A HISTORY OF THE ACCOUNTING PROFESSION IN TURKEY

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Abstract

Based on the economic developments, Turkish accounting profession has been in progress since the establishment of Turkish Republic (1923). As a result of industrialization, the need for accounting profession emerged. For this reason, the business managers and management accountants needed in private companies were mostly transferred from State Economic Enterprises.

The legalization, which was a basic factor for the development of accounting profession, unfortunately was delayed until 1989. Thus, organization of the profession (TÜRMOB) could be achieved in a late time. On the other hand, the former accounting organizations have organized several accounting activities since 1957 including 17 accounting congresses and 25 accounting education symposiums.

Key words: accounting profession, accounting congresses, accounting education symposiums.

The accounting profession’s progress since the establishment of the New Republic (in 1923) started with management accountants working for government enterprises and auditors working in government departments. Fairly advanced accounting systems were imported from European countries (mostly from France and Germany) and adapted to central and local government units and the so called State Economic Enterprises (the SEE’S) for initiating and organizing productive systems, in all phases of economic life. Large private companies did not exist and private enterprise consisted of only small traders and artisans scattered through the country. 1930’s marked initial development of larger traders and manufacturers, organized after the examples of the SEE’S. In fact, many of the business managers and management accountants needed in private companies were transferred from SEE’S with higher compensation. The enactment of the Law for Inducing Industrial
Development in 1927, resulted in a fairly rapid development of larger private enterprises, mostly in and around larger cities of the country, like Istanbul, Adana, Bursa and Izmir. They were mostly manufactures of textile, tiles, flour and food processing.

However, businesses were mostly producing for the domestic markets and for substituting imports, which were limited to selected consumer goods, but mostly raw material and machinery and equipment needed for the recently established SEE’S and private factories.

Limited amount of exports to provide for the dearly needed foreign exchange were mostly agricultural products like, grains, cotton, nuts, raw minerals and similar commodities. With the shortages of consumer goods, deficient government revenues and investment, almost no manufactured products were exported. Foreign barrowing was very limited to cover foreign exchange needs of basic necessities like drugs and dearly needed military weaponry.

Although inflation could be kept at very low annual rates until 1939, the rate increased rapidly increased, during the Second World War. Although Turkey could keep itself out of the direct involvement in the war, the very young economic activities suffered a great deal during and immediately after the end of the war. 1946 was marked with a very high devaluation (%70) in 1946. In 1950, the first multi-party democratic elections changed the administration in the country, from the Republican People’s Party representing progressive left, to the Democratic Party representing conservative right. Democratic Party preached and engaged itself to developing the private enterprise. A World Bank report estimated the Turkish National Income for 1949 at around 360 TL. 128 US Dollars per capita, or a total of 3,0 (7 billion TL.) billion US Dollars.¹

The country was poor, underdeveloped and almost closed to World Markets. Against this background, little incentive existed for accounting and financial services for companies. The government established its auditing set-up for the SEE’S. (The High Control Board for Auditing the SEE’S) and tax payers (Accounting Experts Council and The Finance Ministry Inspectors) and also “The Court of Accounts”. Some independent accountants were emerging for advising the private companies on book-keeping and accounting matters and operated from their offices under their own responsibility. They were mostly named as “Accounting Advisors” and /or “Financial Consultants.” Some private accountants and financial consultants took the initiative of organizing the independent

accounting effort and indulged in activities for influencing the parliament for enacting a law for the recognition of the profession. They failed to get a code out of the parliament, during the 1930’s. However their insistence and activities for a codified recognition of the profession increased during 1930’s. Cooperation among the independent accountants and advisers resulted in the establishment of a professional association, first of its kind in the country: “The Turkish Association of Expert Accountants and Organisers of Enterprises, established in 1942. 12 independent accountants and financial advisors joined in the association. The association grew to 100 members and lobbied in the country for the legal recognition of the profession throughout the history of the profession. They succeeded in the recognition of the profession, but could not convince the governments, or the parliaments for the enactment of a Law on the profession. Some breakthrough were as follows:

1. They established the association with the intention of organising professional examinations for new candidates; they did organise the exams, but almost no one dared to take the professional examinations. However, the idea that this was a new profession requiring special knowledge, skills and competences which should be subject to testing before entrance, was established and made known to the public and the government, during the 1940’s.

