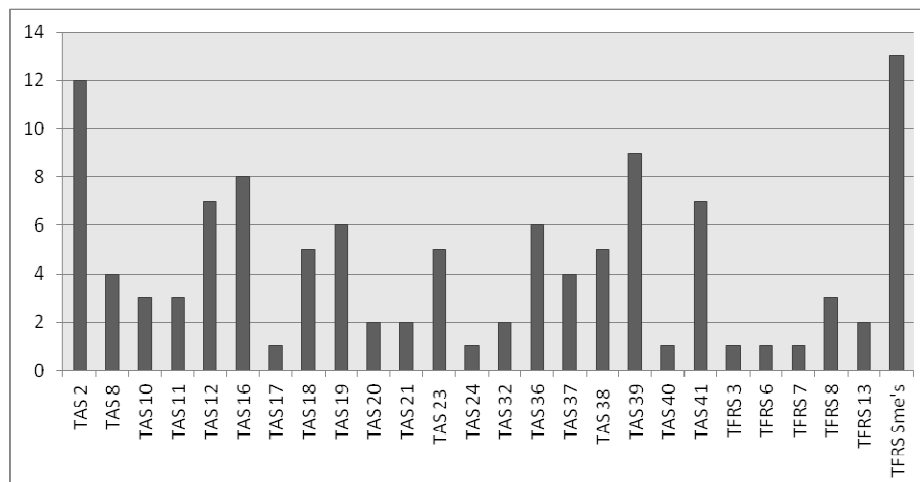


Figure 4 also shows that IAS 2 (or TAS 2 as Turkish Accounting Standard), IAS 39, and IAS 16 are also analyzed more than the other standards which is probably due to the significant impact of the valuation of inventories on taxable income, lack of fair value approach in Turkish professionals, and differences of depreciation practices in IAS and TTL.

Researchers point out that the main differences of IFRS and TTL results from the distinction that TTL aims to prevent tax evasion and rule based, however IFRS serves for complete public interest and principle based (Akbulut 2008). Aslanertik and Gumus (2012) summarizes the distinctions of TTL from IFRSs as:

“IAS 2 Inventories (depreciation expenses are calculated differently, interest is recognized as financing expense, and inventory value is accepted as cash in advance), IAS 12 Income Taxes (tax is calculated on accounting profit); IAS 16 Property, Plant and Equipment (there is no financing expenses within acquiring costs, and depreciation is calculated in various ways); IAS 18 Revenue (revenue is written down with fair value, and interest is shown in a different item); and IAS 23 Borrowing Costs (interest capitalization can only be made for the qualified assets which take a long time to prepare for the intended use or sale)”.

Nuhoglu and Parlak (2008) analyze the sources of the differences between the income statements presented to shareholders and to Ministry of Finance for the period between 2005-2007. They present the sources of the differences as the variations in accounting applications and policies of 5 items which are depreciation of intangible assets, allowance for bad debts, accounting of employee benefits, accounting of borrowing costs of capital investments and discounting of financial assets and liabilities.

One other important issue in Turkey regarding IFRS adoption is pointed out as the uniform chart of accounts. Akdogan and Sevilengul (2009) and Terzi et al. (2007) points out that the chart of accounts is inadequate and should be revised in accordance with TFRS. Aksoylu (2013) reports that Chart of accounts is inadequate for TAS 41 and accounting for arable crops and fruit gardens could not be journalized using uniform chart of accounts. Additionally, Elitas and Uc (2009) points out the importance of education, need for textbooks for better IFRS application.

Akdogan (2012) states that the responsibility of the Ministry of Finance in providing the use of Full Set TFRS or TFRS for SMEs by companies that apply tax laws in bookkeeping and financial reporting is to prevent double recording of transactions. For this purpose, Akdogan (2012) offers Ministry of Finance suggestions for compliance of IFRS in short and long term. In short term, Chart of accounts and financial statements formats should be revised, conversion table format from accounting to taxable income should be introduced, and the difference should be explained in notes. In long term however, tax law and legislation should be revised.

Alp and Ustundag (2009), lists the major difficulties of IFRS adoption in Turkey as, translation and terminology problems, complexity of standards, knowledge shortfall, enforcement issues, and technical issues such as fair value measurement.

