

V.INTERNATIONAL SYMPOSIUM ON ACCOUNTING AND FINANCE ISAF2019

1-4May-HotelGoldMajesty-
Bursa/TURKEY



V. International Symposium on Accounting and Finance

ISAF 2019



**V. INTERNATIONAL SYMPOSIUM ON ACCOUNTING
AND FINANCE COHOSTED BY MUFAD,
BURSA ULUDAG UNIVERSITY,
AZERBAIJAN STATE UNIVERSITY OF ECONOMICS,
SS. CYRIL AND METHODIUS UNIVERSITY
INSTITUTE OF ECONOMICS**

**V. INTERNATIONAL SYMPOSIUM
ON ACCOUNTING AND FINANCE
ISAF 2019 BURSA**

SYMPOSIUM PROCEEDING BOOK

1-4 MAY 2019

BURSA/TURKEY

OPENING SPEECH

(On Behalf of The Association of Accounting and Finance Academicians - MUFAD)

V. International Symposium on Accounting and Finance co Hosted by The Association of Accounting and Finance Academicians (MUFAD), Bursa Uludag University, Ss Cyril and Methodius University in Skopje, Institute of Economics-Skopje and Azerbaijan State University of Economics was held at Bursa on 1-4 May 2019. The symposium was attended by the representatives of President of Union of Chambers of Certified Public Accountants of Turkey Chairman Mr. Masis Yontan and the Public Oversight Authority and the speeches of six foreign universities including Japan, Azerbaijan, Macedonia, Egypt, Afghanistan, Somalia and 37 State University and 11 Private Universities in our country. A total of 74 presentations were presented at the Symposium.

The purpose of education and training is to create the conditions necessary for an advanced society. Globalization has changed the objectives of higher education. Therefore revisions are carried out in the training programs of Academic studies that serving the commercial life are discussed and sharing information on current issues is carried out in symposiums and congresses. I would like to bring solutions of the problems encountered in the field of education and integration in this Symposium.

MUFAD, one of the institutions serving the science of accounting and finance, was established at the end of 1998 and has been responsible for meeting the scientific and social needs of our colleagues until today. With the awareness of this responsibility, our Association has continued to serve all academicians and so far, various panels, workshops and international congresses and conferences were organized in cooperation with universities and professional chambers.

The international activities organized by MUFAD can be summarized as follows.

- «First Balkans Countries Conference on Accounting and Auditing» was held 2007 in İstanbul Cohosted by Trakya University.
- «12 th World Congress of Accounting Historians» was held 2008 in İstanbul Cohosted by Afyon Kocatepe University and Marmara University.
- «2nd Balkans Countries and Middle East Conference on Accounting and Auditing History» was held 2010 in İstanbul.
- 4 International Accounting and Finance Symposium has been organized by our association so far.
- “I. International Symposium on Accounting and Finance” was held 2012 in Gaziantep Cohosted by Gaziantep University and MUFAD.
- «II. International Symposium on Accounting and Finance” was held May 2014 in Bursa Cohosted by Bursa Uludağ University, Bursa Metropolitan Municipal And MUFAD.
- "III. International Symposium on Accounting and Finance" was held at Tokyo, JAPAN cohosted by MUFAD and Tokyo Keizai University.

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- «IV. International Accounting and Finance Symposium» was held 2017 in Macedonia cohosted by MUFAD, Bursa Uludag University and Ss. Cyril and Methodius University in cooperation with the Institute of Economics of Skopje.

I wish that our last organization, the 5th International Accounting and Finance Symposium, will reach its goal and contribute to the world of accounting and finance. I believe that this Symposium will contribute significantly to the development of the culture of registration and control and to scientific research. I would like to thank everyone who contributed to this conference, which I think will be useful and appropriate in terms of its content and timing. This Symposium gives us the opportunity to benefit from the papers presented by academicians from different countries. I would like thank Union of Chambers of Certified Public Accountants of Turkey and Public Oversight Authority, Symposium Organization and Scientific Committee and all participants.

Symposium Convenor

Prof. Ümit GÜCENME GENÇOĞLU

President of MUFAD

OPENING SPEECH

On Behalf of the Union of Chambers of Certified Public Accountants Turkey –TURMOB)

Dear participants, distinguished colleagues, ladies and gentlemen, welcome to V. International Symposium on the Accounting and Finance that is our traditional event. I greet you all warmly and respectfully in the name of myself and our Union, TURMOB.

I would like to congratulate and thank to MUFAD and Uludag University that organized the symposium, especially Prof. Dr. Ümit Gücenme Gençoğlu.

As you know, accounting standards and practices are the main pillars of our profession. For this reason, TURMOB has closely followed the accounting standards. TМУDESK (Accounting and Auditing Standards Board of Turkey) was created and accounting standards were published. Afterwards, the TMSK (The Accounting Standards Board of Turkey) has gained a legal structure and the accounting standards have been published in our country. As is known, accounting standards are dynamic principles, not static. Accounting standards are constantly updated. In order to keep up with these developments immediately and to offer high quality standards to our professional accountants, we have always been in the process and will continue to be thereafter.

Dear guests, distinguished members, within the scope of the new TCC and international developments, it is of utmost importance “Institutionalization and professional specialization” for our members to comply with the new regulations in the accounting and auditing fields, to draw the road maps for the future. While the accounting service is rapidly shifting from the record keeping function to the financial reporting function, our profession has been shifting its crust in recent years and turning to different fields of expertise. Especially in the last 15 years, the financial structure at the global level has been reshaped together with the accounting scandals that occurred after Enron and later. The national and international regulatory authorities and the standard- setting committees consider and revise their regulations and standards more carefully than ever before. These new regulations cover all professional standards, mainly accounting (financial reporting) standards and auditing standards.

The independent audit and independent auditor phenomenon are extended not only to companies with public and public responsibility, but also to the public sector, including private sector enterprises, foundations, associations, cooperatives, non- governmental organizations, namely the third sector. Therefore, every segment of society is looking for more transparency and accountability than before.

Another development that increases the importance of independent audit is the new legal regulations. The demands for Independent Auditing and Independent Auditor are increasing day by day in the various regulations, notably in the new Turkish Commercial Code. These developments are undoubtedly an important opportunity for professional accountants.

However, there is a condition to benefit from these opportunities: Professional accountants should have adequate equipment in the field of independent audit. This equipment can only be provided by training. As in the previous period, we will give great importance to our trainings in the field of Accounting Standards and Independent Audit.

Dear guests, accounting and auditing profession are a profession formed by standards. We have submitted our views regularly to exposure drafts of Turkish Financial Reporting Standards and

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Turkish Auditing Standards prepared by Public Oversight Board and maintained our support for high quality standards. Turkish Auditing Standards issued by Public Oversight Board is the adoption of International Standards on Auditing but is not a word-for-word translation. TURMOB offers the Turkish version of International Auditing Standards to the benefit of our professional accountants by preparing the Turkish translation of ISAs and updating them constantly.

- As you know very closely, TURMOB, the roof organization of the accounting profession in Turkey, and our all chambers, have always considered professional education as necessary and priority.
- To date, we have tried to contribute to these events. After that, I am sure that TURMOB will always try to contribute to your work and activities, with high level of importance to education.

Our biggest wish is to continue your contributions to the professional environment at the highest level.

Dear professors, we should be able to offer a more intensive and alternative accounting curriculum for young people who are candidates for the profession of accounting and auditing who are considering accounting and auditing in universities. The young people who are interested in the accounting profession will increase their success rate and quality in the entrance to the profession, if they are very competent on our professional law numbered 3568, all regulations issued in the light of this Law, and accounting and auditing practices, before they graduate.

- TURMOB takes the international regulations (for example, IFAC-ISA and the EU 8 the directive) as a reference in our practical experience, professional competency exams and continuing professional development.
- As we have always stated, the process of becoming a Certified Public Accountant is 9 years. The process of becoming Sworn-in Certified Public Accountant is 19 years. In other words, the process of becoming a CPA takes longer than a doctor or a lawyer.
- As TURMOB, education and examination requirements of independent auditing and auditors have already been sought in the process of being CPA, practical experience process, professional competency exams and continuing professional development for years.
- Accountancy profession is a career profession that requires to research, to learn, to get knowledge and have an experience. For this reason, as TURMOB, it is necessary for our candidates being our interns to search for the characteristics of the ability to research, learn, get knowledge and have experience, because of their positive contribution to the accountancy profession and the country's economy.

As TURMOB, we always highlights continuing professional education. The TURMOB regulation on continuing professional development education, which was prepared on the basis of article 44 of the professional law no. 3568, was effective on June 23, 2018 and published in official gazette.

1. What is continuing education? What is the benefit of continuing education?

Continuing education means adaptation to changes and continuing professional development.

Continuing education is lifelong learning.

Continuing education is to raise our professional competencies and skills even higher.

Continuing education is a requirement for the accountancy profession to perform as a dynamic, active, researcher and interrogator.

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Continuing education means crossing national borders, becoming global, learning new standards, becoming a global accountant who speaks a foreign language.

Continuing education means increasing the quality of our professional services and activities.

Continuing education is a requirement for the protection of public trust and interest, for resources to be directed towards productive areas.

Continuing education means adapting to new technologies, capturing digitalization, software and it.

Continuing education is a communication platform being produced and shared professional knowledge

Continuing education creates professional motivation and personal development environment.

Continuing education is to become aware of new expertise and business areas.

In brief, continuing education is an activity that provides new jobs in economies where the way of doing business changes and becomes difficult.

2. Who consist of continuing education? What is its purpose?

The Regulation, which regulates the principles and procedures of the compulsory continuous education of all professional accountants, carries out the main objectives of our professional members to adopt the lifelong learning process, to increase their professional competencies and to prepare them for new business and specialization areas.

This aim is also a result of the need for adaptation to professional innovations and lifelong professional learning and changes, which have also been demonstrated by international professional regulation and good practice examples, and the standards published by International Federation of Accountants (IFAC)

3. When do the obligation of continuing professional education start for professional accountants?

Professional accountants are required to complete their obligations on continuing professional as of the first day of the year following the year in which they obtain their licenses.

4. What is the minimum education period?

Each professional accountant should complete at least 30 hours of relevant professional development activity in each year, including 10 hours of distance learning, 10 hours of face-to-face training and 10 hours of the other relevant professional development activity; at least 120 hours of relevant professional development activity in each rolling three-year period.

5. SURGEM (Centre)

Continuing Professional Development Educational Centre (SURGEM) Our works on SURGEM maintain intensively. Within the scope of the obligation on continuing professional education for statutory auditors made by Public Oversight Body (KGG), mutual recognition of our trainings is highly importance and we are also discussing this issue.

Dear professors, our professional position is very advanced. We have 30 years of experience with totally 85 chambers under TURMOB and we are comprised of 112,911 members throughout the country together with 108.121 CPAS (SMMM) as 48.986 sole practitioners and 59.135 professional accountant in business within 77 CPAs chambers, and 4.790 sworn-in CPA (YMM) as 2.731 sole

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practitioner and 2.059 professional accountant in business under 8 sworn-in CPAs chambers in 8 big cities the rapid change and growth of the markets with economic.

Development increases the economic and commercial activities and this situation affects the activities of our profession. The new areas of expertise, mainly independent auditing, create important professional opportunities for our professional accountants. Rating, the other professional field such as valuation, corporate governance, forensic accounting, system and process control, financial reporting, integrated reporting, assessment of tax risks and trustee in composition, are seen as the new opportunities in the near future, with the improvement of economic environment.

Education seems to be the essential condition for all these new areas of professional expertise, We need to have your support on professional education the same today as it was yesterday.

Dear academicians; as a professional accountancy organization, our priority expectation from you is:

- Present the developments and practices in the World today
- as in the past,
- research new developments in our profession,
- transfer the benefits of financial reporting and auditing in terms of enterprises, particularly institutionalization

In 2018, the Conceptual Framework for Financial Reporting Known as the Constitution of Standards was Rewritten.

- IFRS 16 Leases was published.
- IFRS 9 Financial Instruments was revised.
- IFRS 17 Insurance Contracts has been revised.
- In addition, it had been worked on IFRIC Interpretations (for example, IFRIC 23 Uncertainty over Income Tax Treatments).

Dear guests, this year, the topics titled accounting, auditing and finance will be assessed at the international symposium on accounting and finance for 3 days. In particular, we would like to expect the following subjects to be discussed by experts and academicians:

- Observations on Mandatory TFRS Implementation
- Conceptual Framework
- Fair Value Measurement
- Reporting in Group Companies
- Financial Reporting Standard for Large and Medium-sized Entities (BOBI FRS)

Dear guests, finally, I wish the symposium to be successful and efficient and I would like to thank the professors who organized the symposium, especially Prof. Dr. Ümit Gücenme Gençoğlu.

Masis YONTAN

President, TURMOB

OPENING SPEECH

(On Behalf of Public Oversight, Accounting and Auditing Standards Authority –KGK)

Activities of Public Oversight Authority (KGK)

Distinguished participants, as you know, Public Oversight, Accounting and Auditing Standards Authority (POA) is responsible for achieving an effective public oversight in Turkey. POA is also responsible for setting standards that ensure preparation and auditing of financial statements in compliance with the international standards. In order to establish a high quality and reliable financial reporting and auditing environment, POA has four main functions which are setting accounting and auditing standards, authorising and registering auditors and audit firms.

