

Accounting for Non-Public Interest Entities in Turkey

Public Oversight, Accounting and Auditing Standards Authority

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A blue-tinted background image featuring a calculator, a pen, and a document with numbers. The calculator is on the left, the pen is on the right, and the document with numbers is in the center. The text "About Us" is overlaid in the center.

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

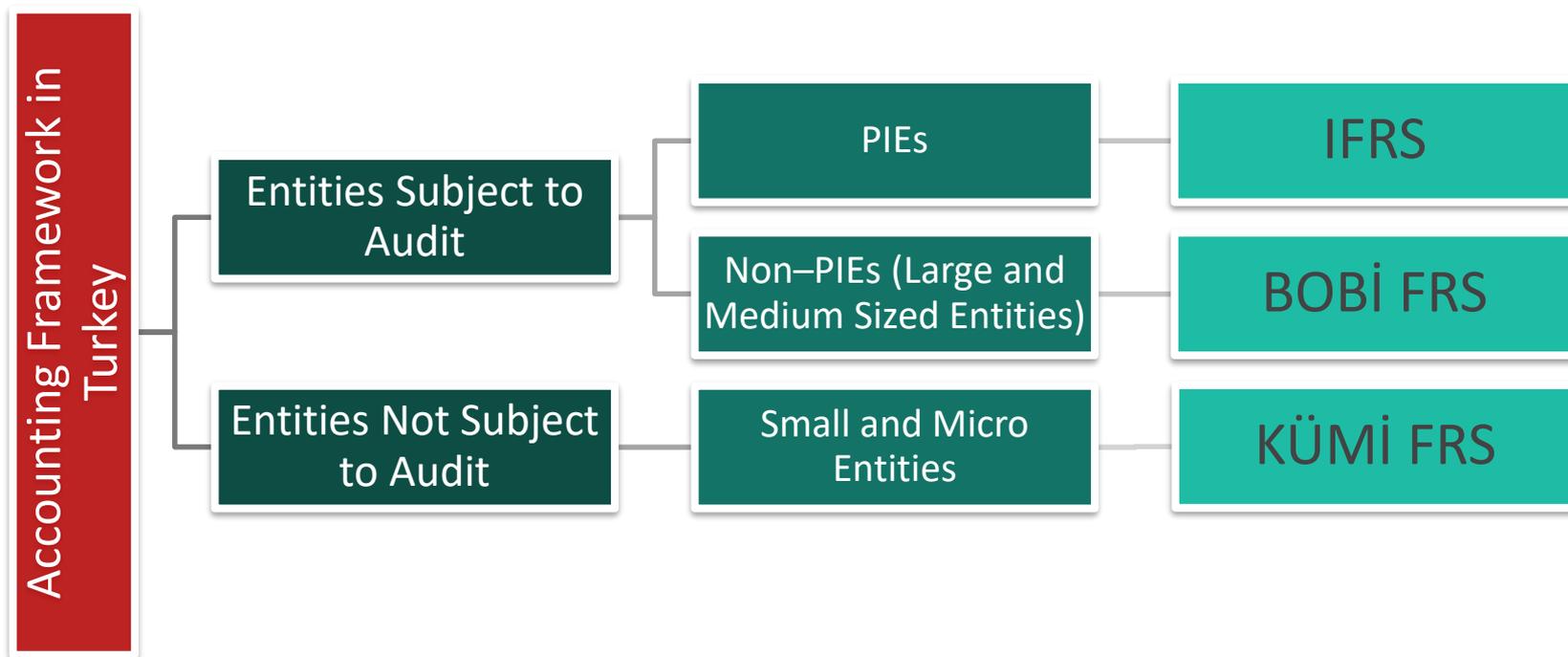
2 Setting auditing standards

4 Oversight of auditors and audit firms

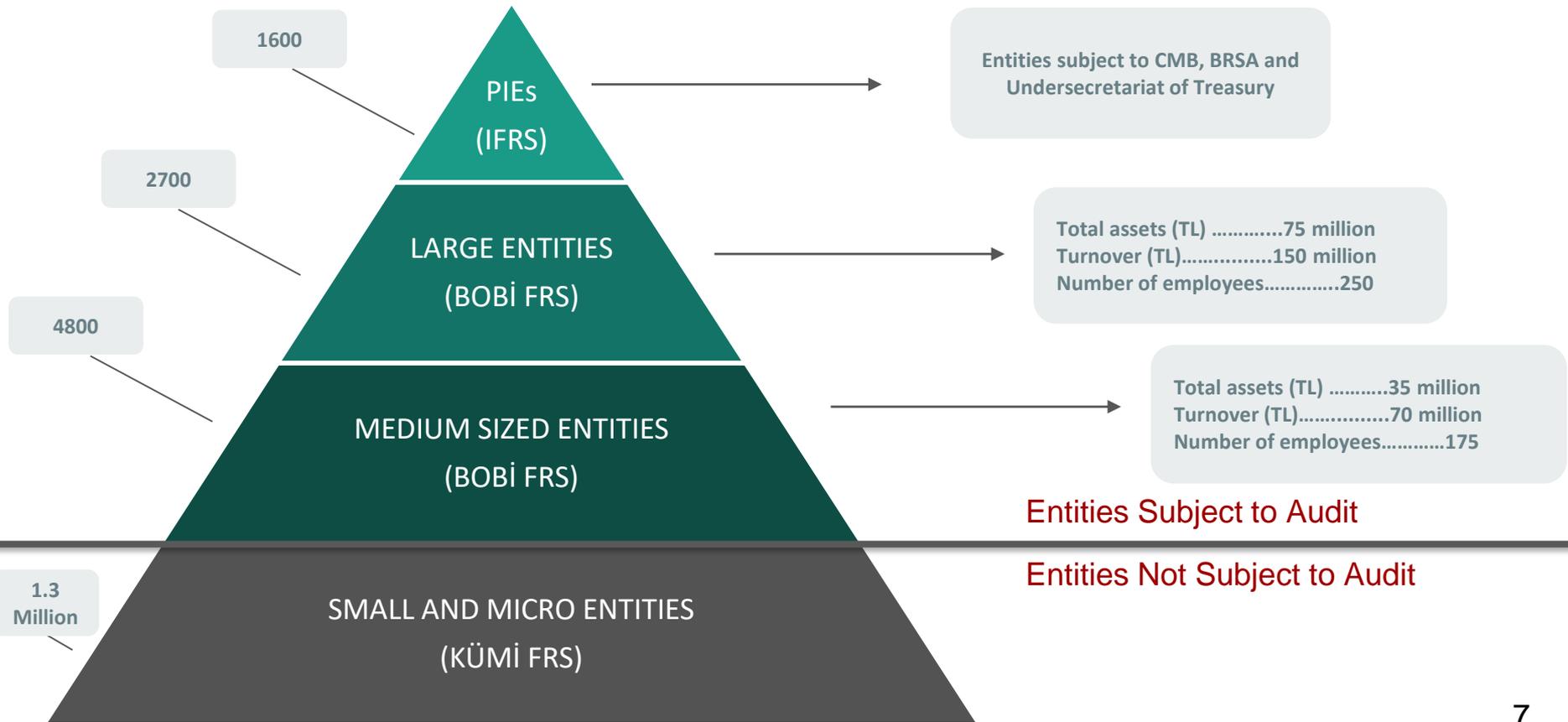


Accounting Framework in Turkey

Accounting Framework in Turkey - At a Glance



Accounting Framework in Turkey – The Numbers





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 inform stakeholders 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

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

Has illustrative separate and consolidated financial statements and Glossary of Terms in the Annex.

5

Has a simple and understandable language.

BOBİ FRS – In General

- Sections not included:
 - 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



KÜMİ FRS





KÜMİ FRS

Need for Regulation

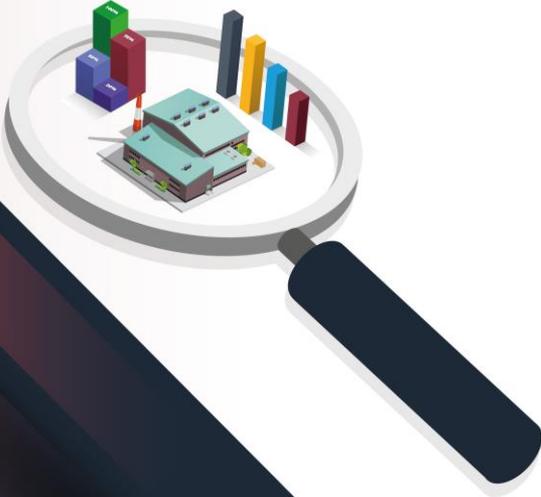
Small and micro entities are currently applying Accounting System Application General Communiques (ASAGC).

