

INFLUENCE OF TAXATION ON THE TURKISH PHILOSOPHY OF ACCOUNTING: 1923- 1950

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ABSTRACT

The years 1923-1950 have a special place in the Turkish philosophy of accounting. These are the years of the Republic's establishment. The Republic adopted a mixed economy model. The founder of the republic, Atatürk, and his friends were putting the main laws of the Republic into order on the one hand, while on the other hand, they were trying to spread accounting education throughout Turkey and equip the tradespeople who would sustain it. However, in 1926, when they abolished the 'Ařar' tax collected based on Islamic rules and started efforts to establish modern tax laws, it was seen that the approach of accounting developing over taxation became dominant over the approach of accounting that is realized in the world of commerce. Thus, throughout the 20th century, accounting had to continue its development under the approach of taxation, and the Commercial Code was neglected. Nevertheless, the significance of accounting and the accountant increased with the help of modern tax laws, and tax started to be collected from accounting records and profits for the first time. Although it was under the Ministry of Finance, the academic world constantly contributed to the development of accounting, and during the aforementioned period, development of the double-entry bookkeeping method and making it prevalent have become the main effort of academicians. It should also be stated that, when the liberal economic policies that started to be applied in Turkey after 1950 started to establish a different environment, the philosophy of accounting also started to show changes.

Keywords: Connection of accounting to taxation in the early years of the Republic, development of accounting in the academic world.

Jel Classification: F33, G01, M40, N23.

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VERGİLENDİRMEİN TÜRK MUHASEBE FELSEFESİ ÜZERİNDEKİ ETKİSİ (1923-1950)

ÖZ

1923- 1950 Yıllarının Türk muhasebe düşüncesinde özel bir yeri vardır. Bu yıllar Cumhuriyetin kuruluş yıllarıdır. Cumhuriyet karma ekonomi modeli uygulanmaktadır. Cumhuriyetin kurucusu Atatürk ve arkadaşları, bir yandan Cumhuriyetin temel yasalarını yürürlüğe koyarken, bir yandan da muhasebe eğitimini Türkiye'ye yayma ve muhasebeye sahip çıkacak ticaret erbabını teşkilatlandırmak çabasında olmuşlardır. Ancak, 1926 yılında İslamik kurallara göre alınan vergi olan Aşar'ı kaldırarak yerine çağdaş vergi yasalarını koyma çabasını başlatınca, ticaret dünyasında gelişen muhasebe yerine vergicilikte gelişen muhasebe anlayışının öne çıkarıldığı görülmektedir. XX. yüz yıl boyunca muhasebe, vergicilik anlayışı çerçevesinde gelişmesini sürdürmek zorunda kalmış, Ticaret Kanunu ihmal edilmiştir. Ne var ki, çağdaş vergi kanunları sayesinde muhasebe ve muhasebecinin önemi artmış ve vergi ilk kez muhasebe kayıtlarından, kârdan alınmaya başlanmıştır. Maliye Bakanlığına bağlı halde olmasına rağmen, muhasebenin gelişmesine akademik dünya sürekli katkı sağlamış ve sözü edilen dönem boyunca çift yanlı kayıt yöntemini geliştirmek ve yaygınlaştırmak zamanın akademisyenlerinin başta gelen uğraşı olmuştur. Türkiye'de 1950 sonrası uygulanmaya başlanan liberal iktisat politikaları, değişik bir ortam yaratmaya başlayınca muhasebe düşüncesinin de değişiklik göstermeye başladığını belirtmek gerekmektedir.

Anahtar Sözcükler: Cumhuriyetin ilk döneminde muhasebenin vergiciliğe bağlanması, muhasebenin akademik dünyada gelişmesi.

JEL Sınıflandırması: F33, G01, M40, N23.

1. INTRODUCTION

As Vasco da Gama circumvented Africa and reached India in the period of 1490-1520 and owners of small sailing ships established partnerships and took part in trade for this journey, as several trade problems that emerged in cases of damage to the ships were attempted to be solved by commercial law, these developments are known to pave the way for accounting to develop within commercial law starting with the 16th century, and the main elements of a balance sheet were formed. After this, it is seen that the Code de Commerce by Napoleon in 1807 continued to develop accounting within commercial law in Continental Europe. This legislation contained both trade companies and the double-entry bookkeeping system.

When the Ottoman Empire (1299-1922) translated three books of the Code de Commerce by Napoleon in 1850 with the name Kanunname-i Ticaret (Güvemli & Aslan, 2018) and declared it as the code of commerce, both the commercial law of Western Europe and the accounting system of double-entry bookkeeping entered the area known today as Turkey. After this date, the double-entry bookkeeping method developed within Kanunname-i Ticaret in Turkey. Until the establishment of the Republic of Turkey in 1923, the double-entry bookkeeping method was always in development within the commercial law, though this development was slow.

