

THE TWO STATES ESTABLISHED IN THE NORTH AND SOUTH OF THE BLACK SEA IN THE 1920s AND THEIR ACCOUNTING NEEDS

Ali Apalı¹

Ümmühan Aslan²

ABSTRACT

When Vladimir Ilyich Lenin was trying to find the Union of Soviet Socialist Republics in the north of the Black Sea in the 1920s, he headed out with the slogan of ‘Socialism is accounting’. Lenin benefited from the double-entry bookkeeping method to find the socialist regime. While utilizing it, he did not either have time or made an effort to calculate debts or search for an accounting order that was more appropriate for the regime instead of the double-entry bookkeeping method that emerged to carry out the accounting system of debt-receivable relationship and was highly developed in Russia. Throughout the period in which the socialist order was implemented, the double-entry bookkeeping method renewed itself and changed in a way that it could meet the needs. In the books written by the famous accounting historian Yaroslav Sokolov, it is possible to follow socialism’s adventure of benefiting from the double-entry bookkeeping method. This adventure is full of interesting developments and searches.

After the Ottoman Empire collapsed, Mustafa Kemal who was a young Ottoman General and grew up with the Western European culture struggled to establish the Republic of Turkey following the ruling standards of the Western European countries within the framework of secular order in the south of the Black Sea these years. The difficulties he faced were different from those Lenin did. Mustafa Kemal intended to move Turkish society from the Islamic infrastructure to a social structure of modern Western European countries. He was determined to change many old habits within the mixed economy. One of these habits was the tax system implemented within the Islamic rules in the Middle East for centuries. The difficulty thereof was that the accounting records were not taxed in the Middle East until that time. As the taxes were levied over the accounting books kept according to the double-entry bookkeeping method after the reform carried out, the founders of the Republic had to affiliate the accounting unit to the Ministry of Finance, which is the tax law. Thus, the field of accounting had to

¹ Doç.Dr., Mehmet Akif Ersoy Üniversitesi, aapali@mehmetakif.edu.tr, <https://orcid.org/0000-0002-3521-0150>

² Prof.Dr., Bilecik Şeyh Edebali Üniversitesi, ummuhan.aslan@bilecik.edu.tr, <https://orcid.org/0000-0002-7926-6244>

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develop based on taxation. However, the double-entry bookkeeping method was disciplined within commercial law. The founders of the Republic continued binding the accounting unit to the tax law throughout the 20th century and the Turkish accounting thought had to develop within the framework of taxation and tax audit.

To sum up, it is understood that both states established in the north and south of the Black Sea in the 1920s had different accounting practices, and not enough examinations thereon were carried out in the history of accounting.

Keywords: Accounting History, Socialist Accounting in Russia, Accounting Improving Within the Tax Law in the Republic of Turkey.

Jel Code: M41, M49.

1920'LERDE KARADENİZ'İN KUZEYİNDE VE GÜNEYİNDE KURULAN İKİ DEVLET VE MUHASEBE İHTİYAÇLARI

ÖZ

Vladimir İlyiç Lenin, 1920'lerde Karadeniz'in kuzeyinde Sovyet Sosyalist Cumhuriyetler Birliği'ni kurmaya çalışırken, “sosyalizm muhasebedir” sloganıyla yola çıktı. Lenin, sosyalist rejimi kurmak için çift girişli defter tutma yönteminden yararlandı. Bunu kullanırken, borç-alacak ilişkisinin muhasebe sistemini yürütmek için ortaya çıkan ve Rusya'da oldukça gelişmiş olan çift girişli defter tutma yöntemi yerine, borçları hesaplamak veya rejime daha uygun bir muhasebe sistemi için gerekli olan zamana sahip değildi ya da çaba sarf etmedi. Sosyalist düzenin uygulandığı dönem boyunca, çift girişli defter tutma yöntemi kendini yeniledi ve ihtiyaçları karşılayabilecek şekilde değişti. Ünlü muhasebe tarihçisi Yaroslav Sokolov'un yazdığı kitaplarda, sosyalizmin çift girişli defter tutma yönteminden yararlanma serüvenini takip etmek mümkündür. Bu macera ilginç gelişmeler ve aramalarla doludur.