In this respect, information about the activities of POA will be given in five parts: firstly, developments related to accounting standards, secondly developments related to auditing standards, next continuous professional development, then oversight, and finally inspections.

Developments Related to Accounting Standards

One of the important changes made in accounting standards is to publish IFRS 16 *Leases* in 2018. The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognize assets and liabilities arising from a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaces IAS 17 and effective from 1 January 2019, with earlier application permitted.

Another development is to publish The Revised Conceptual Framework for Financial Reporting in 2018. Amendments in measurement, presentation, disclosure and derecognition have been made, and the definitions and criteria for including assets and liabilities in financial statements have been revised. The Revised Conceptual Framework for Financial Reporting will be effective from 1 January 2020.

The next development in accounting standards is to publish IFRS 17 *Insurance Contracts* recently which combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognize all insurance financial income or expenses in profit or loss or to recognize some of that income or expenses in other comprehensive income. It replaces IFRS 4 *Insurance Contracts* and effective from 1 January 2021.

The target under “the Presidency Annual Performance Plan 2019” (to publish Islamic accounting, auditing and governance standards) was vested responsibility of POA. In this respect, a copyright agreement was signed between POA and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) for the aim to publish accounting, auditing and governance standards related to Islamic Financial Institutions in Turkey. The objective is to enhance the comparability of financial statements of Islamic Financial Institutions in Turkey and other countries and to provide fair presented

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financial statements. 8 draft accounting standards has been issued at POA's website. It is planned to publish these standards after public consultation.

Electronic Financial Reporting Project is another development. Financial statements and audit reports are uploaded in a format type (e.g. pdf) which does not allow to make analyses and comparability. Thereby, this information cannot red by computer software and thus it is hard to analyze and share the audited financial information prepared in the commercial principals. In order to accomplish this aim (uploading audited financial reports in a comparable format (e.g. Excel) to SBG) Electronic Financial Reporting Project has been carried out. One type statement format (Excel) will be used for each financial statement type prepared in accordance with TFRS or BOBİ FRS. Now test phase (required only for some audit firms) is in place; after the test phase, it will be obligatory for all audit firms.

Draft Chart of Accounts for TFRS and BOBİ FRS is another project. Existing Chart of Accounts is not enough to reach financial reports compliance with IFRSs. Thus, POA plans to set a Chart of Accounts which allow entities to view their financial position and performance reliably and fairly. The Draft Chart has been disclosed publicly and it is planned to publish the Chart in 2019.

Developments Related to Auditing Standards

As stated above, POA is also responsible for setting auditing standards (Turkish Auditing Standards – TDS) that ensure the preparation and auditing of financial statements in compliance with international standards set by IFAC. Besides, all projects carried out by IFAC are fallowed and published by POA simultaneously. Revised standards are also fallowed and they are kept up-to-date by POA. The auditor's report is the key deliverable communicating the results of the audit process. Investors and other financial statement users have asked for a more informative auditor's report—in particular for auditors to provide more relevant information to users. Thereby, enhanced auditor reporting is critical to influencing the perceived value of the financial statement audit, and IFAC improved the auditing standards based on public benefits of audit function and aimed to enhance reliability of financial statements. By focusing on audit quality and sustainability of the convenience, it is aimed to encourage the stronger interaction between users and auditors, enhance the knowledge of users related to audit, and concentrate on enhancing professional skepticism. In the context of New Auditor's Reporting Project, 14 Standards (including standards numbered 700s related to reporting) were revised.

Another project related to auditing standards is Other Information Project (ISA 720). Users of financial statements pay more attention to non-financial information in order to get information about assessment of management and to understand more complex areas in financial statements. In this respect, IFAC revised ISA 720 for the purpose of reflecting the financial reporting context suitable for audit. Thereby, material misstatements and inconsistencies would be disclosed in new audit reports. In our country, the Turkish Commercial Code (TCC) requires independent auditing of annual report, and auditors to conclude her/his audit in a separate auditor report by issuing an opinion about non-financial information and other information. Accordingly, POA revised and published TAS 720 in 2018 by adapting ISA 720 into auditing provisions of TCC.

The next development related to auditing standards is revision of the Code of Ethics. Since all projects carried out by IFAC are fallowed and published by POA simultaneously, our primary aim is to publish new Code of Ethics. We plan that it will take place in set of TDSs soon. The Code of Ethics' format has been changed and the fundamental changes are:

- The Code was written all over again with new codification.

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- The requirements and application paragraphs were separated to enhance understandability of paragraphs of the Code.
- The Glossary part was revised by adding new terms.
- Emphasis on fundamental principles and independence was enhanced.

Those are included in new Code of Ethics:

- Important enlargement was done in the Conceptual Framework.
- Enlarged measures against threats were added.
- New provisions related to pressures on breach of fundamental principles were added.

Another development related to auditing standards is Revision of ISA 540 *Auditing Accounting Estimates and Related Disclosures*. There are three main reasons why ISA 540 has been changed. The first reason is that financial reporting frameworks requires complicated accounting estimates. In order to respond to the rapidly evolving business environment because usage of these complicated estimates has become common and fundamental part of financial statements. Secondly, those who inspect/examine audits are more interested in audit quality related to accounting estimates, and auditors are encouraged for more independence and professional skepticism in order to realize this aim. Finally, it is aimed to accomplish the public benefit by increasing communication between auditor and those charged with governance and transparency related to high estimation uncertainty. IFAC has carried out a project related to ISA 540 and made important amendments.

As stated above, a copyright agreement was signed between POA and AAOIFI for the aim to publish accounting, auditing and governance standards related to Islamic Financial Institutions in Turkey. The objective is to enhance the comparability of financial statements of Islamic Financial Institutions in Turkey and other countries and to provide fair presented financial statements. In order to enhance the reliability of the financial statements issued by the Islamic Financial Institutions, they should be audited in accordance with auditing standards set by AAOIFI. Department of Auditing Standards works on publishing auditing and ethical standards set by AAOIFI, and it is planned to issue 5 auditing standards and 1 ethical rules for public consultation soon.

As you know, information system auditing is also in the scope of independent audit according to TCC. Accordingly, POA has prepared a draft standard related to information system auditing by regarding the importance of information systems in financial reporting. POA has considered business structures in Turkey and taken care of including parallel provisions with international practices. Moreover, it will be an important step for financial reporting and independent audit field in Turkey because of auditors' mission to guide entities related to improving entities' information system to produce fair and relevant information when auditing information systems.

Continuous Professional Development (CPD)

It is obligatory for auditors to meet the CPD requirement according to Independent Audit By-Law, article 25. The objective is to maintain auditors' professional competence and capabilities in a sufficient level. They should fulfill that for annually and three-year cycle bases. Auditors are required to demonstrate that they had undertaken sufficient appropriate and relevant CPD activities over the three-year period. Those auditors who could not meet the CPD requirement cannot conduct any audit without filling the gap resulting from not meeting this requirement. In this context, the Communique regarding CPD was published in 2017. Following the publication, 18 informing meetings was held in

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14 provinces in Turkey with the participation of 4.100 individuals. 51 institutions (such as universities, educational institutions, professional chambers, and NGOs) and their nearly 400 training programs have been registered.

Oversight

Off-site oversight and monitoring activities were carried out by checking;

- Engagements and audit reports whether notified timely,
- Engagement teams,
- Whether fulfilling rotation requirements,
- Whether other services provided to engagement client,
- Whether fulfilling statutory audit requirement.

Inspection

Audit files related to audits conducted by 62 audit firms and 10 auditors were inspected in 2018. Moreover, 6 audit firms were inspected to understand information system-related risks. Detailed analyses and assessments for 10 common findings and their related accounting issues got by the inspections done in 2017 have been published at POA's website in 2018.

Hasan GÜL

Head of Auditing Standard Department

Public Oversight, Accounting and Auditing Standards Authority

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Prof. Metin Saban – Bartın University, Turkey,
Prof. Nalan Akdoğan - Başkent University, Turkey
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Prof. Önder Kaymaz – Clarion University, USA
Prof. Recep Karabulut - İnönü University, Turkey

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Prof. Recep Pekdemir- Istanbul University, Turkey
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Prof. Selahattin Karabınar - Istanbul University, Turkey
Prof. Selçuk Kendirli – Hitit University, Turkey
Prof. Sema Ülker - İstanbul University, Turkey
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HOTEL GOLD MAJESTYCONFERENCE ROOMS

2 May 2019

08:30 – 09:30 Registration

09:30 – 11:00 Opening Ceremony

Prof. Ümit GÜCENME GENÇOĞLU

Head of Association of Accounting and Finance Academician

Assoc. Prof. Geray MUSAYEV

Azerbaijan State University of Economics

Prof. Zoran JANEVSKI

Ss. Cyril and Methodius University, Institute of Economics

Prof. Biljana ANGELOVA

Pro-Rector of Ss. Cyril and Methodius University

Prof. Ferudun YILMAZ

Vice Rector of Bursa Uludag University

A. Masis YONTAN

President of Union of Chambers of Certified Public Accountants of Turkey

Hasan GÜL

Public Oversight, Accounting and Auditing Standards Authority of Turkey

11:00 – 11:15 Coffee Break

11:15 – 12:45 Opening Session

Keynote Speaker: Prof. Yoshiaki JINNAI / Tokyo Keizai University

Accounting System and the Concept of Accountability

Keynote Speaker: Samet ARSLAN / Public Oversight, Accounting and Auditing Standards

Authority of Turkey

Accounting Standards in Turkey: Past, Present and Future

Keynote Speaker: Prof. Biljana ANGELOVA / Ss. Cyril and Methodius University in

Skopje, Institute of Economics

Contemporary Trends in the Global Economy Influenced by Financial Flows and Crisis

12:45 – 14:00 Lunch

2 May 2019 / 14:00 – 15:30 – Parallel Sessions

ACCOUNTING STANDARDSANDFINANCIAL REPORTING

Chair: Prof. Seval KARDEŞ SELİMOĞLU

Salon: Queen Salon

1. THE DIFFERENCES BETWEEN FRS AND TMS COMPARISON AND ACCOUNTING ON FINANCIAL LEASING TRANSACTIONS IN TURKEY

Asst. Prof. Murat KARAHAN

Gaziantep University

Arzu Buse AYVALIOĞLU

Gaziantep University

2. BRAND VALUE AND ITS RECOGNITION ACCORDING TO TAS 38

Asst. Prof. Fatma TEMELLİ

Ağrı İbrahim Çeçen University

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3. ACCOUNTING OF LICENCING UNDER TFRS 15: A COMPARATIVE RESEARCH ON SOFTWARE COMPANIES

Prof. Yıldız ÖZERHAN
Ankara Hacı Bayram Veli University

PhD. Banu SULTANOĞLU
Bilkent University

4. REPORTING OF NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS WITHIN THE SCOPE OF TFRS 5 AND A RESEARCH ON BIST 100

Res. Asst. Alp AYTAÇ
Bursa Uludag University

Prof. Ümit GÜCENME GENÇOĞLU
Bursa Uludag University

5. AN ASSESSEMENT ON BUILD-OPERATE-TRANSFER (BOT) MODEL AIRPORT INVESTMENTS

PhD. Bülent TOPDEMİR
Okan University

Prof. Murat AZALTUN
Yalova University

MACRO ECONOMIC FACTORS

Chair: Prof. Ayşe Ümit GÖKDENİZ

Salon: Ladies Salon

1. PCA ANALYSIS OF THE SOCIO-ECONOMIC INDICATORS – THE CASE OF REPUBLIC OF MACEDONIA

Asst. Prof. Vladimir PETKOVSKI
Ss. Cyril and Methodius University in Skopje, Institute of Economics

Prof. Tatjana PETKOVSKA MIRCHEVSKA
Ss. Cyril and Methodius University in Skopje, Institute of Economics

PhD. Natasha DANILOSKA
Ss. Cyril and Methodius University in Skopje, Institute of Economics

PhD. Diana BOSHKOVSKA
Ss. Cyril and Methodius University in Skopje, Institute of Economics

2. THE DEPENDENCE OF THE POVERTY LINE FROM THE INSTITUTIONAL AND ECONOMIC FACTORS – THE CASE OF REPUBLIC OF MACEDONIA

Prof. Snezana KOSTADINOSKA MILOSESKA
Ss. Cyril and Methodius University in Skopje, Institute of Economics

Assoc. Prof. Elizabeta DZAMBASKA
Ss. Cyril and Methodius University in Skopje, Institute of Economics

Asst. Prof. Vladimir PETKOVSKI
Ss. Cyril and Methodius University in Skopje, Institute of Economics

3. COMMERCIAL BANK LIQUIDITY-CASE STUDY

PhD. Candidate Arbenita KOSUMI
Ss. Cyril and Methodius University in Skopje, Institute of Economics

