

# Transition to Hyperinflation Reporting in Turkey

# Our Hyperinflation Reporting Team



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# CONTENT

**About Us**

**Accounting Framework in  
Turkey**

**Background**

**Work Conducted**

**Key Challenges**

# About Us

# Mission and Functions

Establishing high quality and reliable financial reporting and auditing environment and ensuring an effective public oversight system.

Setting accounting standards

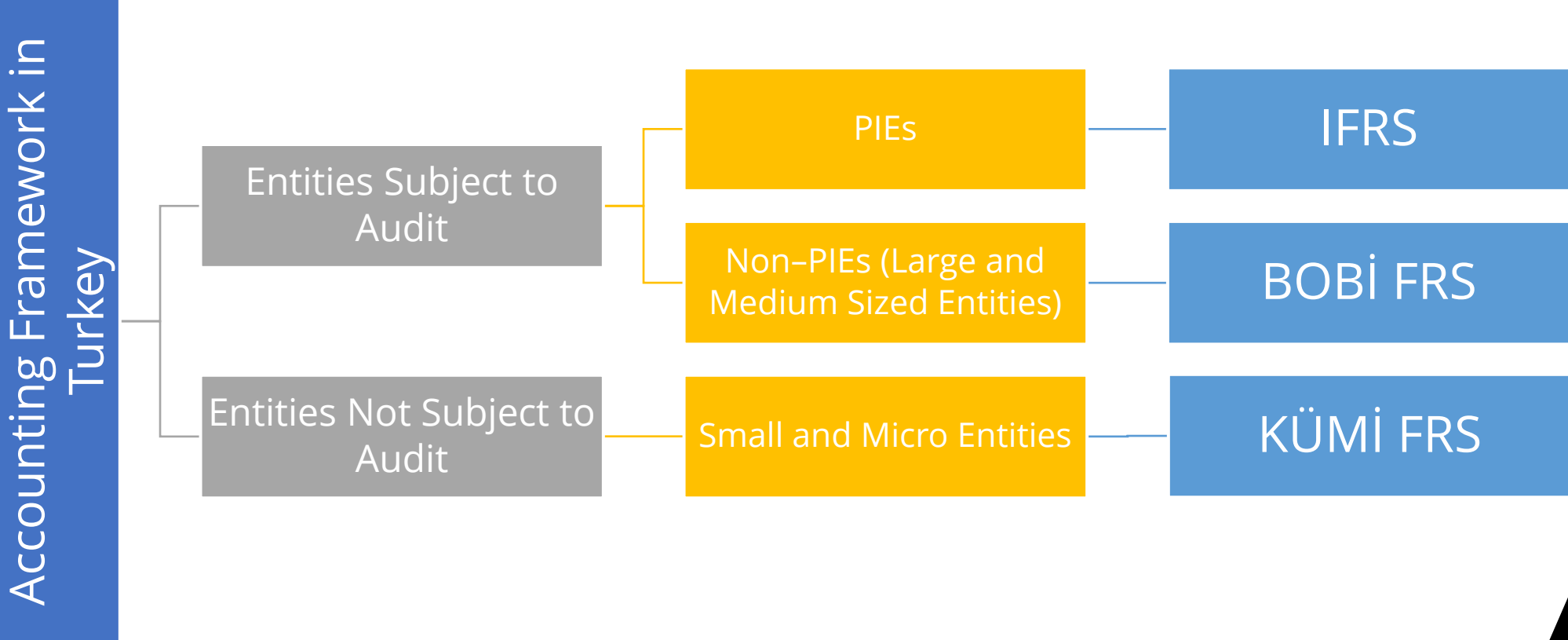
Authorising and registering auditors and audit firms

Setting auditing standards

Oversight of auditors and audit firms

# Accounting Framework in Turkey

# Accounting Framework in Turkey - At a Glance



# Background



# High Inflation Under TFRS and BOBI FRS Conditions

1

In TMS 29 and BOBI FRS Section 25 it is stated that one of the characteristics of hyperinflation environment the cumulative inflation rate over three years must approach or exceed 100%.

2

In Turkey, there was a rapid increase in the general level of prices, especially in the last quarter of 2021, and according to the data published by TURKSTAT, the cumulative increase was 74% in the last three years as of December 2021.

3

These price increases have led to discussions on whether financial statements would be restated as to impact of inflation. For this reason, an announcement was published by our Institution on 20.01.2022.

