

Analyzing The Focus of the Turkish Public Oversight Accounting and Auditing Standards Authority for Increasing the Accounting Information Quality*

Kamu Gözetimi Muhasebe Denetim Standartları Kurumu Muhasebe Bilgi Kalitesini Arttırmaya Yönelik Faaliyetlerinin Analizi

Melissa Nihal CAGLE¹

Abstract

The enforcement activities of regulatory agencies hold the potential to either restrict or promote certain types of firm behavior concerning the preparation of comparable, reliable and understandable financial reports. The aim of this paper is to analyze the effort of the Turkish Public Oversight Accounting and Auditing Standards Authority (POAASA) to increase the accounting information quality through the use of the 2019 IFRS/IAS interpretation and explanation document titled "Principle-Decision Concerning the Implementation of Accounting Standards". Although the enforcement activities of the agency span 5 IFRIC Interpretations that were developed by the IFRS Interpretations Committee, 36 standards and the conceptual framework, the findings show that their current focus lies with the presentation and format of the accounting information and recognition and measurement (IAS 1- Presentation of Financial Statements, IFRS 9- Financial Instruments and IFRS 15- Revenue from Contracts with Customers).

Keywords: Information environment quality, POAASA, Enforcement, IFRS/IAS, Interpretations and explanations

Öz

Düzenleyici kurumların uygulama faaliyetleri karşılaştırılabilir, güvenilir ve anlaşılır finansal raporların hazırlanmasını sağlayacak belirli firma davranışını teşvik edecek ya da kısıtlayacaktır. Bu çalışma Türkiye Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu'nun "Muhasebe Standartlarının Uygulanmasına Dair İlke Kararları" başlıklı 2019 UFRS/UMS yorumlama ve açıklama belgesi vasıtasıyla muhasebe bilgi kalitesini artırma çabasını analiz etmektedir. Kuruluşun uygulama faaliyetleri IFRS Yorumlama Komitesi tarafından geliştirilen 5 IFRIC Yorumunu, 36 standardını ve kavramsal çerçeveyi kapsadığı halde; KGK'nın mevcut odak noktasının muhasebe bilgilerinin sunumu ve formatı ile muhasebeleştirme ve ölçüm standartları olduğu tespit edilmiştir (UMS 1- Finansal Tabloların Sunumu, UFRS 9- Finansal Araçlar ve UFRS 15-Müşteri Sözleşmelerden Hasılat).

Anahtar Kelimeler: Bilgi ortamı kalitesi, KGK, Uygulama, UFRS/UMS, Yorumlar ve açıklamalar

1. INTRODUCTION

National reporting regulators and agencies are an integral part of a country's broader institutional framework (Leuz, 2010; Güdelci, 2019) which can aid in improving the information quality and accounting comparability of IFRS applications across countries.

The steps taken by these national regulatory agencies in order to facilitate adoption of certain standards (or for

transitioning the national accounting system to IFRS/IAS itself) (Chalmers and Godfrey, 2004; Brown and Tarca, 2005; Delvaille, et al., 2005; Christensen, 2012; Karabayır, 2012; Özgün, 2019) especially, holds the potential to either restrict or promote certain types of firm behavior concerning the preparation of comparable, reliable and understandable statements, providing additional information or abiding by accounting norms.

One of the most powerful tools available to these national

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¹ Melissa Nihal CAGLE

ORCID ID: 0000-0003-0480-5626

Res. Assist. Dr., Dokuz Eylül University, Faculty of Business, Division of Accounting and Finance, İzmir, Türkiye, melissa.cagle@deu.edu.tr

Araş. Gör. Dr., Dokuz Eylül Üniversitesi, İşletme Fakültesi, Muhasebe ve Finansman ABD, İzmir, Türkiye, melissa.cagle@deu.edu.tr

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reporting agencies, that is also extensively covered under accounting literature, is "enforcement". Quagli et al. (2020) states that enforcement is a complex and nuanced phenomenon that is necessary for the execution of laws or regulations. The authors argue that accounting enforcement not only influences the overall degree of earnings management, but also the relevance and quality of information provided within markets. Bradbury and Scott (2020) on the other hand, states that enforcement is important to achieve higher quality financial reporting. Moreover, they argue that enforcement can also aid in increasing the liquidity benefits observed after IFRS adoption and improve accrual quality. Silva et al. (2020) presents evidence that enforcement activities undertaken by regulators played a critical part in reducing resistance to IFRS adoption within Portugal, and assisted in overcoming institutional barriers to the success of the accounting reform. Finally, Kurauone et al. (2020) argues that countries with strong enforcement achieve high IFRS compliance, which improves national tax compliance. Enforcement activities come in many forms (Nobes, 2020), however for the purpose of this article the enforcement approach- IFRS/IAS based interpretations and explanations will be addressed.

