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**Article**

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## Some issues related to cash flow statement in accounting education: The case of Turkey

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**Abstract:** This paper focuses on some issues related to the cash flow statement in the context of accounting education in Turkey. I identify eight aspects related to the cash flow statement based on my experience in teaching IAS 7 *Statement of Cash Flows*, and discuss their evolution over time. The paper also incorporates the educational perspective of Turkish accounting academics who teach an undergraduate level accounting course that covers this statement. For the purpose of this study, a survey of Turkish academics was conducted. The findings provide insights on how the students' competencies related to the cash flow statement should be improved in the context of undergraduate level accounting education in Turkey and, by extension, in Central and Eastern European countries. While the paper is focused on the Turkish context, the findings might be of interest for other countries in the region, embarked in the modernization of financial reporting and International Financial Reporting Standards-based accounting education.

**Keywords:** cash flow statement, accounting higher education, Turkey

**JEL codes:** M41, M49

### 1. Introduction

In Turkey, the cash flow statement (CFS) was prepared in 1989 as an optional financial statement by entities that are subject to the regulation of the Capital Markets Board (CMB) (Çiftçi & Sarıoğlu, 2007). In 1992, the CFS became a compulsory financial statement for all Turkish entities, but in 1994, the reporting of

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a CFS by all entities became optional unless their total assets or net sales revenue exceeded a certain amount. It should be noted that the role of this financial statement was not a very important one in the Turkish accounting system, because of the tax driven structure of this system (rather than financial reporting) until recently. Starting in 2005 however, the role of the CFS began to increase. The Turkish Accounting Standards Board (TASB) and subsequently the Turkish Public Oversight, Accounting and Auditing Standards Authority (TPOAASA) started to regulate the financial reporting in Turkey. Currently, CFS is a compulsory financial statement for the entities that are subject to independent audit, and an optional one for the entities that are not subject to independent audit if their total assets or net sales revenue do not exceed certain amount.

From the educational perspective, CFS has never lost its importance and its existing importance moved ahead within the Turkish accounting education after the adoption of International Financial Reporting Standards (IFRS) in 2005. In this context, the objective of this paper is to investigate some issues related to the CFS in accounting education in Turkey, and to contribute to the global accounting education in the context of the CFS from the perspective of Turkish accounting academics.

In this regard, this research is important because it investigates and discusses the trends on the eight aspects of the CFS in undergraduate level accounting education in Turkey. These aspects that are based on the author's experience in teaching IAS 7 *Statement of Cash Flows* are as follows: (1) courses that cover the CFS, (2) methods taught to calculate the cash inflows and cash outflows in a CFS, (3) accounting regulations taught to prepare a CFS, (4) accounting policies taught to prepare a CFS, (5) accounting policies taught to classify and/or exemplify some items of a CFS, (6) methods used to exemplify the financial analysis of a CFS, (7) methods used to assess and evaluate the preparation of CFS, and (8) tools of educational technology used to prepare a CFS.

The observations and discussions of my research will be of interest to both Turkish and non-Turkish accounting academics who teach undergraduate level accounting courses that cover the CFS. This research will draw a picture on some issues related to the CFS in accounting education and offer suggestions, of interest for Turkish accounting academics. On the other hand, it is expected that non-Turkish academics will also benefit from this research because it provides a starting point (i.e. the eight aspects of the CFS) to analyze the teaching of CFS at the undergraduate level within their country, and to implement some improvements.

The paper has the following structure: section 2 presents the review of the debate on CFS in accounting education; section 3 explains the data and the research methodology; section 4 discusses the eight aspects related to CFS. Finally, section 5 presents concluding remarks along with main findings.

## **2. Review of the debate on CFS in accounting education**

As I stated before, this paper focuses on eight aspects of the CFS from the perspective of accounting academics teaching undergraduate level accounting courses in Turkey. That is why the literature review section of this paper was developed according to those aspects. However, before the literature review, I should say that there are four papers that specifically refer to the literature review on accounting education, which are Apostolou *et al.* (2001; 2010; 2013), and Watson *et al.* (2007). These papers cover the literature review of accounting education from 1997 to 2012. As far as these papers and my additional analysis of literature are concerned, I did not find any prior research that specifically refers to the matters in my paper.

### **2.1 Courses that cover the CFS**

In order to determine the undergraduate level accounting courses that cover the CFS in Turkey, I examined the content of undergraduate level accounting courses in the global context and determined that the CFS is generally covered within the content of Financial Statement Analysis, IFRS, and Managerial Accounting.

In the context of the course of Managerial Accounting, I gave particular attention to the United States of America (USA) higher education system because preparation and analysis of a CFS has been one of the chapters covered in the courses and textbooks of managerial accounting for many years within business related majors when I was a student in the US. For instance, the well-known US managerial accounting textbooks co-authored by Garrison and Noreen (2003) as well as Weygandt *et al.* (2012) cover the CFS.

Within the framework of this global analysis, I questioned and discussed which courses related to CFS are mostly taught in Turkey.

### **2.2 Methods taught to calculate the cash inflows and cash outflows in a CFS**

In order to prepare a CFS, traditional methods taught to calculate the cash inflows and cash outflows are T-Account approach and Worksheet approach (Weygandt *et al.*, 2013). However, other than these methods, it is known that O'Bryan *et al.* (2000) designed the user-oriented pedagogical approach to be used in the first financial accounting course by providing a direct linkage from accounting equation analysis to the statement of cash flows within the framework of direct method. In addition, Brickner and Mccombs (2004) presented an instructional approach to be used in the introductory financial accounting course to teach the indirect approach with a specific focus on journal entries and T-Accounts. Fletcher and Ulrich (2010)

created an alternative and algebraic approach for student instruction in the creation of the CFS under direct and indirect methods based on financial equation relationships to be used in a graduate level course. Overall, all the methods try to emphasize the interrelationships between the CFS, balance sheet and income statement from different perspectives.

Within the framework of traditional methods and prior research, I questioned and discussed which calculation methods are taught by Turkish accounting academics.

### **2.3 Accounting regulations taught to prepare a CFS**

In Turkey, financial reporting is currently regulated by the TPOAASA. In this context, this Authority organizes financial reporting from two perspectives: financial reporting for entities that are subject to independent audit and financial reporting for entities that are not subject to independent audit.

In this context, entities that are subject to independent audit as well as have public accountability must prepare their financial statements in accordance with IFRS. In addition, entities that are subject to independent audit but do not have public accountability can prepare their financial statements in accordance with the first communiqué on accounting system (published in 1992) or IFRS. On the other hand, financial reporting of entities that are not subject to independent audit is regulated by the first communiqué on accounting system.

This indicates that entities that are subject to independent audit are required to prepare a CFS regardless of the regulation adopted. However, entities that are not subject to independent audit are required to prepare a CFS if their total assets or net sales revenue exceed certain amounts determined by every year. This restriction has been in force since 3<sup>rd</sup> communiqué on accounting system was published in 1994.

Within the framework of this analysis, I questioned and discussed according to which accounting regulation(s) a CFS is currently taught by Turkish accounting academics.