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PERFORMANCE MANAGEMENT

Chair: Prof. Aylin POROY ARSOY

Salon: Hamra Salon

1. UNCONDITIONAL ACCOUNTING CONSERVATISM: EVIDENCE FROM TURKEY

PhD. Yusuf KALDIRIM

2. META-ANALYSIS: A DISCUSSION ON FINANCE STUDIES

Prof. Değer ALPER

Bursa Uludag University

Lecturer Muhammed Fatih AYDEMİR

Bursa Uludag University

3. THE PROXY POWER OF REALIZED RETURN FOR EXPECTED RETURN IN THE MODERN PORTFOLIO THEORY CONCEPT

Res. Asst. Devran DENİZ

Bandırma Onyedi Eylül University

Assoc. Prof. Hasan Aydın OKUYAN

Bandırma Onyedi Eylül University

Prof. Şakir SAKARYA

Balikesir University

4. REVIEWED OF NATIONAL AND INTERNATIONAL PRINTED BOOKS WRITTEN IN MANAGEMENT ACCOUNTING

Asst. Prof. Fatma AKYÜZ

Uşak University

PhD. Tolga YEŞİL

Uşak University

SECTORAL APPLICATIONS

Chair: Prof. Shawki FARAQ

Salon: Business Salon

1. ORGANISATIONAL DYNAMICS AND ITS INFLUENCE ON FIRMS' ENTREPRENEURSHIP ABILITY: SOUTH AFRICAN PERSPECTIVE

Prof. Emaad MUHANNA

Egypt University for Science and Technology/Egypt

Asst. Prof. Halah AhmadBey

Egypt Presidential Administration/Egypt

2. DIGITAL TRANSFORMAION OF MUNICIPAL SERVICES IN MACEDONIA

Prof. Biljana ANGELOVA

Ss. Cyril and Methodius University in Skopje, Institute of Economics

Assoc. Prof. Zoran JANEVSKI

Ss. Cyril and Methodius University in Skopje, Institute of Economics

3. TRADITIONAL VIS A VIE CONTEMPORARY COST MANAGEMENT IN MACEDONIAN HOSPITALITY INDUSTRY

Prof. Marija TAKOVSKA

Ss. Cyril and Methodius University in Skopje, Institute of Economics

Prof. Neda PETROSKA-ANGELOVSKA

Ss. Cyril and Methodius University in Skopje, Institute of Economics

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3 May 2019

09:00 – 10:30 Parallel Sessions

FINANCIAL REPORTING AND AUDITING

Chair: Prof. Nalan AKDOĞAN

Salon: Queen Salon

1. AN EXAMINATION ON THE INTERACTION BETWEEN CONCORDAT, THE CONCORDAT COMMISSARIAT, AND THE INDEPENDENT AUDIT REPORT: AN EXAMPLE OF THE INDEPENDENT REASONABLE ASSURANCE REPORT FOR A PRELIMINARY CONCORDAT PROJECT

Prof. Fatma TEKTÜFEKÇİ

Dokuz Eylöl University

2. FINANCIAL REPORTING AND AUDITING IN AFGHANISTAN

Hashmatullah KAMRAN

Marefat Learning and Investigative Organization/Afghanistan

3. THE WAYS OF IMPROVING AUDITORS PROFESSIONAL SKEPTICISM

Prof. Seval KARDEŞ SELİMOĞLU

Anadolu University

Assoc. Prof. Arzu ÖZSÖZGÜN ÇALIŞKAN

Yıldız Technical University

4. MASTER/PHD THESES PREPARED ABOUT FINANCIAL STATEMENT FRAUD AND FRAUD AUDIT: ACADEMIC LITERATURE BETWEEN 2008 AND 2018

Prof. Seval KARDEŞ SELİMOĞLU

Anadolu University

PhD. Candidate Mehtap ALTUNEL

Anadolu University

EDUCATION

Chair: Prof. Yoshiaki JINNAI

Salon: Ladies Salon

1. FACTORS INFLUENCING THE CHOICE OF ACCOUNTING PROFESSION OF THE STUDENTS RECEIVING ACCOUNTING EDUCATION: THE EXAMPLE OF AĞRI İBRAHİM ÇEÇEN UNIVERSITY

Asst.Prof. Fatma TEMELLİ

Ağrı İbrahim Çeçen University

2. ACCOUNTING AND FINANCE LITERACY AND BANKING EDUCATION: A RESEARCH AT THE MANISA CELAL BAYAR UNIVERSITY

Prof. Özgür ÇATIKKAŞ

Marmara University

PhD. Ayhan YATBAZ

Manisa Celal Bayar University

3. FINANCIAL ATTITUDES AND BEHAVIORS OF COLLEGE STUDENTS: EVIDENCE FROM TRAKYA UNIVERSITY

Prof. Batuhan GÜVEMLİ

Trakya University

Serkan MEYDAN

Trakya University

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BANKING SECTOR

Chair: Prof. Mehmet ÖZBİRECİKLİ

Salon: Hamra Salon

1. EMPIRICAL ANALYSIS OF BANK PERFORMANCE AND MERGER AND ACQUISITIONS DURING THE 2008 GLOBAL FINANCIAL CRISIS

Assoc. Prof. Ali İhsan AKGÜN

Ankara Yıldırım Beyazıt University

2. NEW TRENDS IN CENTRAL BANKING; A STUDY ON THE RESERVE OPTION MECHANISM AND THE ASYMMETRIC INTEREST RATE CORRIDOR

Asst. Prof. Esra N. KILCI

İstanbul Arel University

3. THE RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND FINANCIAL PERFORMANCES OF THE BANKS: AN EMPIRICAL STUDY FOR TURKEY

Assoc. Prof. Dr Bilge Leyli ELİTAŞ

Yalova University

Assoc. Prof. Dr Seyhan ÇİL KOÇYİĞİT

Ankara Hacı Bayram Veli University

PhD. Mustafa KEVSER

Albaraka Türk Participation Bank Co.

4. THE IMPACT OF CONSUMERS' MOBILE BANKING SERVICE EXPERIENCE ON COMMITMENT: A RESEARCH ON YOUNG CONSUMERS

Assoc. Prof. Serkan KILIÇ

Bursa Uludag University

Assoc. Prof. Erkan ÖZDEMİR

Bursa Uludag University

PhD. Yaşar Numan AKSANYAR

Bursa Uludag University

SPECIAL ACCOUNTING APPLICATIONS

Chair: Prof. Yıldız AYANOĞLU

Salon: Business Salon

1. AN EVALUATION ON REGULATIONS AND ENVIRONMENTAL ACCOUNTING PROVIDED BY LAW 7153

Asst. Prof. Murat TÜRK

University of Health Sciences

Asst. Prof. Ali USLU

Tokat Gaziosmanpaşa University

Prof. Fatih Coşkun ERTAŞ

Erzurum Atatürk University

2. THE EFFECT OF SERVICE QUALITY RECEIVED FROM MEMBERS OF ACCOUNTING PROFESSION ON CONSUMER SATISFACTION: SAMPLING OF GUMUSHANE PROVINCE

Asst. Prof. Büşra TOSUNOĞLU

Gümüşhane University

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Assoc. Prof. Selim CENGİZ
Çankırı Karatekin University

Erdal DEMİR
Gümüşhane University

Gülşah DONMEZ
Gümüşhane University

3. TESTING THE IMPACT OF INTELLECTUAL CAPITAL ON COMPANY VALUE THROUGH THE OHLSON AND VAIC MODELS: AN APPLICATION ON BIST 100

PhD. Candidate Cengiz KALYONCU
Yalova University

Prof. Ayşe TANSEL ÇETİN
Yalova University

4. PROBLEMS AND SOLUTION PROPOSALS TO PARTIAL DIVISION PROCESSES OF COMPANIES

Prof. Adnan GERÇEK
Bursa Uludag University

3 May 2019/ 10:30 – 11:00 Coffee Break

3 May 2019/ 11:00 – 12:30 Parallel Sessions

FINANCIAL REPORTING

Chair: Prof. Seval KARDEŞ SELİMOĞLU

Salon: Queen Salon

1. REFLECTIONS OF IFRS AND TRANSLATION LOSS: THE CASE OF TURKCELL

Res. Asst. Beyza GÜREL
İzmir Economy University

Prof. Can ŞİMGİ MUĞAN
İzmir Economy University

2. SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE: EVIDENCE FROM BORSA ISTANBUL

PhD. Sinem ATEŞ
Yalova University

Res. Asst. Gökçen EVCİ
Yalova University

3. ANALYZING CASH FLOW PROFILES OF OPERATING TOURISM COMPANIES IN BIST USING THE CASH FLOW PATTERNS METHOD

Asst. Prof. Ali KABLAN
Trakya University

Prof. Batuhan GÜVEMLİ
Trakya University

4. CASH FLOW RATIO ANALYSIS: THE CASE OF TURKEY

Asst. Prof. Ömer Faruk GÜLEÇ
Kırklareli University

Tucan BEKTAŞ
Kırklareli University

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AUDITING

Chair: Prof. Miraç Sema ÜLKER

Salon: Ladies Salon

1. A COMPARATIVE STUDY ON KEY AUDIT MATTERS

Pınar ANAFOROĞLU

Başkent University

Prof. Serap Sebahat YANIK

Ankara Hacı Bayram Veli University

Res. Asst. Begüm UĞUR

Atılım University

2. KEY AUDIT MATTERS: INVESTIGATION OF BIST MANUFACTURING COMPANIES 2017 AUDIT REPORTS

Assoc. Prof. Yasemin ERTAN

Bursa Uludag University

Ekinç KIZIK

Bursa Uludag University

3. INVESTIGATION OF FRAUD IN FINANCIAL STATEMENTS WITH A HEURISTIC APPROACH

Asst. Prof. Murat ATİK

Milli Savunma University

COST ACCOUNTING

Chair: Prof. Yıldız ÖZERHAN

Salon: Hamra Salon

1. COSTING LOGISTICS ACTIVITIES: CASE STUDY

Prof. Beyhan MARŞAP

Ankara Hacı Bayram Veli University

Res. Asst. Ahmed Yusuf SARIHAN

Bandırma Onyedi Eylül University

2. EFFECTS OF VALUE CHAIN ANALYSIS ON STRATEGIC COST MANAGEMENT APPROACHES: BIST MANUFACTURING INDUSTRY EXAMPLE

Asst. Prof. Hakan ÖZÇELİK

Süleyman Demirel University

Lecturer Nurcan YAĞMURLU

Isparta Applied Sciences University

3. USE OF ARTIFICIAL NEURAL NETWORK MODELS IN DETERMINING COST FUNCTION

Asst. Prof. Bülent YILMAZ

Milli Savunma University

ACCOUNTING STANDARDS AND FINANCIAL REPORTING

Chair: Prof. Mehmet BOLAK

Salon: Business Salon

1. IMPLEMENTATION OF CONSERVATISM PRINCIPLE ACCORDING TO FINANCIAL REPORTING STANDARDS FOR LARGE AND MEDIUM-SIZED ENTERPRISES IN TURKEY

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Prof. Ümit GÜCENME GENÇOĞLU
Bursa Uludag University

Lecturer Yusuf KURT
Van Yüzüncüyl University

2. COMPARATIVE EVALUATION OF GENERAL COMMUNIQUE ON ACCOUNTING SYSTEM APPLICATION AND DRAFT CHART OF ACCOUNTS IN ACCORDANCE WITH FINANCIAL REPORTING STANDARDS FROM THE POINT OF COST ACCOUNTS

Assoc. Prof. Cevdet Yiğit ÖZBEK
Ankara Hacı Bayram Veli University

3. THE ACCOUNTING OF LONG TERM CONSTRUCTION, CONTRACTING AND REPAIR PROJECTS ACCORDING TO TURKISH FINANCIAL REPORTING STANDARDS (TFRS) 15 AND THE COMPARABILITY THROUGH THE UNIFORM ACCOUNTING SYSTEM

CPA Duygu ÜZMEZ YILMAZ

Asst. Prof. Levent POLAT
FMV Işık University

4. LICENSE OF INTELLECTUAL - INDUSTRIAL PROPERTY AND ACCOUNTING IN THE SCOPE OF TFRS-15

Prof. Yasemin KÖSE
Zonguldak Bülent Ecevit University

Prof. Metin SABAN
Bartın University

PhD. Murat GENÇ
Zonguldak Bülent Ecevit University

03 May 2019/ 12:30 – 14:00: Lunch

03 May 2019/ 14:00 – 15:30 Parallel Sessions

SUSTAINABILITY

Chair: Prof. Can ŞİMGİ MUĞAN

Salon: Queen Salon

1. CONTENT ANALYSIS OF STATEMENTS OF ASSURANCE GIVEN TO SUSTAINABILITY REPORTS

Res. Asst. Gulnur SULTANKHANOVA
Ankara Hacı Bayram Veli University

Prof. Serap Sebahat YANIK
Ankara Hacı Bayram Veli University

Prof. Yıldız AYANOĞLU
Ankara Hacı Bayram Veli University

2. SUSTAINABILITY ASSURANCE AND INDEPENDENT AUDIT CONCEPT: INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS No. 3402 AND A STUDY ON SUSTAINABILITY REPORTS