After the declaration of the Republic (1923), accounting was considered under the Ministry of Finance, and throughout the 20th century, this development continued although it

prevented the development of accounting and the accountant. This paper focuses on the reasons for this development and mentions the problems that emerged.

2. DEVELOPMENTS IN 1923-1928

Because Islamic rules were applicable in commerce, the development of Western commercial law and the double-entry bookkeeping system followed a slow course. As Atatürk and friends who founded the Republic knew about the relations between merchants and accounting, they showed a fast development:

a. *Hamidiye School of Commerce, Commerce Secondary Schools and Commerce High Schools:*

The preparation classes of the Hamidiye School of Commerce [Hamidiye Ticaret Mektebi] that was established for education in business management and accounting in 1883 (it was named Ulum-ı Aliye-i Ticariye when the Republic was established) were included, and the Secondary Schools and High Schools of Commerce were established in 1924. Ulum-ı Aliye-i Ticariye and these secondary schools and high schools of commerce took on the commerce, business and accounting education of the young Republic.

When Atatürk started to establish the Public Economic Enterprises in 1930s, he took about 350 graduates of the aforementioned Ulum-ı Aliye-i Ticariye to the capital Ankara and utilized them for the industrialization process of Turkey. Three-year secondary schools of commerce and three-year high schools of commerce spread into Anatolia and have continued to provide education up to now for training accountants and business managers. After a time, when schools of higher education that provide accounting training became prevalent, secondary schools of commerce were closed down, and high schools of commerce continued to provide education as vocational high schools of commerce.

b. *Establishment of chambers of commerce:*

Those who established the Republic knew about the necessity of the relations between the double-entry bookkeeping method and chambers of commerce, and they paid attention in the initial years so that these relations continued. In later years, the importance paid to these relations would be left aside. Even before the foundation of the Republic, in 1922, chambers of commerce started to be established, and 22 chambers of commerce were founded until the year 1928 (*SOURCE chambers of commerce- Ticaret odaları kaynađı*).

In fact, the relation between chambers of commerce and the double-entry bookkeeping method was established in the Ottoman period, the Ottoman rulers firstly established the Istanbul Chamber of Commerce (1882) and then founded the Hamidiye School of Commerce (whose name became Ulum-ı Aliye-i Ticariye in the Republic) (1883) which would provide business management and accounting education with the support of this chamber of commerce.

The Republic paid importance to chambers of commerce and development in accounting education and practice for the double-entry bookkeeping system to develop. The academics of Ulum-ı Aliye-i Ticariye were writing books to introduce the double-entry bookkeeping system.

When the Republic adopted the Latin alphabet in 1928, the path for the double-entry bookkeeping method was opened up. This is because Ottoman Turkish (with Arabic letters) was written right-to-left, and bookkeeping was difficult for accountants. For example, while keeping daily books, firstly an entry was made from the right to the left, then sums were entered into columns by going back to the right again. This was causing shifts in the lines and leading to problems. The bookkeeping system became convenient when Latin letters were adapted and left-to-right writing started to be used, and this opened way for the double-entry bookkeeping system. For these reasons, consecutive books to introduce the double-entry bookkeeping method started to be written in the period of the Republic.

Unfortunately, after a time, the relations between the double-entry bookkeeping method and chambers of commerce was weakened, and until the aforementioned date, only three chambers of commerce were established.

The Turkish Union of Chambers and Commodity Exchanges- (Türkiye Odalar ve Borsalar Birliği –(TOBB)) which is operational today could only be established in 1952 with the first chamber of commerce (Istanbul Chamber of Commerce). The reason for this neglect and delay was that new chambers of commerce could not be established until 1950s. That is, the companionship between chambers of commerce and accounting in the years 1922-1928 ended in 1928, and it could be reestablished only in 1952.

Today, TOBB is in Ankara, and it is not much concerned with accounting. Today, the Union only sends a representative to the Public Oversight Accounting and Auditing Standards Board established to deal with accounting within the scope of the New Commercial Code adopted in 2012 within the context of the European Union harmonization process, but it does not actively participate in the operations of the Public Oversight Board. There are more than two million companies under TOBB. These are companies that operate under chambers of commerce. These are the companies that use the double-entry bookkeeping method. However, TOBB is not concerned with the accounting system used by its members. This is a case that is very rarely encountered in the world.