### **2.4 Accounting policies taught to prepare a CFS**

Accounting policies to prepare a CFS refers to the direct and indirect method in terms of IAS 7. From the financial reporting perspective, Nobes (2013) indicates that direct method is preferred by Australian listed entities versus Canadian and European listed entities (entities from Britain, France, Germany, Italy, Netherlands, Spain, Sweden) are inclined to prefer indirect method. In the same context, Pekdemir and Yönet (2010) using 2007, 2008, and 2009 IFRS financial statements, Öztürk (2011) using 2008 IFRS financial statements, Bahadır and

Tolga (2013) using 2011 IFRS financial statements, and Özdemir (2014) using 2012 IFRS financial statements, show that Turkish listed companies are inclined to prepare their CFSs under indirect method.

From an educational perspective, through the participation of thirty eight accounting students, Kojima (2012) determined that the presentation format of operating cash flow either direct or indirect influences lending decisions by using financial information about a hypothetical retail company. This research states that participants did not make any additional calculations under direct approach. This means that they directly and easily observed cash inflows and outflows compared to indirect approach. Farshadfar and Monem (2013) indicates that direct method is useful in predicting the cash flows. Hales and Orpurt (2013) supports the idea that the direct method cash flow information is decision useful within the framework of their review of academic research.

Within the framework of the financial reporting, educational, and academic perspective, I questioned and discussed which accounting policies are taught by Turkish accounting academics to prepare a CFS.

## **2.5 Accounting policies taught to classify and/or exemplify some items of a CFS**

In terms of IAS 7, it is possible to see the reporting of interest received, interest paid, dividend received and dividend paid under different activities of the CFS in practice.

In terms of interest received, interest paid, dividend received and dividend paid, IAS 7 requires these cash flows to be disclosed separately and classified in a consistent manner from one period to another as operating, investing, and financing activities (Alfredson *et al.*, 2013: 710). In this context, Nobes (2013) indicates that Australian, Canadian and European listed entities (entities from France, Netherlands, Italy, and Sweden) are inclined to classify all interest payments under cash flows from operating activities.

However, TPOAASA does not accept such a sole classification. Depending on the consistent classification under operating, investing, and financing activities, it regulates its exemplary IFRS financial statements stating that interest paid should be allocated to operating, investing, and financing activities as well as interest received should be allocated to operating, and investing activities. That is why I did not question and discuss interest received and interest paid from an academic perspective.

In this section, I focused on dividend paid, dividend received, taxes paid, and cash flows from discontinued operations.

**Dividend paid:** According to IAS 7, dividend paid may be classified either in the cash flows from operating activities or in the cash flows from financing activities in terms of non-financial companies (Alfredson *et al.*, 2013: 710). In this context, Öztürk (2011) states that Australian, Turkish, and European (entities from Britain, France, Germany, and Italy) listed entities are inclined to classify dividend payments in the cash flows from financing activities. By taking accounting policy applied in practice into account, I questioned and discussed whether Turkish accounting academics exemplify dividend paid in the cash flows from operating or financing activities.

**Dividend received:** IAS 7 does not prescribe how dividend received should be classified for non-financial companies (Alfredson *et al.*, 2013: 710). However, it is possible to classify dividend received either in the cash flows from operating activities or in the cash flows from investing activities in terms of non-financial companies depending on the accountant's perspective. In this context, Kvaal and Nobes (2010) indicates that listed entities from Australia, France and Germany are inclined to classify their dividend received under operating activities versus British entities prefer investing activities. By taking accounting policy applied in practice into account, I questioned and discussed whether Turkish accounting academics exemplify dividend received in the cash flows from operating or investing activities.

**Taxes paid:** IAS 7 makes taxes paid possible to classify in the cash flows from operating activities unless it can be specifically identified with investing and financing activities. However, the tax expense may be readily identifiable with investing and financing activities although this is not often the case (Alfredson *et al.*, 2013: 710). In this context, Öztürk (2011) shows that Turkish, Australian and European listed entities are inclined to classify their tax payments in the cash flows from operating activities. By taking the accounting policy applied in practice into account, I questioned and discussed whether Turkish accounting academics directly exemplify taxes paid in operating activities or they exemplify it by allocating to related activities.

**Cash flow from discontinued operations:** According to the relationship between IAS 7 and IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, if there are discontinued operations in a business organization, cash flows from discontinued operations must be reported in the CFS or in the notes. In this context, I questioned and discussed whether there are any Turkish accounting academics teaching the cash flows from discontinued operations in undergraduate level accounting education and, if any, where they report those cash flows.

## **2.6 Methods used to exemplify the financial analysis of a CFS**

In terms of the use of a CFS in the context of financial analysis, Gup *et al.* (1993) from an American perspective and Aktaş *et al.* (2012) from a Turkish perspective examined the cash flow patterns by using the CFS to analyze a firm's economic condition. Ibarra (2009) used the CFS to evaluate company's liquidity, efficiency, profitability and ability to protect long-term investors and creditors via cash flow ratios. In addition, Karğın and Aktaş (2011) analyzed the CFSs of a Turkish listed construction company through comparative, trend, ratio, and cash flow patterns' analysis. Kirkham (2012) uses the CFS in order to support the traditional ratios with cash flow ratios for a better liquidity analysis.

Within the framework of the prior research, I questioned and discussed which methods of financial analysis could be used by Turkish accounting academics to analyze the CFS in an undergraduate level accounting course.

## **2.7 Methods used to assess and evaluate the preparation of CFS**

Gelbal (2013) states that there are three fundamental characteristics of the methods of assessment and evaluation: reliability, validity, and practicability. Reliability consists of how the methods of assessment and evaluation sensitively measure the variable or how the results of assessment and evaluation are free from error. In this context, reliability covers consistency, persistency, and sensitivity. Validity is possible as long as the method of assessment and evaluation meets its objectives. Practicability refers to the methods whose preparation and application period is short, and easy as well as that are economically reasonable, and grading-friendly.

Within the framework of these characteristics and my teaching experience, I questioned and discussed which methods of assessment and evaluation could be used by Turkish accounting academics to assess and evaluate their students' preparation of a CFS in an undergraduate level accounting course.

## **2.8 Tools of educational technology used to prepare a CFS**

According to the recent research made by Yalçın (2012), Turkish employers expect that potential and existing accounting professionals should be familiar with the tools of information systems in terms of bookkeeping, preparing comparative financial information, and utilizing managerial and cost accounting information in the context of financial and managerial decision making within the business.

Related to these expectations, Cengiz and Uyar (2012), by examining 900 job advertisements related to accounting on February 6, 2012, found out that 96% of Turkish employers look for a potential accounting employee who has the ability to



use office programs and 24% them look for a potential accounting employee who is capable of using the accounting software "Logo" when they advertise an accounting related position.