ASAGC does not meet users' and entities' needs.

Revision of EU Accounting Directive 2013/34.

KÜMİ FRS

KÜÇÜK VE MİKRO İŞLETMELER İÇİN FİNANSAL RAPORLAMA STANDARTI



1,3
Million
Entities

1
January
2021

- Financial Reporting Standard for Small and Micro Entities (KÜMİ FRS), is the financial reporting framework for the entities that are not **subject to audit** and above craftsman limit.
- The objective of KÜMİ FRS is presentation of fair and relevant information and comparable financial statements.
- The number of the companies applying KÜMİ FRS will gradually increase (pilot application).

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 Features

- 1 Consists of 22 sections and 100 pages
- 2 In line with «Think Small First» principle in the EU Accounting Directive, it will be a mostly cost based standard, and only Statment of Finacial Position and Statement of Profit or Loss will be presented by the entities with minimum requirement of notes.
- 3 Tax Code requirements taken into account.
- 4 Has illustrative financial statements and Glossary of Terms in the Annex.
- 5 Has a simple and more understandable language.



KÜMİ FRS *Preparation*



KÜMİ FRS – Specific Issues For Public Comment

- ✓ Initial and subsequent measurement of receivables and payables.
- ✓ Separation the financial component of the consideration regarding revenue, inventories, PPE and intangible assets.
- ✓ Accounting for borrowing costs.
- ✓ Accounting for research and development costs.
- ✓ Accounting for impairment.

Draft:

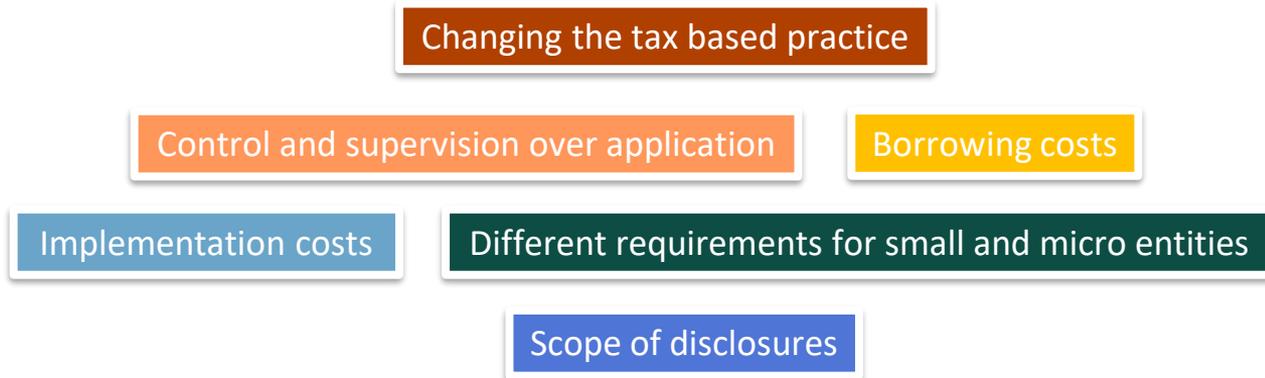
Considerations regarding revenue, inventories, PPE and intangible assets are measured from the amount paid or expected to be paid without separating the financing component. (according to the paragraphs 7.6, 8.8, 11.12 and 12.9 of the Financial Reporting Standard for Small and Micro Entities).

Options:

Which option is more appropriate for small and micro entities in your opinion?

- a) Not separating financing component.
- b) Separating financing component if the period between payment and transfer is more than 1 year (straight line interest).
- c) Separating financing component if the period between payment and transfer is more than 1 year (effective interest method).