Osmanlı İmparatorluğu'nun çöküşünden sonra, genç bir Osmanlı Generali olan ve Batı Avrupa kültürüyle birlikte büyüyen Mustafa Kemal, bu yıllarda Karadeniz'in güneyinde laik düzen çerçevesinde Batı Avrupa ülkelerinin egemen standartlarını izleyerek Türkiye Cumhuriyeti'ni kurmak için mücadele etti. Karşılaştığı zorluklar Lenin'in yaptıklarından farklıydı. Mustafa Kemal, Türk toplumunu İslami altyapıdan modern Batı Avrupa ülkelerinin sosyal yapısına taşımayı amaçladı. Karma ekonomideki birçok eski alışkanlığı değiştirmeye kararlıydı. Bu alışkanlıklardan biri, yüzyıllardır Ortadoğu'da İslami kurallar çerçevesinde uygulanan vergi sistemi idi. Bunun zorluğu, muhasebe kayıtlarının o zamana kadar Orta Doğu'da vergilendirilmemesiydi. Yapılan reformdan sonra çift girişli defter tutma yöntemine göre tutulan muhasebe defterleri üzerinden vergiler alındığından, Cumhuriyetin kurucuları muhasebe birimini vergi Kanunu olan Maliye Bakanlığı'na bağlamak zorunda kaldılar. Böylece, muhasebe alanı vergilendirmeye dayalı olarak gelişmek zorunda kaldı. Bununla birlikte, çift girişli defter tutma yöntemi Ticaret Hukuku kapsamında disiplin altına alınmıştır. Cumhuriyetin kurucuları, 20. yüzyıl boyunca muhasebe birimini vergi hukukuna bağlamaya devam etmiş ve Türk muhasebe düşüncesi vergilendirme ve vergi denetimi çerçevesinde gelişmek zorunda kalmıştır.

Özetlemek gerekirse, 1920'lerde Karadeniz'in kuzeyinde ve güneyinde kurulan her iki devletin de farklı muhasebe uygulamalarına sahip olduğu ve muhasebe tarihinde yeterli inceleme yapılmadığı anlaşılmaktadır.

Anahtar Kelimeler: Muhasebe Tarihi, Sosyalist Rusya'da Muhasebe, Türkiye Cumhuriyeti'nde Vergi Hukuku Çerçevesinde Muhasebenin Gelişimi.

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1. INTRODUCTION

The 20th century was full of interesting events in the world history of accounting. World wars, major economic crises, the foundation of states, and changes of boundaries occurred in the first half of this century. In the European-centred geography of the Middle East, new states were established.

In this report, we will focus our attention on the developments in accounting science and practice in the founding years of two states in the north and south of the Black Sea.

These states were the Union of Soviet Socialist Republics founded in the north of the Black Sea (1917-1989) and the Republic of Turkey (1923-) in the south of the Black Sea. The founders of the state in Russian geography was the lawyer Vladimir Ilyich Ulyanov (known as Lenin) (1870-1924). He was famous for his saying Socialism is Accounting in the history of accounting. The founder of the state in the south of the Black Sea was an Ottoman general. His name was Mustafa Kemal Atatürk (1881-1938) and he was the founder of the Republic of Turkey.

Both leaders had a short life and they governed the states they founded not for long. In addition, the states experienced World War I. Upon the revolution in October 1917, Lenin withdrew from the world war (Treaty of Brest Litovsk, 3 March 1918) and attempted to establish a new state. Mustafa Kemal began establishing a new state in Anatolian land after the Ottoman Empire suffered defeat at the war (Treaty of Sèvres signed by the Ottomans following the defeat, 10 August 1920).

The two states tried to create a new economic structure that they haven't experienced before in the geography they were found and consequently, the states needed accounting.

Both states were established during the war in the 1920s. After the revolution in October 1917, Russia faced domestic disturbance for a long time and the war between White Army and Red Army supported by the Western European states continued between the years of 1919-1920 and the Soviet regime was adopted as the Red Army won the war.

These days, the Greek army supported by the Western European countries was in Anatolia. Turkish War of Independence continued between the years of 1919 and 1922 and the Republic of Turkey was founded in 1923 after the victory of the Turkish army.

The Union of Soviet Socialist Republics was founded to replace the Tsarist regime and the Republic of Turkey to replace the Ottoman Empire. Despite the tension that occurred in the times of Stalin, the friendship of both states lasted long years and they kept the economic relations alive. Through Russian technology, several basic industrial enterprises were established in Anatolia.

The extent of the need of both states for accounting was that Lenin intended to find a socialist regime and make accounting control dominant in the central planning of the regime (Scott, 2005).

Mustafa Kemal intended to abolish the tithe (*aşar*) tax which had been applied by the Ottomans and levied from agricultural production in the Middle East for five centuries, bring

up modern tax laws of the Western European countries to the Republic of Turkey and levy tax over enterprises' recording systems, profits, sales amount and production (Türk, 1981: 337). He would use accounting for this purpose. Both leaders had the will to benefit from the double-entry bookkeeping method on their agenda (Gücenme and Arsoy, 2006; Campbell, 1958).

2. ACCOUNTING IN THE UNION OF SOVIET SOCIALIST REPUBLICS

Yaroslav Sokolov was an accounting historian who lived and had works of art in the period of Soviets and after 1989. Besides him, there were other authors whose publications we can utilize to discuss the accounting of the socialist regime.

In his book titled *Accounting from the Roots to the Present*, Sokolov mentioned accounting in the first years of the Soviets. He stated that the double-entry bookkeeping method was used in the socialist system saying '*Some of those wanted to leave the double-entry bookkeeping method aside in the first years of the Soviet power. However, the double-entry bookkeeping method was utilized in daily works of socialist enterprise and started to be used in the national economy of the country gradually*' (Sokolov, 1996).

It is known that the double-entry bookkeeping method existed in Russia before the socialist system and it was highly developed. In the 19th and early 20th century, there were a lot of accounting scientists. The accounting thought and double-entry bookkeeping method in Tsarist Russia were at a developed level that was close to the one in the Western European countries. The socialist system thought of benefiting from the accounting culture of that time in this environment of conception of developed accounting.

Sokolov put forward the fact that "*Lenin focused his attention on the general methodological principles of accounting organization which was quite important for the development of accounting*". He thought that accounting and finance had their own class nature and that the accounting and control of production and the distribution of products were the most important function in state government. He considered that the purpose of accounting was the audit of labour and consumption. This approach had great importance to determine the plan to be achieved and carry out the economic goals. Accordingly, it is seen that Lenin did not separate accounting from audit and gave preference to the audit.

On the other hand, Lenin said that '*We cannot think of struggling against the abuse of law unless transparency is not provided in socialist accounting*'.

Lenin stated that they would benefit from accounting to nationalize the units of production while transiting from a capitalist system to a socialist system and start inventory works for this. When transferring the immovable properties to the public after constructing the legal infrastructure, they started to change the account plans accordingly. They made the changes utilizing the double-entry bookkeeping method.

Furthermore, they came across the need for preparation of accounting organization for all national economy. For this, they formed an accounting board of 12 people. The directives drawn up by this board entered into force, regulations were arranged and thus, the socialist accounting principles became effective. On the other hand, the accountants continued their

search for a unit of measurement. This issue always caused serious discussions in the socialist system.

The socialist economy deemed the enterprises a part of accounting system that belonged to the national economy. In the social economy, they used to keep the accounting of an enterprise according to uniform accounting plan in the related branch of the national economy. When comparing capitalism and socialism, they stated that the purpose of accounting was reflecting the realization of the economic plan the enterprises provided within socialism whereas it was to determine the profit in capitalism. The characteristic of socialism was that there was a need for accounting to reflect the facts correctly.

Sokolov expressed that the subject of balance of the whole economy appeared in accounting and it did not include sources but assets. Sokolov focused his attention on the fact that the accounting methodology required this balance.

The approaches adopted in terms of the uniform account plan were also important in socialist accounting. It is known that Russia had the culture of uniform account plan before socialism (Ash & Strittmatter, 1992; Bailey, 1995). Therefore, the socialist accountants could conduct works on the uniform account plan in arrangements on the central statism by utilizing the existing culture.

The same situation also occurred for cost accounts as the cost calculating methods were applied in the country before socialism. Thus, the socialist accountants were able to carry out works to meet the needs to calculate needs.

Another issue is that they could continue allocation production that emerged by the central planning. This issue was always on the agenda during the socialist accounting practices (The Soviet Union Review, 1932). The central planning would set production goals for the enterprises and the enterprises would produce accordingly and convey the outcomes through reports to the central planning unit at the end of the year. They explained the reasons for deviations in these reports.

Since the Western European countries were among the socialist countries although they had different ethnical traditions, they had to adopt the socialist accounting principles in the history of implementation of socialism. However, their accounting was the same as the socialist accounting in the periods in which socialism was applied. Especially, the economy was weak in terms of central planning in Warsaw Pact countries (Gazigil, 2012).

This short socialist accounting that was carried out mostly benefiting from Sokolov's books revealed the following issues:

i) The double-entry bookkeeping method emerged and improved in commercial calculations and based on profit calculation in the capitalist economies of western countries. As for the socialist, it is not profit-based but production-based and central planning. Socialism tried to set the accounting system by utilizing the culture of double-entry bookkeeping in Russia. Utilization of the capitalist accounting method in the period of socialism always became a matter of opinion in the history of accounting as accounting is a service sector and serves the existing economic system. Then, the accounting system must be appropriate to the existing

economy. If the economy is not profit-oriented, the purposes of accounting should be in this line, too. These descriptions are what the history of accounting taught us.

ii) Sokolov discussed the effects of accounting on the demolition of socialism in his books that he wrote after socialism. Another issue he mentioned is not the double-entry bookkeeping method. Actually, it was concerning the inconveniences that appeared through the accounting organization. The accountant came to the front in the accounting organization of socialism, not the business manager. Thus, the issue was related to the business organization. The central planning set production goals for the enterprises. The business manager was responsible to realize the goals. The manager's responsibility in realizing the goals is to reveal the fact that the central management should receive the outcomes from the accounting unit, not the manager.

iii) The first meaning of Lenin's saying *Socialism is accounting* is probably that they placed importance on accounting records and the second one is the importance placed on the accountants. In line with this point of view, an accountant is a person responsible to convey the results with transparency to the centre. This is what the transparency rule required in Lenin's accounting.

There were reasons for hitches to carry out the goals undoubtedly. However, what was important was the realization of the goals set. The managers could always find out a reason and the accountants were responsible to report the outcomes occurred.

Sokolov stated that tension usually occurred between the manager who was responsible to realize the goals and the accountant reporting the results to the central management and that the tension caused discomfort and this situation was one of the reasons for the demolition of socialism.

In other words, these descriptions reveal that the disputes between the accountants and managers had a role in the demolition of socialism. From a broad perspective, the subject was the organizational problem of the enterprises; however, it was closely related to the procedural rules of the accounting organization to provide information as the accountant was a body affiliated to the business manager in the enterprise organization.

These were the situations experienced in the accounting unit of the state founded by Lenin in the north of the Black Sea in the 1920s. It is the story of the use of the double-entry bookkeeping method of the developed capitalist system in a different regime in Russia in the 19th and early 20th century. It is an interesting topic of the world history of accounting that is still under discussion.

3. ACCOUNTING NEED OF REPUBLIC OF TURKEY

3.1. Accounting before the Republic

When the Republic of Turkey was founded in Anatolia in the south of the Black Sea on 29 October 1923. The double-entry bookkeeping method was applied only in a small number of foreign enterprises (Elitaş et al. 2008: Güvemli & Aslan, 2019). Perhaps, a few Turkish enterprises also utilized it; however, their number was too small. Turkish enterprises were little,

and they were at the tradesman level (Bayram, 2012: Kala, 2003). In the 19th and early 20th century, Islamic rules were effective in the trade as the Ottoman Empire (1299-1922) was a Middle East state governed by Islamic rules. When the integration with the western countries following the declaration of Tanzimat (1839) the commercial code that was translated from Code de Commerce' written by Napoleon in 1850 was published with the name of *Kanunname-i Ticaret* (Güvemli & Aslan, 2018). By this law, the types of western trade companies and the booking system of the double-entry bookkeeping method came to Anatolia. However, this law could not find an area of implementation as the Islamic rules were effective in commerce.

As mentioned above, foreign companies usually benefited from the double-entry bookkeeping method.

In other words, the double-entry bookkeeping method did not develop that much in the Ottoman Empire in the south of the Black Sea whereas it experienced the process of development in Tsarist Russia in the north of the Black Sea in the 19th and early 20th century (Güvemli, 2000).

There had been trials on utilizing this method in the state accounting (1879); nevertheless, it was limited (Yaşar, 2016: Akçay, 2017). The timetables of higher education included the doctrine of the double-entry bookkeeping method. After graduating, students used to serve the foreign enterprises which were few in number. The academic world's knowledge of the double-entry bookkeeping method was at a level that could be discussed. It is possible to see this situation in the books translated from French these years. These books were about the recording system and they could not describe the transition from bookkeeping trial balance to balance sheet. The reason for this was that the accountancy improved in the state accounting throughout history since the conception of a statist economy was dominant at the Ottomans (Güvemli, Toraman & Güvemli, 2015).