Despite the expectations of Turkish employers, Hatunoğlu (2006) and Erol Fidan and Subaşı (2014) shows that the use of accounting software in Turkish accounting higher education is generally rare in terms of some courses such as Financial Statement Analysis, Managerial/Cost/Corporate Accounting, and Auditing versus the use of accounting software in a General Accounting course is around 20% of academics contributing to both researches. Overall, the findings of both researches indicate that accounting courses in Turkish accounting higher education are mostly taught theoretically and the use of accounting software is primarily devoted to the specific course "Computerized Accounting".

In this context, Sultanoğlu *et al.* (2007) state that Computerized Accounting is generally offered as an elective course for students majoring in management by examining a sample set of 30 Turkish universities and found out that 9 of these universities (33%) have this course in their list of electives. According to Hatunoğlu (2006), the number of academics teaching this course refers to 29 academics in a sample set of 102 academics versus the number of academics teaching this course consists of 45 academics in a sample set of 136 academics according to Erol Fidan and Subaşı (2014). Both in 2006 and 2014, around 30% of academics teach this course. Overall, prior research indicate that this course is taught in more than 9 universities; however, it is expected that it will remain as an elective course due to the adoption of EU's Bologna Process.

Other than the use of the accounting software, the use of office programs is expected from potential accounting employees as I stated before. As a reflection of this, what needs to be done is to question which one of the office programs is particularly used to teach accounting applications.

In this context, Hatunoğlu (2006) states that 77% of academics, generally, prefer using Excel in journalizing accounting transactions in a sample set of 92 academics but does not establish a relationship between the course title and Excel usage. In the same perspective, Erol Fidan and Subaşı (2014) states that the use of office programs in accounting courses consists of 80% of 136 academics, but this research does not specifically answer which one of the office programs is particularly used to teach accounting applications.

In terms of the CFS, it should be noted that Eesley (2013) developed a simpler method to introduce the CFS to entrepreneurship and other non-accounting majors so that they can construct a simple CFS under indirect method using basic spreadsheet skills. In addition, Sultanoğlu *et al.* (2014) indicates that spreadsheet

based accounting applications including the CFS were integrated into an undergraduate level principles of accounting course at Bilkent University in Turkey.

Within the framework of the prior research, I questioned and discussed whether there are any Turkish accounting academics who use any software in teaching the CFS and which accounting software and/or office programs are used by these academics to teach the preparation of CFS.

### **3. Data and research methodology**

#### **3.1. Sample set**

This research is based on the survey whose answers were collected from the Turkish accounting academics regardless of their academic levels. In this sense, this survey was sent to approximately 300 academics via e-mail. However, 105 academics contributed to this survey and 43 of them, positively, responded to the question whether they teach a course that covers the CFS. That is why the sample set is analyzed below in terms of 43 academics in the numerical, regional and academic context.

If the sample set is analyzed in the numerical context, the survey based research of Hatunoğlu (2006) and Erol Fidan and Subaşı (2014) helped me to defend my sample. According to Hatunoğlu (2006), the number of Turkish accounting academics teaching the course "General Accounting"(including Principles of Accounting, and Financial Accounting) consists of 81 academics versus the number of academics teaching a course related to CFS, primarily, "Financial Statement Analysis" refers to 45 academics in a sample set of 102 academics. In the same context, Erol Fidan and Subaşı (2014) indicate that the number of Turkish accounting academics teaching the course "General Accounting" refers to 119 academics versus the number of academics teaching the course "Financial Statement Analysis" consists of 66 academics in a sample set of 136 academics. Both researches show that the majority of academics, primarily, teach "General Accounting" in Turkey as the common course of business related majors versus teaching the course "Financial Statement Analysis" is limited compared to "General Accounting". That is one of the factors that negatively influenced my sample set.

However, this is not the only case. There are other factors that negatively influenced my sample size. In this context, some of the academics let me know that CFS is not within their specialization area or a course related to CFS is not within their major's curriculum. Some of them told me that it is within their specialization

area but related courses were transferred from the list of compulsory courses to the list of elective courses due to the adoption of European Union's Bologna Process. That is why they are not able to teach those courses at this point in time. This situation was also verified by Terzi *et al.* (2013) stating that the number of elective courses was increased due to Bologna Process. In addition, one of the academics informed me that the business major has been recently introduced and the course related to CFS has not yet been taught by him. Also, it should be considered that some of the academics did not want to contribute to my survey as well as I did find any accounting academics at some universities and I did reach some of the accounting academics due to their missing e-mail addresses.

Within the framework of all these factors/constraints, I believe that my sample size is reasonable compared to the sample size of Hatunoğlu (2006) and Erol Fidan and Subaşı (2014) and relatively reflects the Turkish case.

If the sample set is analyzed in the regional context<sup>1</sup>, the following results are pointed out in Table 1. The regional results show that the majority of academics (86%) who, positively, answered this question are from the universities located in Central Anatolia, Marmara and Aegean regions of Turkey. In addition, it reflects mainly the perspective of accounting academics from relatively major universities located in the following cities: Ankara, Istanbul, and Izmir.

Kaya and Daştan (2004) state that undergraduate level of accounting education in Turkey has taken place within the Faculty of Business Administration or within Faculty of Economics and Administrative Sciences for students majoring in management, economics, finance, and international relations. Even if the prior research indicates this fact, new business related majors such as Health Care Management, Accounting and Financial Management, Banking and Finance, Accounting Information Systems, and International Finance and Trade have been introduced within the Faculty of Health Sciences, Faculty of Economics and Administrative Sciences, within the Faculty of Commercial Sciences or within the School of Applied Sciences since 2004.

By taking this situation into account, if the sample set is analyzed in the academic context, we pointed out that 84% of academics are employed in the major of management and the remaining 16% are the academic members of other majors stated above. This shows that the finding of Kaya and Daştan (2004) is still valid.

With respect to academic levels, professors (assistant, associate and full) refer to 88% of all academics who teach a course that covers the CFS. The remaining 12% consist of instructors (with or without PhD).

**Table 1. Summary of the regional distribution of the Turkish accounting academics who teach a course covering the CFS**

| Regions          | Cities       | Number of Academics Teaching CFS per City | Number of Academics Teaching CFS in the Regional Context | % of Academics Teaching CFS in the Regional Context |
|------------------|--------------|---|--|---|
| Central Anatolia | Ankara       | 17  | 18   | 42%   |
|                  | Konya        | 1   |  |   |
|                  | Bursa        | 3   |  |   |
| Marmara          | Çanakkale    | 2   | 15   | 35%   |
|                  | Edirne       | 2   |  |   |
|                  | İstanbul     | 6   |  |   |
|                  | Yalova       | 2   |  |   |
| Aegean           | İzmir        | 4   | 5  | 12%   |
|                  | Muğla        | 1   |  |   |
| Mediterranean    | Antalya      | 1   | 1  | 2%  |
| Black Sea        | Tokat        | 1   | 1  | 2%  |
| Southeastern     | Gaziantep    | 1   | 2  | 5%  |
| Anatolia         | Şanlıurfa    | 1   |  |   |
| Unclassified     | Unclassified | 1   | 1  | 2%  |
| Eastern Anatolia | -            | -   | -  | -   |
| <b>Total</b>     | <b>-</b>     | <b>43</b>                                 | <b>43</b>  | <b>100%</b>   |

Universities of Turkish accounting academics from:

**Ankara:** Atılım University, Başkent University, Bilkent University, Çankaya University, Gazi University, Middle-East Technical University and TOBB University of Economics and Technology

**Konya:** Selçuk University

**Bursa:** Uludağ University

**Çanakkale:** Onsekiz Mart University

**İstanbul:** Doğuş University, Galatasaray University, Istanbul University, Marmara University, Yeditepe University

**Yalova:** Yalova University

**İzmir:** Dokuz Eylül University, Izmir University of Economics, Yaşar University

**Muğla:** Sıtkı Koçman University

**Antalya:** Akdeniz University

**Tokat:** Gaziosmanpaşa University

**Gaziantep:** Zirve University

**Şanlıurfa:** Harran University

Unclassified: The academic's university name is unknown.

Within the framework of the regional analysis, this sample set does not lead us to make comparative regional analysis due to its specific focus to Ankara, Istanbul, and Izmir. In addition, academic levels do not make difference in determining the trends on issues related to CFS in accounting education. That is why the sample set

is taken into account regardless of regional distribution and academic levels of academics to analyze the survey questions.

### **3.2 Research methodology**

This research uses the frequency distribution method as the research tool. In this context, this survey was prepared in summer of 2014, uploaded to Google Survey in November 2014 and sent to Turkish accounting academics via e-mail to almost all universities within Turkey as long as the university employs accounting academics. Collected answers through survey system were transferred to Excel and evaluated using the frequency distribution method. In addition, all the findings were supported through the author's observations and experiences of other accounting academics.

## **4. Empirical results and discussion**

### **4.1 Courses that cover the CFS**

Compared to my course research in the global context, my survey findings indicate that the courses that the CFS is taught in undergraduate level accounting education in Turkey, covers Specifically Designed Financial Accounting courses and some other courses in addition to Financial Statement Analysis, IFRS, and Managerial Accounting. In this context, while Table 2 presents how these courses are frequently taught by Turkish accounting academics, these findings are discussed below.

**Table 2. Courses related to the CFS**

| <b>N<sup>2</sup>=76</b>                       | <b>Frequency Distribution<br/>of Courses</b> | <b>%</b>   |
|---|--|------------|
| Financial Statement Analysis                  | 33   | 44         |
| IFRS  | 19   | 25         |
| Managerial Accounting                         | 7  | 9          |
| Specifically Designed<br>Financial Accounting | 14   | 18         |
| Other Courses                                 | 3  | 4          |
| <b>Total</b>                                  | <b>76</b>                                    | <b>100</b> |

**Financial Statement Analysis:** This course, primarily, deals with the analysis of a firm's working capital management, debt to equity structure and profitability management. In order to learn how to analyze all these financial aspects of a firm, it is required to know what the financial statements are, which items are reported in

the financial statements, how they are valued in terms of accounting policies and how they will be analyzed within the framework of the tools of financial analysis.

In this context, the historical development of financial statements in Turkey is based on the existence of State Economic Enterprises (SEE) (Özerhan & Yanık, 2008). While SEEs were preparing their balance sheets and income statements in different formats in 1930s, they adopted a quite uniform balance sheet and an income statement formats in 1939. However, these formats were not able to provide the opportunity to financially analyze these enterprises. Around 1950s, balance sheet formats were reorganized in such a way that assets were classified according to non-current/current distinction. This reclassification provided these enterprises the possibility to make financial analysis in the context of trend and ratio analysis. In 1972, a uniform chart of accounts for all firms except for banks and insurance companies was adopted and accounts were classified according to the balance sheet and income statement formats. Since then, asset items were classified according to current/non-current distinction, net working capital began to be easily calculated, regulatory accounts were reflected to balance sheet as a deduction item and the income statement was started to be prepared by function.

If the relatively recent developments were taken into account in terms of financial statements in Turkey, the first communiqué on accounting system was published in 1992 in order to regulate accurate, reliable and comparable financial statements (Koç Yalkın & Demir, 2012: 193).

One of the issues that the first communiqué on accounting system regulates is the preparation and presentation of financial statements. In this context, financial statements prepared in the context of Turkish accounting practice have to include a balance sheet, an income statement, a statement of cost of goods sold, a funds flow statement, a CFS, a profit distribution statement, a statement of owners' equity and notes to these statements (Şımga-Muşan, 1995: 357). The balance sheet, income statement and notes consist of the fundamental statements and the others are supplementary statements.

At the time that this communiqué entered into force, all business entities had to report all financial statements. In 1994, however; the third communiqué on accounting system was published in order to regulate the reporting of supplementary financial statements. According to this regulation, supplementary statements became compulsory for business entities whose total assets or net sales revenue exceed a certain monetary amount that is determined every year. Due to this constraint, the number of entities that have to report all financial statements have been limited since 1994 and this situation emphasized that accounting in Turkey is for tax purposes rather than financial accounting.

Even if this is the case, a CFS has been kept in Turkish accounting education and specifically in the content of the course and textbooks of Financial Statement Analysis. It was taught according to the Turkish format presented in the first communiqué on accounting system until the adoption of IFRS. For instance, the preparation of CFS was retained in one of the textbooks on financial analysis co-authored by Akdoğan and Tenker (2005) after the adoption of third communiqué. In this context, one of my interviewees described the situation as follows:

"After accounting authorities restricted the reporting of supplementary financial statements, accounting academics believed that they have to cover these financial statements, no matter what, in order to have well-educated potential accountants. That is why I should emphasize that CFS has never lost its position, its character, and its significance in Turkish accounting education despite the third communiqué."

In 2005, IAS 7 that was published by the former TASB made the reporting of a CFS compulsory for listed entities, banks and insurance companies. Since then, Turkish accounting academics have reorganized their courses or textbooks. For instance, it was observed that the textbook of Akdoğan and Tenker (2007) was reorganized according to IAS 7 while preserving the Turkish CFS.

In addition, new financial analysis books that cover solely the CFS in accordance with IAS 7 were introduced such as the textbook co-authored by Karapınar and Zaif (2009). On the other hand, some others, still, focus on the Turkish format presented in the first communiqué on accounting system such as Savcı (2013), and Bektöre *et al.* (2013).

This situation shows that the preparation and analysis of a CFS has been a part of a course or a chapter of a textbook in Turkish accounting education regardless of adopted regulations in Turkey. That is why the findings of this research indicate that Financial Statement Analysis is the most frequently taught course that covers the CFS in Turkish undergraduate level accounting education.

**IFRS:** After the full adoption of IFRS in 2005, IFRSs started to be offered as a required or elective undergraduate course in majors related to business and accounting and CFS of IAS 7 became a part of the course content as well. In this context, IFRS consists of the second frequently taught course that covers the CFS in Turkish undergraduate level accounting education. In addition, Turkish accounting academics started to publish IFRS related textbooks (Gücenme Gençoğlu, 2007; Gökçen *et al.*, 2011; Özerhan & Yanık, 2012; Kızıl *et al.*, 2013; Örtten *et al.*, 2013) and IFRS related subject specific books (Demir & Bahadır, 2009; Demir, 2009; Akdoğan *et al.*, 2011; Kaya, 2011).