2. In cooperation with the Ministry of Finance (the MOF) they succeeded in getting a special section to the parliament in the draft of “The Tax Procedures Law” in 1950 as a part of the public finance reform. The special section was called, “Independent Accounts Experts Section” including two professional rights which would create heated debate in the following efforts for establishing the accounting profession. The Accounts Experts would have, among other privileges, to: (1) represent their audit clients, in courts for defending their clients in legal disputes related to taxes and accounting standards, and (2) would determine their professional requirements (on professional examination and other requirements for entrance) independently in their association. Unfortunately, this first forceful attempt was rejected by the advocates and other law specialists as an intrusion into their rights of representing their clients in legal disputes, which they called, was a “sacred” and indispensable right of the legal profession.

The second right of deciding independently about the destiny of the profession was furiously rejected by the MOF who was sponsoring the draft on the “Tax Procedures Law”. MOF people were asking for vested rights for MOF veterans of tax inspectors and the retired members of the Experts Council.

The angry debate on the draft was so heated that the minister of
Finance and the Prime Minister pulled the draft back to the government for correction. The draft came back to the parliament with the “Independent Accounts Experts Section” taken out. The first “Income Tax Law”, the first “Corporation Tax Law” and the first “Tax Procedure Law” were enacted in a few days. This was, and still is, considered one of the most important reforms of the Taxing System of the country: The government had “saved” the big reform by deleting the accounting experts section from the tax procedures law. Independent accounting professionals would lose this opportunity for legal recognition and the MOF would continue to its tax auditing by its own staff.

There were several attempts to get a law enacted for establishing the accounting profession in Turkey during the ’50, ’60 and 1970’s, all of which failed, until 1989 and on June 13, 1989, Law No: 3568 was incanted by taking out the above two much disputed rights out. The federation of independent accountants (The Union of Chambers of Certified Public Accountants of Turkey) and its chambers can not determine independently on the conditions of admission into the profession and members of the profession do not have the right to defend their clients in courts. In 2006, the federation had 78 chambers as members, doing accounting and tax audits of private companies.

“The Expert Accountants Association of Turkey” (The EAAT) and its 2000 members have been active for the whole period following its establishment in 1942. There were more recent associations established later working for the same purpose, many of which became inactive following the establishment of the federation, The TURMOB.

3 The EAAT, represented Turkey in the international congresses since 1957 and signed the by-laws establishing IFAC (International Federation of Accountants) in 1977, during the Eleventh World Congress of Accountants in Munich, Germany. Both EAAT and TURMOB are members of IFAC in 2006 and are taking part in the organisation of the 17th World Congress in Istanbul, Turkey, during 13-17 Nov., 2006.

4 The EAAT, in cooperation with universities of Turkey, initiated and organized Turkish Accounting Congresses. First was organized by EAAT in 1957, the last one (the 17th) was organized by TURMOB and EAAT in 2002. The 18th Congress is planned to be held in Istanbul by TURMOB and EAAT in the fall of 2007.

Following is a list of the Turkish Accounting Congresses and the topics covered in each congress.