The International Accounting Standards Board (IASB) preference for principle-based standards where they avoid detailed standard requirement prescriptions is well established. However, regardless of the Boards preferences, it is a common practice for national regulatory agencies to issue independent interpretations and explanations for the international standards (Gökçen and Ataman, 2018; Kvaal and Nobes, 2012; Wehrfritz and Haller, 2014; Collis et al., 2017). These are powerful interpretations and explanations that promote increased comparability and compliance for the IFRS/IAS and are consistently applied by reporting firms (Wehrfritz and Haller, 2014; Dinç and Atasel, 2016; Sağlar and Demet, 2019). The focus of the national IFRS/IAS interpretations cover reporting requirements that show important deficiencies or areas that have been marked for further improvement and targeted by the regulatory agency (Mikail and Aslan, 2017; Wehrfritz and Haller, 2014; Uğur et al., 2020). Thus, the overall focus of these guides varies depending on the importance afforded by the agency or that bares the potential for error or area of disagreement over interpretation.

The purpose of the study is to analyze the effort of the Turkish Public Oversight Accounting and Auditing Standards Authority (POAASA) to increase the accounting information quality through the use of the IFRS/IAS interpretation and explanation document titled "Principle-

Decision Concerning the Implementation of Accounting Standards" (published within the year 2019). The study will provide an in-depth analysis of the IFRS/IAS problem areas the regulating agency views as having potential accounting error or area of disagreement over interpretation. The POAASA was established in the year 2011 by the publication of the statutory degree number 660 in order to reduce the fragmented nature of the accounting system within Turkey and fully commit to the transition towards European Union membership. The organization was established as the sole authority in determining the accounting, auditing, ethics standards in compliance with the international standards. Moreover, the Authority was tasked with the responsibility of determining the working qualifications of statutory auditors and audit firms, educational standards; monitoring and supervising the operations and auditing activities of the statutory auditors; conducting disciplinary and investigative procedures and in case of breaches, to initiate suspension or termination of licenses. The organization is a global participant within various platforms, such as; the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB) and undertakes collaborational duties in order to ensure Turkey becomes competitive, efficient and reliable actors of international capital markets. As a result, the efforts of the POAASA bares importance to similar regulatory agencies that are currently attempting to increase compliance with IFRS/IAS within their national efforts.

The paper is structured as follows. Under the second section, the National regulatory agency enforcement tool "IFRS/IAS interpretations and explanations" will be addressed across multiple countries. Following this, the interpretation document adopted by the POAASA will be analyzed.

In the third section, the accounting literature concerning the enforcement focus of national regulatory agencies will be addressed. This section will attempt to highlight the inherent variation across different national agencies concerning the need for enforcement of IFRS/IAS reporting and disclosure areas. As the accounting literature is of the opinion that interpretation enforcement aspects of global accounting convergence are currently missing from the IFRS/IAS debate (Elitaş, 2014; Elitaş, 2010; Bradbury and Scott, 2020; Hail et al., 2010), this creates motivation to contribute to global literature analyzing the convergence efforts of the POAASA. In the year 2019, the Turkish oversight authority has presented one of the most detailed interpretation and explanation documents for IFRS/IAS. Thus, in this respect, Turkey provides a rewarding setting to analyze the focus of a regulating agency in order to increase the accounting information quality. The aim is to conduct a content analysis of the "Principle-Decision Concerning the Implementation of

Accounting Standards" published by the POAASA and determine where the overall focus of the organization lies in comparison to other international agencies. In the fourth and fifth sections of the paper, the methodology employed in order to analyze the document and the results will be presented, respectively. The final section will conclude.

2. IFRS/IAS INTERPRETATIONS AND EXPLANATIONS AS AN ENFORCEMENT TOOL

Although the IASB takes into account topics that have been raised by academics and practitioners concerning vague criteria or interpretations of disclosure items, most of the time the Board avoids prescribing detailed instructions. If the International Financial Reporting Interpretations Committee (IFRIC) agrees with the assessment, the standard in question is subsequently amended, however most of the time the topics raised with the committee are vetoed and a list of areas considered but not acted on is published by the IFRIC. Thus, in order to move past the refusal of the IFRIC to provide additional instructions, various national interpretations and explanations have been put forth by regulatory agencies to ensure compliance with international accounting standards as issued by the IASB (or EU-approved in the case of Member States). As the presented arguments greatly contribute to the discussion at hand, the views of these regional bodies are briefly addressed below.

On the 1st of January 2005 the EU Parliament, which prompted member states to apply the IFRS, also presented the member states with alternatives in the implementation of the standards via Regulation 1606/2002, approved in March of 2002. Under Article 10 of the Treaty and Article 16 (Regulation 1606/2002), the Parliament, in order to ensure the "proper and rigorous enforcement" in Member States were required to take appropriate measures to ensure common compliance with international accounting standards. However, Article 16 did not offer an explanation for what constituted as "appropriate measures". Following this development, the Committee of European Securities Regulators (CESR) published 21 principles in the "Proposed Statement of Principles of Enforcement of Accounting Standards in Europe" in October 2002. This decree of the CESR, which focused on the interpretation and implementation of IFRS, had at the time caused quite a controversy as Principle 20 completely restricted the issuance of application guidance and interpretations on IFRS. Principle 20 states that "in order to promote harmonization of enforcement practices and to ensure a consistent approach of the enforcers to the application of the IFRSs, coordination.... will take place...no general application guidance on IFRSs will be

issued by the enforcers (for any controversial accounting issues)" (CESR, 2002).