Prof. Beyhan MARŞAP
Ankara Hacı Bayram Veli University

Assoc. Prof. Bilge Leyli ELİTAŞ
Yalova University

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Asst. Prof. Ayşenur ALTINAY
Uşak University

3. THE EFFECTS OF INNOVATIVE SUSTAINABLE DEVELOPMENTS IN ENVIRONMENTAL ACCOUNTING INFORMATION SYSTEMS

Prof. Ayşe Ümit GÖKDENİZ
Marmara University, Retired

4. CSR FINANCING OF HEALTH AND EDUCATION

Prof. Shawki FARAQ
The American University in Cairo/Egypt

INTERNAL AUDITING

Chair: Prof. Aylin POROY ARSOY

Salon: Ladies Salon

1. AN EVALUATION ON THE USE OF COMMUNICATION TOOLS OF INTERNAL AUDITORS IN THE LIGHT OF A QUALITATIVE RESEARCH

Tutku ÜSTÜN
Union of Chambers of Certified Public Accountants of Turkey

2. TO CONVERGE ERM PROCESSES WITH GRC PROCESSES FOR BETTER INTERNAL AUDIT

Prof. Seval KARDEŞ SELİMOĞLU
Anadolu University

Res. Asst. Gül YEŞİLÇELEBİ
Gümüşhane University

3. EVALUATION OF THE RISK DETERMINED IN THE STRATEGIC PLANS OF HIGHER EDUCATION INSTITUTIONS IN TERMS OF ENTERPRISE RISK MANAGEMENT

Prof. Zeynep HATUNOĞLU
Kahramanmaraş Sütçü İmam University

Specialist CebraİL İSPİR
Kahramanmaraş Sütçü İmam University

4. THE EVALUATION OF THE RISK AND OPPORTUNITIES OF INFORMATION TECHNOLOGIES IN THE SCOPE OF UEUA 2 BY PROFESSIONAL MEMBERS: SAMPLE OF IZMIR PROVINCE

Prof. Nilgün KUTAY
Dokuz Eylül University

Lecturer Merve KIZGIN
Dokuz Eylül University

PhD. Candidate Hasan ŞAKA
Dokuz Eylül University

PERFORMANCE MANAGEMENT

Chair: Prof. Metin SABAN

Salon: Hamra Salon

1. A STUDY ON THE BRAND VALUE-PROFITABILITY RELATIONSHIP: HIROSE METHOD AND PANEL CAUSALITY ANALYSIS

PhD. Işıl Erem CEYLAN
Uşak University

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2. EXPLANATORY FACTORS OF DIVIDEND PAYOUT RATIOS IN TURKEY

PhD. Çağrı Aksoy HAZIR
Marmara University

3. CONVENTIONAL AND ISLAMIC INDICES: A COMPARISON ON PERFORMANCE

Prof. Nevser Mine TÜKENMEZ
Dokuz Eylül University

PhD. Candidate Hasan ŞAKA
Dokuz Eylül University

Lecturer Merve KIZGIN
Ondokuz Mayıs University

ACCOUNTING STANDARDS AND FINANCIAL REPORTING

Chair: Prof. Yasemin KÖSE

Salon: Business Salon

1. EFFECTS OF FINANCIAL REPORTING DIFFERENCES IN BETWEEN IFRS-BASED BOBI FRS AND NATIONAL STANDARDS-BASED ACCOUNTING PRACTICES ON FINANCIAL STATEMENT ANALYSIS: AN INVESTIGATION ON FINANCIAL STRUCTURE RATIOS

Res. Asst. Yunus KARAÖMER
Hatay Mustafa Kemal University

Prof. Mehmet ÖZBİRECİKLİ
Hatay Mustafa Kemal University

2. FINANCIAL REPORTING STANDARD FOR LARGE AND MEDIUM-SIZED ENTERPRISES IN REGARD TO AGRICULTURAL ACTIVITIES

Asst. Prof. Birsal SABUNCU
Pamukkale University

3. EXAMINATION OF REVISED VERSION OF THE CONCEPTUAL FRAMEWORK

Assoc. Prof. Erkan ÖZTÜRK
Kırklareli University

Asst. Prof. Ömer Faruk Güleç
Kırklareli University

Fatih Eryiğit
Kırklareli University

4. INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS): AN OVERVIEW & THEIR DIFFERENCES FROM IFRS

Lecturer Elif UMUT
Başkent University

Assoc. Prof. Can ÖZTÜRK
Çankaya University

03 May 2019/ 15:30 – 16:00: Coffee Break

03 May 2019/ 16:00 – 17:30 Parallel Sessions

MACRO ECONOMIC FACTORS

Chair: Prof. Batuhan GÜVEMLİ

Salon: Queen Salon

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1. INFLATION TARGETING AND ITS IMPACT ON MONETARY POLICY: A SOUTH AFRICAN INSIGHT

Prof. Emaad MUHANNA

Egypt University for Science and Technology/Egypt

2. DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN FINANCIAL SECTOR

Asst. Prof. Özgür ÖZDEMİR

Trakya University

PhD. Erdem ÖNCÜ

İzmir Katip Çelebi University

3. IMPACT OF VENTURE CAPITAL ON THE EMERGING ECONOMIES: A CASE THE EGYPTIAN ECONOMY

Prof. Emaad MUHANNA

Egypt University for Science and Technology/Egypt

Asst. Prof. Halah AhmadBey

Egypt Presidential Administration/Egypt

4. RESEARCH ON DETERMINANT FACTORS IN ACCOUNTING MANIPULATION: LITERATURE REVIEW

PhD. Candidate Abdulrazak Yasin MOHAMED

Mogadishu University/ Somalia

MANAGEMENT ACCOUNTING

Chair: Prof. Beyhan MARŞAP

Salon: Ladies Salon

1. THE DIFFERENCES BETWEEN EMPIRICAL MANAGEMENT ACCOUNTING STUDIES IN TURKEY AND THE WORLD

Asst. Prof. Ümmügülsüm ZOR

Altınbaş University

2. THE ROLE OF MANAGEMENT ACCOUNTING IN RISK MANAGEMENT

Prof. Tunç KÖSE

Eskişehir Osmangazi University

PhD. Şafak AĞDENİZ

Eskişehir Osmangazi University

3. THE AVAILABILITY OF BDG MATRIX IN MANAGEMENT ACCOUNTING AND ITS ROLE IN DECISION MAKING

Asst. Prof. Pınar DALOĞLU

İstanbul Arel University

Prof. Miraç Sema ÜLKER

İstanbul University

ISTANBUL STOCK EXCHANGE (BIST) APPLICATIONS

Chair: Prof. Emaad MUHANNA

Salon: Hamra Salon

1. DAY OF WEEK EFFECT IN ISE INDICES COMPARATIVE ANALYSIS IN SUB SECTORS BETWEEN 2010 TO 2018

Assoc. Prof. Eşref Savaş BAŞÇI

Hitit University

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2. THE ESTIMATION OF INCOME SMOOTHING ON BIST 100 INDEX

Prof. Raif PARLAKKAYA
Necmettin Erbakan University

PhD. Candidate Duygu İRDİREN MELİK
Necmettin Erbakan University

3. INVESTIGATION OF CASH FLOW PROFILES IN FIRMS: BORSA ISTANBUL APPLICATION

Asst. Prof. Ömer Faruk GÜLEÇ
Kırklareli University

Işıl ARDA
Kırklareli University

4. SCRUTINIZING NET STOCK ISSUES PHENOMENON IN TURKEY

PhD. Nesrin ÖZKAN
Bursa Uludag University

RESEARCHES ON ACCOUNTING PROFESSIONALS AND ACCOUNTING EDUCATION

Chair: Prof. Serap Sebahat YANIK

Salon: Business Salon

1. THE EFFECT OF QUALITY OF SERVICE PROVIDED BY PROFESSIONAL ACCOUNTANTS ON CUSTOMER SATISFACTION: ERZINCAN SAMPLE

Asst. Prof. Ersin KURNAZ
Erzincan Binali Yıldırım University

Asst. Prof. Mehmet GÜNER
Erzincan Binali Yıldırım University

2. THE ORGANIZATIONAL CULTURE IN THE CERTIFIED PUBLIC ACCOUNTANT'S OFFICES AND THE EFFECTS OF ORGANIZATIONAL CULTURE ON ACCOUNTING PROFESSION

Asst. Prof. Elif YÜCEL
Bursa Uludag University

Akif Furkan KARAGÖZ
Bursa Uludag University

3. AN EMPIRICAL RESEARCH ON THE PROFESSIONAL BURNOUT LEVELS OF ACCOUNTANTS: THE CASE OF BURSA PROVINCE

Assoc. Prof. Rüyam KÜÇÜKSÜLEYMANOĞLU
Bursa Uludag University

Res. Asst. Tuba BORA KILINÇARSLAN
Bursa Uludag University

4. ACCOUNTING EDUCATION IN AMERICA AND ASIA CONTINENTS

PhD. Candidate Seda ERDOĞAN
Tokat Gaziosmanpaşa University

Lecturer Bilgehan ÇAKMAK SEL
Sivas Cumhuriyet University

Assoc. Prof. Mihriban COŞKUN ARSLAN
Tokat Gaziosmanpaşa University

KEYNOTE SPEECH

Samet ARSLAN

*Coordinator of International Relations, Public Oversight, Accounting and Auditing Standards
Authority of Turkey*

INTRODUCTION

Distinguished Academics, Ladies and Gentlemen, it is a great honour for me to deliver, on behalf of the Public Oversight, Accounting and Auditing Standards Authority, the KGK, a keynote speech at this very important symposium. I would like to first congratulate the Uludag University and the Association of Accounting and Finance Academicians for the excellent arrangements for this symposium and for their hospitality. I also would like to thank the Organization Committee and the Scientific Committee for supporting the organization of this symposium, and also would like to recognize the great efforts of academics who have worked very hard to prepare for this symposium, particularly in conceptualizing its substance.

Today, as requested by the organizers, let me first start with addressing the development of accounting practices in Turkey within the historical perspective. Then, I will briefly mention the accounting practices in Turkey in the current situation. Thirdly, I would like to dwell further on the application of IFRSs in Turkey, specifically referring to the new Big4 standards; IFRS 9, IFRS 15, IFRS 16, IFRS 17 and the IFRS Taxonomy. At last, I will discuss the future of financial reporting in Turkey linking together with the Projects initiated by the IASB and the KGK.

DEVELOPMENT OF ACCOUNTING PRACTICES IN TURKEY

Ladies and Gentlemen, we live in a rapidly changing world. The world of business and finance looks very different today compared with 45 years ago, when "Bursa Faculty of Economics and Social Sciences" was established. Let me illustrate it with just a few examples.

45 years ago, in 1974, we hadn't yet experienced the crises that have shaped today's regulatory landscape: the energy crisis following the OPEC oil price shock in the 70s, the Asian financial crisis of the late 90s, Enron's collapse in 2001 and the global financial crisis that unfolded after 2007.

Foreign direct investment (FDI) in 1974 stood at \$20 billion. Today it is more than \$2 trillion. Global trade has expanded tremendously, surpassing GDP growth year by year.

A new technological revolution has greatly sped up the dissemination of information around the world. In 1974, Ethernet was developed, which then became a popular way of connecting PCs and other computers together – to enable them to share data, and devices such as printers. We now live in a much more interconnected world where both trade and information-sharing across country-borders are the norm.

Along with business and finance, accounting has developed at an unprecedented pace in the world and in Turkey. Accounting legislation practices date back to the 1850s and the main legal regulations that direct the accounting practices in Turkey set out in commercial codes and tax laws. The development of accounting practices in Turkey is heavily influenced by the practices of a number of Western countries as a result of the economic and political ties in a specific period.

The first legal requirement influencing accounting development in Turkey was the First Commercial Code of 1850 which was adopted from the French Commercial Code and French practice. This Law was a translation of the French Commercial Code and had a strong influence on the accounting profession until the second commercial code.

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After the First World War and the establishment of the Turkish Republic, accounting practices were influenced by the development of the second Commercial Code Law of 1926, which was largely adopted from German Commercial law. The influence of German accounting endured until the 1960s due to close ties between the two governments. After 1960, however, the accounting system shifted to adoption of the US model of accounting.

In 1930, the accounting and auditing profession was recognized indirectly by the new Republican State Law No. 1580. This situation lasted until 1942 when the Association of Expert Accountants and Business Organizers was established to develop the accounting and auditing profession. Since 1940, the Ministry of Finance (MOF) has been appointing public accountants in order to inspect and audit the work of some of the large firms in major cities. The profession attempted to be legally recognized as an independent profession through the tax procedures law of 1949, but that was not successful.

In 1949, the first taxation law was developed by an expert group of local accounting firms, representing the overall accounting profession and having the expertise to handle the accounting issues for taxation purposes. However, the Ministry of Finance (MOF) continued to control accounting and auditing practices by the board of inspectors, account experts, and tax auditors.

In 1956, the Third Commercial Code of Turkey was passed. The Code assured the legitimacy of transactions and a right of recognition of the accounting profession indirectly. In summary, the accounting profession in Turkey was under statutory controls until 1974.