4

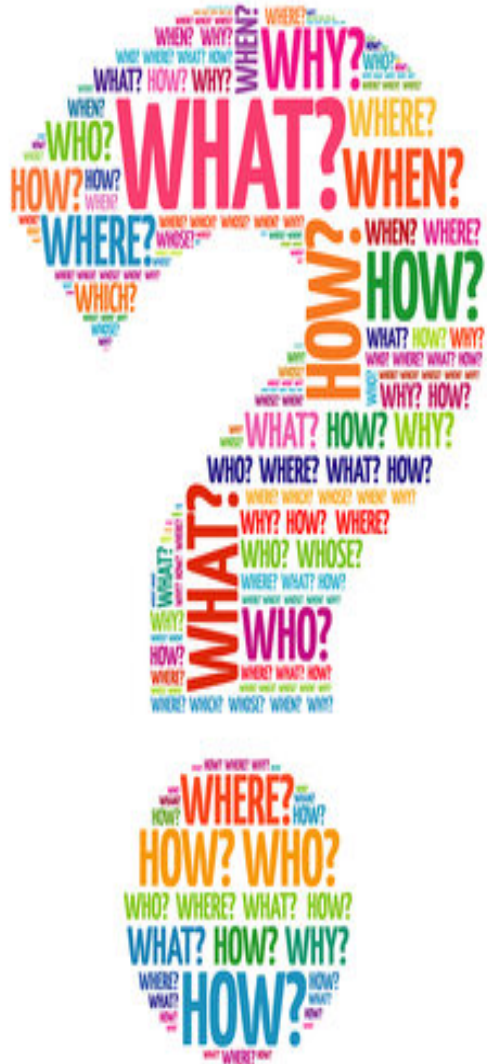
In that announcement, it was stated that since the inflation rate did not exceed 100% the entities would not be required to restate financial statements for 2021 reporting period.

# Situation in 2022



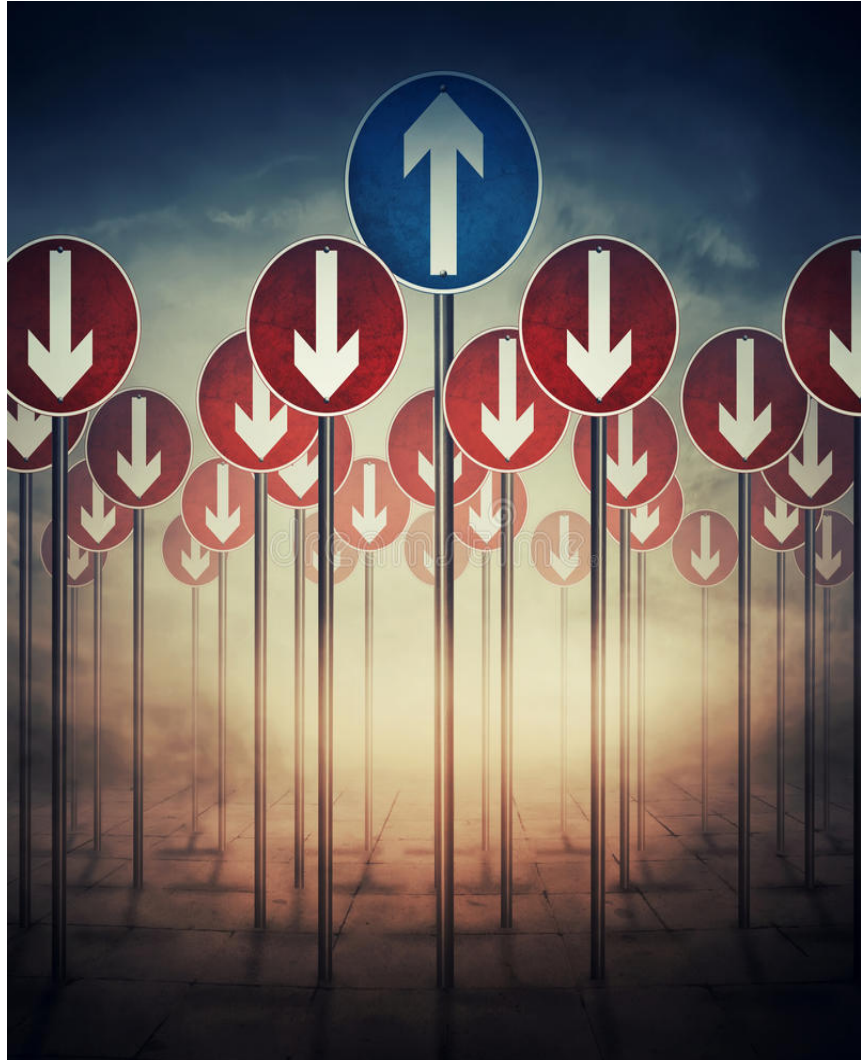
The increase in the general level of prices continued in 2022, and according to the data announced by TURKSTAT, the three-year cumulative inflation exceeded 100% as of the end of April 2022.