This decision of the CESR was largely opposed but ultimately supported by various organizations. For example, the Institute of Chartered Accountants in England and Wales (ICAEW, 2003) in response to the "Proposed Statement of Principles of Enforcement of Accounting Standards in Europe" stated that they agreed that regulators should not publish guidelines for the application of IFRS, "...since there is a danger that the application of a new set of accounting standards, based primarily on principles, might result in the creation by European enforcers of a body of accounting interpretations comparable to that built up by the U.S. Securities and Exchange Commission (SEC)" and also argued that it should be only permitted under certain conditions.

The European Financial Reporting Advisory Group (EFRAG), (2003) on the other hand, in response to Principle 20, stated that in order to enhance the usefulness of financial information published throughout Europe, a coordination for uniform financial reporting is necessary. However, by approving Principle 20, EFRAG also acknowledged "that an act of enforcement will, to some extent, be viewed as an interpretation of the standards" (EFRAG, 2003). They also stated that the "quest for application interpretations and explanations" of IFRS can be expected to be extensive in after initial application. This view of ERFAG and CESR on restricting application guidance and interpretations set the general tone for the policy the European Parliament and Committee would take throughout Europe. Ultimately the IASB policy of restricting detailed prescriptions and leaving the interpretation of IFRS under the sole responsibility of the IFRIC to be achieved through the amendment of standards (ICAEW, 2003) was adopted and respected by various regional bodies. However, this does not restrict the pressure firms, auditor or other national agencies might place on national regulatory agencies to provide formal or informal interpretations.

In fact, the application of national forms of IFRS interpretations and explanations has become quite common. For example, the "Comité de la Reglementation Comptable" (CRC- French Accounting Regulation Committee) addressed the presentation of financial statements within a 2004 communication (2004-R.02-1) and provided new formats for French companies to present the international standards (Delville, et al., 2005). These formats covered the preparation of the income statement, cash flow statement and statement of owners' equity and aimed to increase the transparency of the French information environment.

The German Accounting Standards Board, on the other

hand created the Rechnungslegungs Interpretations Committee (RIC) with the aim of generating uniform IFRS application across the country. Since its formation, the RIC have provided multiple IFRS interpretations, one of which concerns the consolidated financial statements. The aim was to reform the financial reporting regime within Germany, increase compliance with accounting standards and prevent organizations from taking advantage of the capital markets. The interpretation efforts undertaken within Italy (within the scope of decree 38/2005) on the other hand concerned reserves and unrealized gains coming from fair value criteria, and addressed exceptional cases concerning these fundamental principles (Brown and Tarca, 2005; Delvaille, et al., 2005). Moreover, the Commissione Nazionale per le Società e la Borsa provided financial statement formats for listed companies and the presentation of widely applied financial instruments. The underlying motivation of the regulatory agency was the satisfaction of the European Union pressure towards use of the international accounting standards and further increase of company competitiveness.

Another example of this enforcement can be seen within Australia. The Australian Society of Corporate Treasurers (ASCT) issued mandatory requirements concerning the firms derivative financial instrument disclosures and presentation. The aim of this pronouncement was to make derivative activities more transparent, standardize firms financial reporting and address the perceived firm shortfalls (Chalmers and Godfrey, 2004). Although separate from the international Financial Reporting Standards, the Accounting Standards Board Urgent Issues Task Force (the now former) published a note in 2006 what the purpose of ensuring that the consolidated accounts were provided in accordance with the provisions of the seventh directive. The items covered under note consisted of the preparation and presentation of accounting policies to be used by all entities in the consolidated accounts and the scope of the entities (ASB, 2006). The interpretations provided by the former agency covered the period of 2005-2012 and aimed to increase outward looking reporting and take guidance from good practices (Collins et al., 2017). Finally, another version of these interpretations can be found under the activities of the Turkish Public Oversight Accounting and Auditing Standards Authority. With the latest version of the interpretation published within the year 2019, the Authority aimed to (POAASA, 2019):

- increase the fair presentation of the information provided by the companies to the related parties through the financial statements,
- increase international standard compliance,

- to increase the comparability, verifiability and understandability of financial statements
- to ensure the uniformity of the financial statements and,
- to facilitate better audits.

The aptly named "Principle-Decision Concerning the Implementation of Accounting Standards in Turkey" (Türkiye Muhasebe Standartlarının Uygulanmasına Yönelik İlke Kararı) document was initially published in accordance with the Board Decision dated 13 September 2018 (and numbered 03/161) and provided detailed financial statement examples and IFRS/IAS application guidance. The Authority not only decreed that usage of the document for companies subject to independent audit (decree dated 26 March 2018 and numbered 2018/11597) was mandatory, but they also included firms that voluntarily adopted IFRS/IAS within the grouping. Stated differently, companies that have to submit financial statements to the Public Disclosure Platform (KAP) must prepare their financial statements in accordance with the IFRS Taxonomy developed (by the Authority) on the basis of the financial statement samples included in this document (in accordance with #2018/11597). Moreover, the Authority also allows non-audited companies (that apply IFRS/IAS) to employ use of the financial statement examples as well. The standard interpretations were designed to ensure that the financial statements of reporting entities are presented in accordance with IFRS/IAS. The Authority included multiple examples of financial statements by taking into account the financial statement items that these enterprises have to present in minimum compliance with the standards. The Authority also adopted the perspective that organizations might be more willing to present items under the reports themselves, rather than disclosing them in the footnotes. This resulted in detailed financial statement examples (and limited disclosure examples) being provided by the Authority. In this context, the financial statement examples include all the main items that may be needed by businesses that prepare their financial statements in accordance with IFRS/IAS.