Table 3 presents the main implications of the authors regarding IFRS Application Issues in Turkey. Akdogan (2007) and Balsarı and Dalkılıç (2007) imply that the main issue in IFRS application in Turkey is the application of the professional judgment, thus an education reform is needed for professional accountants and university students in regards to ethics to overcome the issues regarding IFRS adoption. TURMOB's role is significant in ethics education. Turkish auditing standards in compliance with International standards should support the application of IFRSs in Turkey, and IFAC ethical codes should be followed, training should be continuous in chambers.

3.2 IFRS developments

Articles in this category, summarizes and explains the significance of the contemporary developments in IAS/IFRSs, amendments, and adoption issues in the other countries.

Aysan (2007) presents the state of the world-wide implementation of the IFRS and the problems of compliance and the approaches of IFAC for wider acceptance of the IFRS. Akdogan (2010) and Celik (2010) show the contents of IFRS for SMEs and analyzes the differences between full set of IFRSs. Terzi ve Sen (2010) lists the criticisms of fair value accounting and revisions that have been made by the IASB and FASB in light of financial crises. Poroy Arsoy (2008) analyzes IFRS 8 Operating Segments as the main difference between IFRS 8 and IAS 14 is the approach that is adopted while determining the reportable segments and states that IAS 14 includes more clear and understandable requirements than IFRS 8 does.

These studies contributed to the literature and professional bodies through conceptual discussions on the use of fair value accounting, and IFRS for SMEs. It can be said that these two issues still remain the most widely discussed topics.

Table 3. Main implications of the authors for IFRS application issues in Turkey (2005-2014)

Author/(s)	Year	Main Implications
Kutukiz Boyar and Gungormus	2005	IFRS contain clear cut instructions as to what activities must be included in the calculations of operation profits. In high-inflation economies such as the Turkish economy, however, it is observed that the main source of profits of private firms happen to be the interest payments they receive from TTL uses actual costing method. In Turkey normal costing method is used rarely. Normal costing method is mostly used for managerial purposes.
Orten and Bayırlı	2006	Revision is necessary for the current accounting implementations and taxes legislation, especially for the subsequent measurement and impairment
Balsarı and Dalkılıç	2007	The main issue in IFRS application in Turkey is professional judgment since IFRS is principle based. An education reform is needed for practitioners and university students. Ethics education should support these developments. TURMOB's role is significant.
Akdoğan Akdogan and Sevilengul	2007	Turkish auditing standards in compliance with International standards should support the application of IFRSs in Turkey, IFAC ethical codes should be followed, training should be continuous with universities, chambers.
Selvi <i>et al.</i>	2007	Revisions to charter of accounts are offered for IFRS application Significant differences between the approach of TTL and IFRS to the accounting and reporting of interest amount in credit sales, especially related to interest calculation, and revenue recognition. Especially if interest rates are high in the economy and firm has high credit sales, impact of these differences will be more.
Terzi <i>et al.</i>	2007	Chart of accounts should be revised, standard guides translation are hard to understand by professionals. Issues related to rules versus principles approaches and future educational necessities for the profession. High school and university educational programs will be reviewed for purposes of improving basic education on accounting standards.
Aysan Kurt and Ozturk	2008	For SMEs in Turkey skilled staff and manager requirements are costly, financial intellectual support is needed

