

**J. HOOIJER:** I am happy to pass on the floor now to our colleague coming from Ankara Mr. GOZLUKLU, Secretary General of Turkish Accounting Standards Board.

**B. GOZLUKLU:** Thank you for all. First of all we would like to express our gratitudes for being invited to take part in such an important event and I would also like to thank to the commission for enabling us introduce the progress towards the adoption of the IFRSs in Turkey.

Let me give some information about the content of my presentation. I will try to first exhibit the development of accounting in Turkey, in brief of course, and then go on with the implementation of the IFRSs in Turkey. I mean the IFRS era in Turkey... and lastly I will try to touch on the potential future prospects regarding the adoption of the IFRSs in Turkey.

Now, when we take a glance at the background of accounting in Turkey, we come across with a multi-headed situation including fragmented standards from multiple set of authorities. Turkish Commercial Code as laid down by the Ministry of Industry and Trade is valid for all the commercial companies operating in Turkey. Tax Procedures Law, as the name indicates, the Turkish Ministry of Finance comes on stage here, was also applied by all of the real and legal persons in Turkey and for the banks, via the Banking Law, the Banking Regulation and Supervision Agency was promulgating the accounting standards to be followed by the financial institutions in Turkey. Capital Markets Board, through the Capital Markets Law, was in charge for the accounting of the capital market institutions operating in Turkey. Lastly, the Undersecretariat of Treasury by the Insurance Law has set some financial reporting standards for the insurers in Turkey.

When we take an in depth look at the accounting provisions in Turkey, practically it won't be wrong to summarize that the development of the accounting standards has taken place under the oversight of the Turkish government. At the very beginning, they were based primarily on the European counterparts from the France and German practices, and then with the increasing relations between the countries the effects of the United States regulations has felt intensely. At this point we need to say that the Tax Laws were for many years the basic determinant for the accounting provisions in Turkey. That is, due to the wider scope of the applications and sanctions for non-compliance, we observed that most of the entities in Turkey were following the standards set by the Turkish Ministry of Finance, and if necessary

do externally reconcile with the relevant specific regulation. I mean, with the Capital Markets Law, with the Banking Law, or for a foreign investment in Turkey, with the relevant foreign legislation. So to summarize, in the previous decades tax laws were the main basis for accounting, and by the way the remaining list of those other standards were not only far from the IFRSs but were also different from each other. So there was no uniformity in between them.

Now, let's have a short look at the implementation of the IFRSs in Turkey. I mean the IFRS era in Turkey... The establishment of the TASB, the Turkish Accounting Standards Board and its definite reference to the IFRSs as the basis for its standards was the main milestone in the adoption of the IFRSs in Turkey. Because following that, IFRSs were adopted by the TASB and published in the Official Gazette under the name of the Turkish Accounting Standards as the formal translations of the IFRSs. Furthermore, those Turkish Accounting Standards were continuously updated in response to the progresses achieved in the IASB, with the effective dates as originally pronounced by the IASB preserved.

After the pronouncement of the IFRSs under the name of the Turkish Accounting Standards, Banking Regulation and Supervision Agency has adopted those standards for banks, financing, leasing and factoring companies. And following that, the Undersecretariat of Treasury has referenced to Turkish Accounting Standards for the insurance firms and their associates, subsidiaries and joint ventures. And finally for the listed companies remaining, the Capital Markets Board has accepted Turkish Accounting Standards, I mean the IFRSs as applied in the EU, as the basis for the financial reports of the listed entities.

What about the remaining chunk of the economy? I mean the SMEs in Turkey. There is still no statutory obligation on the application of the IFRSs, tax based reporting still remains. But besides those, a single regulation and chart of accounts which we think is compatible with the Directives to a great extent is in effect.

So when we summarize the current situation, there appears to be two different standard setters with two different sets of standards in Turkey at the moment. And when we use the term "public accountability" as it is defined in the IFRS for SMEs, Turkish Accounting Standards are currently applied by the entities with public accountability, and on the other hand the Ministry of Finance still sets the standards for the financial reports of the remaining chunk of

the economy. So at present, the insurance firms and the firms with public accountability use the IFRSs through the Turkish Accounting Standards as their basis for reporting. Hence, uniformity in between their financials has been achieved.

And let's have a short look at the potential future prospects regarding the adoption of the IFRSs in Turkey. In this point we face with a revolutionary new draft law in Turkey, the draft Turkish Commercial Code which has under discussion in the Turkish Grand National Assembly right now. That's the biggest revolution in this field as it depicts the Turkish Accounting Standards Board and its standards published under the name of "Turkish Accounting Standards" as the unique source for financial reporting for all the real and legal persons operating in Turkey. And it also includes a provision stating the formulation of a simpler set of standards for the SMEs by the TASB.

And, another point regarding the future progress of the IFRSs in Turkey is the tendency within the EU regarding the IFRS for SMEs at the moment. As far as we know, the directives have been revised, I mean in the process of revision right now and again, as far as we know, at least from our point of view the position of the EU regarding the acceptance of the IFRS for SMEs is to somewhat unclear. So, we are closely screening the process within the EU in this regard. And taking into account the current status of the EU and the draft law I previously mentioned which is under discussion in the Turkish Grand National Assembly, the TASB has prepared a new communiqué based on the IFRS for SMEs. And in this communiqué the provisions of the IFRS for SMEs which is contradicting with the directives at the moment will be postponed until the debates, I mean the modernization studies within the EU are resolved. Following such an approach, compliance with the directives will be achieved. And that kind of a treatment will also result in a smooth transition for the SMEs in Turkey to the IFRS for SMEs in full, if needed. And within this framework, a single chart of accounts unifying the financial statements format has also been prepared by the TASB to accompany this new communiqué.

That's all for now. Dear Joroen I think I've stayed on my time limits. Thank you for your attention.

**J. HOOIJER:** Thank you very much Burcin for this attractive speech. It is very important and interesting for Europe to know about the developments in such a big neighbor and candidate country.