**Specifically Designed Financial Accounting Courses:** In most of business related majors in Turkish higher education, General Accounting courses are generally designed for two terms to teach the accounting cycle, to introduce the items of

balance sheet and income statement as well as the preparation of these financial statements. Sultanoğlu *et al.* (2007) state that these courses are also called Principles of Accounting or Financial Accounting. Generally speaking, the preparation and analysis of a CFS is not included in these courses. Even the Turkish textbooks on principles of accounting does not generally cover the CFS. In this context, the great majority of the textbooks on general accounting (Civan, 2005; Çaldağ & Ayanoğlu, 2012; Arikboğa, 2013; Atabey *et al.*, 2013; Koç Yalkın, 2013; Şengel, 2013; Ataman, 2014; Erdamar & Basık, 2014; Karasioğlu, 2014; Sevilengül, 2014; Yükcü, 2014a) do not cover the CFS.

However, it is possible to see some specifically designed courses on accounting principles in some business related majors. These courses such as Principles of Accounting, Principles of Financial Accounting or Financial Accounting as stated in the survey answers, are designed as either one semester or two semester courses and cover specifically the preparation and analysis of a CFS in addition to the traditional content of such courses. In this context, one of my interviewees explained the situation in her university as follows:

"In my university, I taught principles of accounting as a two semester course until the major of management's curriculum was revised. After the revision, this course was transformed to a one-semester course and the CFS was included into the traditional course content. The reason of doing this change in course content was generated from the direct linkage between the CFS and other specific courses such as Business Finance, and Financial Statement Analysis. In this context, my students think that learning the CFS in this introductory course is complicated but familiarity to the CFS makes them happy when they take upper level accounting and finance courses because those courses teach them how to use the CFS in financial and managerial decision making."

The results of this research indicate that specifically designed financial accounting courses are the third frequently taught courses that cover the CFS in Turkish accounting education.

**Managerial Accounting:** By taking the US perspective of the course on managerial accounting into account, this research questioned whether there is any Turkish accounting academic who teaches a managerial accounting course by covering the CFS. My findings are not surprising and show that Managerial Accounting is the fourth frequently taught course that covers the CFS in Turkish accounting education in the sense that Turkish accounting academics are inclined to teach managerial accounting without CFS compared to their American peers.

These findings were also proved by the Turkish managerial accounting textbooks (Gürsoy, 2009; Civelek & Özkan, 2011; Haftacı, 2013; Büyükmirza, 2014; Gökçen *et al.*, 2014; Saban & Erdoğan, 2014; Yükcü, 2014b). None of them includes the CFS in their content.



In this regard, Turkish accounting education assumes that CFS is part of the financial accounting and other related courses rather than managerial accounting. That is why Turkish accounting academics, rarely, build a bridge between CFS and managerial accounting as seen in this survey.

**Other Courses:** There are two other courses that were received from survey answers. One of them is a two term Business Finance course whose first term is devoted to financial statements analysis which also covers the CFS. The other course is called Financial Reporting which covers financial reporting theory, alternative approaches in financial reporting, the role of financial reporting in market economy, the problem of measurement in financial reporting, alternative measurement approaches, recognition and qualitative characteristics of financial statements, and international accounting (international financial reporting) including the CFS. Other courses are the least frequently taught courses.

#### **4.2 Methods taught to calculate the cash inflows and cash outflows in a CFS**

In accounting literature, there are mainly two methods to calculate the cash inflows and cash outflows: Worksheet approach and T-Account approach. However, prior research also shows that other calculation methods were developed to facilitate the preparation of a CFS as I stated before. In this context, Table 3 presents my findings and those findings are discussed below.

**Table 3. Calculation methods for cash inflows and cash outflows**

| <b>N=43</b>               | <b>Frequency Distribution of<br/>Calculation Methods</b> | <b>%</b>   |
|---------------------------|--|------------|
| Worksheet Approach        | 23   | 53         |
| T-Account Approach        | 5  | 12         |
| Both Approaches           | 11   | 26         |
| Other Calculation Methods | 4  | 9          |
| <b>Total</b>              | <b>43</b>  | <b>100</b> |

In terms of the Worksheet approach and T-Account approach, it seems to me that T-Account approach is more convenient than Worksheet approach in undergraduate level accounting education from the students' perspective. In order to defend my opinion, I would like to share my experience based on two different courses.<sup>3</sup> On one hand, I taught a course on IFRS for the students majoring in accounting information systems in Fall 2012, 2013, and 2014. For them, I designed my example of CFS according to T-Account approach. On the other hand, I taught a course on principles of financial accounting for the students majoring in management in Summer of 2012, 2013, and 2014. For them, it was required to design the course material according to Worksheet approach. During the final

exam, I asked both group of students to prepare a full CFS. As a result of the final exams given every year, I observed that the students who prepared the cash statement using T-Account approach is more successful than the students who applied the Worksheet approach. This is not a coincidence for all years because what I experienced is the fact that as long as students concretely follow cash inflows, and cash outflows by applying T-Account approach, they feel confident and they are able to prepare a CFS almost correctly. However, those applying the Worksheet approach, mostly, memorize the application process and finally get confused. Overall, I am in favor of teaching the T-Account approach in undergraduate level accounting education if I am free to choose one or the other within the framework of the key word "*concreteness*".

In addition to my experiences, there are other Turkish accounting academics who solely teach the T-Account approach by experiencing that T-Account approach is easier, more concrete, and understandable than Worksheet approach in terms of students.

On the other hand, some Turkish accounting academics who solely teach the Worksheet approach find this approach less time consuming because they think that this approach provides students the opportunity to directly benefit from the balance sheet and income statement and students do not have to examine accounting books. At some point, it is true but I believe that time should not be an accounting academic's perspective in order to select the Worksheet approach. In this context, academics should primarily teach the method that clearly reflects the cash inflows and outflows regardless of time because their audience are students who learn what is going on in a CFS. Therefore, accounting books should not be ignored in teaching the CFS in order to decidedly establish the infrastructure of cash inflows and cash outflows for students in determining the amount cash received and cash paid. That is why I use T-Accounts whenever I need while teaching because they help students to observe changes made on accounts.

A final word of this discussion comes from the academics preferring to teach both approaches. They believe that both approaches complement each other. This is theoretically true from an academic perspective. However, I am not sure about whether students are capable of complementing both approaches with each other in their minds. Also, some academics prefer both approaches by believing that T-Account approach is more explicative than Worksheet approach but Worksheet approach is also exists in practice. I agree with them but I believe that the optimality would be possible through the full knowledge of T-Account approach and the familiarity to the Worksheet approach.

### 4.3. Accounting regulations taught to prepare a CFS

In Turkey, financial reporting regulations are currently based on the first communiqué on accounting system and IFRS under different circumstances as I stated before. Within the framework of this fact, I discuss below the findings of my research while presenting them in Table 4.