Author(s)	Year	Main Implications
Terzi	2008	Chart of accounts was inadequate, notes are used for explanations. Revision to the chart of accounts is needed and guides for the new one should be available for practitioners
Terzi <i>et al</i>	2008	IFRS adoption is costly, firm employees lack IFRS knowledge
Demirkol	2008	A flow diagram for estimating the fair value of biological assets is developed, the explanation in IAS 11 is inadequate
Dursun and Kurt	2008	Issues in reporting impairment: training is needed for firm employees specifically about cash flow and discounted cash flow calculations, internal control and independent audit is significant
Boyar and Gungormus	2009	The disclosure requirements regarding inventories are complex. IAS 1,2 and 8 should be analyzed. Disclosure Guides for practitioners should be prepared by regulatory institutions.
Erdoğan and Dinç	2009	Professional accountants think that their knowledge on standards is inefficient.
Omurbek and Ozdemir	2009	54 out of 100 firms reports operating segments and especially geographic segmentation in financial statements
Sipahi and Oguz	2009	TTL mainly uses historical cost, however IAS 38 uses fair value.
Kose and Ferhatoglu	2009	Revaluations are made based on the approvals of the tax authorities.
Uyar	2009	TTL and IAS 12 differs in recording replacement reserve, taxable temporary difference, deferred tax liabilities
Coskun and Gungormus	2009	IAS 2 and TTL offers similar principles in inventory valuation
Elitas and Akyuz	2009	For hospitals, TTL records expenses of the patients even though the revenue for the patient is not recognized, thus income is understated or overstated.
Esen	2009	Pro-rata Depreciation Application is accepted for all tangible assets in standards. However, today in Turkey, Pro-rata Depreciation accounting is only applied to cars in assets. This case will have impact on accounting profit and taxable profit for firms
Selimoglu	2009	Differences between the TTL and TAS/IFRS regarding the issue of doubtful receivables and the allowance for these receivables. TTL should be revised
Bayri	2010	The financial problems of SMEs in Turkey would be lowered with the adoption of IFRS for SMEs
Kabataş and Pamukcu	2010	TUAS classifies revenues and expenses as ordinary and extraordinary. IFRS classifies income as from continuing and discontinued operations
Pamukcu	2010	TUAS records all costs of the service providers to account 740 throughout the service providing process and record as an expense at the end of the period.
Bayri	2010	IAS 2 capitalizes these costs until the service is provided.
Karatat	2010	Differences with TTL have been determined in the determination of the amount that subject to depreciation, depreciation rate and the calculation of depreciation expense
Mac	2010	Balance sheet differs significantly compared with TUAS in scope and classification of assets and liabilities.
Aycicek Pamukcu and Pamukcu	2011	Accounting for Borrowing costs differ in TTL
Çatıkkaş	2011	With new commercial code, IASs TMSs cannot be amended for TTL. TTL should be revised
	2011	Differences in the initial and subsequent measurement of financial assets and liabilities with TTL. Effective interest method is not used in Turkish tax Law
	2011	IAS 19: the provision of an allowance for termination indemnity that may arise in the future is reported in the financial tables. TTL: no obligation for the calculation and accounting for such an allowance.
	2011	TTL and IAS 11 differs in revenue recognition

Author(s)	Year	Main Implications
Sen	2011	Detailed comparison of TTL and IAS 16 on depreciation. TTL must be amended
Dalkılıç	2011	Standards should be explained by examples practical for Turkish professionals, trainings should be continuous
Poroy		Financial reporting for tax purpose and tax legislation instead of financial reporting for accurate financial reporting seems to be the most important
Arsoy ve Bora	2012	obstacle behind the harmonization process of IFRS for SMEs.
Akdogan	2012	Chart of accounts and financial statement formats should change
		Internet is mostly used for knowledge on IFRS, more educated professionals and professionals that have less number of customers are more interested in learning IFRSs
Ozdemir	2012	Professional accountants say: businesses will report more transparent, reliability of the financial statements will increase, more reliable information will be presented to relevant people who are policy makers ,the importance of accounting will step up as a profession ; however workload, accounting costs and training are the obstacles
Ozkan ve Ozsahin	2012	Professional Accountants say: IFRS for SMES will have a negative impact on workload, learning full set or TFRS by them selves is too hard, chart of accounts should be amended, application of TFRS SMEs should be delayed.
Fidan and Cinit	2013	Subsequent measurement of Biological assets should be made using fair value. Biological assets transform, however TTL does not use fair value and consequently fails in terms of realistic and accurate valuations.
Taştan	2013	TTL also uses fair value concept, but fair value definition is different than IFRS. Also TTL measures less accounting items using fair value. Ex: IFRS 3 records assets and liabilities in fair value in case of business combinations.
Akdogan	2013	Book values are used in TTL.
Aksoylu	2013	Chart of accounts is inadequate for IAS 41. Example for arable crops and fruit gardens could not be journalized using uniform chart of accounts
		In Turkey leasing transactions are mostly done in foreign currencies. accounting for leases denominated in a foreign currency is explained with the help of an example
Altıntaş	2013	Even attended some courses on IFRSs, professional accountants say their knowledge is inadequate, educations on standards should be continuous and be organized by chambers
Erol Fidan ve Cinit	2013	For better application of IFRSs in Turkey: Ethics education, amendments in
Ozdemir	2013	TTL, guides for sectors, application examples are needed
Varici ve Ozdemir	2013	IFRS adoption which is imported directly without being ignored the cultural values is considered problematic. Principle based standards are difficult to apply in Turkish culture.