This was the accounting thought and the status of the double-entry bookkeeping method in the Republic founded under the leadership of Mustafa Kemal in the south of the Black Sea. That is, there was accounting thought which developed highly in the north of the Black Sea while the double-entry bookkeeping method could not spread, and it was behind in progress and primitive in the south of the Black Sea.

Nevertheless, there was a need for the double-entry bookkeeping method, and the will to benefit from it was great in the newly-founded Republic of Turkey as the Republic was d to implement the second stage of the project of integration with the western culture that started in Tanzimat period (1839). The way of this integration in accounting was the prevalence of the double-entry bookkeeping method.

3.2. The Appearance of Need for Accounting and Searches in the Republic of Turkey

Mustafa Kemal was a military officer who was raised with a Western European culture like Lenin. He participated in World War I and demonstrated great benefits in Çanakkale as a young general (Atacanlı, 2015). He was not in a search for the state he would establish. He would find the Republic as a laic state according to Western European standards (Şenermen, 2015).

We can see this situation in the first Republican Constitution that was published in a short time after the declaration of the Republic. Mustafa Kemal aimed to establish the modern structure that was seen in the western countries on the inheritance of the exhausted Ottoman Empire and it was going to be a laic state. Since such a state did not exist in the Middle East, the Republic of Turkey would be founded as the unique laic state in the south of the Black Sea. As Lenin did it in the north of the Black Sea, Mustafa Kemal also thought of establishing a state that was unique of its kind in that geography. In this direction, the law that was accepted in the Turkish Grand National Assembly was the Turkish Civil Code after the Republican Constitution (Official Gazette, 339-4 October 1926). In other words, he intended to prioritize the legal arrangements directed to the modernization of social structure as he deemed it necessary to change it. He wanted to have the dressing of Western European style in the country and to transit from an Islamic economic structure to a structure in which the mixed economy was adopted. The reason for the adoption of a mixed economy was that the country had a poor economy and that there was a private sector that did not have capital accumulation.

Since Mustafa Kemal was a military-origin manager, he remained above the trade world. Therefore, an advanced Commercial Code could not be published although it came into effect as one of the revolutionary laws in 1926. The commercial code that was published was like the 1850 Commercial Code, which included almost none of the innovations that occurred in the last 76 years. It is possible to see this situation in the commercial code that was written with an ancient culture and included accounting books for 1850. The code contained three accounting books which were the daybook, inventory book, and the copybook that included a copy of commercial correspondences to be used for disputes between traders. Nevertheless, the double-entry bookkeeping method and practices were at a much more advanced level in the Western European countries (Previts, Walton & Wolnizer, 2010; Sangster, 2016). Following the start of accounting practices, the Republic was going to witness the harms of this deficiency and the application of the double-entry bookkeeping method would be hindered.

Mustafa Kemal and Lenin had different thoughts. Probably, they had information about each other. However, they did not have the same opinions regarding governance. Lenin was a leftist intellectual who had an education on the law. On the other hand, Mustafa Kemal was an Ottoman general who improved himself, could speak French, knew about French and German culture closely, and had an intellectual personality. The upbringing of the Ottoman soldiers was different; however, they adopted western culture and had views on the economy within the framework of western culture (Karabulut, 2016; Georgian, 2006).

Since they had different socio-economic views, these two leaders were not expected to find a state in a parallel in the north and south of the Black Sea. The character of Lenin who was under the influence of socialist movements in Europe and a military leader who was raised under the conditions of the Middle East would be different undoubtedly. Their characters were also going to form the political views of the states they would establish.

The economic problem that Mustafa Kemal faced was seeking ways of creating an economic structure within the framework of mixed economy and the problem for Lenin was implementing socialism in the Russian lands. Mustafa Kemal was going to overcome this

problem through the poor knowledge and structure of accounting in his country and Lenin was going to try the highly improved knowledge of accounting in his country in socialism.

Mustafa Kemal thought that: It is one of the works to be done to bring the tax system from the Islamic frame to the Western European standards in order to move the society from the Islamic structure to a laic structure. For this, he knew the weak double-entry bookkeeping method in the country needed to be strengthened and utilized. He had this great change on his agenda after the declaration of the Republic (1923). According to the Islamic rules, the Ottoman Empire levied a tax called the tithe (*öşür*) of 10% from agricultural production and animal wealth in rural areas. This was the main income of the empire. Besides that, there were taxes received from tradesmen at low amounts. In other words, most of the state's budgetary income comprised of the taxes levied from the rural areas. In order to be able to find a secular state like the one in the Western European countries, Mustafa Kemal knew that they needed to have tax laws of the Western European standards (Varcan, 1965).

However, neither Mustafa Kemal nor Lenin was expected to have knowledge of the history of the double-entry bookkeeping method at a certain level. Lenin knew about Marks' opinions on accounting and had the knowledge of Engel's accounting experiences but that was all. Since Mustafa Kemal came from the military, he improved himself apart from accounting science.

In fact, the double-entry bookkeeping method improved within profit-oriented commercial practices that brought forward the debt-receivable relation (Carruthers & Espeland, 1991; Sangster, 2016; Lin, 1992; Yamey, 1947). This method appeared within the Mediterranean trade in the early 14th century and was disciplined within the commercial code by the influence of ocean trade in Western Europe in the 1600s. Later, Code de Commerce by Napoleon Bonaparte ensured the development of the double-entry bookkeeping method in Western European countries. Lenin was going to utilize this method having such a history in non-profit socialism. Mustafa Kemal would not consider it risky to bind the double-entry bookkeeping method that improved within the commercial code to the tax law.

Since both leaders did not have knowledge of the double-entry bookkeeping method at a specific level, they did not adopt another approach as long as the method fulfilled the needs of those times. They prioritized benefiting from the double-entry bookkeeping method in line with their own thoughts.

While Lenin headed up with his saying 'Socialism is accounting', Mustafa Kemal thought of bringing up the western tax laws to the country by affiliating the double-entry bookkeeping method to the tax law.

Both leaders put their thoughts into practice. Lenin started to apply the profit-oriented double-entry bookkeeping method in socialism which brought economic benefit to rather than profit in production. In order to be able to implement the western tax laws, Mustafa Kemal did not find it risky to bind the double-entry bookkeeping method that was developed within the commercial code to the tax law as the conditions of those times required so.

Lenin's practices were discussed above. It is possible to summarize the pathway Mustafa Kemal followed as:

- i) He abolished the Islamic tax (aşar) that the Ottoman Empire received from agriculture for five centuries and enacted three western tax laws, which were levied over the profit and sales, between the years of 1926 and 1931. These taxes were the Profit Tax Law (1926) aiming to levy tax from income and profit, Transaction Tax Law (1928) levied over sales as of today's VAT, and the Consumption Law (1931) that is similar to the private consumption tax (Güvemli & Aslan, 2019).
- ii) These taxes would be levied from the industrial enterprises, commercial enterprises, service enterprises, and over the accounting records of these enterprises. Previously, no tax was received over the data in the accounting recording system in the Middle Eastern lands up to that time. Taxes were going to be levied over the data in the accounting recording system (sales and profit) for the first time. This situation put accounting forward and made the double-entry bookkeeping method important.
- iii) As the importance of the accounting recording system increased, Mustafa Kemal enabled the opening of Trade Secondary Schools and Trade High Schools and aimed to spread accounting education in the country. He placed importance on the accounting recording method and this way, it became possible to introduce the accounting recording system.
- iv) Mustafa Kemal et al. carried out one more innovation with the excitement of revolution of the Republic and they decided to levy the newly-implemented taxes overstatement (Private Consumption Tax-1926, Transaction Tax-1927, Production Tax-1957, Value Added Tax-1985) (Keskin, 2017). This situation brought the issue of auditing the statements for correctness to the agenda and the Republican staff that were raised within the framework of view on a statist economy started to strengthen the tax audit.
- v) Enacting modern tax laws in an environment that did not have sufficient infrastructure of recording culture caused significant hitches in practice. Being the two greatest tax collectors of the Republic, Ali Alaybek and Rasim Saydar made a big effort in order to form the infrastructure of the tax audit. These two tax collectors and the staff they raised made a great effort. They struggled to raise the auditors of the Republic (account experts) (Güvemli, 2012; Güney & Çekici, 2013).

From the beginning, the Ministry of Finance dealt with preparing and enacting the tax laws, improving the infrastructure of the public offices (tax offices) that would levy tax, and enabling them to become widespread. The ministry was a public institution implementing the tax law. Thus, the accounting practices were affiliated to the ministry as they were, that is they were included in the tax law.

These developments in Turkey led to the affiliation of the accounting thought to the Ministry of Finance within the tax law in the Republic of Turkey throughout the 20th century. While the accounting thought improves in connection with the commercial code today, the influence of tax law continues in the accounting thought in Turkey (Özçelik, 2017).

On the other hand, according to Sokolov's determinations, the socialist accounting organization caused the collapse of socialism in 1989. Although Lenin and Mustafa Kemal

passed away, the accountancy made progress differently in further years. At present, their accounting practices are still among the most-discussed topics of the history of accounting.

4. THEORY ON THE APPROPRIATENESS OF ACCOUNTING METHOD ON THE ECONOMIC REGIME

Today, the double-entry bookkeeping method is in the position of a uniform accounting system. It is an accounting method that is generally accepted in the globalizing world economy. The capitalist economy implemented worldwide had been effective in this situation.

However, the status of this case was different in the early 20th century. The economists thought that: Accounting is a service sector. It had to meet the needs of the economic system it served for. According to this, accountancy should be formed depending on the needs of the economist regime that occurred in accounting.

We can see this situation in the Middle East in history. In the Middle Eastern lands, a statist economic perspective had been dominant for centuries and the economic structure improved within the framework of a statist economic structure. The impact of the private sector was limited within the economic structure and the state had a good knowledge of economic structure. A political-economic structure was dominant in the states in general. In other words, a statist economic perspective was dominant in the Middle East countries for centuries and accountancy made a progress, not in the private sector but state accounting.

The stairs method that did not adopt profit calculation was used as a state accounting method in the Middle East for 1100 years (770-1879). This method appeared in the Arabian state, the Abbasids, (770-1258), improved in a Mongolian state, the Ilkhanids (1256-1353), and became perfect in the Ottoman Empire (1299-1922). As the capitalism movement started in the second half of the 19th century, it came across difficulties to meet the needs and took its splendid place in the history and receded from the history stage (Karabulut, Apak & Erol, 2018; Güvemli, Oran, Güvemli & Aslan, 2018).

The use of the stairs method in the Middle East became exemplary for the theory summarized as the requirement for the formation of accounting based on the economic regime that occurred.

In this case, it is hard to understand that the founder of the Union of Soviet Socialist Republics (1917-1989), Vladimir Ilyich Lenin wanted to use the double-entry bookkeeping method that emerged to follow the profit calculation and debt-receivable relation in the past in the non-profit socialist system. However, as mentioned in this report, the double-entry bookkeeping method fairly improved in Russia in the founding years of the socialist system. Lenin did not have the chance to seek another accounting method or bring another method to the agenda.

There was no such a situation in the Republic of Turkey founded by Mustafa Kemal Atatürk in the south of the Black Sea in the same years as he wanted to establish a laic Republican state according to the Western European standards. He borrowed the economic system from Western Europe. Despite that, accounting had to improve within the tax law since the tax law was dominant over government policies these years. Mustafa Kemal did so to be

able to adopt a modern tax system that was effective in the western countries instead of the Islam-based tax system of the Ottoman Empire. This approach led to the improvement of accounting thought within the tax law throughout the 20th century.

The practices of these two states, which were established in the north and south of the Black Sea in the 1920s, have always been a subject of discussion in the world history of accounting.

5. CONCLUSION

It is hard to say that the accounting practices of the two states founded in the north and south of the Black Sea (the Union of Soviet Socialist Republics and the Republic of Turkey) in the 1920s in the early 20th-century have been a subject of examination at a sufficient level in the world history of accounting.

Both states benefited from the double-entry bookkeeping method. However, the socialist state established in the north of the Black Sea wanted to utilize the double-entry bookkeeping method that brought forward the profit. As tried to explain in this report, accounting has always been a subject of discussion in the socialist regime. The famous accounting historians stated the role of accounting organizations is one of the reasons for the regime's collapse.

It was observed that the Republic of Turkey that was founded in the south of the Black Sea wanted to benefit from the double-entry bookkeeping method these years. However, the double-entry bookkeeping method that improved within the commercial code in the world was bound to the tax law. The fact that the accounting thought made progress within the tax law throughout the 20th century has been and still is a subject of discussion. It is necessary to state that the improvement of accounting within the tax law in these years in which economic globalization occurred in the early 21st century in Turkey is also under discussion.

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