One of the milestones for professional accounting development was in 1974 when Turkey became a member of the International Financial Reporting Standards (IFRS) committee.

Association of Expert Accountants and Business Organizers was the first Turkish civil society association established in the area of accounting. This association was transformed into Expert Accountants Association of Turkey (EAAT) in 1967. Having the support of the academics, this special expertise association has played an important role in every development after on. After the translation works, thirty-one International Accounting Standards (IASs) were published individually by the Istanbul University Institute of Accounting and subsequently these were formatted as a book in 1977. This attempt was Turkey's first meeting with the IASs.

In 1981, capital market requirements, enforced by Law No. 2499, developed the necessary rules to establish the Istanbul Stock Exchange (ISE), which started its operations in 1986. The Capital Market Board (CMB), however, was established officially in 1989 and was authorized to be the official capital market regulatory body in Turkey.

Again in 1989, TURMOB, which stands for the Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey was formed by law 3568. This union was an official association of the profession – with participation from the Chambers of Independent Accountants, the Certified Public Accountants and the Sworn-in Certified Public Accountants.

Ministry of Finance has published a Communiqué of Accounting System Implementation in 1993, to be effective from 1 January 1994. This Communiqué, prepared by the academics, is generally consistent with the 4th Directive numbered which is arranging the accounting implementations in European Union (EU). With this Communiqué, a perfect discipline has been composed for the accounting implementations in Turkey.

The Turkish Accounting and Auditing Standards Board (TAASB), which issued 19 Accounting Standards published by TURMOB until January 2002, was formed to develop a set of formal accounting and auditing standards in February 1994. These standards were not widely used by Turkish companies and could not have been implemented because traditional legislation concept of Turkey has a tendency as forming and publishing this kind of implementations by the government.

The Turkish Accounting and Auditing Standards Board (TAASB) was renamed as the Turkish Accounting Standard Board (TASB) in April 2002. The new standards issued by the Turkish Accounting Standard Board (TASB) are substantially similar to the IFRSs.

The most important development about implementation IFRSs in Turkey is the fourth Turkish Commercial Code, which made Turkish Accounting Standard Board (TASB) the only authority for

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accounting implementations, issued in 2011 and requirements regarding the financial statements came into effect in 2013. Therefore, accounting practices must be evaluated within the framework of the new Turkish Commercial Code.

In this context, in order to ensure more effective auditing and public oversight system, the KGK was established in Turkey in 2011. The KGK is responsible for setting standards that ensure the preparation and auditing of financial statements in compliance with international standards. The establishment of KGK superseded the Turkish Accounting Standards Board and its regulations.

ACCOUNTING PRACTICES IN TURKEY (CURRENT SITUATION)

The legal framework governing the establishment and application of accounting principles in Turkey is mainly overseen under the authority of the KGK and the Ministry of Treasury and Finance.

Currently, there are different accounting principles for different size of entities in Turkey which are Turkish Financial Reporting Standards (TFRSs), Financial Reporting Standard for Large and Medium Sized Entities (BOBI FRS) and Communiqués of Accounting System Application and there is a strong relationship between which financial reporting framework an entity will apply and whether it is subject to audit.

IFRSs are incorporated into Turkish legislation as Turkish Financial Reporting Standards (TFRSs) by the KGK and they are in full compliance with the IFRSs issued by the IASB. TFRSs are regularly updated in accordance with the amendments made by the IASB with the effective dates as originally pronounced by the IASB preserved.

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 (Communiqués of Accounting System Application tax laws and regulations) and published it in the Official Gazette on 29 July 2017. BOBI FRS was 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 TFRSs but are within the scope of entities subject to audit. 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.

Entities, which are not required to apply TFRSs or BOBI FRS are required to apply the Communiqués of Accounting System Application. Those Communiqués have been published by the Ministry of Finance in accordance with the European Union's 4th Directive and 7th Directive.

In order to determine the set of financial reporting standards an entity is required or permitted to apply in the year under question, one must check if the entity is subject to audit or not. If an entity is subject to audit then it is required to apply TFRSs or BOBI FRS, if not it is required to apply Communiqués of Accounting System Application.

Entities that are subject to audit are determined based on the criteria (balance sheet total, annual net turnover and employee headcount) set by the Cabinet Decree (the Decree). According to the latest Decree which was published in the Official Gazette on 26 March 2018, the criteria for audit have been updated such as:

- Balance sheet total: 35 million TL or more,
- Annual net turnover: 70 million TL or more,
- The average number of employees: 175 or more.

APPLICATION OF IFRS IN TURKEY

Ladies and Gentlemen, Distinguished Academics, most of you are familiar with the IFRS story. Since 2001, an ever-increasing number of jurisdictions have adopted IFRSs. In 2005, the European Union led the first wave of jurisdictions adopting IFRS Standards. Today, 144 jurisdictions, which includes fifteen of the G20 major economies, have adopted IFRS Standards.

There has been a continued progress in other parts of the world. Jurisdictions such as China, India and Indonesia have achieved substantial convergence between their national accounting requirements and IFRS Standards, although some differences remain. In Japan, companies have had the option to adopt IFRS since 2012.

That leaves the United States as the only large jurisdiction where adoption has stalled. But even there, IFRS plays an important role. More than 500 foreign companies listed in the US report using IFRS Standards, with a total market capitalization of more than seven trillion dollars.

In summary, although the map of the world is not yet complete, IFRS has now become the de-facto global language of financial reporting.

Turkey has also adopted IFRS Standards for the financial statements of all public interest entities (PIEs). 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.

IFRSs are incorporated into laws and regulations as Turkish Accounting Standards (TASs) and Turkish Financial Reporting Standards (TFRSs). These standards are fully compliant with the IFRSs issued by the IASB, and they are published in the Official Gazette as communiques.

At present, we have a conceptual framework, 42 standards and 19 interpretations. As I mentioned earlier, the big four standards—TFRS 9, 15, 16 and 17—are all issued.

TFRS 9 is the first of these Standards. The global financial crisis added urgency to IASB's plans of modernizing the financial instruments standard IAS 39. During the downturn, it became clear that there was too much latitude for discretion in loan loss provisioning.

IASB set out to fix this problem by introducing a forward-looking, expected credit loss model. The new Standard was issued in 2014 by the IASB and in 2016 by the KGK and came into effect last year—so we're now starting to see the impact it is having.

The transition for banks has been challenging but seems to have gone well. Overall, provisions have increased in the world, but not significantly changed in our country—thanks to the strict requirements of the Banking Regulation and Supervision Authority. We're also starting to see the benefits of a forward-looking loan loss provisioning model that requires banks to consider future events. A good example of this is Brexit in the UK, where many banks are now disclosing loan loss provisions against the risk of a disorderly Brexit.

Next on the roster is IFRS 15 Revenue from Contracts with Customers. Most people felt the old IFRS requirements on revenue recognition lacked sufficient detail, while revenue recognition under various US GAAP standards was too detailed and conflicting in certain areas. That's why IASB worked with the FASB (the US standard setter) to develop an entirely new, converged standard. Our version of that is TFRS 15, and the new standard also came into effect last year.

The good news is that IFRS 15 seems to be working well. According to a recent Big4 accounting firm survey of US CFOs and CIOs, 94% felt that, over the long term, revenue recognition changes will deliver a value return that will exceed the investment they will make, up from 62% last year

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I should note that this is a US survey of attitudes towards the US revenue standard, but that is virtually identical to IFRS 15 as well as TFRS 15, and is consistent with feedback reported from elsewhere in the world.

Next standard is TFRS 16 Leases. The old leases standard had a somewhat arbitrary distinction between finance leases recorded on the balance sheet and operating leases that were not. At the time IASB issued IFRS 16, listed companies around the world were estimated to have around 3.3 trillion US dollars of lease liabilities, with around 85% of those being operating leases and therefore not recorded on the balance sheet.

TFRS 16 fixes these problems by bringing all leases onto the balance sheet, and by matching it with a corresponding ‘right to use’ asset. The new standard has only been in place for a matter of months, and some striking outcomes have been reported. In the UK, for example, analysis published last February showed that the UK’s top 350 listed companies alone will disclose an additional £180 billion of leasing liabilities that will now be fully visible to investors.

Finally, we have TFRS 17—the new insurance contracts standard. It has been a long time coming, but it can’t come into effect soon enough. Before the IFRS 17, the insurance sector was an outlier because there was no proper international standard for insurance contracts. Pretty much anything went, which meant the same transactions were being accounted for differently, by different companies in different jurisdictions. For example, IASB’s analysis of discount rates used by life insurers showed that 43% used current rates, 35% used historic rates and 22% used a mix of the two.

TFRS 17 fixes this by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values—instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.

Moreover, TFRS 17 will contribute towards long-term financial stability; for example, by requiring that losses embedded in onerous contracts are recognized immediately, instead of the current practice where contracts with losses can disappear by being bundled together with profitable contracts.

By the way, IASB has proposed a one-year extension to 2022 for the effective date of IFRS 17, and they are also looking to make some targeted adjustments to the standard. IFRS 17 will be seen as the gold standard for insurance accounting internationally and I strongly hope that Turkey will also decide to reap the benefits of this standard.

Distinguished Academics, Ladies and Gentlemen, technology affects everybody. The number of people with access to the internet is climbing towards 4 billion. This changes the way we act and interact. It brings a wealth of opportunities. It also makes some activities redundant.

Investors increasingly consume financial information electronically. Our job is to make it easy for them to access TFRS data electronically. We do that by developing a TFRS Taxonomy. We first published it in June 2016 by the name of 2016 TFRS Taxonomy. Every year it is amended by the needs of financial statement users.

For those unfamiliar with the term, taxonomy is a system for classifying something. It allows information to be structured. The IFRS Taxonomy is a classification system for IFRS reporting. It consists of elements that companies use to tag the information in their financial statements. This enables users to identify and extract the information they are interested in. It helps investors and others get timely and cost-effective access to accurate information in an electronic format. It enables them to create customized reports to meet their specific needs and facilitates analysis.

FUTURE OF FINANCIAL REPORTING

As you may already hear, the IASB decided that their focus for the next five years should be on encouraging and enabling the use of financial statements as a means of communication rather than as a compliance exercise. They want companies to view financial statements as important communication tools between themselves and investors rather than resorting to other means of communication.

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Long story short, the IASB have spent years working on improving how items are recognized and measured in financial statements. Their focus has now shifted to considering how that information is communicated. They call this the “Better Communication Initiative”.

There are essentially three parts of this initiative. First, the Primary Financial Statements project, which is largely focused on improving performance reporting - deciding what performance metrics should be allowed or required on the face of the income statement. Currently, the IFRS income statement is relatively form-free. The IASB defined Revenue and Profit or Loss but not all that much in between. The KGK has already solved this problem by issuing the financial statement formats in 2013.

Second, the IASB is looking at ways of improving the effectiveness of the disclosures included in financial statements. As part of this, they have recently published two documents. One of these was a case study report that describes the improvements some companies have made in communicating information in the notes to their IFRS financial statements. The aim of this publication was to show the improvements possible using existing IFRSs and to inspire companies to take a step back and think about how they can make their financial statements easier to consume for their investor customers. They also published a non-mandatory practice statement that contains practical information about the application of the concept of materiality in preparing financial statements. This is because they often received feedbacks regarding one of the barriers to good disclosure is the poor application of the concept of materiality.

The third part of work in the “Better Communication Initiative” is enabling companies to tag their financial statements electronically by continuing to develop IFRS Taxonomy. As I will mention later in this speech, KGK has already initiated the Electronic Financial Reporting Project in respect thereof.

Now, let me give you some brief information about the projects initiated by the KGK.

The Transition from Tax Accounting to Financial Accounting and the New Chart of Accounts

As you already know, tax accounting has guided our accounting practices for many years. Financial statements are prepared to obtain taxable profit rather than accounting profit. The financial statements prepared in accordance with the tax legislation are inadequate to reflect the real situation of the companies, thus leading the managers, shareholders and related third parties to make non-economic decisions. Moreover, the conversion of tax purpose financial statements imposes a significant transaction cost on the economy. Also, the lack of adequate clarity and transparency in the tax purpose financial statements adversely affects the investment environment. For these reasons, it is very important to move to an accounting practice that will fulfil all the objectives expected from accounting. To this end, efforts are underway to establish such an accounting system to prepare commercial books in accordance with TFRS or BOBI FRS. Thus, it is aimed to ensure that the financial statements will serve the purpose of providing a fair, relevant and comparable presentation.

Financial Reporting Standard for Small and Micro Sized Entities (KUMI FRS)

As I mentioned earlier in my speech, small and micro entities are currently applying General Communiqués of Accounting System Application. Those Communiqués have been published by the Ministry of Finance in accordance with the European Union’s 4th Directive and 7th Directive. After the revision of the EU Accounting Directive, a need for a new reporting standard regarding the small and micro entities has aroused. KGK is currently developing the Financial Reporting Standard for Small and Micro Sized Entities (KUMI FRS) based on the requirements in the EU Accounting Directive, the IFRS for SMEs Standard, FRS 105 -the Financial Reporting Standard applicable in the UK and Republic of Ireland, General Communiqués for Accounting System Application, Tax Procedure Law No 213 and other countries’ best practices.