3.3 Consequences of IFRS adoption

Consequences of IFRS Adoption studies can be examined in three groups; impact of IFRS on financial items, ratios and financial analysis, application issues and compliance, and value relevance and accounting quality studies. Table 4 provides a summary of findings for each group of studies.

Ataman and Altuk Ozden (2009), Elitas (2010), Yerele et al (2012), Alkan and Dogan (2012) found that financial ratios are significantly affected by the IFRS adoption, thus for comparability, TTL should be revised. Terzi et al. (2013) examines the impact of IFRS adoption on financial statement items and financial

ratios. They found significant impact of IFRS on reported financial statement items values and financial ratios. Balsari *et al.* (2009) conduct a similar study to investigate the impact of IFRS on major financial ratios. Their finding suggests that, inflation accounting application in Turkey mediates the effect of IFRS on financial ratios. Findings suggest that, financial statement items are affected by the IFRS adoption, but the results should be examined carefully for other mediation effects.

Atmaca and Celenk (2011) found that IAS and IFRS positively affect the quality level of financial analyses prepared by companies for managerial purposes. Atmaca and Celenk (2011) used survey method and analyzed the results of the First 500 Greatest Industrial Corporations in Turkey. The findings showed that after IFRS adoption, managers perceive financial reports more reliable, business performance is measured more accurately, and decision making for investment and managerial decisions are positively affected. Some studies examine the effects of the IFRS adoption on the financial reports of the publicly traded companies and case studies. Guçenme and Poroy (2006) analyze the structure of cash flow statement that Uniform System of Accounts has been changed by TAS 7 and report that the traditional measurements used in measuring financial performance, calculation of added value in Economic value added (EVA) method and free cash flow method can be applied more easily with the new structure of cash flow statement. Kargin ve Aktas (2011) also analyzed a public firm's cash flow statements, reported according to TAS-7 Cash Flow Statement Standard for the years of 2006-2010 by "horizontal analysis" "trend percentage analysis", "ratio analysis", and "cash flow patterns" and could provide specific and healthy information about the firm.

Another area of research focused on the application of IFRS by Turkish listed companies. Demir and Bahadır (2013) reports an alarming percentage of non-compliance with IFRS by listed companies. The compliance levels change according to firm characteristics. Pekdemir and Turel (2010) investigate goodwill and deferred tax items of a subset of listed companies in Istanbul Stock Exchange. They found that the IFRS implementation varies among the sample firms. Bahadır and Tolga (2013) point to the accounting policy choices of Turkish companies. They found major differences in policy choices. More importantly, they concluded that not enough information is given by firms to assess the impact of their accounting policies. Pekdemir and Yonet (2010) analyze the compliance level for IAS 7 and found that there is serious non-compliance in the audited financial statements of listed companies. The results of empirical studies on IFRS implementation show serious problems of IFRS implementation among Turkish listed firms. These results call for more IFRS education and better public oversight for appropriate application of IFRS.

Lastly, other empirical studies are conducted to evaluate the capital market consequences of IFRS adoption. Kargin (2013), Suadiye (2012) Aktas (2009) and Turel (2009) empirically examined the impact of IFRS on value relevance of

accounting information. All found that the adoption of IFRS increased the value relevance of accounting information for listed Turkish firms. Even though the studies used different time periods, similar findings strengthen the positive impact of IFRS for value relevance of earnings and book values.