3. LITERATURE REVIEW

This section will address the IFRS application concerns of the regulating agencies that hold the potential for accounting error or area of disagreement over interpretation. Quagli et al. (2020) analyze the enforcement focus of the Commissione Nazionale per le Società e la Borsa (CONSOB) concerning Italian banks. Expressing uncertainty regarding Italian banks earnings management, Quagli et al. (2020) argues that the regulating agency applied to the IFRSIC and European Securities and Markets Authority (ESMA) and

asked for clarification concerning share revaluation within the profit and loss statement and the "IAS 39- Financial Instruments: Recognition and Measurement" standard. The organization was motivated to do so as they feared potential accounting manipulation and worried that the applied treatment of these accounts were not in compliance with the standard. Unfortunately, both the ESMA and the IFRSIC avoided taking an official position and the treatment ended up becoming the norm within Italian banks. Although the concern of the regulating agency was not eliminated, Quagli et al. (2020) observes that audit firms now draw attention to the issue within their reports in order to satisfy the agency.

Bradbury and Scott (2020) on the other hand, observes that when it comes to the enforcement focus of the International Financial Reporting Standards in New Zealand, the most common enquiries made concern the overall IFRS transition, the presentation of financial statements (IAS 1- Presentation of Financial Statements), impairment (IAS 36- Impairment of Assets), financial instruments (IFRS 7- Financial Instruments) and related party disclosures (IAS 24- Related Party Disclosures). The authors conduct a content analysis on the confidential enquiries made by the Securities Commission between the years 2007 to 2010 and determine that the overall focus of the agency concerns the disclosure or presentation type issues. The results of the analysis is also cross-referenced with evidence on the impact of IFRS on financial statements. However, no relationship was detected between standards that regulators concentrate on and those that impact the financial statements. Similarly, Sten et al. (2010) conduct an analysis on the annual reports of firms within New Zealand between the periods of 2005 to 2008. The authors compare the pre-and post IFRS adoption for early and late adopters under the sample. Sten et al. (2010) argue that the switch to use the International Financial Reporting Standards was one of the most significant economic events undertaken within the country that has far-reaching effects concerning the quality of accounting information, capital market, cost of capital, liquidity and value relevance. The author determined that "IAS 12- Income Taxes", "IAS 39- Financial Instruments: Recognition and Measurement", "IAS 19- Employee Benefits" and "IFRS 3- Business Combinations" hold particular importance for regulators and financial statement preparers.

Feroz et al. (2008) on the other hand conducted an analysis that questions the enforcement program implemented by the United States of America Security Exchange Commission. The author attempted to answer the following two questions; what kinds of accounting and

auditing issues motivate enforcement actions and how these actions are viewed by investors. The authors argue that the aim of the program implemented by the Security Exchange Commission is to concentrate on a particular problem area in anticipating of emerging issues. Feroz et al. (2008) recognize that the disclosures and reporting violations hold particular importance within the enforcement program. Feroz et al. (2008) focused on how market agents react to the enforcement processes, market returns around disclosure violations and abnormal returns. Considering the focus of the organization, the author is determined that negative returns imply substantial incentives for managers to avoid investigations. This indicates that the efforts undertaken by the organization have played a role in reducing issues that lead to investigations.

Silva et al. (2020) argues that a IFRS-based accounting system alone is not enough in order to achieve global harmonization. The authors highlight the importance of regulatory agency enforcement in order to bridge the gap within Portuguese companies. The authors conduct a qualitative longitudinal analysis by conducting pre-post interviews before and after the adoption of the standard. They determine that overall, there is an inherent resistance to transitioning towards the international standards within these firms. The Board perceived incompatibility between the traditional Portuguese accounting system and IFRS philosophy and doubted the reception of the IFRS ideology. Thus, in order to facilitate further adoption and compliance to the standards of the Portuguese accounting standards the Board approved the "Sistema de Normalização Contabilística" concerning the compulsory adoption by non-financial unlisted companies in 2010.

Karampinis (2021) evaluated the effect of enforcement of "IAS 36- Impairment of Assets" within 38 countries across the period of 2005 to 2017. The author analyzes the role of enforcement in recognizing tangible asset impairments, and opportunistic behavior concerning earning smoothing, big-bath-behavior and debt-pressure under the IFRS regime. They argue that asset impairment in particular is of importance to regulators as it often constitutes as material amounts in financial statements that also signifies managers' perceptions of future performance of assets. Karampinis (2021) finds that strong legal enforcement significantly improves compliance and the timing of asset impairments recognition. Sellami and Borgi (2020) conducts a panel analysis on 537 listed African companies between the period of 2012 to 2014. The authors argue that the enforcement of the International Financial Reporting Standards is a big problem within these countries and regulatory intervention holds a prominent role in ensuring

reliable financial reports. As a result, Sellami and Borgi (2020) state that great strides have been made in order to strengthen the enforcement setting within the 8 African countries included within the sample, focusing on the published national corporate governance codes. In particular, the regulators have targeted "IAS 24- Related Party Disclosures" as these disclosures face non-compliance, and insufficient disclosure has resulted in the misleading of investors. The aim is to achieve financial statements that offer a better insight into the nature and effect of these transactions, which can only be attained through reducing corruption within African countries, putting into place disciplinary actions for an ethical behavior and promoting effective implementation of IFRS.