In summary, the gap that emerged in the period of 1922-1952 was filled by the Ministry of Finance, and the world of commerce stayed far from initiatives that would improve accounting. This gap is still continuing, and relations between accounting and commerce, as well as industry chambers, cannot be established.

c. Turkish Commercial Code (1926):

One of the things the Republic did until the year 1928 was to enact the Kanunname-i Ticaret declared in 1850 as the Turkish Commercial Code in 1926. 76 years (1850-1926) had passed after the first code of commerce was published, and there had been several developments in accounting. However, the 1926 Code of Commerce was published identically to the one in 1850, and the code did not include the developments that occurred in the time that passed in between. That is, the new code of commerce was no different to the Code de Commerce of Napoleon. Moreover, interestingly, when the young Republic did not update this code, this state of the code continued until 1957.

Some of the articles related to merchants and accounting in the aforementioned code of commerce enacted on 29.6.1926 and continued up to 1957 were as follows.

Article. 4. Women and men who have completed 18 years of age and have the right of disposition on their commercial goods may take part in commerce.

Article 9: Persons who own a commercial establishment and a commercial license who operate commercial business in their own name are considered tradespeople.

Article 66: Every tradesperson is obligated to keep three books as the register for the list of assets and liabilities, journal and copy book, as well as keeping letters and telegrams sent or received regarding commercial operations and documents related to payments.

Article 67: Every tradesperson may also keep other books, but they are not obligated to get them notarized.

Article 68: The tradesperson is not obligated to keep their books themselves, and they may delegate their employees for this job. It is accepted that the person who keeps these books does this job in the name of the tradesperson. The books are bound and have to be notarized before usage. Every page of the books is numbered, each page is approved by the notary, and the last page is stamped and signed by the notary.

Article 70: The tradesperson records their cash at the beginning and the end of the year, their inventory, real estate, undertaken debts and their wealth (capital) into the register for the list of assets and liabilities.

They also record their balance sheet into this book.

Article 71: The tradesperson enters the assets and liabilities in the register for the list of assets and liabilities as the first item of the journal. Following items include records of commercial operations, and a trial balance is included at the end of the month.

Article 72: The incoming and outgoing letters and telegrams regarding commercial operations are recorded in a way ordered by date in the copy book.

Article 73: For the company with a capital divided into shares, the management board and general assembly decisions are recorded into the minute book of the company.

Article 74: The person keeping the book will show the journal to the tradesperson once a year, the tradesperson will enter the statement 'the book was witnessed' and stamp it, and the book will be approved by a notary.

Article 75: Books and documents will be kept for 15 years. (Resmi Ceride, 1926a)

The articles above that were included in the commercial code published in 1926 were behind the period's culture of commerce and accounting, because the code in 1850 was published without updates.

The young Republic made the definition of a tradesperson based on equality between men and women. Which was all there was.

There are three books: the register for the list of assets and liabilities, the journal and the copy book which is to be referred to when needed in commercial disputes. The copy book which sustained its existence until the 1949 tax reform had already disappeared in the world's

literature in 1926. The ledger was not in the commercial code. That is, the book system of the code was incomplete and outdated.

The term companies with share capital was being used, but the terms joint-stock company and limited company were not. Nevertheless, these companies were being established at the time.

The term bookkeeper was used instead of the accountant, but the accountant existed. Interestingly, the term accounting was not found anywhere in the code. This absence continued until the year 2012.

Commercial documents such as bill or receipt were not mentioned.

The balance sheet could not be completely described, there was no concept of capital, and the term profit and loss account was not included.

In summary, the Commercial Code put into action in 1926 by the young Republic was a law that was far outdated. The interesting issue was that no initiatives were taken for years to update the law and make it suitable for the time's conditions. Atatürk's efforts for Turkification of laws and language in 1930s did not include the Commercial Code. However, at the time, codes of commerce were being updated and made suitable for contemporary conditions in Western European countries.

3. THE GREAT TRANSFORMATION IN 1928 AND THE AFTERMATH

In 1928, the Ministry of Commerce was replaced by the Ministry of Economy. This way, the term commerce was abandoned, and it was replaced by economics. Until the year 1948, the word commerce was not used unless required. This situation continued until the establishment of the Ministry of Economy and Commerce in 1948 after Atatürk (1881-1938).

The young Republic published its Constitution (1924) and accepted the main laws for the *secular* state (such as the Turkish Civil Code). It was now the turn for modernizing taxation to become a modern state. The goal of the founders of the Republic was to be able to enact the modern tax laws of the day. This was a difficult task. This is because an Islamic understanding of taxation was dominant in the region. When Turks entered Anatolia, they accepted Islam and had existed since the early thousands under Islamic living conditions. These conditions included a taxation system applied in Muslim societies. This was known as the *aşar* (*öşür*) system. A 10% share was being collected from agricultural production and livestock, and this income constituted most of the state's income.

The Republic abolished the *aşar* tax, which had been used for centuries, in 1924. It needed to hurry to replace it with modern tax laws. What was being thought about was a great taxation reform that would transform the social and economic structure. Tax would be collected from industrial, commercial and service companies. The accounting records of companies would be the basis. The tax would be collected from the sales sum records, from profits. 77% of the people were living in rural areas. That is, they were working on agriculture. They would sell their agriculture and animal husbandry products and purchase industrial products (salt,

sugar, oil, clothing, kitchen tools, furniture, etc.) and lawyering and doctor's services. The state would collect the tax from companies and the service people (Güvemli, Oran, Güvemli, & Aslan, 2018).

The state spent effort for this in the period of 1926-1930. It started to bring modern taxation laws into Turkey and put them in power. Three main taxation laws were worked upon. These tax laws are shortly described below.

a. *Income Tax Law*

This law was the first modern tax law of the Republic. It was dated 27 February 1926 and numbered 755 (Resmi Ceride, 1926b).

This main tax law was divided into three in the taxation reform of 1949 later and consisted of the Law on Corporate Tax, the Law on Income Tax and the Tax Procedure Law, which are still in effect today. This main tax law was amended several times. Some articles of the law that was made suitable for the time's conditions by being changed in 1930s were as follows.

Article 1: Subject of tax: General partnership, the limited partnership, the limited liability company, the joint stock company and other commercial and industrial establishments, self-employed persons and service businesses are the payers of this tax.

Article 6: Issuing tax returns: Taxpayers issue tax returns and show their income in them.

Article 11: Contents of the tax returns: The tax return shows commercial titles, information on registry in the chamber of commerce and gross earnings, and the amount to be taxed is obtained after subtracting the necessary sums from these earnings.

The taxpayers are obligated to submit their balance sheets and profit and loss accounts alongside the tax returns.

Article 12: Organization of balance sheets:

In the assets part of the balance sheet:

Tangible values such as buildings, land, tools and equipment, furniture and securities and intangible values such as business establishment expenditures are recorded in the assets based on their cost. Depreciation is calculated. Receivables and commercial goods are recorded in the assets.

There is the capital account in the liabilities part, and payables, documented or undocumented, are included.

Article 13: Organization of the profit and loss account: The gross profit of the company and the costs to be deducted from this profit (salaries, rents, communication costs, insurance, repairs, interest on payables) are recorded. The rest is the profit to be taxed.

Article 15: Books: Other than the books written in the code of commerce, taxpayers keep a ledger; bounded form of the copies of correspondence instead of the copy book; commercial transaction book (each commercial transaction and remaining profits from this in the first column of the revenue part; sales values of goods purchased and sold, and costs such as shipping, insurance and storage rent in the costs part).

Article 16: Notarization of books: Books are authorized by a notary.

Article 31: The tax rate is 11% for companies.

Article 32: For other companies, tax will be collected by 15% for the first 10,000 TL of profit, 20% for the next 10,000 TL, 25% for the next 30,000 TL and 30% for anything after 50,000 TL.

This is the most comprehensive tax law put into effect by the Republic.

Income tax is a comprehensive and prevalent tax collected from manufacturing, merchandise and service companies.

Adoption of the declaration method is a sign of great courage. This is because neither the state nor companies had sufficient experience. Tax returns show gross profits and costs.

While not including sufficient organization, the elements to be included in the assets and liabilities of the balance sheet are included. Likewise, the profit and loss account was also aimed to be defined.

The books in the taxation laws of the period were interesting. At first, the Commercial Code was updated, but the books were not. No innovation was planned for the code. Only that the register for the list of assets and liabilities and journal in the Commercial Code would be kept was described under the books in the law. The outdated copy book was preserved in a way that did not make much sense. The ledger was identified as the required book in this law without making an addition to the Commercial Code. Later, the law brought the transaction book, which was considered to be necessary, into the agenda. This book was interesting in that it was required to determine and record in the book the sales sum of each good and the profit amount from each. Such an accounting book was not in the contemporary accounting scene.

Other than the Commercial Code, the accounting books in this tax law were included in all tax laws of the period. This is why the period is known in the Turkish accounting history as the multi-book period. This was because each taxation law written down the accounting books that it saw necessary and did not think of adding new books into the Commercial Code. In this period, companies had come to keep 7-8 books as an obligation as seen in the laws described below (Sürmen, Bayraktar, & Güvemli, 2018).

As it may be understood, the income tax is taken from profits and collected on a declaration basis. Firstly, it should be underlined that, this was the first occasion on these soils where taxation was being carried out based on accounting records. The double-entry bookkeeping method had not become prevalent, yet. The number of accountants who knew about the method was low. The knowledge on the double-entry bookkeeping method was minimal, and additionally, the tax would be collected on a declaration basis. This showed great courage.

As it will be focused on below, only a small inspection of books was in question.