Table 4. Consequences of IFRS adoption

Impact of IFRS on Financial Items, Ratios and Analysis			
	Scope	Methodology	Finding
Ataman and Ozden (2009)	Ratios	Case Study	Significant impact
Elitas (2010)	Ratios	Case Study	Significant impact
Yereli <i>et al.</i> (2012)	Deferred Tax and Ratios	Case Study	Significant impact
Alkan and Dogan (2012)	Ratios	Descriptive Statistics	Significant impact
Terzi <i>et al.</i> (2013)	Ratios and Items	Non-parametric tests, Logistic regression	Significant impact
Balsari, Ozkan, Secer (2009)	Ratios	Gray's Index	Mediating effect of inflation accounting
Atmaca and Celenk (2011)	Financial Analysis	Survey	Positive effect on quality
Gucenme and Poroy (2006)	Financial Analysis	Case Study	Positive effect on financial analysis
Kargin ve Aktas (2011)	Financial Analysis	Case Study	Positive effect on financial analysis
Application Issues and Compliance			
Demir and Bahadir (2013)	Multiple items	Disclosure index, regression	Significant noncompliance, noncompliance higher for leveraged firms, lower for firms audited by big auditors.
Pekdemir and Turel (2010)	Goodwill and deferred tax	Descriptive	Varying implementation
Bahadir and Tolga (2013)	Accounting policy	Descriptive	Varying policy choices, insufficient information
Pekdemir and Yonet (2010)	IAS 7	Descriptive	Significant non-compliance and high heterogeneity in application
Value relevance and Accounting Quality			
Kargin (2013)	Value relevance	Regression	Increase in value relevance
Suadiye (2012)	Value relevance	Regression	Increase in value relevance
Aktas (2009)	Value relevance	Regression	Increase in value relevance
Turel (2009)	Value relevance	Regression	Increase in value relevance
Balsari <i>et al.</i> (2010)	Conservatism	Regression	Increase in conservatism

Impact of IFRS on Financial Items, Ratios and Analysis			
	Scope	Methodology	Finding
Uyar (2013)	Earnings management, timely loss recognition and value relevance	Regression	Increase in value relevance, decrease in earnings management, increase in timely loss recognition
Acar <i>et al.</i> (2013)	Conservatism	Regression	Increase in conservatism
Elitas and Ozdemir (2012)	Information level, segments		Increase in information level

Balsari *et al.* (2010) empirically investigate the impact of IFRS adoption on the earnings conservatism. According to the results of the study, earnings conservatism has increased after IFRS adoption in Turkey. Uyar (2013) examines the impact of IFRS on earnings management, timely loss recognition and value relevance of accounting variables. He concludes that earnings management decreased and timely loss recognition and value relevance increases after the adoption of IFRS. Acar *et al.* (2013) report positive association between provisions reported under IAS-37 Provisions, Contingent Liabilities and Contingent Assets and both earnings and balance sheet conservatism.

Elitas and Ozdemir (2012) found that for listed firms, IFRS 8 application led to increasing amount of announced information about division and financials of the company and provide the financial table users to make more elaborative analysis about companies. TAS 14 standard has also contributed substantially to the development of divisional reporting understanding in Turkey.

The results of capital markets studies reveals that IFRS adoption had an overall positive impact on the value relevance of accounting information and increases the quality of accounting information. Additionally, there has been an increase in the level of provided financial information such as segment reports after IFRS adoption which enhances transparency.

4. Conclusion

Turkish accounting system has traditionally been rule based and aimed to report for tax authorities. In addition, Turkish business culture does not support transparency. The IFRS implementation has been problematic considering these factors. Both businessman and accountants showed resistance despite the support of professional accounting body and academia to IFRS adoption. TURMOB organized extensive training programs for its members and academia has published expansive amount of application based articles which constitute majority of research in the field. These articles range from explanation of certain standards to comparative analysis of tax and IFRS applications for certain transactions. In spite of all the support empirical literature on IFRS applications provides evidence of major non-

compliance for listed companies. These findings call for more training and better oversight.

Another massive area of discussion has been the IFRS for SMEs, considering the factor that 98% of Turkish economy consists of SMEs. The application of IFRS in family or owner oriented SMEs has been the topic of discussion for many academic articles reflecting the common concerns. The expected benefits and costs of IFRS for SMEs have been discussed but lack of application in the country restrains empirical studies. Other topics of academic discussion were fair value and segment reporting.

Empirical studies on the impact of IFRS on financial statements have shown that IFRS has major impact on financial ratios and financial statement analysis. Capital markets research related to IFRS adoption research findings show positive consequences of IFRS adoption. Higher value relevance of earnings and book values and higher quality of earnings measured by conservatism, timeliness, reliability and earnings management has been observed after IFRS adoption. It should be noted that majority of empirical research in capital markets has been published in non-local journals. Despite all the application problems and discussions in the country, IFRS has elevated the role of accounting function and profession and has certainly changed the business landscape in the country.

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