Silva and Nardi (2020) studied the mandatory adoption of the International Financial Reporting Standards within Brazil. They conduct an analysis exploring the stock liquidity of listed firms in relation to the adoption of the international standards. Throughout their analysis, the authors determine that regulators are still facing considerable challenges in ensuring uniform IFRS application. Silva and Nardi (2020) point out that one of these challenges is the lack of regulator to guarantee compliance with IFRS, which resulted in low quality financial statements being published. Hartmann et al. (2020) analyze the inherent difficulties faced by Swedish regulators in enforcing the IFRS requirements. The authors identify two issues that are causing problems for these regulators; judgment and investor focus. Moreover, the authors argue that transitioning from the local accounting system to the international financial reporting standards has caused tension within countries as most items contradict local practices. Hartmann et al. (2020) further analyzed the "IAS 39-Financial Instruments: Recognition and Measurement" and the "IFRS 17- Insurance Contracts" standards and pointed out that efforts to increase disclosure and compliance must be facilitated by organizations becoming fully involved before harmonization and comparability can be achieved. Mnif and Znazen (2020) employed use of a 128 itemed checklist covering the reporting requirements of the "IFRS 7- Financial Instruments: Disclosure" standard for 63 firms listed on the Toronto Stock exchange within the years of 2014 to 2016. The authors conducted a fixed effects panel regression analysis and determined that audit committee characteristics such as size, independence, meeting times and experience were important tools that the regulatory body in Canada needed to take into consideration in order to achieve higher quality disclosures. The authors determine that these firms currently suffer from compliance issues which can be remedied through stronger enforcement of the policies NP 58-201 and NI 52-

110 because it can significantly improve the mandatory disclosure environment.

Saoussen and Kobbi-Fakhfakh (2020) conduct an analysis on the "IFRS 15- Revenue from Contracts with Customers" standard and explore the compliance level of European 22 listed organizations within the sectors of construction and telecommunication in 2018. The authors specifically focus on first time application and compliance with mandatory disclosure items. They determined that the enforcement of corporate governance items via regulators constitutes as a moving factor in ensuring full compliance with the standard. Saoussen and Kobbi-Fakhfakh (2020) argue that the development of these mechanisms reduces management discretion and improves judgment made concerning contract costs. Osinubi (2020) argue that regulators targeted timely corporate filings of financial statements within Nigeria in order to reduce conflict and power struggle inherent under the Board of the Financial Reporting Council of Nigeria. Imposed regulatory changes; facilitated the implementation of the International Financial Reporting Standards and initiated significant improvement in corporate financial reporting practices within the country. The author makes use of a document analysis focusing on the publishing of the Board. They argue that regulators play a prominent role in change progression through curative, normative, mimetic and cognitive pressures. Albu et al. (2020) conduct an analysis on publicly available documents and proceedings concerning the local financial reporting environment and enforcement practices. The authors argue that transitioning economies have faced an ideological u-turn that has resulted in the build-up of tension between "local institutional-pulls and institutional-pushes". As a result, the authors argue that national regulatory agencies have undertaken local adaptations in order to improve the overall quality of financial reporting and facilitate local acceptance of changes. Owusu-Ansah and Yeoh (2005) examine the effect of the introduction of the Financial Reporting Act (FRA) on mandatory disclosure by New Zealand companies. The authors find significant improvements in mandatory disclosure compliance by New Zealand companies following the introduction of the FRA. Prior to the implementation of the act, the authors argue that the corporate disclosure compliance levels were very low. However, after controlling for the effects of issues hampering the mandatory disclosure, remarkable improvements were observed on compliance behavior. The authors argue that this is partially the result of the legal backing afforded by regulatory agencies within the country.

Both Çavlak and Atman (2017) and Gökçen and Ataman (2018) analyze the statement examples provided within the Financial Reporting Standard for Large and Medium

Enterprises (BOBİ FRS) in Turkey. The reporting examples listed at the end of the BOBİ FRS Conceptual Framework (Section 1) covers the preparation of the statement of financial position, profit or loss and the cash flow statement. The reporting examples are provided with the aim of standardizing financial information under these enterprises. Both articles conclude that although both the BOBİ FRS and IAS/IFRS disclosure requirements are mostly compatible, a few fundamental differences exist.

Karapınar (2016) analyze the harmonization efforts of the Capital Market Board of Turkey for 420 publicly listed companies within the BİST. The paper covers the years of 2013 to 2014 and analyzes the requirements concerning the statement of financial position and profit or loss. The harmonization level for each sample was individually calculated for the reporting period employing use of a content analysis. The authors determined that the compliance levels have dramatically increased as a result of the guidance issued by the Capital Market Board at 92%.