After completion, the KUMI FRS will be in full compliance with the EU Accounting Directive and in line with the «Think Small First» approach in this Directive. It will be a mostly cost-based standard, and only the Statement of Financial Position and the Statement of Profit or Loss will be presented by the entities with a minimum requirement of notes. Illustrative financial statement and Glossary of Terms will be included in the Annexes. KUMI FRS will also take into account the tax regulations and

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it will have a simple and understandable language. KGK is planning to issue this standard within this year.

Accounting and Auditing Standards for Islamic Financial Institutions

Various studies are carried out in the international field regarding the accounting of Islamic financial instruments and transactions. In this context, an agreement was signed between Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and KGK on 27 September 2017 to ensure that the accounting, auditing, ethics and governance standards published by AAOIFI were translated into Turkish and placed into Turkish legislation. In this way, it is aimed to increase the quality of financial transactions related to the Islamic financial sector and to raise awareness about these transactions by contributing to the development of the Islamic financial sector in our country.

The Electronic Financial Reporting Project

At last but not least, the Electronic Financial Reporting (EFR) Project was initiated for the purpose of analyzing the financial statements of companies that subject to statutory auditing. Although these companies constitute approximately 1% of all corporations operating in our country, they constitute approximately 85% of the total assets and approximately 65% of the net sales revenue of all corporations. For this reason, the financial information of the companies which prepared according to the accounting purposes will be suitable for analysis by the help of EFR Project.

The system within the scope of the EFR Project has been developed for the use of the worldwide accepted XML in the area of business and financial reporting. In this context, the reporting language, which aims to prepare, present and exchange business and financial information, is designed in accordance with the infrastructure of the XBRL. Each item of the financial statements that will be uploaded to the system in Excel format will be matched with the XBRL elements defined on the system. Hence, the data obtained from the financial statements will be suitable for analysis.

CONCLUSION

To wrap up, let me briefly restate the main points in my speech. We first started with the development of accounting practices in Turkey. Then, moved to the accounting practices in Turkey at present. After that, talked about the application of IFRSs in Turkey, emphasizing the new standards and the IFRS Taxonomy. And finished with the future of financial reporting in Turkey linking together with the Projects initiated by the IASB and the KGK.

Thank you very much for your kind attention and I trust that the sessions in this symposium will enrich and equip us with the useful information we can use when we go back to our respective cities and countries.

Thank you.

KEYNOTE SPEECH

Prof. Biljana ANGELOVA

Ss. Cyril and Methodius University in Skopje, Institute of Economics

CONTEMPORARY TRENDS IN THE GLOBAL ECONOMY INFLUENCED BY FINANCIAL FLOWS AND CRISIS

Global economy has dramatically changed in the last decade after disturbances caused by world financial crisis in 2008. But, we head (trgnuvame) into 2019 in a fairly optimistic mood. The current global economic upswing (polet) is more broadly (potpolno) based than any other since the global financial crisis. World GDP growth accelerating from 2.9% (in 2017) to 3.2% in 2018. This would mark the best year for the world economy since the rebound from the global financial crisis began.

There are four key reasons why 2018 was a good year globally: strong trade growth; muted (prigushena) inflation keeping monetary policy under control; emerging markets staying robust; and general economic resilience to political uncertainty.

For financial markets and investors, broad-based global growth promises well for global corporate earnings. Extended earnings cycles should, in turn, support valuations at expensive levels while helping under-performers catch up.

The 2008 financial crisis showed inadequacies in the rules we need for a stable and prosperous global economy. After a long period of stagnation, the world economy is finally strengthening. In 2018, global economic growth approached 3.2 per cent — the highest rate since 2011. Current macroeconomic conditions offer policymakers greater scope to address some of the deep-rooted systemic issues and short-term thinking that continue to progress towards the Sustainable Development Goals. But, many cyclical and long-term risks and challenges still persist. In other hand in many parts of the world, conditions have been improved to support the significant investment necessary for delivering the goods and services in line with growing population needs. New global policies are oriented towards longer-term issues, such as rehabilitating and protecting the environment, making economic growth more inclusive and tackling (spravuvanje) institutional obstacles to development. The fundamental drivers of growth and sustainability are: Investments in areas such as education, healthcare, resilience to climate change and building financial and digital inclusion, supports economic growth and job creation in the short-term and promotes long-term sustainable development.

Prospects for Global Macroeconomic Development

The last decade has been interrupted by a series of broad-based economic crises and negative shocks, starting with the global financial crisis of 2008–2009, followed by the European debt crisis of 2010–2012 and the global commodity price readjustments of 2014–2016. As these crises decrease, the world economy has strengthened, offering greater scope to reorient policy towards longer-term issues that hold back (go zadržuvaat) progress along the economic, social and environmental dimensions of sustainable development. In 2017, global economic growth have reached 2.9 per cent, a significant acceleration compared to growth of just 2.4 per cent in 2016, which is the highest rate of global growth recorded since 2011. Labour market indicators continue to improve in a broad spectrum of countries, and roughly two-thirds of

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countries worldwide experienced stronger growth in 2017 than in the previous year. At the global level, growth is expected to remain steady at 3.0 per cent in 2018 and 2019.

Stronger economic activity has not been shared equally across countries and regions. The recent acceleration in world gross product growth stems (proizleguva) predominantly from securer growth in several developed economies. East and South Asia remain the world's most dynamic regions. They accounted for nearly half of global growth, as both regions continue to expand at a rapid pace (dinamika). The Chinese economy alone contributed about one-third of global growth during the year.

Cyclical improvements in Argentina, Brazil, Nigeria and the Russian Federation, as these economies emerge (se pojavuva, isplivuva) from recession, also make roughly a third of the rise in the rate of global growth between 2016 and 2017. But recent economic gains (prednosti) remain unevenly (neednakvo) distributed across countries and regions, and many parts of the world have yet to regain (povtorno da steknat) a healthy rate of growth. Economic prospects for many commodity exporters remain challenging, underscoring (istaknuvajkija) the vulnerability to boom (zauspon) in countries that are overly dependent on a small number of natural resources. Moreover, the longer-term potential of the global economy carries a scar from the extended period of weak investment and low productivity growth that followed the global financial crisis. The moderate recovery in the price of oil from the lows seen in early 2016 has brought some relief to oil-exporting countries. However, given that oil prices stand at roughly half of their average level in the period 2011– 2014, growth prospects (planovi) of the oil exporters will remain subdued (podredeni) over the forecast horizon, reinforcing the need for economic diversification. Economic prospects for many commodity exporters remain challenging, reinforcing the need for economic diversification

Next Important Issue Is Improvement of Investment Conditions

Investment conditions have improved, but elevated policy uncertainty and rising (rastecki) levels of debt may prevent a more widespread investment rebounds (otskoknuva)

Conditions for investment have generally improved, amid (among): low financial volatility, (nestabilnost), reduced banking sector fragilities, recovery in some commodity sectors and a more solid global macroeconomic outlook. Financing costs generally remain low, and spreads have narrowed in many emerging markets, reflecting a decline in risk premiums. This has supported rising capital flows to emerging markets, including a rise in cross-border lending, and stronger credit growth in both developed and developing economies. Improved conditions have supported a modest revival in productive investment in some large economies. Gross fixed capital formation (bruto investicii vo fiksen capital) accounted (iznesuva) for roughly 60 per cent of the acceleration in global economic activity in 2017. This improvement is relative to a very low starting point, following two years of exceptionally weak investment growth. A stronger and more broad-based rebound in investment activity, which is needed to support stronger productivity growth and accelerate progress towards the Sustainable Development Goals, may be deterred (zadrzan) by: 1.elevated levels of trade policy uncertainty, 2.considerable uncertainties regarding the impact of balance sheet adjustment in major central banks, as well as 3. rising debt and a build-up of long-term financial fragilities.

Next Important Issue Is Rebound in World Trade

Rebound in World Trade Could Face a Setback (Barrier) If Protectionist Tendencies Increase

Global trade rebounded in 2017.

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In the first eight months of the year, world merchandise trade grew at its fastest pace in the post-crisis period. The rebound springs predominantly from stronger import demand in East Asia, as domestic demand picked up in the region, supported by accommodative policy measures. In several major developed economies, imports of capital goods have rebounded, as firms respond to improving conditions for investment. Recent course adjustments in major trade relationships, such as: 1. the United Kingdom of Great Britain and Northern Ireland's decision to withdraw from the European Union and 2. the United States of America's decisions to renegotiate the North American Free Trade Agreement and to reassess the terms of its other existing trade agreements, have raised concerns over a potential escalation in trade barriers and disputes. These could be amplified (podobreno) if met by retaliatory measures by other countries. An increasingly restrictive trade environment may hinder (delay) medium-term growth prospects, given the mutually reinforcing (pojacuvanje) linkages between trade, investment and productivity growth. In this regard, policies should focus on upholding and revitalizing multilateral trade cooperation, emphasizing the possible benefits from trade in services.

Progress towards Sustainable Development Is Without Any Doubt Significant Issue

The uneven pace (neuednacenoto tempo) of global economic recovery continues to jeopardize prospects (planovite) for achieving the Sustainable Development Goals (SDGs). While the overall growth prospects of the global economy may have improved, forecasts for a few regions, including some of the world's poorest countries, have been revised downward. Many of these countries have even suffered (trpat) setbacks (prepreki, zasto) in progress towards the Sustainable Development Goals, as GDP per capita declined in four major developing regions in 2016 - Central, Southern and West Africa, Western Asia, and Latin America and the Caribbean and the forecast for 2018–2019 stay the same. These regions combined are home to nearly 20 per cent of the global population, and more than one-third of those living in extreme poverty. This pushes the targets of eliminating poverty and creating decent jobs for all, and poses risks to many of the other Sustainable Development Goals.

According to ILO estimates, there are around 200 million people unemployed in 2017. While the global unemployment rate is expected to remain stable in 2018, as the labour force expands in line with demographic developments and participation, the level of global unemployment may rise further. Women are more likely to be unemployed than men, and face significant obstacles to participation in the labour market. Youth are around three times as likely as adults to be unemployed (United Nations, Economic and Social Council, 2017).

Failure to address these issues may leave a quarter of the population of Africa in extreme poverty by 2030.

Supporting growth in LDCs (last developed countries) requires both financial resources and progress towards addressing institutional deficiencies (nedostatoci) and security concerns

Last developing countries in East Asia include: Cambodia, the Lao People's Democratic Republic and Myanmar with growth rates forecast to be slightly above 7 per cent in 2018–2019, mainly as a result of export growth and infrastructure projects. In Africa, the fastest pace of growth is in countries in the eastern region, including Djibouti, Ethiopia, Rwanda and the United Republic of Tanzania, supported by infrastructure investments, resilient services sectors and the recovery of agricultural production. Senegal in West Africa has joined this group, spurred by greater competitiveness, progress in structural reforms and favourable external conditions, such as positive terms of trade, favourable climatic conditions and a stable security environment.

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Very few of the least developed countries (LDCs) are expected to reach the Sustainable Development Goal target for GDP growth of “at least 7 per cent” in the near term. Approaching (priblizuvanjetu) this target will require higher levels of investment in many of these countries. Mobilizing necessary financial resources may be approached through various combinations of domestic and international, public and private sources of finance. Second condition that should be reached is more rapid progress in overcome some institutional deficiencies, inadequate infrastructure, high levels of exposure to weather-related shocks and natural disasters, as well as challenges related to security and political uncertainty. These barriers must be removed to ensure that available finance is channeled efficiently towards productive investment.

Accelerated economic growth increases need to consider links to environmental sustainability, which is one of the significant goals.

The acceleration in economic growth also bears an environmental cost. The frequency of weather-related shocks continues to increase, highlighting the urgent need to build resilience (fleksibilnost, elasticnost) against climate change. While the level of global energy-related carbon emissions remained flat between 2013 and 2016, the return to stronger GDP growth is likely to result in higher emission levels. International shipping and aviation emissions do not fall under the purview (delokrug, opseg) of the Paris Agreement, and emissions from these two sectors have grown faster than those from road transport over the past 25 years, and have continued to rise since 2013. While air pollution measures have been strengthened in both shipping and aviation industries, it is not clear that current policies will be sufficient to reduce emissions to levels consistent with the objectives of the Paris Agreement.

Transition towards Sustainable Energy Remains Gradual (Postepen, Slow)

Transition towards sustainable energy is advancing at a gradual pace (tempo). Renewables account (iznesuvvat) for more than half of all recently installed power capacity, but still provide only about 11 per cent of global power generation. China remains the world’s biggest investor in renewables, and renewable investment in 2017 have been supported by massive wind projects in Australia, China, Germany, Mexico, the United Kingdom and the United States. At a time when many countries, notably (znacajno) in Africa, continue to suffer from severe shortages of energy supply, there is enormous potential to lay (da se polozi) the basis of environmentally sustainable growth in the future through smart policies and investments today.