2 Please note that the name of this private effort was changed from “The Turkish Association of Experts Accountants and Organisers of Enterprises” to “The Expert Accountants Association of Turkey” in 1974.
1. The First Congress (Sept. 2-4, 1957) Topics covered: The Role of the Accountant in Economic Growth; Educating the Accountant; Accounting and Business Terminology. (Izmir)

2. The Second Congress (Sept. 10-13, 1958) started the “Accounting Journal.” Topics covered: Legislation needed for a better profession; basic accounting concepts; financial statements; role of accountants in corporate finance. (Istanbul)

3. The Third Congress (Sept. 9-12, 1959). Topics covered: Accounting Principles and Standards; Organizing the Profession. (Istanbul)

4. The Fourth Congress (Sept. 4-7, 1960). Topics covered: organizing the profession, discussion of the draft professional code. (Izmir)

5. The Fifth Congress (Sept. 4-7, 1961). Topics covered: costs and cost accounting in industry, trade and agricultural enterprises; Organizing the profession; responsibilities of the accountant. (Eskisehir)

6. The Sixth Congress (Sept. 5-8, 1962) Topics covered: balance sheet and valuation; the profession in other countries; basic concepts. (Ankara)

7. The Seventh Congress (Sept. 11-13, 1963) Topics covered: Role of the accountant in Economic Growth; Organizing the Profession; accounting terminology. (Istanbul)

8. The Eighth Congress (Sept. 21-24, 1964) Topics covered: cost and the accounting concepts; organizing the profession. (Izmir)

9. The Ninth Congress (Sept. 6-8, 1965) Topics covered: Charts of Accountants; certified public accountants, the CPA’S; taxing agriculture; accounting for premiums. (Izmir)

10. The Tenth Congress (Sept. 12-14, 1966) Topics covered: balance sheets and tax returns; cost in the industrial companies; accounting systems; accounting machines. (Istanbul)

11. The Eleventh Congress (Sept. 8-10, 1969) Topics covered: financial statements; form and contents of financial statements. (Istanbul)

12. The Twelfth Congress (Oct. 20-22, 1976) Topics covered: Social responsibilities; information requirements of the manager; accounting as a public service; Turkish accounting standards; inflation; tax audits. (Istanbul)

13. The Thirteenth Congress: (Oct. 8-10, 1980) Topics covered: accounting and economic policies; inflation economics and accounting; rights of users of financial information; national income accounts and accounting; accounting and the distribution of national income; financing economic development, uniformity of financial information. (Istanbul)

14. The Fourteenth Congress (Sept. 30- Oct. 2, 1987) Topics covered: Setting Turkish accounting standards; auditing standards in Turkey; Turkish and International standards of accounting; structure of the Turkish accounting firms. (Izmir)

15. The Fifteenth Congress (Feb. 28- March 1, 1992) First Congress
organized by TURMOB. Topics covered: Turkish and European accountants and accounting standards; auditing standards in Turkey and other countries; professional ethics, The Turkish profession; auditing the accountants and accounting organizations; The Turkish accounting profession and European Union.

16. The Sixteenth Congress. (Sept. 11-13, 1997) Topics covered: Auditing the Economy and the Accounting Profession; The past, present and future of the Turkish profession; uniform standards of accounting over the world; auditing the SME’s; business law and the accounting profession; public sector and the profession. (Istanbul)

17. The Seventeenth Congress. (Oct. 10-12, 2002) Topics covered: New approaches in Accounting, Taxation and Auditing; new approaches to taxation; independence and ethics; international auditing standards. (Istanbul)

The history of educating the accountants in Turkey: Turkish Accounting Education Symposia:

1. The First Symposium: (April 1979) Topics covered; approaches to undergraduate, post-graduate and post experience courses in teaching accounting and auditing; comparing practices and methods of teaching in different universities; comparability of terminology; building the profession; accounting education in other countries; methods utilized; educating the educators. (Organized by Istanbul University in Marmaris.)

