

Accounting for Non-Public Interest Entities in Turkey

Public Oversight, Accounting and Auditing Standards Authority

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About Us

Mission and Functions

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

1 Setting accounting standards.

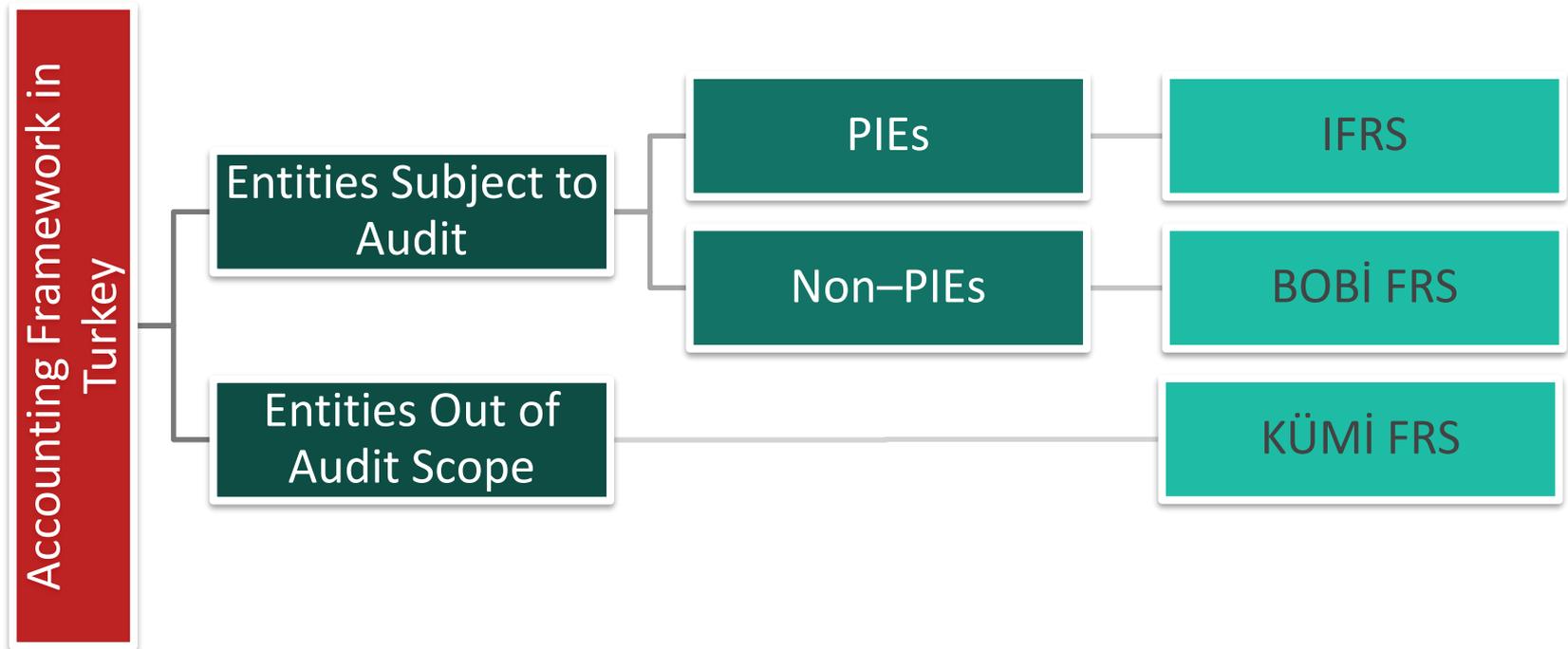
3 Authorising and registering auditors and audit firms.

2 Setting auditing standards.

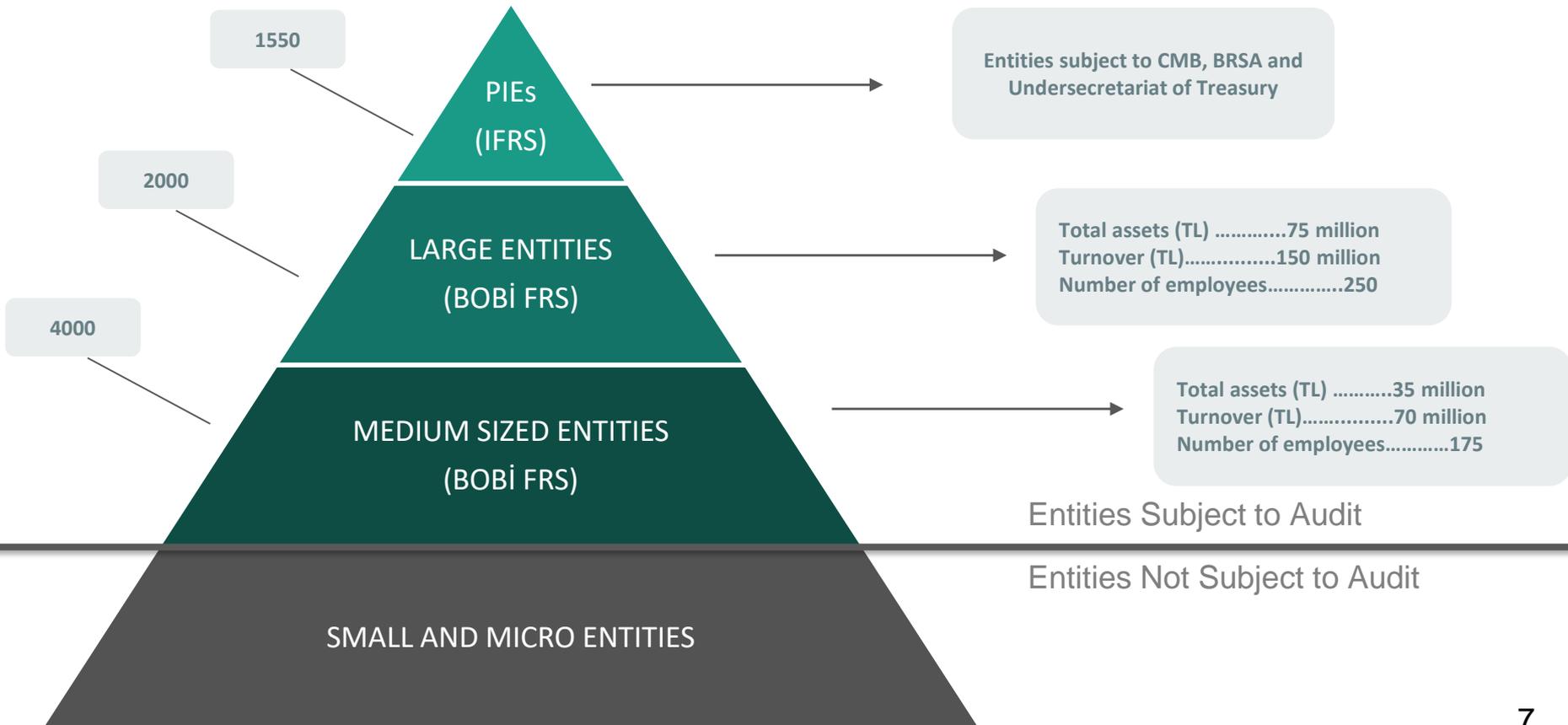
4 Oversight of auditors and audit firms.

Accounting Framework in Turkey

Accounting Framework in Turkey - At a Glance



Accounting Framework in Turkey – Numbers





IFRS – Turkey Practice

Turkey Association of Accounting Experts

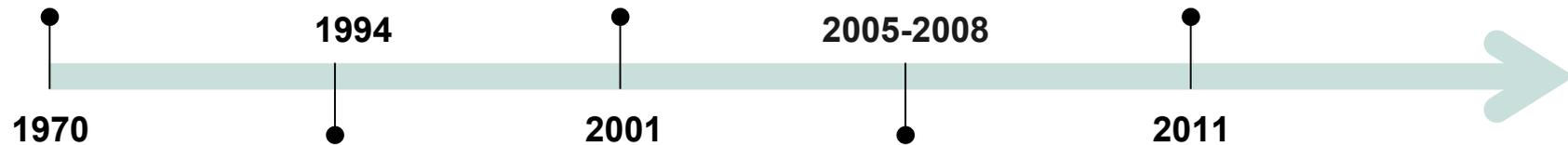
First translations.

