Financial reporting transformation:  
the experience of Turkey

Ali Alp a,*, Saim Ustundag b,c,**

a TOBB University of Economics and Technology, Sogutozu Cad No: 43 Sogutozu, Ankara, Turkey  
b Turkish Accounting Standards Board, Turkey  
c Accounting Standards for SMEs, IASB, Turkey

Received 7 June 2007; received in revised form 1 December 2007; accepted 18 December 2007

Abstract

From the viewpoint of a developing country which is in need of foreign capital and foreign investments to finance its economic growth, the need for high quality financial information has vital importance. The need for IFRS in Turkey was brought up by the same reasons as a developing country and as an emerging market. With the internationalization of capital markets and the increased volume of international investments, companies functioning in Turkey needed to provide high quality financial information to access financial resources. Furthermore, internationally accepted and reliable financial information is also needed for the overseas customers of the domestic companies. Another reason facilitating the need for IFRS is Turkey’s candidature for European Union membership.

This paper attempts to explain the development process of accounting standards around the world and its practical results in a developing country: Turkey. Within this context, brief information is given about the structure of International Accounting Standards Board (IASB), and adoption process of IFRS in Turkey. During this adoption process, Turkey encounters several complications such as complex structure of the international standards, potential knowledge shortfalls, and difficulties in application and enforcement issues. This paper explores these difficulties and shares the Turkish experience.

* Corresponding author. Tel.: +90 312 292 4117; fax: +90 312 287 1946.
** Corresponding author at: Turkish Accounting Standards Board, Emek Mah 4, Cad No: 112, Kat: 4 Ankara, Turkey. Tel.: +90 312 222 3353; fax: +90 312 222 3373.
E-mail addresses: aalp@etu.edu.tr (A. Alp), saim.ustundag@tmsk.org.tr (S. Ustundag).

1045-2354/$ – see front matter © 2009 Published by Elsevier Ltd.
doi:10.1016/j.cpa.2007.12.005
1. Introduction

Today with globalisation, boundaries between countries and financial markets have been removed and mutual dependence has increased. The raise of multinational company activities, economic cooperations and political unifications between developed countries increases the efforts of developing ones to be a part of this global market, which in turn requires transparent financial information. As a result of necessity for good quality information, the importance of accounting standards which are aimed to form dependable, comparable and understandable financial information, recognized all around the world. As the world continues to globalize, discussion of convergence of national and international standards has increased significantly and the need for the convergence of local financial reporting standards along with International Accounting Standards (IAS) has emerged. Today, it is generally accepted that globally consistent and a uniform financial system in a global setting will provide cost-efficiencies to private businesses and greater safeguard to the public.

Financial statements have historically been one of the main ways in which information has been provided by a company to its shareholders and to investors considering whether to contribute capital. Reduced confidence in financial information and corporate disclosure produces an investor retreat and results in an increased cost of capital. This reduces the economy’s productivity (IFAC, 2007).

In 2002, for the purpose of setting a single market in European Union (EU), where the member states could freely trade among each other, and increase the economic productivity, a regulation requiring EU companies to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) has been accepted. The regulation that involves all member states has taken force in 2005. With this regulation IFRS has gained acceptance around the European continent but still the countries such as United States (US), Japan and Canada are allowing their domestic companies to prepare their financial statements in accordance with national legislations.

As the financial reporting practices of companies vary vastly among different nations, immense complications on preparing, consolidating, auditing and interpreting published financial statements will remain to be a problem for a while. To combat these complications, many organizations throughout the world are involved in attempts to harmonise or standardise accounting principles and for this purpose International Accounting Standards (IAS), now renamed as International Financial Reporting Standards (IFRS), are gaining acceptance worldwide (Bebbington and Song, 2005). High quality accounting standards are essential to the efficient functioning of a market economy (SEC, 2007). The harmonisation of financial reporting around the world will help to raise confidence of investors generally in the information they are using to make their decisions and assess their risks (Sajjad, 2006).
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات