

KONAKLAMA İřLETMELERİNDE HİZMET ÜRETİMİ MALİYETLERİNİN STANDARTLAR VE MUSGT/VUK KAPSAMINDA MUHASEBELEřTİRİLMESİ¹

ACCOUNTING OF SERVICE PRODUCTION COSTS IN ACCOMMODATION ENTERPRISES WITHIN THE SCOPE OF STANDARDS AND MSUGT

Fatih Ömür BİNİCİ  *

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Öz

Hizmet endüstrisini kategorize ederken konaklama iřletmeleri, profesyonel hizmetler arasında bir kategori olan hizmet mağazası olarak tanımlanır. Perakende, üretim ve hizmet gibi üç farklı endüstriyi bünyesinde barındıran konaklama sektörü, operasyonlarını destekleme de kullanılan muhasebe yöntemleri ve teknikleri için farklı bilgi türlerine ihtiyaç duyar. Üç faaliyetin tümünü bir arada barındıran bu endüstriye tek bir bilgi sistemi oluşturulmak istenmesi bir zorluk olarak karşımıza çıkar. Bu zorluklarla beraber konaklama iřletmelerinde muhasebe uygulamalarını zorlařtıran diğeri bir konu ise, Muhasebe Sistemi Uygulama Genel Tebliğı (MSUGT), Vergi Usul Kanunu (VUK), Türkiye Muhasebe Standartları (TMS), Büyük ve Orta Boy İřletmeler için Finansal Raporlama Standardı (BOBİ FRS) ve Küçük ve Mikro İřletmeler için Finansal Raporlama Standardı (KÜMİ FRS) olmak üzere beř farklı muhasebe uygulama çerçevesinin yürürlükte olmasıdır. Bu doğırlu çalışmada birçok ülkenin ekonomisinde giderek daha önemli bir rol oynayan ve ülkelerde ekonomik büyümeye ve istihdama katkıda bulunan ve sürekli gelişim içinde olan turizm sektöründe, hizmet üretim maliyetlerinin MSUGT, VUK, TMS-TFRS, BOBİ FRS ve KÜMİ FRS çerçevesinde nasıl muhasebeleştirileceğini arařtırmak, örnekler sunmak ve bu konuda konaklama iřletmelerinin muhasebe uygulamalarında yaşanan sorunlara ilişkin çözüm önerilerinde bulunmaktadır. Yapılan inceleme ve uygulama örnekleri sonucunda TMS, BOBİ FRS ve KÜMİ FRS benzer özellikler taşıırken, MSUGT/VUK'un muhasebe uygulamaları açısından farklılařtığı sonucuna ulařılmıştır.

Anahtar Kelimeler: Muhasebe, TMS, BOBİ FRS, KÜMİ FRS

JEL Sınıflaması: M40, M41

Abstract

In the classification of the service industry, accommodation businesses are defined as a service store, which is a category among professional services. The accommodation sector, which includes three different industries such as retail, manufacturing and service, requires different types of information for the accounting methods and techniques used to support its operations. The desire to create a single information system for this industry, which includes all three activities, is a challenge. Along with these challenges, another issue that makes accounting practices in accommodation businesses difficult is the fact that there are five different accounting application frameworks in force, namely the General Communiqué on Accounting System Application (GCASA), Tax Procedure Law (TPL), Turkish Accounting Standards (TAS), Financial Reporting Standard for Large and Medium-Sized Enterprises (LMSE FRS) and Financial Reporting Standard for Small and Micro Enterprises (SME FRS)). In this context, the aim of this study is to investigate how service production costs will be accounted for in the tourism sector, which plays an increasingly important role in the economies of many countries and contributes to economic growth and employment in countries and is in constant development, to provide examples and to offer solutions to the problems experienced in the accounting practices of accommodation establishments in this regard. As a result of the examination and application examples, it was concluded that while TAS, LMSE FRS and SME FRS have similar features, GCASA/TPL differs in terms of accounting practices.

Keywords: Accounting, TAS, LMSE FRS, SME FRS

JEL Classification: M40, M4

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* Dr. Öğr. Üyesi Fatih Ömür BİNİCİ, Ağrı İbrahim Çeçen Üniversitesi EMYO, fobinici@agri.edu.tr, Ağrı- Türkiye
ORCID: 0000-0001-6147-1955

1. Introduction

Tourism plays an increasingly important role in the economies of many countries. It contributes to economic growth and employment in countries and is an important source of foreign exchange (Carruth and Carruth, 2010: 134). The tourism sector, whose importance is increasing day by day, is in a constant development with rapidly changing market and competition conditions around the world (Dursun and Yalınz, 2013: 140). The increase in the quality of products and services, innovations in transportation and communication, creative presentations of tourism marketing and other factors contribute significantly to this development (Navickas and Malakauskaite, 2009: 37). This development has caused tourism to have a larger share in the economy and the number of large tourism enterprises offering a wide range of services has increased (Dursun and Yalınz, 2013: 140).

In general, tourism and accommodation businesses are businesses that meet the demands and needs such as overnight stays, food and beverages, rest, and entertainment for a certain fee (Kurtlu and Gobi, 2020: 314). Tourism is defined as the activities of people who travel and stay in places outside their usual environment for no more than one year for entertainment, business, and other purposes not related to the implementation of an activity charged from the place visited (Carruth and Carruth, 2010: 140). Unlike other industries, these businesses have many unique features such as the inability to stock the service produced, the necessity of consumption at the time of production, and the simultaneous production and consumption. These unique features differentiate accommodation businesses both in terms of sector and accounting practices (Kurtlu and Gobi, 2020: 314). For example, while manufacturing businesses place special emphasis on product costs, cost accounting systems, and cost control due to the nature of their activities, retail businesses place importance on sales costs, gross margins, and sales price control. In contrast, businesses that are predominantly service-oriented, such as tourism and travel businesses, place greater emphasis on developing complex pricing strategies and tactics (Harris and Brown, 1998: 162). In addition, as in the example, the existence of each of the emphasized features in accommodation businesses and the simultaneous provision of many services, especially in large-scale accommodation businesses, causes financial transactions to have a complex structure (Dursun and Yalınz, 2013:140). Harris and Brown (1998) states that this complexity should be taken into consideration when conducting research on accounting practices in the accommodation sector. He states the points highlighted as an important difficulty.

When categorizing the service industry, accommodation businesses are defined as service stores, which is a category among professional services. The accommodation sector, which includes three different industries such as retail, manufacturing and service, requires different types of information for accounting methods and techniques used to support its operations (Harris and Brown, 1998: 162). The desire to create a single information system for this industry, which includes all three activities, is a challenge (Fitzgerald, Johnston, Brignall, Silvestro, and Voss, 1991: 227). Along with these difficulties, another issue that makes accounting applications difficult in accommodation businesses is the validity of five different accounting application frameworks, namely the General Communiqué Accounting System Application (GCASA), Tax Procedure Law (TPL), Turkish Accounting Standards (TAS), Financial Reporting Standard for Large and Medium-Sized Enterprises (LMSE FRS) and Financial Reporting Standard for Small and Micro Enterprises (SME FRS). These frameworks prevent the balance sheet or income statement from being prepared differently and, as a result, the comparability of financial statements on a sectoral basis (Doğan and Altınkaynak, 2019: 1903). In particular, the absence of a stock account related to service production according to the Uniform Accounting System (UAS) and the existence of problems in accounting for services whose service production has not been completed or whose revenue has not yet been realized at the end of the year (Kurtlu and Gobi, 2020: 314). In this context, it is aimed to provide examples of how accounting practices to be carried out within the framework of GCASA, TAS, LMSE FRS and SME FRS by taking into account the issues specified in accommodation transactions and to suggest solutions to problems related to accounting practices.

2. Accommodation Businesses Accounting Practices

Today, the intense competition environment and profitability target in the tourism sector has increased the scope and importance of accounting applications (Koşan, 2011: 120). In addition, as the accommodation sector continues to grow and the business environment becomes increasingly competitive, it must be increasingly more profit and cost conscious in order to maximize revenue and minimize costs while maintaining the necessary service level for a successful operation (Carruth and Carruth, 2010: 140). Therefore, accounting applications in the tourism sector play a critical role for extensible decision making, beyond just keeping financial records (Koşan, 2011: 120). Some issues need to be taken into consideration to establish accounting systems, which are of critical importance in accommodation businesses. These are;

- Service in accommodation establishments continues 24/7,
- Intensive labor force requirement for service production,
- Abundance of financial transactions,
- Density of income and expense centers,
- Employment of unqualified personnel,
- Production and sale of products with high unit value are issues specific to accommodation establishments (Aktürk, 2015: 112).

In this sector where customer satisfaction is at the forefront, the necessity of a strong financial structure and cost control should not be forgotten. The accounting system created by considering the above-mentioned issues for accommodation establishments is not different from the purposes of general accounting. The purposes are to calculate the cost of the products offered and produced, to determine profit and loss, to determine the income and expenses of each section (department) separately, to prepare and present financial reports and tables to internal and external users accurately, reliably and on time (Schmidgall, Damitio, and Singh, 1997: 28). In general, the basic tasks of the accounting system in accommodation establishments can be listed as follows.

- To provide financial information regarding the past period,
- To follow receivables and payables,
- To provide financial data for the business budget,
- To determine the income and expenses of the business,
- To prepare monthly activity reports,
- To manage the costs of finished goods, semi-finished goods and labor (Çetiner, 2009: 32).

The tasks it performs help the front office organization and accounting system, to the individuals and institutions related to the business who will use the tables and reports prepared at the end of the accounting period or in the interim periods and make decisions (Koşan, 2011: 131).

In accommodation establishments, the receipts formed are processed in preliminary reports and arranged according to different definitions for each department or business section. After the collection obtained according to the payment method is verified, it is recorded in daily cash statements or customer accounts. These transactions are carried out from the front office. It is also the starting point for daily collections, accounting records and control transactions (Ağ and Taşkesenlioğlu, 2024: 44). The effectiveness of the decision system in accommodation establishments depends on the reliable and accurate delivery of information. The connection between the front office and accounting ensures that this information is delivered on time. The purpose of the accounting department is not only to disclose financial situations, but also to provide the information requested by the management mechanism. In general, in accommodation establishments, the accounting department also manages processes such as the creation of financial statements, control of food and beverage and labor costs, and the creation of future plans (Sarı and Çam, 2014: 261).

This situation emphasizes the importance of cost and management accounting in accommodation establishments. The accounting unit should meet the needs related to all kinds of financial transactions and provide the constantly requested information about the business effectively and efficiently. In this way, the accounting unit ensures timely reporting of information to the management together with effective cost management (Meriç, 2023: 8). In accommodation businesses, energy and water expenses, personnel costs, capital or stock depreciation expenses, these are the most important cost items corresponding to the provision of accommodation services. The formation of these costs is service products such as food production.

However, in addition to including an inventory management element, it also includes a production function. It includes the purchase of raw materials and their transformation into finished products, namely plates and meals, for distribution and service to the customer (Harris and Brown, 1998: 164). The rooms prepared for sale in the accommodation business constitute the stocks of the business. For this accommodation service stock to be formed, businesses carry out a number of activities such as preparation and cleaning and bear the relevant costs. Similarly, the food and beverage materials in the businesses for the food service provided in the accommodation businesses are also in the nature of stock and are also included in the stock item (Doğan and Altınkaynak, 2019: 1889). The provision of hotel products, product range, real-time activities, production and consumption, location and size, labor and capital intensity and cost structure are among the other basic features attributed to the accommodation sector. All of these interact with the rooms, food and beverage components and cause the production of different

hotel products and the fluctuation of the profit/volume ratio from one sales mix to another, which is common in the sector (Philips, 1994: 5). It also requires the quality of the service and its costs to be kept under control. The task of the cost accounting system in accommodation businesses is to calculate the costs of the goods or services produced and to evaluate them in terms of management (Lazol, 2011: 95).