KÜMİ FRS – Key Challenges



BOBİ FRS and KÜMİ FRS vs IFRS for SMEs

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Conceptual Framework	No significant differences. Single section.	No significant differences.
Financial Statement Presentation	- Other comprehensive income is not presented.	- Two financial statements. - Other comprehensive income is not presented.
Statement of Cash Flows	No significant differences.	Not presented.
Accounting Policies, Estimates and Errors	No significant differences.	No significant differences.
Events After Reporting Period	No significant differences.	No significant differences.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Revenue	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. 	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. - Different requirements for micro entities.
Inventories	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. - Cost of conversion. 	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. - Different requirements for micro entities. - Cost of conversion. - Different impairment requirements.
Agriculture	<ul style="list-style-type: none"> - Separate section. - Measurement of biological assets: Fair value or cost option. 	<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. 	Not included.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS 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 	<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 • Investment in associates, subsidiaries and joint ventures are included in this sections. • Other financial assets: Reference to BOBİ FRS
Investments in Associates	<ul style="list-style-type: none"> - Measurement: Cost model or equity model. 	<p>Included in Financial Instruments section Measurement: Fair value (for publicly traded instruments) – Cost model</p>

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Investments in Joint Ventures	<ul style="list-style-type: none"> - Measurement: Cost model or Equity model. 	<p>Included in Section 10: Financial Instruments</p> <p>Measurement: Fair value (for publicly traded instruments) – Cost model</p>
Property, Plant and Equipment	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. 	<ul style="list-style-type: none"> - Deferred payment: Not discounted until 1 year. - Different requirements for micro entities.
Investment Property	<ul style="list-style-type: none"> - Measurement: Fair value or cost model 	<ul style="list-style-type: none"> - Included in section 11: Plant, Property and Equipment and optional reference to BOBİ FRS.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Intangible Assets	<ul style="list-style-type: none"> - Development costs are capitalized in certain circumstances. - Infinite useful life (amortisation between 5-10 years). 	<ul style="list-style-type: none"> - Research and development costs are capitalized in line with tax requirements. - 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. 	<ul style="list-style-type: none"> - Quantitative criteria for finance lease in line with local regulations.
Government Grants	No significant changes.	No significant changes.
Borrowing Costs	Capitalized if production or construction of asset (inventory, property, plant and equipment, investment property or intangible asset) takes more than 1 year.	Capitalized until the assets becomes ready for use (property, plant and equipment, and intangible asset) Capitalized if production or construction of inventory takes more than 1 year.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Impairment of Assets	<ul style="list-style-type: none"> - Goodwill is amortised. 	<ul style="list-style-type: none"> - Carrying amount and fair value less costs to sell is compared. (10%) - Cash generating unit concept is not included. - Goodwill is amortised.
Provisions and Contingencies	<ul style="list-style-type: none"> - No significant changes. - Additional requirements for termination indemnity. 	<ul style="list-style-type: none"> - No significant changes. - Additional requirements for termination indemnity.
Foreign Currency Translation	No significant changes.	Functional and presentation currency is determined as Turkish Lira.
Business Combinations	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - Business combinations occurs if the entity is fully purchased. - Reference to BOBİ FRS for accounting requirements.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
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) 	Consolidated financial statements are not presented.
Income Tax	<ul style="list-style-type: none"> - Deferred tax – only for large entities - In compliance with IAS 12 	Deferred tax is not presented.
Interim Financial Reporting	<ul style="list-style-type: none"> - In compliance with IAS 34. 	No significant changes. (Not included.)
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. 	Not included.

SECTION	BOBİ FRS Differences from IFRS for SMEs	KÜMİ FRS Differences from IFRS for SMEs
Notes	<ul style="list-style-type: none"> - Required notes are presented in a separate section. - Large entities are required to present additional notes. 	<ul style="list-style-type: none"> - Required notes are presented in a separate section. - Small entities are required to present additional notes. Notes for micro entities are more simple.
Transition	<ul style="list-style-type: none"> - Exemption from presentation of prior period's financial statements. 	<ul style="list-style-type: none"> - Exemption from presentation of prior period's financial statements. - Transition requirements are simpler.



Thank you...