It is clear that accounting could not be left to the Commercial Code and the tradesperson in such an environment. For this reason, the young Republic which enacted the laws left accounting naturally to taxation. The reason behind this was the weak knowledge of the double-entry bookkeeping method, determination of the books and ways of keeping these books in tax laws, and most importantly, collection of taxes on a declaration basis. Of course, in this case, tax inspection became prominent in 1930s, and the state established tax inspection institutions

(Revenue Controllers in 1936 and Tax Inspectors Board in 1945). Development of accounting was left in their hands.

b. Inland Consumption Taxes and Duties

The Law No. 1718 dated 12 June 1930 was about this tax law. The tax was collected as a certain sum from sugar and glucose, while it was collected from petroleum as eight kuruş [1 TL = 100 kuruş] per kg.

The payers of this tax were obligated pursuant to the Article 8 of the Law to keep warehouse books, invoice registers and sales books, and they had to show the payable tax in the sales books. The contents of these three books (warehouse book, invoice register, sales book) were described in detail in the law. This detailed information has the significance of an accounting book. Of course, in addition to these books, books written in the Commercial Code had to be also kept.

Consumption tax was being collected based on monthly tax returns (Official Gazette- (T.C. Resmi Gazete, 1930).

This short explanation shows that, as in the case of the income tax law, consumption tax law also contained its own books. The basis of declaration is also applicable here, and monthly collection is the case. It is a tax of the Republic that is applied in a limited sphere, but its bookkeeping burden is high.

c. Transaction Tax Law

This law was enacted in 1927 with the number 1039. In the 1930 version of the law which experienced changes in time, the basis of the tax is calculated as follows.

Article 13: The basis of the tax for manufacturing companies that manufacture is the sales sum of the delivered (packed) good.

The tax rate was 10% initially, but it was raised to 13% later.

Article 62: In banks and insurance companies, the tax collected over transactions is 2.5%. This rate was increased up to 7.5% later.

The tax is collected on a monthly declaration basis, and manufacturing companies are obligated to declare their deliveries within one month to the tax office they are under with their tax returns until the evening of the 15th day of the next month (Article 23).

The tax return will include the kind, type, quantity and sales price of the goods that are delivered. Manufacturing companies are obligated to provide the quantity and cost sum of their inventory turnovers at the end of the year within two months following the end of the accounting year.

The books that were required to be kept by taxpayers for these operations were determined as described below in Articles 29 and 32.

Factory (production) ledger: The type, quantity and value of raw materials purchased or produced by the manufacturing company are recorded in this book. Among these, the types and quantities of the materials sent for production and produced are determined and recorded. The types, quantities and values of the materials that are sold as they are purchased are written down. All records are kept on their date.

Transaction book: The types, quantities and sales sums of the produced materials delivered to the customers or sent to branches and the dates and numbers of invoices are recorded in this book.

Purchase and sales book: Wholesalers and businesses subject to tax and sale stores keep this book. In the entry part of this book, products purchased from companies' subject to transaction tax are recorded with their type, quantity and cost sum, and purchase invoices are recorded by their date and number. In the exit part, the products that they deliver or send to sale stores are recorded with their type, quantity and sale sums.

Sales book: Wholesaler that constantly sell goods to manufacturing companies record the kind, type, quantity and value of the goods they sell to manufacturing companies by their sales invoices. They record the name and address of the company that purchases the good in this book.

Those who keep the journal written in the Commercial Code do not keep this book. They keep the register for the list of assets and liabilities and copy book written in the Code. They also keep the ledger.

Invoice: Taxpayers are obligated to provide invoice for the good they sell. These invoices will include invoice numbers, the original will be given to the purchaser, and a copy will be kept by the company. The invoice will include the kind, type, quantity, sale price, sale sum and delivery date of the good that is delivered, as well as the name and address of the purchaser.

It is stated that these books are to be authorized by a notary (Article 32).

Annual inspection (Article 36): Whether or not the quantities and sums in the tax returns of industrial establishments are true is inspected at least once a year by accounting specialists or revenue accrual officials. In this inspection, the output account, cost sums and sales sums of the produced goods are inspected (Resmi Ceride, 1927).

The transaction tax law resembles today's value added tax law. It is understood that it is collected based on monthly tax returns.

The number of books that are required to be kept reaches seven, including the four books in the law (factory ledger, transaction book, purchase and sales book, sales book), the inventory registry and copy book in the Commercial Code, and additionally, the ledger. This shows the workload of the accountant in terms of record keeping.

Inspection of the books was mentioned for the first time. When the law was enacted, there was no existing tax inspection body. For this reason, it is understood that the tax office was supposed to inspect the books.