2. The Second Symposium: (April 24-26, 1980) Inflation accounting and the valuation problem; educating the accounting student in the context of the changing “yard-stick”; methods of teaching. (Cesme-Izmir)


5. The Fifth Symposium: (June 1-3, 1983) Topics covered: Economic development and accounting education, accounting education in the absence of a supporting legislation for organizing the profession; taxation and its impact on accounting education; the recent recession and its impact on accounting education; the new Capital Markets Law and its future impact on accounting education; accounting practices of multinational companies and their impact on accounting education; inflation and accounting education; computers and its impact on accounting education; identities and differences
of approaches of different schools to accounting education. (Istanbul)

6. The Sixth Symposium: (May 9-11, 1984) Topics covered: Problems related to International Accounting and Auditing Standards; international standards and accounting practices of Turkish companies; accounting and auditing problems of foreign companies in Turkey; accounting and auditing problems of Turkish companies operating abroad; consolidation and accounting practices. (Ankara)

7. The Seventh Symposium: (Oct. 30- Nov. 1, 1985) Topics covered: Accounting standards and actual practice; Laws related to accounting and the practices of companies; the uniform code of accounts and accounting education; Tax Procedures Law and accounting education; computers and accounting education; educators and actual accounting practices of companies; problems of case research and teaching in Turkey;

8. The Eighth Symposium: (April 30- May 3, 1986) Topics covered: the auditing profession and accounting education; training of the independent professional accountant; the problem of the absence of a law regarding the profession; capital markets and the absence of a code of the profession; the future of the profession in Turkey. (Ankara)

9. The Ninth Symposium: (Dec. 7-12, 1987) Topics covered: Advances in Information Technology and Accounting Education; Uniform Code and Accounting Education; Data Processing and Accounting Education; Internal Control and Accounting Information; Risk Management and Accounting Education; Consolidation and Accounting Education. (Bursa)


12. The Twelfth Symposium: (April 20-24, 1991) Integration with the European Union and Turkish Accounting Education. The Fourth Directive of the EU and the Turkish Accounting Education; The Seventh Directive and Accounting Education; The Eighth Directive and Accounting Education. (Ankara)


accounting practices and accounting education; new technology in accounting education; computers and accounting education; international comparisons on the teaching technology in accounting education; improving quality of educational programs.(Ankara)

15. The Fifteenth Symposium: (Nov.13-17, 1996) Topics covered: Practices of Accounting education in under-graduate, post-graduate and post-experience programs; benchmarking among the implementation of accounting education methodology in several university programs; regulations on accounting standards of MOF and the Capital Markets Board and accounting education; professional exams and accounting education in university programs. (Isparta)


18. The Eighteenth Symposium: (May 12-16, 1999) Topics covered: problems related to requirements of accounting practices and accounting education; research on accounting practices and accounting educational programs; quality management in accounting education; possibilities of benchmarking among accounting educational programs. (Fethiye-Mugla)

19. The Nineteenth Symposium: (May 16-20, 2000) Topics covered: Future economic and educational developments and accounting education; advances in teaching / learning technology and accounting education; IT, the accounting profession and accounting education. (Belek-Antalya)


21. The Twenty-First Symposium: (May 2—June 2, 2002) Topics covered: Ethics, public financial reporting and accounting education; ethics in professional practice; disclosure in government companies; public disclosure and political parties; public disclosure and accounting education. (Bodrum-Mugla)

23. The Twenty-third Symposium: (May 19-23, 2004) Topics covered: research on accounting practices and accounting education; latest developments in accounting education; doctoral programs in accounting; inflation and accounting education; international accounting. (Kemer-Antalya)


The above history of the Turkish Accounting Congresses and the symposiums reflected the Turkish economic development and the progress of the accounting profession and education.

The initial economic developments, picked momentum in line with the development of private enterprise during the 1950’s and progress in accounting was very slow. Private effort and requirements for income and corporation taxes created some demand, but the accounting profession could not get the support of professional legislation. Due to the lack of regulation and the necessary sanctions for disclosure of financial statements, little progress was achieved and consisted of the few activities of private initiatives.

As research on accounting practices presented in the Turkish Congresses and symposiums, indicated, public disclosure of financial statements was almost not known, as private enterprises were not developed and disclosures were not compulsory for most of the last 50 years. Business units were small (98% of units employed less than 10 persons) and Capital Markets Law was only enacted in 1981. Istanbul Stock Exchange was reorganized and made fit for capital shares of companies as late as 1987.