Foundation of Turkish Accounting Standards Board

Translation of IFRSs regularly.

Public Oversight Authority

Translation of IFRSs and setting scope of Turkish Accounting Standards



1970

1994

2001

2005-2008

2011

Foundation of Turkey Accounting and Auditing Standards Board

Translations of 19 standards.

CMB and BRSA Practices

With regulations of CMB (2005), BRSA (2006) and Ministry of Treasury (2008) public companies, banks, factoring companies, leasing companies and insurance companies started implementing IFRSs.



BOBİ FRS



6000
Entities

1
January
2018

Büyük ve Orta Boy İşletmeler İçin

FİNANSAL RAPORLAMA STANDARDI

- Financial Reporting Standard for Large and Medium Sized Entities (BOBİ FRS), is the financial reporting framework for the entities that are **subject to audit** and **outside the scope of IFRSs**.
- The objective of BOBİ FRS is presentation of fair and relevant information and comparable financial statements.

BOBİ FRS
Need for Regulation

IFRS application scope restricted with PIEs in 2014.

Entities not applying IFRSs would apply Accounting System Application General Communiques (ASAGC).

«Additional Considerations to ASAGC» issued as a temporary solution.

BOBİ FRS

BOBİ FRS – References

1 Directive 2013/34/EU of the European Parliament

2 IFRS for SMEs

3 FRS 102

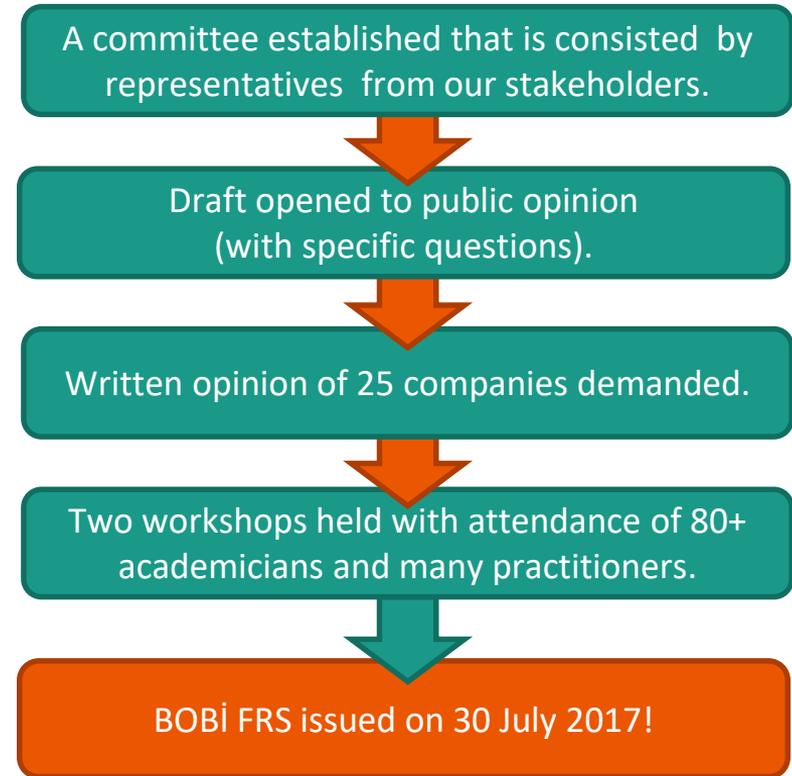
4 CMB Communique Serial XI No 1 «Additional Considerations on Financial Statements and Reports at Capital Markets»

5 Accounting System Application General Communiques

6 Tax Procedure Law No 213



BOBİ FRS *Preparation*



BOBİ FRS – Roadshows

We organized 29 1-day meetings in 25 cities with attendance of approximately 8,500 participants in order to introduce BOBİ FRS and give information about the content.