The Republic adopted modern tax laws from Western European countries. However, it was not successful in establishing the accounting system of such legislation. The reason for this was that the double-entry bookkeeping method was not yet prevalent. Like the state, companies were also inexperienced. There were also scarcely any accountants.

The accounting books were to be kept by companies but accountants were rare. The double-entry bookkeeping method was not known sufficiently. In this case, for the healthy operation of the record keeping order for taxation, the young Republic chose the way of leaving the record keeping system in the hands of taxpayers. The control of this was in the hands of finance officers.

The fact that the Commercial Code was not updated for a long time, new chambers of commerce were opened, and the Turkish Union of Chambers and Commodity Exchanges (TOBB) could only be established in 1952 led the way for accounting to stay under finance.

Accounting-related operations in Turkey is still under the Ministry of Finance. The Ministry of Finance is primarily concerned with financial affairs, and accounting is not the main job of this institution. This situation is the main reason why accounting has had a limited development in Turkey throughout the 20th century.

However, there is an issue that needs to be stated. Although accounting was put under taxation in the path followed by the Republic, this increased the prominence of accounting and the accountant, and the importance of the record keeping system started to be accepted by the state.

Nevertheless, as this structure was established in the initial period of the Republic (1923-1950), the position of accounting under finance has shown a continuity. On the other hand, during the establishment of this structure, academicians of accounting showed significant efforts for accounting in Turkey to be able to develop as in Western European countries.

4. EFFORTS OF ACADEMICS OF ACCOUNTING IN THE FIRST PERIOD OF THE REPUBLIC

A mixed economy model was being applied in the first period of the Republic (1923-1950). After the state turned the development of accounting over to finance, there was no effort for a long time for tradespeople to get organized. In this case, accounting could develop to an extent that could be possible under the control of Finance.

The developments in the instruction field of accounting were in line with teaching the double-entry bookkeeping method rather than taxation accounting. The issue that deserves attention was that, almost none of the accounting textbooks published at the time focused on how to keep the books that were described in the tax laws explained above. However, accountants had to also keep these books, and they were supposed to know about the specific books projected by the laws. Academics of accounting were not concerned with these additional books, and they only spent efforts to make the double-entry bookkeeping method prevalent.

The number of these academics was low at first, but it increased in time. As high schools of commerce provided high-quality education, prominent teachers of accounting started to be trained. High-quality accounting textbooks were being written by them.

The name of Ulum-ı Aliye-i Ticariye, which provided on an undergraduate level at the beginning of the Republic, became Yüksek İktisat ve Ticaret Okulu [Economics and Commerce Institute] (Güvemli, 2003). The quality of education increased. In addition to this school, two other schools of higher education were also established in the first period of the Republic (1923-1950). These were the Faculty of Economics under Istanbul University and the İzmir Economics and Commerce Institute established in İzmir. There was also the Faculty of Political Science whose main purpose was to train administrators, officials for the Republic that also

provided education on accounting. All four of these institutes of higher education was providing accounting education by 1950.

Academics of accounting who were employed at these higher education institutes showed extraordinary efforts to develop a Turkish philosophy of accounting. If these academics had not shown great efforts to develop the double-entry bookkeeping system, there would be no development in the Turkish philosophy of accounting in the first period of the Republic, and the theories and practices of accounting would stay within the limits projected and accepted by the Ministry of Finance. For this reason, it is needed to look at the works of these academics.

a. Characteristics of accounting textbooks in the period of 1928- 1940

In this period, undergraduate-level instruction in accounting showed a development by the effects of the academics of partly the Istanbul Economics and Commerce Institute and partly the Faculty of Economics at Istanbul University. While lower in numbers, persons who worked at the economic state institutions and accounting departments of some large companies were also observed to spend efforts to make publications regarding accounting.

The influential authors of accounting books in the period include Kirkor Kömürcüyan (1868- 1958), who dealt with the doctrine of accounting in the Ottoman era and Serkiz Nihat (1887- 1953).

In the period of 1928-1940, the doctrine of accounting showed development under the influence of four main factors.

1. With the adoption of the Latin alphabet (1928), it became easier to internalize the works on the double-entry bookkeeping system written with Latin letters in Western European countries, and the path of the system was opened up.
2. This period became the period of internalization and adoption of the double-entry bookkeeping method in education and practice. By 1940, no search other than this method remained. This situation led the aforementioned method to enter a rapid process of spreading.
3. In this period, Turkey was introduced to the phenomenon of collecting tax over the sales records in accounting and calculated profits that shaped the accounting practices of Western European countries in the early 20th century via the practices in the field of taxation. The processes of income Tax, Consumption Tax and Transaction Tax provided these developments. With rules of the record keeping structure, though in a limited sense, the forms of balance sheets and profit-loss account were established, and the financial administration of the state started to be concerned with accounting as described above. Here, it was observed that single-type financial statements were being requested in certain lines of work.
4. In the period of 1934-1938, Atatürk facilitated the greatest initiative of industrialization in the Middle East. About fifty large manufacturing companies started operation at various locations in Anatolia. The record keeping system of this industrialization initiative was formed under the influence of the German School. Two large innovations at manufacturing companies were the entry of cost

accounting into Turkey and practicing of the concept of business analysis in these establishments.