# Guidance Need



- ✓ Will the interim and annual financial statements for 2022 reporting period be adjusted for the effect of inflation?
- ✓ What will be the first application date?

# 3 Dilemmas



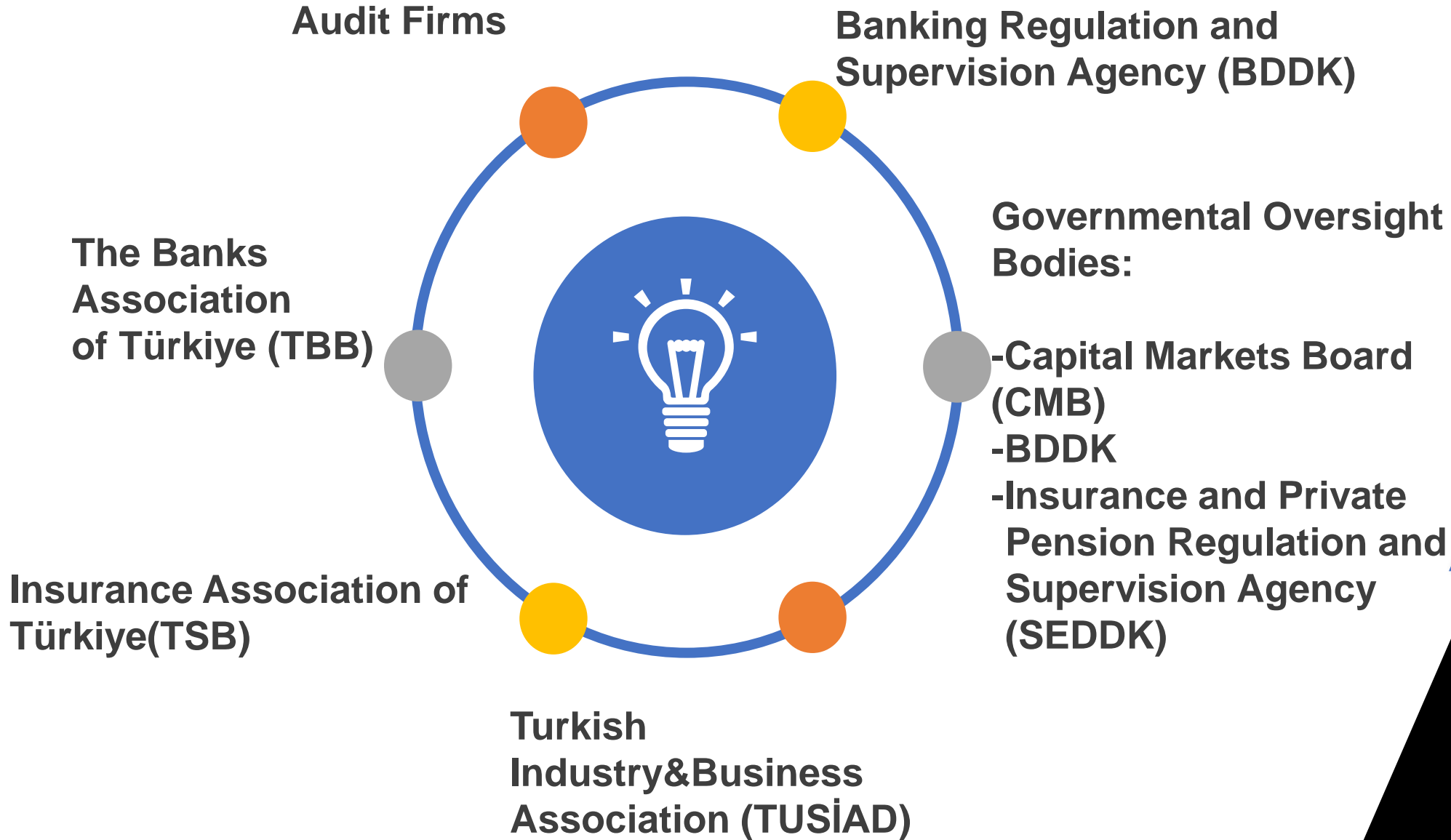
To set the same application date

Finance Sector: Risk of net monetary position loss

Reel sector: Net monetary position gain

# Work Conducted

# Stakeholders We Discussed



# Feedbacks from Stakeholders



AISs need to be calibrated for inflation accounting

Training and education needed

For financial sector IFRS 9 and IFRS 17 will be effective in 2023. These standards need resources