Turkish Commercial Code of 1957 included minimum standards of disclosure and publishing of financial statements. Tax Procedures Law, only included some accounting (really, book-keeping rules) for taxpayers since 1951.

For more information on the Turkish Congresses and the Symposia, please refer to: Oktay Gıvenli, et. al. World Congress Relevant to Accounting and Turkish Accounting Congresses and Symposia, Chamber of Certified Public Accountants of Istanbul, 2006.
The accounting profession’s development was slow and a law on the organization of the profession came on June 13, 1989, to establish rules for organizing professional companies. Local Chambers of Certified Public Accountants, Chambers of Financial Advisors and the Federation of Professional Accountants came in the following years (TÜRMOB). In 2006, some 69,7 thousand professionals were organized around TÜRMOB within 70 Chambers of CPA’S and 8 Chambers of FA’S.¹

Capital Markets Board has published extensive rules of disclosure and financial reports in the last 20 years for listed companies. The listed companies have now to publish quarterly and annual financial statements in accordance with accounting standards specified in the Board’s Code of Accounts.

As the Capital Markets Board preceded the legislation on the accounting profession, it had started to organize professional exams for selecting professionals to be authorized for auditing financial statements published by listed companies. CML, started its professional exam in 1982 as members of TÜRMOB had not yet been organized. There are around 1000 independent auditors authorized by the CML in 2006. TÜRMOB and CML are in courts for settling the dispute resulting from the uncertainty created by the two Laws. (Law No: 3568 establishing TÜRMOB in 1989 and Law No: 2499 establishing the CML in 1981)

The above history of accounting congresses and symposiums and the papers presented in the discussions, indicated, recently, that the profession was having a difficult time with accounting rules and regulations being issued from several sources, namely, The MOF, The CMB, the Banking Supervisory and Auditing Board (The BSAB) for financial intuitions and legal actions of different public authorities. To start the reformation towards unification on accounting standards, Turkish Accounting Standards Board consisting of 15 specialist, was established, with an amendment of the Capital Markets Law No: 2499 of July 27, 1981, in 2004. The Commencing law adding a section to the CML, authorized the government to establish the TASB and the government disso on Febr.24, 2004 by its decree No: 2004/6924. Since its establishment the TASB, had all International Financial Reporting Standards of the International Federation of Accountants, (The IFAC) and called them the “Turkish Accounting Standards” the so called TMS’S.²

¹ Annual Report, 2005-2006 of TÜRMOB. Ankara 2006 of the 69697 professionals, 36036 are CPA’S, 3561 are FA’S and 30095 are independent accountant’s i.e. junior accountants.
² Turkish Accounting Standards, TASB, publication No:1, Ankara, 2005,Turkey.
are assumed as TMS’S and allowed for implementation by Turkish companies. Of course, we need to eliminate the other standards of accounting being implemented in Turkey at the present. That requires changes in The Turkish Commercial Code, The Turkish Income and Corporation Tax Laws, The Tax Procedures Law, The Capital Markets Law and some other related legislation, a rather huge task. Also, the regulations of CMB Code of Accounts and the MOF Code of Accounts are to be amended as to revising them in accordance with the recent publication of TASB.

Fortunately, The Turkish Commercial Code is in the process of being re-written in the Turkish Parliament. The 1535 sections of the Law of 1957 have been re-drafted and under parliament review presently. Many of the outdated articles will be renewed and modernized in the process.

Also, studies of the above mentioned Laws are also underway. Although all of these corrections will take many years, studies are under way. And also, there is the pressure of adapting to the EU regulations in the coming 10 years for preparing the Turkish regulations in line with those of the EU.

A major change in the professional law following 16 years of implementation, (No: 3568 of 1989) is also needed. Studies of a special a committee of TÜRMOB are underway for the purpose. This study will probably be finished in about two years.

Future seems to be quite busy for the profession.

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