**Table 4. Accounting regulations related to CFS**

| <b>N=43</b>                              | <b>Frequency Distribution of<br/>Calculation Methods</b> | <b>%</b>   |
|--|--|------------|
| IFRS - IAS 7                             | 30   | 70         |
| First Communiqué on<br>Accounting System | 5  | 12         |
| Both Regulations                         | 8  | 18         |
| <b>Total</b>                             | <b>43</b>  | <b>100</b> |

The findings mentioned above shows that the majority of Turkish accounting academics switched from the first communiqué on accounting system to IAS 7 in teaching the CFS as if the first communiqué on accounting system is not in force anymore. However, this should not be the case because Turkish entities do not have a single financial reporting regulation at this point in time and financial reporting regulations that will be adopted, primarily, depends on whether entities are subject to independent audit or not. That is why I don't agree with accounting academics who solely teach the CFS in accordance with the first communiqué on accounting system or IAS 7. The knowledge of a CFS in accordance with the first communiqué on accounting system<sup>4</sup> and IAS 7 is still necessary in undergraduate level accounting education.

### 4.4 Accounting policies taught to prepare a CFS

In teaching the preparation of a CFS, cash flows from operating activities can be taught under direct method, indirect method or both. In this context, I discuss below the findings of my research while presenting them in Table 5.

**Table 5. Accounting policy choice related to CFS**

| <b>N<sup>5</sup>=38</b> | <b>Frequency Distribution of<br/>Accounting Policy Choice</b> | <b>%</b>   |
|-------------------------|---|------------|
| Direct Method           | 11  | 29         |
| Indirect Method         | 6   | 16         |
| Both                    | 21  | 55         |
| <b>Total</b>            | <b>38</b>   | <b>100</b> |

In order to determine the rationale behind the academics' accounting policy choice, I designed specific questions to concretely understand the academics' perspective.

In order to prefer the direct method when teaching the cash flow from operating activities section of the CFS, essentially, there would be four reasons in the Turkish and academic context as seen in Table 6.

**Table 6. The rationale to prefer the direct method**

|              | N <sup>6</sup> =20   | Frequency Distribution to<br>Prefer the Direct Method | %          |
|--------------|--|---|------------|
| a.           | The former TASB expressed a preference for the direct method by allowing the use of both methods (TASB, 2010: 391). That's why, I am stick to this preference. | 6   | 30         |
| b.           | Cash inflows and outflows are directly observed under direct method with specific reference to Kojima (2012).  | 7   | 35         |
| c.           | Students easily understand cash inflows and outflows under this method with specific reference to Kojima (2012).   | 6   | 30         |
| d.           | The cancellation of indirect method has been planning by the International Accounting Standards Board since 2011 (IASB, 2010: 43).                             | 1   | 5          |
| <b>Total</b> |  | <b>20</b>   | <b>100</b> |

In this context, I believe that the direct method combined with the T-Account approach is the most effective and efficient methodology to be able reach the minds of the students when teaching the CFS because direct method is straightforward and does not challenge the minds of students as far as my experience is concerned. Therefore, I am primarily in favor of choice b and choice c in preferring the direct method.

In order to prefer the indirect method when teaching the cash flows from operating activities section of the CFS, essentially, there would be two reasons in the Turkish and academic context as seen in Table 7.

**Table 7. The rationale to prefer the indirect method**

|              | N <sup>7</sup> =8  | Frequency Distribution to<br>Prefer Indirect Method | %          |
|--------------|--|---|------------|
| a.           | A great majority of entities listed on Turkish Stock Exchange "Borsa İstanbul" use indirect method (Pekdemir & Yönet, 2010; Öztürk, 2011; Bahadır & Tolga, 2013; Özdemir, 2014). | 5   | 62         |
| b.           | Students easily understand the transition from accrual basis to cash basis of accounting when adjusting net income for the period.   | 3   | 38         |
| <b>Total</b> |  | <b>8</b>  | <b>100</b> |

In this context, one of my interviewees explained the situation in her university as follows:

"My accounting course on principles of accounting was designed to meet what is expected from the accounting market. In terms of the CFS, what is expected from the potential accountants in Turkey is to be able prepare a CFS under indirect method. It is known that potential accountants who would particularly work for Big 4's need to know indirect method. Academic research generated from audited financial statements, also, proves this fact. In addition, indirect method is relatively easy and less costly for independent audit firms."

I agree with my interviewee in meeting the demand generated from the accounting market. However; from the students' perspective, I believe that teaching the CFS under indirect method combined with T-Account approach would be more concrete than teaching the CFS under indirect method combined with Worksheet approach as indicated by Weygandt *et al.* (2013: 659-660) because transition from accrual basis to cash basis of accounting when adjusting net income for the period would be concretely perceived by the students by posting and adjusting numbers on T-Accounts.

In order to prefer both methods when teaching the cash flow from operating activities section of the CFS, essentially, there would be four reasons in the Turkish and academic context as seen in Table 8.

**Table 8. The rationale to prefer both methods**

| N <sup>8</sup> =32  | Frequency Distribution to<br>Prefer<br>Both Methods | %          |
|---|---|------------|
| a. Students should able to prepare a CFS under both methods.                            | 15  | 47         |
| b. Both direct and indirect method exist in accordance with IAS 7.                      | 8   | 25         |
| c. TPOAASA did not express preference to any of these methods (TPOAASA, 2013).          | 4   | 13         |
| d. Other reasons expected from academics (e.g. to compare both methods with each other) | 5   | 16         |
| <b>Total</b>  | <b>32</b>   | <b>100</b> |

In this context, I believe that potential accountants should know both methods. Teaching should reflect a current and future perspective. Even if indirect method is trendy in Turkey at this point in time, it is expected that IASB cancels this method in the future or even TPOAASA may switch from indirect method to direct method depending on a regulation. That is why potential accountants should be fully educated in undergraduate level accounting education.

#### 4.5 Accounting policies taught to classify and/or exemplify some items of the CFS

This section covers the classification of dividend paid, dividend received and exemplification of taxes paid and cash flows from discontinued operations from the perspective of Turkish accounting academics.

**Dividend paid:** To classify dividend paid in the CFS of non-financial companies, three possible choices were provided to Turkish accounting academics as seen in Table 9.

**Table 9. The classification and the rationale for dividend paid**

|  | N=38 | Frequency Distribution for Dividend Paid | %          |
|--|------|--|------------|
| a. They classify dividend paid in the cash flows from operating activities (Reason: Dividend paid is taken into account in the calculation of net income for the period).  |      | 3  | 8          |
| b. They classify dividend paid in the cash flows from financing activities (Reason: Companies want to show their dividend payment capability which constitute a return on equity (ROE) to their shareholders).                                   |      | 29                                       | 76         |
| c. They classify dividend paid in the cash flows from financing activities (Reason: The former TASB (2010: 394) expressed preference to classification in cash flows from financial activities in order to uniformly present dividend payments). |      | 1  | 3          |
| <b>Both b &amp; c</b>  |      | 5  | 13         |
| <b>Total</b>   |      | <b>38</b>                                | <b>100</b> |

In terms of dividend payment from the perspective of non-financial business entities what I believe is to uniformly classify dividend paid. For instance, when company A distributes dividends to Company B, this dividend from the perspective of Company A should be classified under financing section of the CFS as a cash outflow.