3. Literature

According to the study conducted by Cořkun and Güngörmüş (2009) it was stated that there are differences between tax laws and standards regarding the accounting of service production costs and due to these differences, the Standards will provide more accurate and realistic results in reflecting the accounting transactions compared to the Tax Procedure Law. Kabatař and Pamukçu (2010) stated that in the accounting of service production within the scope of the Tax Procedure Law, the status of obtaining the income related to the service is not taken into account and all costs are accounted regardless of the status of the income. However, the standards state that it is possible to account for costs without recording the income in the accounting records. Because the service production cost must be compared with the income in the income statement. For this reason, it is suggested that the parts of the service production costs that are not completed or whose income has not yet been obtained should be accounted for in the 15 Inventories group, which are empty accounts numbered 154 and 155. According to the Small and Medium Enterprises (SME) Standard, service stock costs should be monitored separately as service costs that have been completed but whose income has not been obtained and service costs that have not been completed.

Dursun and Yalnız (2013) suggested that the requirements of TAS 2 and TAS 18 Revenue standards should be met in order to reflect the stocks that are on hand or sold at the end of the period for the service sector, but whose revenue has not yet been obtained, in the financial statements. They also suggested that the service production costs for which revenue was obtained during the period should be recorded in the 622 Costs of Services Sold account, while the costs of service productions for which revenue has not yet been collected can be monitored in the sub-accounts of the 151 Semi-Finished Goods account. Doğın and Altınkaynak (2019) stated that the receipt of income in return for service production has brought the time to record the production costs of the relevant service in accordance with the concept of periodicity. They stated that accommodation businesses that implement accounting practices according to GCASA /TPL will report lower period profits than businesses that record according to TAS and LMSE FRS standards, and that this situation will affect the tax base of the business.

Yiğit and Büyükipekçi (2019) stated that with the removal of Article 19 of the TAS 2 Inventory standard in 2018, if the costs incurred do not cause the formation of another asset within the scope of the specified standards, they can be recorded as assets if the conditions are met according to the TFRS 15 standard. At the same time, current accounting practices do not make it possible to record service production costs as assets. At the end of the period, unfinished service production costs are transferred to the 155 Completed Service Costs account. In the event that revenue is obtained, costs are transferred to the 622 Cost of Services Sold account. Kurtlu and Gobi (2020) focused on two different situations in their study. The first is related to the recording of costs incurred to produce services in the inventory account. While inventory accounts are used for raw materials and materials, there is no inventory account for semi-finished or finished goods. The second is the accounting of services that are not completed or whose revenue has not been obtained. In their examination of these issues, they suggested that since there is no stock account for service production according to TPL and TDHP, it will be accounted in accordance with TAS 2 Stocks standard.

Kaya and Utku (2021) stated that although SME FRS is similar to GCASA /TPL in terms of stocks and costs, it brings innovations in issues such as stock costs in service enterprises. According to GCASA /TPL, while costs incurred in service production are directly accounted as expenses, according to SME FRS standard, costs related to service production will be capitalized in the stocks group. Selvi and Ercan (2018); Dayıoğlu and Dursun (2020) stated that although the provisions regarding cost management in service production enterprises and stocks mentioned in LMSE FRS 6th section are generally in compliance with TAS 2 Stocks and TPL, there are some differences. According to the LMSE FRS and TAS 2 Inventory standards, costs incurred in relation to services produced are recorded and transferred to the income statement on the day the sale is made, and the revenue is obtained, not in the period they are incurred. This situation is recorded and reflected in the income statement regardless of the sale within the scope of GCASA /TPL.

4. Applications Regarding Accounting of Service Production Costs in Accommodation Businesses

Services are defined as the performance of various intangible activities that a business offers using its capabilities, the production and consumption of which occur at the same time, for the buyer or customer. In general, the element purchased in the service sector is not the object or system itself, but the function it performs. Therefore, the service

offered in service businesses cannot be held in the hand, stored, or exchanged, and the physical substance ratio in the service offered is low (Dursun and Yalnız, 2013: 142). The changing demand level and the resource mix used to respond to it have clear consequences for the relative cost structure and cost traceability, and therefore for product cost. Product cost issues become even more complex in-service organizations because of the difficulty of defining the service 'product' due to the intangible aspects of many services (Fitzgerald et al., 1991: 227).

In general, in accommodation businesses, the materials used in the production of the service (such as food, beverages, cleaning) are recorded in the 150 Raw Materials and Supplies account in 15 Stocks. However, unlike normal production businesses, there is no appropriate account allocated within the UCA to record semi-finished or finished goods in accommodation businesses. At the same time, there is no information on what kind of accounting practice will be included in the GCASA and TPL content. Another difference in accommodation businesses is the difficulties encountered in accounting for ongoing service productions that have not been completed or whose revenues have not yet been obtained. For this reason, accounting for the mentioned costs is an important issue in accommodation businesses operating in the service sector where intense competition is experienced. In the following part of the study, the General Communiqué on Accounting System Application No. 1 (GCASA) published in the Official Gazette No. 21447 and dated 26/12/1992, the Tax Procedure Law No. 213 (TPL), which is one of the national regulations and affects the accounting practices of enterprises, the Turkish Accounting Standards (TAS) 2 Stock standard published in the Official Gazette dated 15/01/2005 and numbered 25701, and the Turkish Accounting Standards (TAS) 18 Revenue standard published in the Official Gazette dated 09/12/2005 and numbered 26018, the Financial Reporting Standard for Large and Medium-Sized Enterprises (LMSE FRS) 2021 Edition published in the Official Gazette dated 29 July 2017 and numbered 30138 (duplicate), and the Regulation for Small and Micro Enterprises published in the Official Gazette dated 06/01/2023 and numbered 32075 duplicate. Within the scope of the 2022 version of the Financial Reporting Standard (SME FRS), sample applications regarding the accounting of service production costs in accommodation enterprises are included.

4.1. Accounting For Service Production Costs In Accommodation Businesses Within The Scope Of GCASA And TPL

The accounting of costs in service-providing businesses differs from other businesses. For example, in manufacturing businesses, the products produced are first taken into stock. Then, they are transferred to the cost of goods sold account as much as the product sold and are expensed. It is stated that the cost of the goods produced will be valued at cost within the scope of Article 274 of the TPL. However, no valuation measure has been determined for the service produced within the scope of the TPL. This causes difficulties in the valuation of service production (Kabataş and Pamukçu, 2010: 193). Accounts are also separated in the Uniform Chart of Accounts for service-producing businesses. The actual amounts of production expenses incurred for the services provided in service businesses are monitored in the 740 Service Production Cost Account. In this regard, if the mentioned costs are stockable products, in addition to the 740 Service Production Cost account, the 710 Direct Raw Material and Material Expenses, 720 Direct Labor Expenses and 730 General Production Expenses accounts can also be used (Çomaklı and Bakı, 2010: 54). In addition, the 741 Service Production Cost Reflection account and the 742 Service Production Cost Difference accounts are also included in the chart of accounts. The 622 Cost of Services Sold account is used for transfer to the income statement (Yükçü, 2015: 969). As a result, within the scope of GCASA and TPL, it is not dependent on the time the sales transaction is realized and is reflected in the income statement in the period when the costs occur. A hypothetical sample application regarding the accounting records to be made in this direction is presented in 1.

Example Application 1:

The accounting entries to be made to record costs within the scope of GCASA and TPL are as follows. The cost of materials used in room cleaning at BNC accommodation establishment is 4000 ₺, the cost of cleaning materials used in the dining hall is 2000 ₺, the cost of cleaning materials used in the pool, sauna and Turkish bath is 3000 ₺.

1. Transfer of materials and expenses used for service production to the cost account

740 Cost of Service Production	9.000	
740.01 Room Cleaning Material 4,000		
740.02 Dining Hall Cleaning Material 2,000		
740.03 Bath etc. Cleaning Material 3,000		
150 Raw Material and Supplies Calculation		9.000
150.01 Cleaning Material Stocks (Soap, T. Paper, Detergent)		

2. Reflection of costs

741 Reflection Cost of Service Production	9.000	
740 Cost of Service Production		9.000

3. Transfer of costs to the income statement

622 Cost of Services Sold	9.000	
741 Reflection Cost of Service Production		9.000

4.2. Accounting for service production costs in Accommodation Businesses within the scope of TAS

The accounting of revenues and service production costs in accommodation establishments has generally been evaluated by considering TAS 18 Revenue and TAS 2 Inventories in previous studies (Dursun and Yalnız, 2013: 156). In the TAS 2 inventory standard, it is stated that the costs that will occur in service establishments generally consist of the wages of the personnel providing the production of the service and other costs together with related general expenses. It is stated that sales and general management costs are not included and will be recorded as expenses in the period they occur (Yükçü, 2015: 969). However, in the TAS 2018 set, the provisions regarding inventory costs for service production in Article 19 within the scope of the TAS 2 Inventories standard and the TAS 18 Revenue standard have been removed. Issues regarding service production costs have been associated with the TFRS 15 Revenue from Customer Contracts standard (Yiğit and Büyükipekçi, 2019: 209).

According to the TFRS 15 Revenue from Customer Contracts standard, if the service production costs are related to a contract and are recoverable, the costs will be included in the financial statements as assets. Otherwise, they will be recognized as expenses. In accommodation establishments, the simultaneous production and consumption of the transaction price makes it possible to distribute separate performance obligations. Revenue is recognized when each performance obligation is fulfilled. Since the goods and services purchased in the accommodation sector include performance obligations spread over time, revenue is tracked in the front office spread over time. When the service is completed, the necessary accounts are recognized and included in the financial statements (Oğuz, Solmaz and Ergün, 2020: 1499). Hypothetical accounting records created by taking into account the above-mentioned issues are shown in sample application 2.

Example Application 2:

1. Advance payment to the BNC accommodation business for 10 days of accommodation at ₺1,000 per person per night (all inclusive)

102 Banks Account	1.000	
340 Order Advances Received		1.000

2. Accounting for the daily income earned by the accommodation business from the day they started staying.

340 Order Advances Received	1.000	
600 Domestic Sales		1.000
181 İncome Accruals	1.000	
600 Domestic Sales		1.000

(Accounting records are kept in the same manner for the duration of the ongoing stay.)

3. Accounting record to be made at the end of the stay

100 Cash Account	9.000	
181 İncome Accruals		9.000

In the service production of enterprises that are spread over more than one period, it is still unclear in which accounts the costs incurred as a result of not obtaining income from services that are likely to be completed in the next period will be monitored (Kabataş and Pamukçu, 2010: 199). When the issues in the GCASA circular are carefully examined, it is not possible to monitor the products that are incomplete semi-finished products related to service production in the 157 Other Stocks group. The accounting records of the unfinished part of the services at the beginning and end of the period are not made (Yılmaz and Güngörmüş, 2013: 361).

In this case, it is accounted as if revenue was obtained according to GCASA /TPL. However, in this case, the income to be obtained from the service production in the next year is recorded in the current period, which is contrary to the periodicity principle of accounting (Kurtlu and Gobi, 2020: 318). The solution suggested is to use the 154 Incomplete Service Costs and 155 Completed Service Production Costs accounts that are empty in the 15 Stocks group or the 198 Other Various Current Assets account in the 19 Other Current Assets group. When the period ends, the costs of ongoing services in accommodation establishments can be capitalized in the 154 Incomplete Service Costs and 155 Completed Service Production Costs accounts that are empty in the 15 Stocks group and transferred to the next period (Yükçü, 2015: 969). Another view is to monitor in sub-accounts to be opened under the name 151.02 Incomplete Service Production Costs for incomplete service production (Dursun and Yalnız, 2013: 156). Thus, services in accommodation establishments that have not yet received income even though the customer's holiday has ended are recorded more accurately according to the periodicity principle. The accounting practices to be implemented in the above-mentioned case can be accounted for as shown in sample application 3 below.

Example Application 3:

1. Food purchases worth ₺ 4,000 were made for the BNC accommodation business's food production.

150 Raw Material and Supplies	4.000	
100 Cash Account		4.000

2. The accommodation business used ₺1,500 worth of food materials from its stock for meal production.

740 Cost of Service Production	1.500	
150 Raw Material and Supplies		1.500

3. Reflection of costs

741 Reflection Cost of Service Production	1.500	
740 Cost of Service Production		1.500

4. If the completion of the service production is postponed until the next period, the cost of the unfinished service

154 Incomplete Service Production Cost	1.500	
741 Reflection Cost of Service Production		1.500

5. If the service production is completed but its collection is postponed until the next period, the cost of the completed service

155 Complete Service Production Cost	1.500	
741 Reflection Cost of Service Production		1.500

6. When income is earned, or service is completed in the next period

622 Cost of Services sold	1.500	
155 Incomplete Service Production Cost or 154 Incomplete Service Production Cost		1.500

4.3. LMSE FRS ve SME FRS Accounting of Service Production Costs in Accommodation Enterprises

In the LMSE FRS (2021 version), which was created for businesses that do not apply TAS and entered into force at the beginning of 2018, inventories are defined as raw materials and materials held for sale, in production for sale or used in production or service provision. Costs incurred for the completed part of a service provision process and for which the revenue to which they relate have not yet been recorded in accordance with the Revenue section constitute the inventories of service businesses, if it is probable that they will be recovered. The cost of these inventories includes the costs specified in the revenue section (LMSE FRS, 2021: Paragraph 6.17). These costs consist of direct labor, direct material costs, costs directly related to a specific process related to the provision of services or a specific construction contract or to the provision of services or construction activities, and costs that are explicitly stated to be invoiced to the customer in accordance with the contract made with the customer (LMSE FRS, 2021: Paragraph 5.28). Non-related costs other than these costs are recorded as period expenses. The basic principle considered in conversion into expense is the periodicity principle (LMSE FRS, 2021: Paragraph 6.27). It is stated that if the costs incurred are directly related to the provision of the service and consist of essential costs that cannot be refunded, they should be included in the cost of the goods or services (LMSE FRS, 2021: Paragraph 6.7).

If the service is not completed within a period, the standard requires that the costs created for the production of the service be capitalized until the time the income is realized and included in the financial statements (Selvi and Ercan, 2018: 53). In the LMSE FRS, it is envisaged that the revenue will be reflected in the financial statements using the percentage of completion method in cases where the result of a transaction related to the provision of service is reliably estimated (LMSE FRS, 2021: Paragraph 5.19). When the above-mentioned situation is considered specifically for accommodation establishments, it would be appropriate to make the accounting records for customers who continue to stay in the establishment at the end of the period as follows.

Example Application 4:

A person who entered the BNC accommodation business on 28.12.2024 reserved a place to stay for 10 days at 1,000 ₺ per day. The person who deposited 5,000 ₺ in advance to the business committed to paying the remaining amount at the end of the stay. The estimated daily accommodation cost for one person for the business is 500 ₺. The accommodation business made all the costs to be incurred during the accommodation period in 2024.

Cost incurred in 2024: 2,000 ₺

Estimated cost likely to be incurred in 2025: 3,000 ₺ (possible expense to be recovered in the previous period)

Total estimated cost during the accommodation process: 5,000 ₺

Percentage of accommodation completion for 2024: 40% (2,000/5,000*100)

Considering the above information, the following journal entries can be made.

1. Recording of advance payment made to the accommodation business

100 Cash Account	5.000	
340 Order Advances Received		5.000

2. Record of advance payment made to the accommodation business (part for the period 2024)

340 Order advances received	4.000	
600 Domestic Sales		4.000

3. The remaining portion of the advance payment for accommodation until 2025

181 Income Accruals	1.000	
102 Banks Account		1.000

4. All costs incurred in 2024

740 Cost of Service Production	5.000	
155 Raw Material and Supplies		5.000

5. Transfer to Cost of Services Sold

741 Reflection Cost of Service Production	5.000	
740 Cost of Service Production		5.000

6. Cost and revenue recording to be made in 2025

102 Bank Account	6.000	
600 Domestic Sales		5.000
181 Income Accrual		1.000
622 Cost of Services Sold	2.000	
180 Expenses for Future Years	3.000	
741 Reflection Cost of Service Production		5.000
622 Cost of Services Sold	3.000	
180 Expenses for Future Years		3.000

This situation shows that TAS and LMSE FRS are compatible. However, there are differences in terms of GCASA/TPL. Costs incurred in the production of services that take time to collect or complete are recognized directly as expenses instead of capitalization (Dayıoğlu and Dursun, 2020). The Financial Reporting Standard for Small and Micro Enterprises (SME FRS) entered into force at the beginning of 2023. It was created by simplifying the full text of LMSE FRS to a level that small and micro enterprises can apply (Yazarkan, 2022:). SME FRS 2022 Edition is similar to LMSE FRS. In cases where the outcome of a transaction in service provision can be reliably estimated, the relevant revenue amount is recognized in the financial statements by taking into account the level of completion of the transaction as of the end of the reporting period (using the "percentage of completion method") (SME FRS, 2022: paragraph 7.17). Costs incurred for the completed part of a service provision transaction and for which the revenue to which they are related has not yet been recorded in accordance with the "Revenue" section constitute the inventories of service enterprises, provided that their recovery is probable (SME FRS, 2022: paragraph 8.15).