BOBİ FRS – Key Features

1

Consists of 27 sections. It carries all the features required by an acceptable financial reporting framework as a stand-alone standard.

2

It is in compliance with international accounting and financial reporting applications and EU Directive 2013/34.

3

In line with «Think Small First» principle enshrined in the EU Accounting Directive, mostly a cost based financial reporting is prescribed for medium sized entities and additional obligations have been introduced for large entities.

4

Illustrative separate and consolidated financial statement examples and Glossary of Terms are included in the Annex.

5

It has a simple and understandable language.

BOBİ FRS – In General

- Sections out of scope:
 - IFRS 2 – Share-based Payment
 - IFRS 5 – Non- Current Assets Held for Sale and Discontinued Operations
 - IFRS 8 – Operating Segments
 - IAS 19 – Employee Benefits
 - IAS 33 – Earnings per Share



BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Conceptual Framework	No significant differences.
Financial Statement Presentation	<ul style="list-style-type: none">- Other comprehensive income is not presented.- Statement of Profit or Loss - Analysis by function of expense
Statement of Cash Flows	No significant differences.
Accounting Policies, Estimates and Errors	No significant differences.
Events After Reporting Period	No significant differences.

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Revenue	<ul style="list-style-type: none"> - Measurement: Amount received or expected to be received. - Deferred payment: Not discounted until 1 year.
Inventories	<ul style="list-style-type: none"> - Measurement: Amount received or expected to be received. - Deferred payment: Not discounted until 1 year. - Cost of conversion.
Agriculture	<ul style="list-style-type: none"> - Separate section. - Measurement of biological assets: Fair value or cost option.
Expolaration and Evaluation of Mineral Resources	<ul style="list-style-type: none"> - Separate section. - No significant differences.

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Financial Instruments and Equity	<ul style="list-style-type: none"> - One section for financial instruments and equity - Classification and measurement: <ul style="list-style-type: none"> • Receivables and payables: Nominal value – Amortised cost • Debt instruments: Amortised cost • Equity instruments: Fair value (publicly traded) – Cost model • Other financial assets: Fair value
Investments in Associates	<ul style="list-style-type: none"> - Measurement: Cost model or Equity model.
Investments in Joint Ventures	<ul style="list-style-type: none"> - Measurement: Cost model or Equity model.

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Property, Plant and Equipment	<ul style="list-style-type: none">- Measurement: Amount received or expected to be received.- Deferred payment: Not discounted until 1 year.
Investment Property	<ul style="list-style-type: none">- Measurement: Fair value or cost model
Intangible Assets	<ul style="list-style-type: none">- Development costs are amortised in certain circumstances.- Infinite useful life (amortisation between 5-10 years).
Leases	<ul style="list-style-type: none">- Quantitative criteria for finance lease in line with local regulations.

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Government Grants	No significant changes.
Borrowing Costs	<ul style="list-style-type: none">- Capitalized if production or construction of asset (inventory, property, plant and equipment, investment property or intangible asset) takes more than 1 year.
Provisions and Contingencies	<ul style="list-style-type: none">- No significant changes.- Additional requirements for termination indemnity.
Foreign Currency Translation	No significant changes.

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Business Combinations	<ul style="list-style-type: none">- Acquisition in stages – FV at the date of acquisition- Only the assets and liabilities at the financial statements are considered.- Entities may use carrying amount of assets or liabilities if FV cannot be measured reliably.
Consolidated Financial Statements	<ul style="list-style-type: none">- Scope – mandatory for large entities- Separate financial statements – Cost method or Equity method- Maximum difference for reporting period (3 months)
Income Tax	<ul style="list-style-type: none">- Scope: Deferred tax – only for large entities- In compliance with IAS 12

BOBİ FRS vs IFRS for SMEs

Section	Differences from IFRS for SMEs
Interim Financial Reporting	<ul style="list-style-type: none"> - In compliance with IAS 34.
Financial Reporting in Hyperinflationary Economies	<ul style="list-style-type: none"> - Specific procedures for translation of currency of a hyperinflationary economy to a different presentation currency.
Notes	<ul style="list-style-type: none"> - Required notes are presented in a separate section. - Large entities are required to present additional notes.
Transition	<ul style="list-style-type: none"> - Exemption from presentation of prior period's financial statements.