**Dividend received:** To classify dividend received in the CFS of non-financial companies, two possible choices were provided to academics as seen in Table 10.

In terms of dividend received from the perspective of non-financial business entities what I believe is to uniformly classify dividend received. For instance, when company A distributes dividends to Company B, this dividend from the perspective of Company B should be classified under investing section of the CFS as a cash inflow.

**Table 10. The classification and rationale to classify dividend received**

|    | N=38   | Frequency Distribution for<br>Dividend Received | %          |
|----|--|---|------------|
| a. | They classify dividend received in the cash flows from operating activities (Reason: Dividend received is used in the calculation of net income for the period).                               | 15  | 39         |
| b. | They classify dividend received in the cash flows from investing activities (Reason: Dividend received constitute a return on investment (ROI) through common stock purchased by the company). | 23  | 61         |
|    | <b>Total</b>   | <b>38</b>                                       | <b>100</b> |

Uniformity in terms of dividend paid and dividend received is necessary to make the CFSs comparable. In this regard, it looks like that more than 50% Turkish accounting academics teaching the CFS established such a uniformity with each other in undergraduate level accounting education.

**Taxes paid:** To report taxes paid, two choices were provided to accounting academics as seen in Table 11 whether they solely exemplify taxes paid in the cash flows from operating activities or they allocate taxes paid under operating, investing or financing activities.

**Table 11. Exemplification of taxes paid**

|    | N=38   | Frequency Distribution for<br>Taxes Paid | %          |
|----|--|--|------------|
| a. | Taxes paid is classified in the cash flows from operating activities.      | 29                                       | 76         |
| b. | Taxes paid is allocated to operating, investing, and financing activities. | 9  | 24         |
|    | <b>Total</b>   | <b>38</b>                                | <b>100</b> |

In this context, I believe that exemplifying all taxes paid in the cash flows from operating activities is more convenient than allocation of all taxes to different sections of this statement in undergraduate level accounting education. The reason why I defend this opinion is the fact that this financial statement is relatively difficult and allocation is expected to make this financial statement even more complicated than it is.

In addition, the usual practice of the financial statement preparers is not to allocate taxes paid according to Öztürk (2011) even if they are capable of determining the amounts that should be recorded to investing and financing sections. I believe that their preference is based on the fact that reporting taxes paid directly in the

operating cash flows is easier and less time consuming than allocating them into specific sections of this statement.

Within the framework of this analysis, I observe that the policy choice of accounting academics and the preparers of financial statements are in compliance with each other. So, there is no reason to create pressure on students. There is a uniformity between teaching and practice.

**Cash flows from discontinued operations:** According to the relationship between IAS 7 and IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, cash flows from discontinued operations may be exemplified when the CFS is taught. In this regard, my findings show that this is rare in teaching the CFS in undergraduate level accounting education by referring to 8 academics, only.

In this context, one of my interviewees explained the situation in her university as follows:

"I currently teach Financial Statement Analysis and IFRS. In the Financial Statement Analysis course, I introduce how discontinued operations will influence the financial statements and specifically focus on the income statement and statement of cash flows. In IFRS course, I teach how to recognize discontinued operations".

Depending on my interviewee and my experiences, I should state that teaching the cash flows from discontinued operations is based on the course level that accounting academics teach. Cash flows from discontinued operations should be taught in upper or advanced level accounting courses after having some degree of accounting background in accounting education.

For the academics teaching the cash flows from discontinued operations, two choices were provided in accordance with IAS 7 and IFRS 5 on how they exemplify the reporting of them as seen in Table 12.

**Table 12. Classification of cash flows from discontinued operations**

| N=8          |   | Frequency Distribution for<br>Cash Flows from Discontinued<br>Operations | %          |
|--------------|---|--|------------|
| a.           | Cash flows from discontinued operations are reported in the notes.                                      | 6  | 75         |
| b.           | Cash flows from discontinued operations are reported as a separate item of the statement of cash flows. | 2  | 25         |
| <b>Total</b> |   | <b>8</b>   | <b>100</b> |

In this context, I believe that reporting in the notes is expected to help the students to clearly understand how much the cash flows from discontinued operations are through detailed explanations.



#### 4.6 Methods used to exemplify the financial analysis of a CFS

In terms of the financial analysis of the CFS, it is possible to determine different methods as I stated before. In this context, four possible choices as seen in Table 13 were provided to academics as they should be as the methods to exemplify the CFS in terms of financial analysis.

**Table 13. Methods to exemplify the CFS in terms of financial analysis**

| N <sup>o</sup> =50  | Frequency Distribution for<br>Financial Analysis of the Cash<br>Flows Statement | %          |
|---|---|------------|
| a. Financial analysis of a firm's CFS for a specific year   | 11  | 22         |
| b. Comparative financial analysis of a firm's CFS from one year to another  | 20  | 40         |
| c. Comparative financial analysis of firms' CFSs whose operating activities are the same                                    | 15  | 30         |
| d. Other possibilities that are expected from academics (e.g. analysis of balance sheet, income statement and CFS together) | 4   | 8          |
| <b>Total</b>  | <b>50</b>   | <b>100</b> |

In my opinion, comparative financial analysis of the CFS from one year to another and/or comparative financial analysis of firms' CFSs whose operating activities are the same should be essential in undergraduate level accounting education. In addition, it is possible to strengthen this analysis with vertical analysis if the CFS is prepared under direct method. That is why direct method is also important.

Overall, through comparative and vertical analysis, students can have more meaningful, concrete and sound results than the financial analysis of a firm's CFS for a specific year, only.

#### 4.7 Methods used to assess and evaluate the preparation of CFS

In terms of the assessment and evaluation methods for the preparation of a CFS, I provided five possible choices to the academics as seen in Table 14.

In this context, one of my interviewees explained the situation in her university as follows:

"I am in favor of asking a full CFS. However, it is not the case from time to time. As an accounting professor for students majoring in accounting, I always consider the capability of my students in undergraduate level accounting education. So, I am prudent. That's why, I sometimes prepare my question to ask one or two sections of the CFS rather than asking a full CFS".

**Table 14. Methods used to assess and evaluate the preparation of CFS**

|  | <b>N<sup>10</sup>=66</b> | <b>Frequency Distribution of Assessment Methods</b> | <b>%</b>   |
|--|--------------------------|---|------------|
| a. Preparation of a full CFS in the midterm or final exam                              |                          | 20  | 30         |
| b. Preparation of one or more than one section of the CFS in the midterm or final exam |                          | 28  | 42         |
| c. Preparation of a CFS through a quiz   |                          | 11  | 17         |
| d. Preparation of a CFS through a case study   |                          | 6   | 9          |
| e. Other possibilities that are expected from academics (e.g. in-class assignment)     |                          | 1   | 2          |
| <b>Total</b>   |                          | <b>66</b>   | <b>100</b> |

In my opinion, I am in favor of asking a full CFS when I teach for the students majoring in accounting information systems because they are potential accountants. However, I am a little flexible when I teach for the students majoring in management. In asking a full CFS, the audience is really important. For instance, if I teach for an audience covered by the students majoring in engineering (70%) as well as management (30%) in summer, I feel confident because I know engineering students have stronger quantitative skills than management students. That is why my preference is to ask a full CFS in such a case.