Uncertainties and Risks

Economic prospects remain vulnerable to changes in: 1. trade policy, 2. A sudden (naglotu) deterioration (vloshuvanje) in global financial conditions and 3. rising geopolitical tensions

While many of the overhanging (visat) fragilities from the global financial crisis have been reduced, a number of uncertainties and risks loom (se naziraat) on the horizon. Elevated levels of policy uncertainty continue to cloud prospects for world trade, development aid, migration and climate targets, and may delay a more broad-based rebound in global investment and productivity. Rising geopolitical tensions could intensify a tendency towards more unilateral and isolationist policies. The prolonged period of abundant (obilna) global liquidity and low borrowing costs has contributed to a further rise in global debt levels and a build-up of financial imbalances. It is also linked to the current high levels of asset prices, which suggest an under-pricing of risk. Many developing economies—especially those with more open capital markets— remain vulnerable to disable risk aversion, a disorderly (nejasno) tightening (steganje) of global liquidity conditions, and sudden (naglotu) capital withdrawal.

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Central banks in developed economies are currently operating in largely uncharted (ne trasirana) territory, with no historical precedent as guidance. This makes any adjustment of financial markets less predictable than during previous recoveries and increases the risks associated with policy errors.

Policy Challenges and the Way Forward

Synchronized upturn (napredok) among major economies, stable financial market conditions and the absence of major negative shocks offer opportunities to reorient policy

While a number of risks and uncertainties remain, what stands out in the current economic environment is the alignment (poramnuvanje) of the economic cycle among major economies, stability in financial market conditions and the absence of negative shocks such as commodity price disturbances. As conditions for more widespread global economic stability solidify (zajaknuvat), the need to focus policy actions on economic crisis consequences and short-term macroeconomic stabilization has reduced. Coupled (spoen) with improving investment conditions, this creates greater scope to reorient policy towards long-term issues, such as strengthening the environmental quality of economic growth, making it more inclusive, and tackling institutional deficiencies that delay development. Reorienting policy to address these challenges and maximizing co-benefits between development objectives can generate stronger investment, higher job creation and more sustainable mid-term economic growth. Current investment in areas such as education, healthcare, building resilience to climate change, improving the quality of institutions, and building financial and digital inclusion, will support economic growth and job creation in the short-term. It will also accelerate progress towards social and environmental goals and raise the longer-term potential for sustainable growth.

Policy reorientation should encompass four concrete areas: increasing economic diversification, reducing inequality, strengthening financial architecture and tackling institutional deficiencies

Policymakers should use the current macroeconomic background to focus on four concrete areas. First, the long-standing need for economic diversification in countries that remain heavily dependent on a few basic commodities cannot be overstated (prenaglasena, preterana). The heavy economic costs related to recent commodity price realignments proves the point. 2. Stemming and redressing the rise in inequality is also crucial for ensuring balanced and sustainable growth going forward. This requires a combination of short-term policies to raise living standards among the most deprived, and longer-term policies that address inequalities in opportunity, such as investment in early childhood development, broadening access to healthcare and education, and investment in rural roads and electrification. A third crucial area is realigning the global financial architecture with the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda. This requires creating a new framework for sustainable finance and shifting gradually from the current focus on short-term profit towards a target of long-term value creation, in a socially and environmentally responsible manner. Macroprudential policies, well coordinated with monetary, fiscal and foreign exchange policies, can support these goals by promoting financial stability and containing the build-up of financial risks. 4. Finally, weak governance and political instability remain fundamental obstacles to achieving the 2030 Agenda for Sustainable Development. At the same time, stronger global economic growth can do little on its own to help those afflicted (pogodeni) by conflict situations, where there is little scope for meaningful progress towards sustainable development. Policy priorities must include redoubling efforts to support conflict prevention and resolution and tackling the institutional deficiencies underpinning many of these obstacles.

THE DIFFERENCES BETWEEN FRS AND TMS COMPARISON AND ACCOUNTING ON FINANCIAL LEASING TRANSACTIONS IN TURKEY

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Abstract: *The acceleration of financial leasing transactions on a global scale was realized after the crisis in 2008. In the context of research and written reports by different countries in which each country or region has different characteristics in terms of financial leasing operations. Although financial leasing transactions are dependent on many different actors, increasing transaction volume which becomes more important is primarily used in sectors related to real estate and construction and construction machinery. In this study, it is aimed to reveal structural adjustment and differences, accounting and also evaluation of tax transactions by giving place to the development of leasing transactions and using the comparative method between Turkey Accounting Standards/TAS and LMSE FRS analysis in Turkey.*

Keywords: *Financial Leasing Transactions, TAS 17, LMSE FRS*

BRAND VALUE AND ITS RECOGNITION ACCORDING TO TAS 38

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Abstract: *Regulations and changes that occurred with globalization have also impacted the accounting and reporting systems of the countries. Correspondingly, harmonization with the International Accounting Standards has been taking place in terms of the European Union harmonization process in our country. Today, intangible assets are regarded as a quite important asset item and are important for companies to continue their success. It is known that intangible assets constitute a large portion of firm values. One of the important issues in the concept of intangible assets is the brand. Because it reflects the market power of a brand and its competitiveness as well, brand value has been regarded as a quite important issue recently. In whichever sector companies operate, brand value constitutes the most important active assets. In this context, the purpose of this study was to examine the valuation and recognition of any brand in accordance with TAS 38 Intangible Assets Standard in a theoretical framework using examples. In conclusion; according to TAS 38, the values that are created within the enterprises are not recognized as intangible assets, and only brand values that are acquired or taken over can be shown in balance sheets.*

Keywords: *Brand Value, Brand Valuation, TAS 38, Recognition.*

INTRODUCTION

Intangible assets have become very important for enterprises in recent years. Such assets play an important role in the expansion of enterprises and constitute a portion of the firm value. The brand is one of the important issues in the concept of intangible assets.

A brand is a name or symbol that is used to distinguish a product or service from its competitors' products or services (Seetharaman et al., 2001: 243). The competitiveness issue of the new economic order is not the ability to produce, but branding. People prefer brands in order to exhibit their lifestyles, interests, values, and economic powers (Kapfferer, 1992: 214).

There is a contradiction in terms regarding the concept of brand value in both national literature and studies translated from the international literature into our language. In the studies on brand value, there are two different concepts that sometimes substitute each other. These are the concepts of "brand value" and "brand equity." These concepts have different meanings although they were considered equal to each other (Zor and Kandil Göker, 2015:53). The concept of "brand value" is used for the brand value that is determined in terms of financial approach in the literature. Brand value in this sense is similar to the concept of "value in use," which is used in financial accounting. A value in use can be defined as the increasing enterprise value that is comprised of personal assets originating from the characteristics of the enterprise in managing its assets. Similarly, the increasing cumulative returns and cash flows that the brand value creates are also indicators of increasing enterprise value (Barth and Landsman, 1995:98). From a financial perspective, brand value can be stated as the incremental cash flows which accrue to branded products over unbranded products (Simon and Sullivan, 1993:29), which provide additional value to the enterprise or its partners (Aypek and Ban, 2002:331). From the marketing perspective, brand equity is the additional value that the positive impressions that a strong brand name and symbol create in the minds of consumers contribute to the product and the consumers. This value is to make the value of the product and the enterprise in the market more valuable than the

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assets of that enterprise owing to the positive impressions. Brand equity is the set of values that the brand name/symbol of an enterprise has added to the product/service and the elements that constitute the brand equity are; brand name awareness, brand loyalty, perceived quality, and brand association (Aaker, 1991:15-18).

The discussions on brand valuation have emerged in the 1980s in the United Kingdom and the cornerstone of these discussions has been the valuation of the brand equities of the companies affiliated to RHM and their reporting in financial statements after a food company named Goodman Fielder Wattie (GFW) wanted to take over Ranks Hovis McDougall (RHM), which were operating in the same sector, in the UK in 1988. The company RHM, by this way, tried to show that the company had very valuable brands, however, its value in the stock market is low, and therefore, the company GFW should not have predicated on its stockmarket value. In this way, the company RHM evaded from being taken over by GFW (Özkan and Terzi, 2012:88). The concept of brand equity, which was developed in the 1980s and gained importance in the 1990s, is described as the perception of a brand as an asset that can be realized from a managerial perspective (Çakırer, 2018:30).

Although different classifications are made in the literature regarding the financial methods used to determine brand value, it is possible to classify these methods under four main titles: Cost-based, market-based, capital markets-based, and income-based approaches (Öztürk, 2008:27-28). The applications to determine the monetary values of brands have raised the question of how to calculate the brand values the most accurately. Many valuation methods were developed on brand valuation. However, the fact that it is difficult to measure the effects that a brand creates as an intangible asset and the enterprises and the sectors having the brands have very different characteristics have impeded the development of methods that would give reliable results. The methods that are used currently rely on many subjective assumptions and can produce very different results from each other. For example, the value of the same brand can be determined in different values (figures) through different valuation methods (Çakırer, 2018:30-31).

In many balance sheets, there are not any figures regarding the intangible assets of the enterprises. However, in some enterprises, intangible assets are considered as a very important asset item. The importance and frequency of use of this account group is increasing in line with the technological developments. Especially in the companies that are named the new economics companies and produce information technologies and the companies that have realized their branding processes, the market values of the companies and the book values of their equities may differ significantly. Although these differences are explained in various ways and have been introduced into the world of science under the name of "Intellectual Capital," they cannot be explained in this context wholly. However, this makes it more important to create the group of intangible assets more carefully, in this context to determine which assets are to be included, and how the entry and exit times will be determined in order for the balance sheets of the enterprises to become more meaningful, and TAS 38 Intangible Assets Standard provides explanations for such issues (Örten et al., 2017:553). The intangible assets were regulated in TAS 38 in the Turkish Accounting Standards (TAS) in compliance with the International Accounting Standards. In this context, the purpose of this study was to examine the valuation and recognition of any brand in accordance with TAS 38 Intangible Assets Standard in a theoretical framework using examples. The study was limited with only the provisions of TAS 38 regarding the recognition of brand value.

METHOD

This study is a qualitative study (field research) as it examines the brand value and the theoretical framework regarding the valuation and recognition of any brand using examples in terms of TAS 38 the Intangible Assets Standard. Qualitative research is a type of research that is used widely in especially social sciences besides many academic disciplines and aims to explore the relevant subject in detail and depth. The meanings of qualitative research and field research are very similar to each other and intertwined (Güler et al., 2015:4). Because of this, the concepts of qualitative research and field research can be used interchangeably.

FINDINGS

TAS 38 the Intangible Assets Standard examines the brand in two ways. The first one is according to the fact that brand value is created in the enterprise, and the second one is according to the fact that brand value originates from a merger or takeover of an enterprise. The brand value of intangible assets can be shown in the balance sheet by recognizing according to the TAS 38 if the fair value is reached in case of a merger or an acquisition. However, the brand value that is created in the enterprise cannot be shown as an asset in the balance sheets in terms of the current regulations and it can only be recognized as an expense.

CONCLUSION

In conclusion; according to the TAS 38, the brands that are created in an enterprise, cannot be recognized as intangible assets. Within the frame of the TAS 38, only the brand values that were acquired or taken over can be shown in the balance sheets. In other words, in order for the brand value to be shown in the balance sheets, the brand should be acquired only with a merger and/or acquisition of an enterprise. Although there are many methods in the literature regarding the brand valuation, as brand value does not have tangible criteria that can be measured objectively, the brands that the enterprises have created in themselves and/or have been using since their establishments cannot be shown in the balance sheets.

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ACCOUNTING OF LICENSING UNDER IFRS 15: A RESEARCH ON SOFTWARE INDUSTRY

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Abstract: *International Accounting Standards Board issued “IFRS 15 Revenue from Contracts with Customers” on 24 May 2014 and put it into practice as of 1 January 2018. The Public Oversight Accounting and Auditing Standards Authority published the Standard in the Official Gazette dated 9 September 2016 and numbered 29826 to be effective for the periods starting after 31.12.2017. TFRS 15 replaces both TAS 18 “Revenue” and TAS 11 “Construction Contracts” and requires the entities to implement five-stage revenue model for determining the timing and the amount of the revenue to be recognized. In this study, the principles regarding the accounting of licensing under TFRS 15 are explained and then the effects of this new Standard on the financial statements and the extent of the disclosures are assessed for the companies in the software industry traded in Borsa Istanbul comparatively with those traded in European and US Stock Exchanges. The findings revealed that, TFRS 15 did not cause significant changes for the Turkish companies due to the nature of their businesses that are subject to single contracts. The companies traded in the European and American Stock Exchanges, on the other hand were affected by the new Standard and those effects are disclosed extensively in their footnotes with their numerical effects.*

Key Words: *Revenue, IFRS 15, TFRS 15, Software Sector, Licensing.*

REPORTING OF NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS WITHIN THE SCOPE OF TFRS 5 AND A RESEARCH ON BIST 100

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ABSTRACT: Companies that operate in the Borsa Istanbul (Istanbul Stock Exchange) has been made their reporting within the scope of Turkish Accounting/Turkish Financial Reporting Standards (TAS/TFRS) since 2005. In this study, the characteristics of the reporting within the scope of TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are explained and it is aimed to determine the current situation regarding the application of these standard requirements of the companies within the Borsa Istanbul 100 (BIST 100) Index. In this context, 15 companies are determined which announces discontinued operations in their 2017 income statement. In order to collect a reliable data, seven companies' notes of the balance sheet and financial statements of the previous 5 years are examined. Results show that even though there is not a statistically significant difference, the outcome of the discontinued operation, which provides a separate cash flow from the other activities of the entity, provides a data that should be considered in terms of measuring the performance of the company in the income statement analysis.