Moreover, it is seen that trials of single-type financial statements were made in 1939 at these companies in this industrialization process, the consolidated financial statements of the companies under the Holdings Sümerbank and Etibank were prepared (Aslan, 2015), and beyond this, uniform accounting plants were tried out.

In time, famous cost accounting academics emerged from these economic state companies. One of such academics was Prof. Nurettin Yelken (1918-2002).

In addition to these four factors, there were, of course, academics of accounting who spent efforts in the academic world.

b. Characteristics of accounting textbooks in the period of 1940-1950

In accounting education of 1940s, it is seen that the new generation academics of the Republic mainly published accounting books.

In this period, accounting education was being provided by academics at the Istanbul Economics and Commerce Institute, İzmir Economics and Commerce Institute and the Faculty of Economics at Istanbul University. There was also the Faculty of Political Sciences in Ankara, though it dealt with accounting to a limited extent.

There were also Jewish faculty members who arrived from Germany during WWII. Among these, the business scientists and accounting academician Alfred Isaac has a special place. The philosophy of accounting developed under the guidance of experienced academics such as Prof. Isaac, and new generation Turkish academics of accounting such as Prof. Cevat Yücesoy (1908-1969), Prof. Osman Fikret Arkun (1905-1994) and Prof. Feridun Özgür (1912-2006) (Güvemli, 2003) were observed to publish books on accounting.

Schools increased in numbers, and the number of academics also rose. In the period, Kirkor Kömürçüyan and Serkiz Nihat had got old, and they left their place to new generation Turkish academics.

In the period of 1940-1950, the person who wrote the highest number of accounting textbooks was Prof. Cevat Yücesoy. He was an academic of accounting who made his mark in 1950s and 1960s and prepared his books based on sources in French and German. Some of the significant works of Yücesoy on accounting in the period of 1940-1950 could be listed as: *Muhasebe dersleri I [Lectures on Accounting I] (1942)*, *Muhasebe dersleri II [Lectures on Accounting II] (1942)*, *Banka ve Endüstri Muhasebesi [Banking and Industry Accounting] (1947)*, *Şirketler Muhasebesi [Corporate Accounting] (1948)*, *Banka ve Endüstri İşletmelerinde Bilanço Tahlilleri [Balance Sheet Analyses in Banks and Industrial Companies] (translation) (1949)* (Güvemli, Oran, Güvemli, & Aslan, 2018).

Examples of new generation Turkish academics who were influential in 1940s may also include Prof. Feridun Özgür (1912-2006). Prof. Özgür's books *Para Kıymetinin Tenezzülü Muvacehesinde Amortismanlar [Depreciations in the Context of Reduction of the Value of Money] (1953)* and *Muhasebe Prensipleri [Principles of Accounting] (1970)* were among the determinant books of their time (Güvemli, Oran, Güvemli, & Aslan, 2018). In addition to Prof.

Özgür, Prof. Osman Fikret Arkun (1905-1994) was also prominent. When Osman F. Arkun published his book *Muhasebe Teorisi ve Pratiđi [the Theory and Practice of Accounting]* in 1944, he did not know that he started a new era in the Turkish philosophy of accounting. This book by Prof. Arkun approached accounting theoretically for the first time. Arkun was an influential scholar of accounting in the mid-20th century and the second half of the century (Aslan, 2017a).

Another academic of accounting in this period was the former taxation scholar Rasim Saydar (1901-1966). His work titled *Envanter ve Bilanço [Register for the list of assets and liabilities and the Balance Sheet]* (1946) was among the determining works of the accounting world for a long time in the mid-20th century.

Among other influential academics of accounting in the period was one of the faculty members of the Faculty of Political Sciences in Ankara, Prof. Abdullah Nuri Aker (1905-1977). Some books of Abdullah Aker, who previously worked as a teacher at high schools of commerce, were as follows: *Muhasebe ve Vesikalar [Accounting and Documents]* (1930), *Logismografi [Logismography]* (1943-44), *Üç hesaplı yevmiye [Triple-Account Journals]* (1944), *Ticaret Muhasebesi [Commercial Accounting]* (1946) (Aslan, 2017b).

Besides these, there were also the academics of the İzmir Economics and Commerce Institute. Among these, it is known that the work *Bilanço Tetkikleri [Balance Sheet Analyses]* written by Prof. Ali Haydar Erişkin had a significant place in the Turkish doctrine of accounting in the mid-20th century (Güvemli, 2001).