#### **4.8 Tools of educational technology used to prepare a CFS**

The use of educational technology is important but its use in Turkey is rare in the context of the preparation of CFS. My research findings show that the number of academics who use the educational technologies in teaching the CFS is quite rare by referring to 4 academics.

In this context, my survey results pointed out that two academics make their students practice a CFS using Excel specifically at Bilkent University and the other two academics benefit from the accounting software called "Link Paket" specifically at Uludağ University.

My results show that the use of accounting software and spreadsheet application in the context of the preparation of CFS in an undergraduate level accounting course is extremely rare in Turkey in parallel to the results of prior research papers that I stated before.

In this context, one of my interviewees explained the situation in her university as follows:

"I teach principles of accounting for the students majoring in management. This course was designed to combine accounting with spreadsheet applications so that students can continue to use their computer skills based on what they learnt in Introduction to Business. Within a semester, I have four or five lab sessions. I provide my students spreadsheet templates and questions. They prepare journal

entries, T-Accounts, Trial Balances, depreciation schedules, and all financial statements including the CFS on the spreadsheets. They like these practices so far".

In addition, Sultanoğlu *et al.* (2014) prepared a paper to compare the success of their students in terms of before and after the adoption of spreadsheet applications in an undergraduate level course on financial accounting at Bilkent University. Their research shows that students who took this course after integrating the spreadsheet applications into the course content are more successful than the former students.

In addition, Mazhin (1989), Çakıcı (2006), and Eesley (2013) show that Excel can be easily applied in order to prepare a CFS in any format.

Within the framework of this analysis, I believe that spreadsheets or accounting software should be used to teach accounting and specifically to teach the CFS. As it is in the CFS, I am in favor of supporting difficult accounting issues with computerized applications, if possible, so that students can learn complicated issues through the help of computers as one of the tools that they enjoy.

## **5. Conclusions**

Based on the author's experience in teaching IAS 7, eight issues related to teaching the CFS were identified and further analyzed in the context of undergraduate level accounting education in Turkey. As concluding remarks, I discuss each issue within the framework of my suggestions to improve the students' competencies in a CFS, as follows:

- 1. Courses that cover the CFS:** Since the number of entities that have report a CFS increased, teaching the CFS should be required for business students. In this case, CFS should be integrated into General Accounting or Financial Statement Analysis should be a compulsory course in the business curriculum.
- 2. Methods taught to calculate the cash inflows and cash outflows in a CFS:** In teaching a CFS, my keyword was "*concreteness*" from the perspective of students. For this reason, teaching should be primarily done through T-Account approach to establish a strong infrastructure to observe the cash inflows and outflows.
- 3. Accounting regulations taught to prepare a CFS:** Turkish accounting academics should not ignore the first communiqué on accounting system in addition to IFRS because it is still in force. For this reason, business students should be familiar with the CFS prepared under both regulations.
- 4. Accounting policies taught to prepare a CFS:** In teaching a CFS, direct method to meet learning objectives and indirect method to meet the demand from accounting market should be taught. But, my preference is to

combine both methods with T-Account approach to establish "concreteness".

5. **Accounting policies taught to classify and/or exemplify some items of the CFS:** To facilitate the students' learning and to establish uniformity, I believe that dividend paid should be reported under financing activities and dividend received should be reported under investing activities for non-financial entities. In addition, taxes paid should not be allocated and cash flows from discontinued operations would remain into an advanced IFRS course.
6. **Methods used to exemplify the financial analysis of a CFS:** I believe that "comparative financial analysis of a company's CFS from one year to another" and "comparative financial analysis of companies' CFSs whose operating activity is the same" should be essential. I would prefer direct method to also make a vertical analysis in all sections of the CFS.
7. **Methods used to assess and evaluate the preparation of a CFS:** Since this statement is important within the framework of the developments in financial reporting regulations, my expectation from undergraduate business students is to be able to prepare a full CFS in the exams. However, an accounting academic should be "*prudent*" by taking their students' capability into account.
8. **Tools of educational technology used to prepare a CFS:** Computer is a tool of educational technology that students, usually, enjoy. For this reason, a Financial Statement Analysis course would be designed to integrate spreadsheet applications to make horizontal, vertical, and ratio analysis through posting financial statements into spreadsheets. A CFS can, also, be prepared. This is what I do on my own use and I enjoy using spreadsheets in this course.

Within the framework of my suggestions, I believe that students would improve their competencies on CFS.

Further research would be the analysis of these issues in undergraduate or graduate level accounting education in the global context, and particularly in the context of Central and Eastern European countries, in order to investigate how teaching CFS was developed in these countries, and how it should be improved for the purpose of students' competencies by benefiting from the results of Turkish accounting academics, the author's experiences and the views of other academics.

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- <sup>1</sup> In Turkey, there are seven geographical regions that were determined according to the climate character.
- <sup>2</sup> N is equal to the total number frequencies and is based on the course selection of 43 academics who stated that they teach courses that cover the cash flow statement. Some of the academics teach more than course related to the cash flow statement.
- <sup>3</sup> Regarding my case, teaching an advanced course on one side, teaching an introductory course on the other side may be questionable. In this context, I don't expect that the course level is a determinant of success. If the same introductory accounting course that I taught is reorganized according to T-Account approach, I believe that students would improve their success.
- <sup>4</sup> Cash flow statement in the first communiqué on accounting system (Turkish cash flow statement) and in IAS 7 is not the same. According to the Turkish cash flow statement, all cash inflows and all cash outflows are reported under direct method without classifying them under operating, investing and financing activities (Akdoğan & Tenker, 2005: 287).
- <sup>5</sup> N is equal to the number of academics who stated that they teach courses that cover the cash flow statement in accordance with IAS 7.
- <sup>6</sup> N is equal to the number of frequencies and is based on the selection of direct method made by 11 academics. Some of the academics stated more than reason.
- <sup>7</sup> N is equal to the number of frequencies and is based on the selection of indirect method made by 6 academics. Some of the academics stated more than reason.
- <sup>8</sup> N is equal to the number of frequencies and is based on the selection of both direct and indirect methods made by 21 academics. Some of the academics stated more than reason.
- <sup>9</sup> N is equal to the number of frequencies and is based on the selection of methods of financial analysis made by 43 academics who stated that they teach courses that cover the cash flow statement. Some of the academics stated more than method.
- <sup>10</sup> N is equal to the number of frequencies and is based on the selection of methods of assessment and evaluation made by 43 academics who stated that they teach courses that cover the cash flow statement. Some of the academics stated more than method.