KÜMİ FRS





KÜMİ FRS

Need for Regulation

Small and micro entities are currently applying Accounting System Application General Communiques (ASAGC).

ASAGC do not meet users and entities' needs.

Revision of EU Accounting Directive 2013/34.

KÜMİ FRS

KÜMİ FRS – References

1 Directive 2013/34/EU of the European Parliament

2 IFRS for SMEs

3 FRS 105

4 Accounting System Application General Communiques

5 Tax Procedure Law No 213

6 Other countries' practices.

KÜMİ FRS – Key Targets

- 1 It will be in compliance with EU Directive 2013/34.
- 2 In line with «Think Small First» principle in the EU Accounting Directive, it will be a mostly cost based standard, and only Statement of Financial Position and Statement of Profit or Loss will be presented by the entities with minimum requirement of notes.
- 3 Tax Code requirements will be taken into account.
- 4 Illustrative financial statement examples and Glossary of Terms will be included in the Annex.
- 5 It will have a simple and understandable language.



KÜMİ FRS *Preparation*



KÜMİ FRS – Main Simplifications

1

Two statement will be presented: Statement of Financial Position and Statement of Profit or Loss (with minimum information).

2

Revaluation method is used for property, plant and equipment.

3

Borrowing costs will be recognised as expense.

4

Effective interest method is not used.

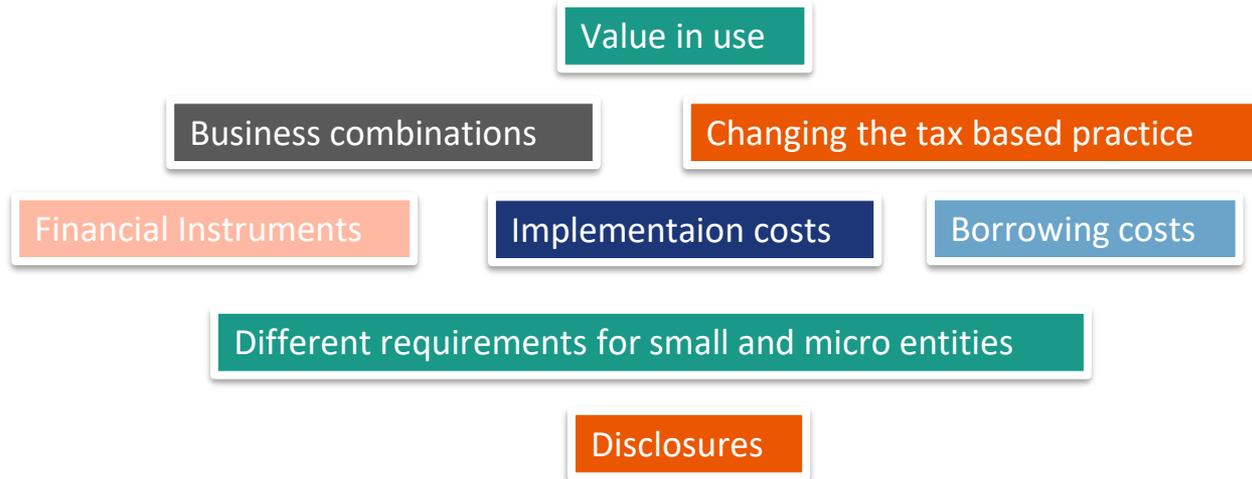
5

Calculation of value in use is simplified.

6

Presenting financial statements in a different currency is not allowed.

KÜMİ FRS – Key Challenges





The end...