As it can be observed from the articles presented above, the overall enforcement focus of regulatory agencies differs depending on the nations' potential for accounting errors or area of disagreement over interpretation. As a result, this creates motivation in order to analyze the enforcement focus of the Turkish Public Oversight Accounting and Auditing Standards Authority in increasing the quality of accounting information. The POAASA is an internationally recognized regulatory body that is in constant collaboration with organization such as the International Accounting Standards Board and the International Auditing and Assurance Standards Board in order to ensure Turkey becomes competitive, efficient and reliable actors of international capital markets. Thus, the results gained from this analysis would provide insight into the current enforcement focus of an international regulatory agency in increasing IFRS/IAS disclosure compliance. The research question of this paper is as follows; Which international standards have faced the most enforcement actions within the POAASA? The following section will present the methodology of the study.

4. METHODOLOGY

The aim of this paper is to analyze the enforcement actions undertaken by the POAASA in the form of the Principle-Decision Concerning the Implementation of Accounting Standards in Turkey (Türkiye Muhasebe Standartlarının Uygulanmasına Yönelik İlke Kararı) document in order to increase the quality of accounting information within the country. The analysis is exploratory in nature and employs use of a constant analysis method with the aim of

measuring the research question.

The document containing the IFRS/IAS interpretations and explanations of the POAASA (and previous iterations) is publicly available and was downloaded from the official website. Spanning nearly 70 pages, the POAASA Principle-Decision Concerning the Implementation of Accounting Standards in Turkey provides detailed reporting requirements concerning:

- The preparation and presentation of consolidated financial statements; Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement (direct or indirect),
- The preparation and presentation of separate financial statements; Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement (direct or indirect),
- Items that can be reclassified (or not) into Profit or Loss
- 52 separate disclosure items located within the notes, consisting of; Contract Assets and Liabilities, Tangible Fixed Assets, Government Incentives and Aids, Revenue from Customer Contracts, Business Combinations, Organization and Field of Activity of the Company, Rights on Shares Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, Shares of Members in Cooperative Enterprises and Similar Financial Instruments, Research and Evaluation of Mineral Resources, Employee Benefits, Other Income and Expenses from Operating Activities, Financial Instruments (Fair Value Disclosures and Statements in the Framework of Hedge Accounting), Other Matters that Significantly Affect the Financial Statements or Must Be Disclosed in Order to Make the Financial Statements Clear, Interpretable and Understandable, Effects of Changes in Exchange Rates and Reporting in a Hyperinflationary Economy..etc.

These interpretations and explanations were gathered and coded under an excel file. Following this, the information collected from the document was separated into groups according to its affiliation to the IFRS/IAS in question.

A total of 390 criteria were examined for the 2019 report. The criteria covered the IFRIC Interpretations that were developed by the IFRS Interpretations Committee, IFRS/IAS standards and the conceptual framework. Each item was coded depending on (1) where the POAASA stated the standards should be reported under the disclosures (or financial statements), (2) the format in which it should be

reported, (3) additional information that should be provided alongside the disclosure, or finally, (4) whether or not an accounting item (definition or scope) is further clarified. It must be noted that the interpretations and explanations provided by the organization does not deviate from the requirements of the IFRS/IAS. Contrarily, the regulatory agency argues that the reasoning for publishing this guide is to facilitate compliance with the international standards and to increase the quality and comparability of the accounting information being

provided by Turkish firms. Moreover, the financial statement and disclosure format and explanations presented by the Authority does not cover the whole of the IAS/IFRS standards, and as stated under the document themselves, it is imperative that the financial report preparers do not limit themselves to these interpretations and also consider the disclosure requirements presented under the remaining IAS/IFRS items. The following section will provide information on the findings of the paper.

Table 1: POAASA Interpretations and Explanation Items

Standard	Mentions	% of Guideline
Conceptual Framework	42	0.108
IFRS 1 First-time Adoption of International Financial Reporting Standards	4	0.010
IFRS 10 Consolidated Financial Statements	18	0.046
IFRS 11 Joint Arrangements	4	0.010
IFRS 12 Disclosure of Interests in Other Entities	5	0.013
IFRS 15 Revenue from Contracts with Customers	31	0.079
IFRS 16 Leases	13	0.033
IFRS 2 Share-based Payment	1	0.003
IFRS 3 Business Combinations	6	0.015
IFRS 4 Insurance Contracts	1	0.003
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	9	0.023
IFRS 6 Exploration for and Evaluation of Mineral Resources	6	0.015
IFRS 7 Financial Instruments: Disclosures	13	0.033
IFRS 8 Operating Segments	1	0.003
IFRS 9 Financial Instruments	30	0.077
IFRIC 12 — Service Concession Arrangements	1	0.003
IFRIC 17 — Distributions of Non-cash Assets to Owners	1	0.003
IFRIC 2 — Members' Shares in Co-operative Entities and Similar Instruments	1	0.003
IFRIC 5 — Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1	0.003
IAS 1 Presentation of Financial Statements	55	0.141
IAS 10 Events after the Reporting Period	3	0.008
IAS 12 Income Taxes	7	0.018
IAS 16 Property, Plant and Equipment	8	0.021
IAS 19 Employee Benefits	4	0.010
IAS 2 Inventories	4	0.010
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	5	0.013
IAS 21 The Effects of Changes in Foreign Exchange Rates	3	0.008
IAS 23 Borrowing Costs	6	0.015
IAS 24 Related Party Disclosures	3	0.008
IAS 27 Separate Financial Statements	11	0.028
IAS 28 Investments in Associates and Joint Ventures	4	0.010
IAS 29 Financial Reporting in Hyperinflationary Economies	4	0.010
IAS 32 Financial Instruments: Presentation	24	0.062
IAS 33 Earnings per Share	2	0.005
IAS 36 Impairment of Assets	9	0.023
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	13	0.033
IAS 38 Intangible Assets	13	0.033
IAS 40 Investment Property	4	0.010
IAS 41 Agriculture	5	0.013
IAS 7 Statement of Cash Flows	11	0.028
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	4	0.010
TOTAL	390	1.000