Application guidance with illustrative examples needed

Awareness must be rised

# Steps We Are Taking

Participating to panels to rise awareness of preparers and members of profession

Training of KGK Staff

Preparing an «Application Guidance with Illustrative Materials»

Transition hyperinflation reporting for 2023 reporting period



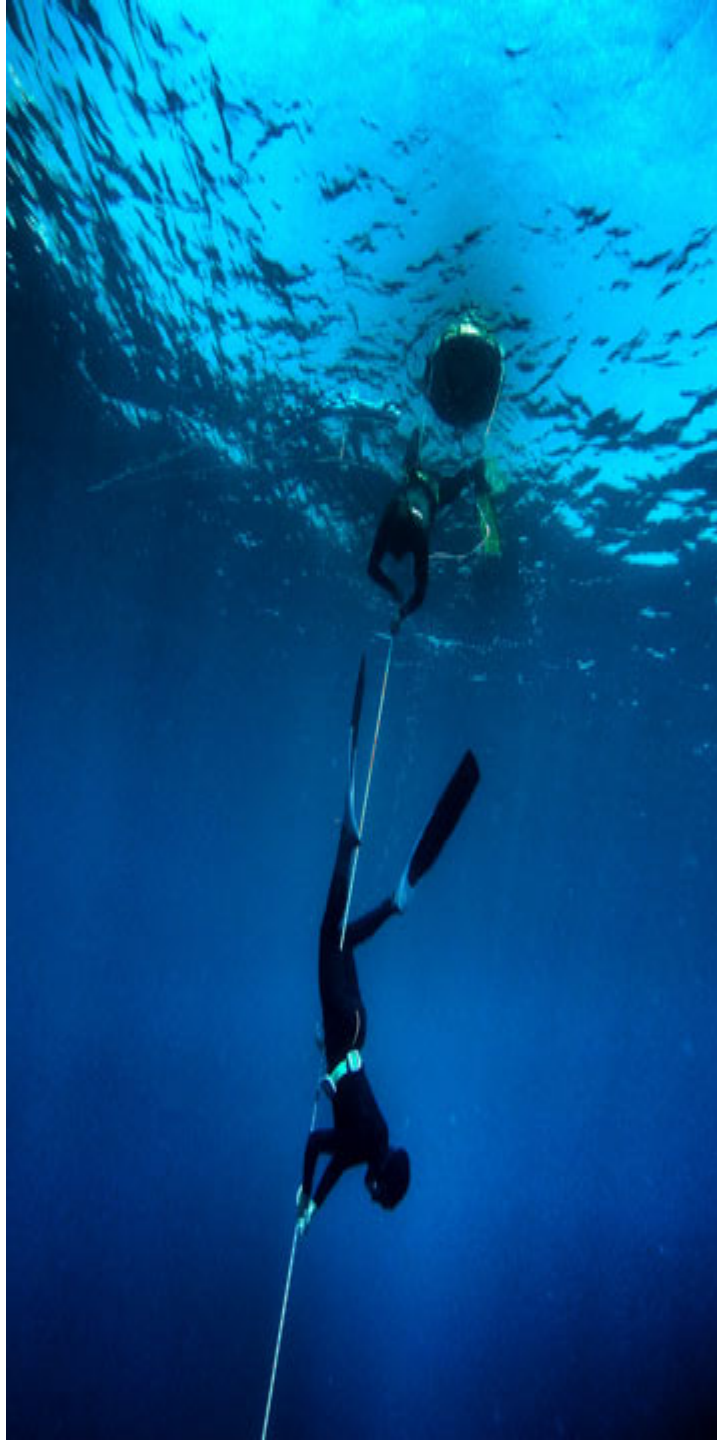
# Key Challenges

**Inflation indexed lease liability  
and right of use asset**

**OCI and equity items**

**Restating reserves and  
presentation**

**Borrowing cost and P/L  
presentation**



**Inflation adjustment on paid  
capital interest and capital  
decrease**

**Distributions made from  
adjusted equity amounts**

**Presentation of inflation  
impact on taxonomy**

Thank you...