5. ASSESSMENT OF ACCOUNTING IN THE FIRST PERIOD OF THE REPUBLIC AND CONCLUSION

In the period of 1923-1950, a mixed economy model was being applied in Turkey. Atatürk and friends were paying importance to development of the private sector on the one hand, while on the other hand, they were spending efforts of industrialization within a statist approach.

It was observed that, young Republicans, who had efforts of establishing a secular Republic with a revolutionist approach, turned towards economic issues after completing the legal infrastructure plants of the state in a few years. In the meantime, developments related to accounting also came into the agenda indirectly, and these developments may be summarized as follows.

1. When the Republic was established, the double-entry bookkeeping method was sustaining its existence with a few institutions with foreign capital and in a narrow academic sphere. Those who established the republic paid specific effort at first to develop the infrastructure of accounting. While they were trying to make education of accounting prevalent by opening high schools of commerce for the youth on the one hand, on the other hand, they spent efforts to establish and develop a tradespeople class that would keep an eye on accounting by forming new chambers of commerce. This period was replaced by a search for the future of accounting in

a different field in 1928. The change started with the reaction to the word commerce and the Commercial Code. With reasons not completely understood, the state firstly changed the name of the Ministry of Commerce to the Ministry of Economy, and it started to look for innovations outside the Commercial Code rather than updating the Commercial Code enacted in 1926 identically from its version in 1850.

2. Taxation became what created a different field for accounting. The decision to replace the *aşar* tax collected for centuries based on Islamic rules with modern tax laws determined the future of the great change in the philosophy of accounting, and this change resulted in leaving accounting in the hands of taxation.

While modern tax laws were being adopted in Turkey, the relations between accounting and these tax laws were taken on with an outdated approach. This situation that occurred also with the effect of decommissioning the Commercial Code showed itself by each law of taxation including its own accounting books in the laws. In this period which continued until the taxation reform in 1949, each tax law required keeping five to ten books of accounting. In this period in the Turkish history of accounting known as the multi-book period, the decision to collect taxes based on declaration became the factor that paved the way for accounting to be dealt with under the Ministry of Finance. This was because the Ministry needed to inspect the accuracy of monthly and annual tax returns.

Hence, this way, the relationship of tax-inspection-accounting sustained its effect throughout the 20th century.

Positioning the philosophy of accounting under the Ministry of Finance prevented sufficient strengthening of the concepts of accounting and the accountant. This is because the concept of accounting had a secondary place in the eyes of the Ministry of Finance. As a consequence of this, the development of accounting in the scientific world was left in the hands of the academia. The profession of accounting could not get organized for years (1989), and uniform accounting plan practices could not be adopted (1992).

However, it must be stated that, the desire of the Ministry of Finance to guide accounting increased the significance of accounting in firms, and collection of tax from the record keeping system made accounting and the accountant important in Turkey.

3. In the first period of the Republic, 1923-1950, the thing that raised the philosophy of accounting in the scientific field became the academic world. The academic world adopted a single goal, and instead of tax accounting, it showed great effort for development and prevalence of the double-entry bookkeeping method. Especially new generation Turkish academics after 1940, based on the French and German schools of thought, tried to bring the double-entry bookkeeping system in general and the innovations in different fields of accounting around the world into Turkey with the books on accounting that they published. The increased number of undergraduate-level schools around 1950s made it easier to conduct academic studies in this field.

If the developments in the period in the academic field had not increased or if they had not been successful, the development of accounting under finance would stay limited.

4. In this period, as large-scale industry establishments of the Middle East founded by Atatürk in 1930s adopted accounting approaches based on the German culture of accounting, this process left significant marks on the Turkish philosophy of accounting. Especially the cost accounting practices of these industry establishments and their efforts of preparing uniform financial statements and consolidated financial statements were significant in the Anatolian culture of accounting as a step forward. Additionally, the culture of business inspection that emerged in 1938 was a pioneer of a new practice in the field of inspection. The accounting practices that developed after 1945 in fields such as banking and insurance were also showing the innovations in accounting.

It should also be stated that, when the liberal economic policies that started to be applied in Turkey after 1950 started to establish a different environment, the philosophy of accounting also started to show changes, and with the process of the economy being opened to outside in 1980, the Turkish philosophy of accounting started to bring integration with the world into its agenda (Güvemli, Güvemli, & Aslan, 2018). Finally, with the new Commercial Code that was put into effect in 2012, it will be appropriate to state that the philosophy of accounting towards the global economy has started to be discussed in Turkey.

For further studies, influence of taxation on the Turkish philosophy of accounting for the period after 1950 can be examined.

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