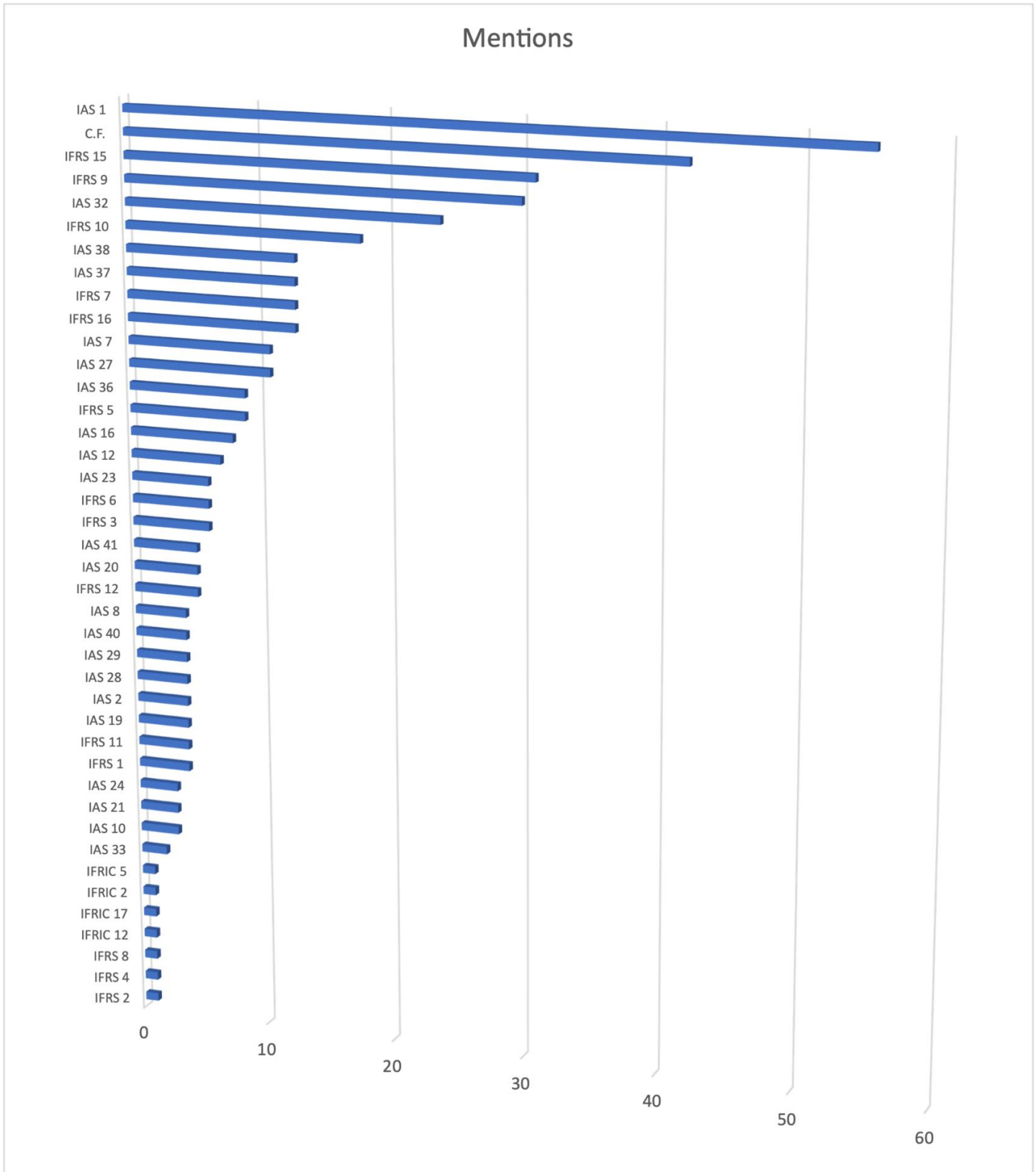


Figure 1: Graphical Representation of the POAASA Interpretations and Explanation Items

5. FINDINGS and DISCUSSION

The IFRS/IAS interpretations and explanation items addressed by the POAASA are summarized under Table 1. Spanning 5 IFRIC interpretations, 36 standards and the conceptual framework, it can be argued that the Turkish

oversight authority has presented one of the most detailed interpretation and explanation document for the IFRS/IAS. The results of the content analysis show that the enforcement focus of the Authority predominantly lies with the presentation and format of the accounting information

and recognition and measurement (Bradbury and Scott, 2020; Brown and Tarca, 2005).