Various costs may have been incurred by the enterprise today for future activities for the provision of services. Since such costs (for example, costs related to the purchase of materials or advance payments) are not related to the completed part of the work performed, they are not reflected in the profit or loss of the period, provided that their recovery is probable, and are shown in the "Prepaid (Future Months) Expenses and Income Accruals" item in the Statement of Financial Position (SME FRS, 2022: paragraph 7.34). Labor wages of personnel related to sales and general administration and other expenses related to them are not included in the cost of the service; they are recognized as expenses in the financial statements in the period in which they are incurred. The cost of inventories of service enterprises does not include profit margin or non-production related costs included in prices by enterprises (SME FRS, 2022: paragraph 8.15). The level of completion is determined using the method that most reliably measures the work completed. Depending on the nature of the service provision transaction or construction contract, the methods that can be used to determine the level of completion are the ratio of the costs incurred for the work completed up to the relevant date to the estimated total costs and the concretely determinable completion rate of the service provision transaction or work subject to the contract (SME FRS, 2022: paragraph 8.15). It is similar to the LMSE FRS applications as shown in Example Application 4.

5. Conclusion

In accommodation businesses where competition is intense, the timely, accurate and uninterrupted transmission of the information required for decision-making depends on the front office and accounting connection. At the same time, the wide product range, real-time activities, real-time production and consumption, location and size, labor and capital intensity and cost structure, which are specific to the accommodation sector, highlight activities such as analysis and interpretation of financial statements, control of food and beverage costs, control of labor costs, and preparation of the business budget in accommodation businesses. Sample applications of GCASA/TPL, TAS, LMSE FRS and SME FRS in accounting for service production costs in accommodation businesses are presented above. Within the scope of GCASA/TPL, the fact that the sales transaction is not dependent on the time it is realized and that the costs are reflected in the income statement in the period they occur causes a difference from the standards. One of the important differences is the accounting of costs in service production spread over more than one period. It is uncertain in which accounts the costs spread over more than one period will be monitored. It is not possible to monitor the products that are incomplete semi-finished goods related to service production in the 157 Other Stocks group. In addition, when the issues in the GCASA/TPL circular are carefully examined, the accounting records of the unfinished part of the services at the beginning and end of the period are not made. In this case, it is accounted as if revenue has been obtained according to GCASA/TPL. However, in this case, the income to be obtained from the service production in the next year is recorded in the current period, which is against the periodicity principle of accounting.

The situation is different in the standards. According to the TFRS 15 Revenue from Customer Contracts standard, it is stated that if the service production costs are related to a contract and are recoverable, the costs will be included in the financial statements as assets. Otherwise, it will be accounted as expenses. The fact that production and consumption occur simultaneously in accommodation establishments enables the distribution of separate performance obligations in the transaction price. Revenue is recognized when each performance obligation is fulfilled. Since the goods and services purchased in the accommodation sector include performance obligations spread over time, revenue is followed up in the front office spread over time.

The following issues may be a solution for service production exceeding one period. First, if the revenue has not yet been realized but the service has been completed, the 155 Completed Service Production Cost account is used, while if the service has not been completed, the 154 Incomplete Service Costs account is used. Another suggestion is to use the 198 Other Miscellaneous Current Assets account. It is among the suggestions that similar situations can be followed by opening the 151.02 Incomplete Service Production Costs sub-account. In accommodation establishments, services that have not yet received income even if the customer's holiday has ended can be recorded more accurately according to the periodicity principle. In addition, new regulations are needed within the scope of GCASA/TPL, considering the characteristics of accommodation establishments.

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