



## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Turkey**



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This Profile provides information about the application of IFRS Standards in Turkey. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu (KGK) [Public Oversight, Accounting and Auditing Standards Authority]
Role of the organisation	KGK is responsible for setting accounting and auditing standards in compliance with international standards, approving and registering auditors and audit firms, inspecting their activities and taking appropriate action (enforcement authority) against the auditors and audit firms that violate audit provisions and KGK's regulations.
Website	<a href="http://www.kgk.gov.tr/">http://www.kgk.gov.tr/</a>
Email contact	<a href="mailto:muhasebe.standartlari@kgk.gov.tr">muhasebe.standartlari@kgk.gov.tr</a>

## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?

Yes.

What is the jurisdiction's status of adoption?

Turkey has already adopted IFRS Standards for the financial statements of all public interest entities. Specifically, the following entities are required to use IFRS Standards:

- Companies whose securities are traded in a regulated market;
- Intermediary institutions;
- Portfolio management companies;
- Banks;
- Financial lease companies;
- Factoring companies;
- Financing companies;
- Insurance companies;
- Reinsurance companies;
- Pension companies;
- Asset management companies;
- Pension funds;
- Investment firms;
- Collective investment schemes;
- Credit rating agencies;
- Mortgage finance institutions;
- Housing finance and asset finance funds;
- Asset leasing companies;
- Central clearing institutions;
- Central depository institutions;
- Trade repositories;
- Financial holding companies;
- Payment institutions;
- Electronic money institutions;
- Currency offices, precious metals brokerage houses and precious metals producing and marketing companies that are member of Borsa Istanbul.

Additional comments provided on the adoption status?

Entities whose securities are traded in a regulated market, intermediary institutions, and portfolio management companies were permitted to use IFRS Standards as of 2003 voluntarily and have been required to use IFRS Standards since 2005.

Banks have been required to use IFRS Standards since 2006.

Financial lease companies, factoring companies and financing companies have been required to use IFRS Standards since 2007.

Insurance, reinsurance and pension companies have been required to use IFRS Standards since 2008.

The KGK took a [Board decision](#), which was published in the Official Gazette, in which public interest entities are required to apply IFRS Standards in their separate

and consolidated financial statements. Thus, asset management companies, investment firms, collective investment schemes, credit rating agencies, mortgage finance institutions, housing finance and asset finance funds, asset leasing companies, central clearing institutions, central depository institutions, trade repositories, financial holding companies, payment institutions, electronic money institutions, currency offices, precious metals brokerage houses and precious metals producing and marketing companies which are members of Borsa Istanbul have been required to apply IFRS Standards in addition to above mentioned companies since 1 January 2013.

Other companies that are not included in the list specified in the decision are permitted to apply IFRS Standards.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Yes, required.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

Yes. Required for some and permitted for all others. See the Commitment to Global Financial Reporting Standards section, [above](#).

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

**IFRS ENDORSEMENT**

Which IFRS Standards are required or permitted for domestic companies?

IFRS Standards as issued by the Board.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

Turkish Financial Reporting Standards (TFRS), which are in full compliance with IFRS Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?

No.

Are IFRS Standards incorporated into law or regulations?

Yes.

If yes, how does that process work?

KGK publishes in the Official Gazette as communiqués TFRS, which are in full compliance with IFRS Standards..

If no, how do IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place

Yes.

If yes, what is the process?

KGK continuously updates TFRS based on the new or amended IFRS Standards.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction? Not applicable.

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Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards? No.

If yes, what are the changes? Not applicable.

Other comments regarding the use of IFRS Standards in the jurisdiction? None.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language? Yes, they are translated into the local language.

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If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards? Pursuant to the copyright waiver agreement with the Board, the KGK translates IFRS Standards into Turkish based on the Translation Policy of the Board. This process ensures an ongoing translation of the latest updates in IFRS Standards into Turkish.

## APPLICATION OF THE IFRS FOR SMEs

Has the jurisdiction adopted the *IFRS for SMEs* Standard for at least some SMEs? No.

If no, is the adoption of the *IFRS for SMEs* Standard under consideration? No.

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Did the jurisdiction make any modifications to the *IFRS for SMEs* Standard? Not applicable.

If the jurisdiction has made any modifications, what are those modifications? Not applicable.

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Which SMEs use the *IFRS for SMEs* Standard in the jurisdiction, and are they required or permitted to do so? Not applicable.

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For those SMEs that are not required to use the *IFRS for SMEs* Standard, what other accounting framework do they use? KGK developed the *Financial Reporting Standard for Large and Medium Sized Entities* (BOBI FRS) based on the requirements in the EU Accounting Directive, the *IFRS for SMEs* Standard, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and local Turkish GAAP and published it in the Official Gazette on 29 July 2017. BOBI FRS is effective from the reporting periods beginning on or after 1 January 2018.

BOBI FRS is the financial reporting framework for entities, which are not required to apply TFRS but are within the scope of entities subject to audit.

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BOBI FRS was designed to meet the financial reporting needs of large and medium sized entities and is a standalone standard with 27 sections and less than 240 pages. It provides a cost-effective way of financial reporting for medium-sized entities and additional obligations were introduced for large-sized entities in line with the "think small first" approach in the EU Accounting Directive.

The main differences between BOBI FRS and the *IFRS for SMEs* Standard (2015) are summarised as below. In BOBI FRS:

- other comprehensive income is not presented;
- expenses can only be reported by function in the statement of profit or loss;
- consolidation and deferred tax requirements are mandatory only for large-sized entities;
- the use of fair value is not allowed to account for investments in subsidiaries, associates and jointly controlled entities;
- all fixed production overheads are allocated to the cost of conversion of inventories;
- the revaluation model may be used after initial recognition of intangible assets (other than goodwill) instead of the cost model;
- a requirement for capitalising development costs when specified criteria are met has been added;
- there is an exception for the recognition of financing components for revenues and borrowing costs that are due in one year or less, as a practical expedient;
- a requirement that the useful life of intangible assets must be between 5 to 10 years if no reliable estimate can be made (rather than management's best estimate but subject to a maximum of 10 years);
- a requirement for capitalising borrowing costs on qualifying assets has been added;
- there are specific classification and measurement requirements for financial instruments;
- the classification of a lease depends on whether the lease meets specific criteria that is in line with local tax regulations;
- a requirement to specifically allow the pooling of interest method to be applied to combinations of entities under common control has been added;
- for large-sized entities more detailed disclosures are required for related party disclosures;
- a section on interim reporting has been added;
- a detailed section about financial statement disclosures has been added;
- investment property can be subsequently measured by using fair value model or cost model;
- an accrual option for government grants has been added; and
- the historical cost method for all biological assets is permitted.

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Other comments regarding use of the *IFRS for SMEs* Standard?

The *IFRS for SMEs* Standard of July 2009 has been translated into Turkish.

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