These findings reflect the arguments presented within the stream of research considering enforcement activities of national regulatory agencies (Quagli et al., 2020; Bradbury and Scott, 2020; Sten et al., 2010; Karampinis, 2021; Hartmann et al., 2020; Saoussen and Kobbi-Fakhfakh, 2020). The organization provides detailed examples of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement for firms reporting according to either "IFRS 10- Consolidated Financial Statements" or "IAS 27- Separate Financial Statements". The document also addresses the responsibilities of first-time IFRS transitioning organizations and their reporting requirements. The authorities over reliance on example financial statements under the interpretation and explanation document, and their open statement that they "assume financial report prepares will prefer to provide information on certain items under the statements themselves, rather than commenting on it within the disclosures" could be understood as an attempt to sway the reporting practices of listed organizations within Turkey. Coupled with the regulatory agencies focus on the presentation of accounting information (as seen under Figure 1 with the "IAS 1- Presentation of Financial Statements" standard being mentioned a total of 55 times, 14% of the total document) it can be argued that the regulatory agency is motivated by an attempt to standardize and increase the comparability of the accounting information being provided under the financial statements of the firms.

The second most common item addressed by the regulatory agency under the guide concerns the "Conceptual Framework" with 44 items (11% of the document). The document reiterates or offers clarification to several accounting items, consisting of; the definition of an asset, liability, equity, the primary criterion for recognition...etc. This offers further support for the inherent regulatory concern regarding inconsistency between reporting firms. The third and fourth highest mentioned item within the document concerns the "IFRS 15- Revenue from Contracts with Customers" and the "IFRS 9- Financial Instruments" standards, respectively. These two standards are not surprising as they not only replaced previously applied international standards upon coming into effect, but the Authority has also faced serious questions regarding their applicability. At 31 items (8%) and 30 items (8%), the IFRS 15 and IFRS 9 both have been a part of the POAASA agenda since the publication of the draft version of the standards. Replacing the "IAS 11-

Construction Contracts" and the "IAS 18- Revenue", the IFRS 15 gathered the applications for both under a single standard. However, the new version was not a cut and paste of both standards and brought considerable change concerning the measurement and timing of revenue. Moreover, many enterprises were affected by the new standard in Turkey, including; defense, telecommunication, real estate, manufacturers, construction and even asset management. This finding is also in line with Saoussen and Kobbi-Fakhfakh (2020) who argued that the development of these mechanisms reduces management discretion and improves judgment made concerning contract costs.

The IFRS 9 on the other hand, replaced IAS 39 and the impairment aspect of the complex standard was of the top concern for the regulating agency. Moreover, there was initial concern that the reporting firms would not be able to provide reasonable and supportable information to demonstrate expected credit losses. In fact, it was expected that an enterprise would need to spend considerable time and effort in order to transition to the new standard and fully comply with its requirements. This standard was supported with pronouncements concerning the "IAS 32 Financial Instruments: Presentation" and the "IFRS 7- Financial Instruments: Disclosures" at 24 items (6% of the document) and 13 items (3% of the document). Finally, this finding is in line with research conducted by Quagli et al. (2020); Bradbury and Scott (2020); Sten et al. (2010); Karampinis (2021) Hartmann et al. (2020) who supported that agencies were motivated from a fear of (1) potential accounting manipulation, (2) that the applied treatment of these accounts were not in compliance with the standard and (3) a need to facilitate compliance for these disclosures in order to further harmonization and comparability. As a result, the POAASA marking these standards for potential error or area of disagreement over the interpretation and the publication of the guide for further improvement is not surprising. What is surprising however, is the level of IFRS/IAS coverage within the document. As mentioned previously, the IASB preference for avoiding detailed standard requirement prescriptions is well established. Moreover, organizations such as the CESR and ICAE have made their opinions on the matter apparent- openly stating that they considered the publication to be a danger to the principle-based standards application. Regardless, the use of these guides are quite common and have been observed within countries like the UK, Germany, Australia, Italy and France over the course of the nation's IFRS/IAS transition.

6. CONCLUSION

Over sink particular problem areas in anticipation of emerging issues, the POAASA has marked the presentation and format of the accounting information and recognition

and measurement and has provided detailed interpretations and explanations in order to facilitate compliance with the international standards and to increase the quality and comparability of the accounting information in Turkey. In fact, combined these issues make up 50% of the 2019 "Principle-Decision Concerning the Implementation of Accounting Standards" document. One limitation of the study is the difficult in conducting a pre-post examination of the accounting policy. The requirements in question would need to be sufficiently major to allow for data collection (e.g., years in effect and applying firms). If a large percentage of operations could be established under a wide variety of firms, this would allow for a pre-post examination of the effect the national regulatory agency had on the compliance of a large sample of firms. Moreover, these interpretations and explanations should be used with great caution in IFRS/IAS implementation as firms have a tendency to only focus on the guideline when providing financial information which leads to misrepresentation of firm's operations and environment.

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