Keywords: TFRS 5, Discontinued Operations, BIST 100.

INTRODUCTION

Companies that operate in the capital market has mandatorily follow the International Accounting/International Financial Reporting Standards. These standards' translation is named Turkish Accounting/Turkish Financial Reporting Standards and is published at the official gazette. According to TAS / TFRSs, the formal structure, scope and content of the balance sheet are detailed and detailed in the TAS 1-Presentation of Financial Statements, detailed arrangements related to the discontinued operations are made within the scope of TFRS 5. If the assets related to the discontinued operations are not sold according to TFRS 5, the assets held for sale are reported in the balance sheet asset in the 'Assets held for sale and disposed of' and the liabilities related to these assets are reported in the 'Liabilities held for sale and disposed of liabilities' in the liabilities of the balance sheet. In the statement of income prepared in accordance with the standards, after-tax profit or loss for the discontinued operations should be reported separately from the results of the operation and as a component of the period result. Details regarding this reporting to be made in both the balance sheet and income statement are included in TFRS 5. Considering studies that focus on reporting in accordance with TFRS 5, it has been found that necessity of the standard are not used commonly.

In this study, the standard requirements for reporting of discontinued operations are explained and it is examined on the extent to which these requirements are applied in BIST 100. Within this study, companies' 2017 income statement is examined which still operates on June 2018. In this context, 15 companies are determined which announces discontinued operations in their 2017 income statement. In order to collect a reliable data, seven companies' notes of the balance sheet and financial statements of

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the previous 5 years are examined. In this context, it was determined that the rate of the results of the discontinued operations affected the results of the period. In addition, it is tried to determine the extent to which the covered enterprises report in detail in the balance sheet and footnote disclosures according to the requirements of TFRS 5, whether the assets and liabilities for sale purposes are reported in the balance sheets and whether the footnote explanations are sufficient.

REPORTING OF DISCONTINUED OPERATIONS BASED ON STANDARDS

The reporting of discontinued operations was first included in 1973 in the US generally accepted accounting principles (US-GAAP), and it is envisaged the activities that were discontinued were then measured and reported separately by the Financial Accounting Standards Board (FASB) in 2001 (Onat and Akın, 2015: 12).

Discontinued operations are included in the 'TFRS 5- Non-Current Assets Held For Sale and Discontinued Operations' standard. According to the standard discontinued operations are classified as business units classified as held for sale or disposed of.

Assets that meet the criteria for classification as held for sale are presented separately in the statement of financial position (balance sheet), the results of discontinued operations are presented separately in the statement of comprehensive income (TFRS 5, Article 1/b).

Presentation in the Statement of Financial Position

According to IFRS 5, article 6-7, an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn (TFRS 5, Article 8).

The entity may not display an asset that is temporarily unavailable as if it were permanently withdrawn, as in the assets to be withdrawn from use.

The sale of each business unit may not mean discontinued operation. In order for the sale to be a discontinued operation, the activity sold must represent a large business area or geographical area of activity independent of the entity. An entity applying TAS / TFRS shall recognize the assets of the discontinued operation as 'Assets held for sale' and report impairment loss if the assets exceed their recoverable amount (Gençoğlu, 2012: 26).

Assets that meet the criteria for classification as held for sale are measured with the lower one between book value and fair value less cost to sell. In addition, depreciation process is stopped for the mentioned assets.

If the sale will occur with more than a year, then the entity measure cost of sale with the present value. If the cost of sale of the present value is increased due to time, then it is reported in profit/lost as a financing cost.

The book value of the asset is measured in accordance with the relevant TFRS immediately prior to the first classification of the related asset as an asset held for sale.

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If an asset is measured with the fair value less cost to sell, impairment is reported as an expenditure. If there is an increase occur, the entity reflects the increase in value to the income statement, provided that it does not exceed the accumulated impairment losses.

The gain or loss of an asset that is not recognized until the date of sale is accounted for on the day when the asset is derecognized.

Presentation in the Statement of Comprehensive Income

Income and losses regarding discontinued operations are reported separately in the statement of comprehensive income. In the statement of comprehensive income and expenditures, gains and losses arising from measurement and disposal of assets or groups of assets are reported regarding the discontinued operations (Örten et al., 2012: 762).

A discontinued operation is a part of an entity classified as held for sale or disposed of and:

- refers to a separate main line of business or the geographical area of activities,
- is a part of the sale of a separate main line of business or of the geographical area of the activities in a coordinated plan; or
- is a subsidiary acquired only for resale purposes.

According to TFRS 5 article 33, an entity shall disclose a single amount in the statement of comprehensive income comprising the total of:

- the revenue, expenses and pre-tax profit or loss of discontinued operations;
- the related income tax expense as required by TAS 12
- the gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
- the related income tax expense.

In accordance with TFRS 5, details of the statement of profit or loss from discontinued operations are presented in the footnotes or on the table. This section should be added to the table if the details are to be shown on the table (Sezgin, 2015: 13).

The section to be added according to Public Oversight Accounting and Auditing Standards Authority the sample reports is as follows:

Discontinued Operations

- Income from Discontinued Operations (+)
- Expenditures from Discontinued Operations (-)
- **Discontinued Operations Profit/Loss before tax**
- Period Tax Expenditure (-)
- Deferred Tax Expenditure/Income (-/+)

Discontinued Operations Period Profit/Loss

AN APPLICATION WITHIN BIST 100

The BIST 100 index is the main indicator of the Borsa Istanbul Equity Market, which measures the performance of the 100 stocks that are traded in Borsa Istanbul and which have the highest market value and transaction volume. The shares to be included in the BIST 100 index are selected from the shares defined as Group A or B. Shares in Group A are those with a share value of 30 million TL and above. Group B shares are between 10 million TL and 30 million TL. The main criteria in the selection of stocks to be included in the BIST 100 index; and the market values of the shares in the transaction and transaction volumes.

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Within the scope of the study, it was preferred that the enterprises to be included in the scope of the research to be the enterprises within BIST 100 in order to obtain the efficient results of TFRS 5 Sales Assets Held for Sales and Discontinued Operations Standards.

Aim and Scope

All data included in the study are taken from the financial statements of the companies included in BIST 100. Companies' 2017 income statement is examined which still operates on June 2018. In this context, 15 companies are determined which announces discontinued operations in their 2017 income statement. In order to collect a reliable data, seven companies' notes of the balance sheet and financial statements of the previous 5 years are examined. The effects of the discontinued operations on the results of the period, the existence of asset reporting in the balance sheets of these enterprises and the explanations of the footnotes are analyzed and the current situation and the benefits of reporting in accordance with TFRS 5 are tried to be analyzed.

In this regards companies that included in the study and their business segment are below:

- Company 1: A Energy Corporation (Wind Power Plant)
- Company 2: B Investment Holding Corporation (Investment Partnership)
- Company 3: C Corporate Group Holding Corporation (Subsidiaries within group are media, energy, retailing, industry, tourism, marketing of vehicles and real estate and financial services.)
- Company 4: D Journalism and Typography Corporation (Newspaper publication)
- Company 5: E Holding Corporation (Net Group Companies, Hotel Management, Casino, Financial Services, Development of Real Estate etc.)
- Company 6: F Power Production Industry Trade Corporation (Power Production, Power retailing, selling of natural gas, production and selling of mine)
- Company 7: G Holding Corporation (Main fields of subsidiaries are Banking, Insurance, Power, Cement, Retailing and Industry)

Data and Methodology

The information obtained from the 5-year income statements, balance sheets and footnote explanations of 2013-2017 period obtained from the Public Disclosure Platform of the 7 enterprises included in the study are as follows. In the tables below, it is tried to test how the period result is affected by the discontinued operations by giving the profit figures before and after the discontinued operation profit or loss for the years of announced discontinued operation.

Table 1. Effects of Discontinued Operations on Company 1

Company 1	2017	Period P/L (%)	Past year data for discontinued operations
Continued Operations Profit/Loss After Tax	36.417.566		
Discontinued Operations Profit/Loss After Tax	(682.165)	%1,9	NO
Period Profit/Loss After Tax	35.735.40		

Company 1 announced 682.165 Turkish Lira discontinued operations loss and this number constitutes %1.9 of the period profit/loss after tax. Footnotes for the discontinued operations are inadequate. It was concluded that assets are sold due to the fact discontinued operations were not included in the statement of financial position.

Table 2. Effects of Discontinued Operations on Company 2

Company 2	2017	%	2016	%	2015	%	2014	%
Continued Operations Profit/Loss After Tax	147.566		(870.445)		8.494.935		8.113.847	
Discontinued Operations Profit/Loss After Tax	3.915.138	96,3	9.351.802	110	1.447.114	14,5	57.240	0,7
Period Profit/Loss After Tax	4.062.704		8.661.357		9.942.049		8.171.087	

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Considering the Company 2's comprehensive income statement it was found that %96,3 of the period profit comes from discontinued operations. Even though in the comprehensive income statement figures presented in 2016 comparatively with the year 2015 did not include discontinued operations number, in the comprehensive income statement figures presented in 2017 comparatively with the year 2016's rearranged numbers showed that 2016's %110 of the period profit comes from the discontinued operations. In the footnotes it was found that 'In the current period, the shareholding structure has changed significantly and operations via subsidiaries are terminated.' As a result of the discontinued operation in the income statement, it is observed that the disclosure footnotes for the years reported are insufficient. In the footnote disclosure for 2016 data, amendments to TFRS 5 have been made for Discontinued Operations in the Annual Improvements section of the Company's financial reports and the amendment will be applied for future reference.

In the disclosure of footnotes, it is seen that the information related to the discontinued operation profit, which is disclosed as the income arising from the disposal of the activities, is not sufficient, and the corrections made by years are not adequately explained. Footnote disclosures are generally made in the form of quotations from relevant standards. There are no 2013 data for discontinued operations. Assets and liabilities held for sale are not reported on the financial position.

Table 3. Effects of Discontinued Operations on Company 3

Company 3	2017	%	2016	%	2013	%
Continued Operations Profit/Loss After Tax	-272.532		-149.234		-141.464	
Discontinued Operations Profit/Loss After Tax	-252.360	48	-84.652	36,2	-24.584	14,8
Period Profit/Loss After Tax	-524.892		-233.886		-166.048	

In the footnote of 2017, explanations are given regarding the transfer of three companies within the group and the result of the closure of a company. It was announced that there was no significant sale of the subsidiary in 2016. In 2015 and 2014, no discontinued operations were reported. No financial event of 2015 and 2014 has been reported with the disclosure that there is no significant subsidiary sale in the footnotes. In 2013, 14.8% of the period loss was due to discontinued operations. In the footnote disclosures, this loss is disclosed as current period sale of subsidiary, sale of tangible fixed-term in previous period and discontinued operations in previous periods. Assets and liabilities held for sale in the balance sheet are reported to be reported in the financial position during the reporting period.

Table 4. Effects of Discontinued Operations on Company 4

Company 4	2017	%	2016	%	2013	%
Continued Operations Profit/Loss After Tax	(19.541.037)		(2.008.666)		(54.224.242)	
Discontinued Operations Profit/Loss After Tax	(252.359.668)	92,8	(84.652.277)	97,6	(24.583.900)	31
Period Profit/Loss After Tax	(271.900.705)		(86.660.943)		(78.808.142)	

In Company 4, discontinued operations losses increased the period losses. In the footnotes, detailed information was given about the disclosure of digital operation at Russia region and sub accounts were given about the discontinued operations.

Table 5. Effects of Discontinued Operations on Company 5

Company 5	2017	%	2016	%	2013	%
Continued Operations Profit/Loss After Tax	315.111.996		-6 656 097		181 050 783	
Discontinued Operations Profit/Loss After Tax	(507.093)	0,16	2 386 254	55,8	-3 869	0,002
Period Profit/Loss After Tax	314 604 903		-4 269 843		181 046 914	

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In Company 5, discontinued operations decreased the 2017 period profit % 0,16 and decreased the 2016 period loss %55,8. Non-current assets held for sale for these years are not reported in the financial position, whereas depreciation expenses for the year 2017 and 2016 include depreciation in the discontinued operation. It is noteworthy that this disclosure does not correspond to TFRS 5, because assets held for sale in the balance sheet are reported in current assets and they are not depreciated. Furthermore, there is no fixed asset reporting held for sale in the entity's financial position. There is discontinued operation reporting for the 2014 and 2015.

Table 6. Effects of Discontinued Operations on Company 6

Company 6	2017	%	2016	%	2015	%	2014	%
Continued Operations Profit/Loss After Tax	124.048.303		(10.724.204)		-1 376 603		27 097 516	
Discontinued Operations Profit/Loss After Tax	73.710	0,05	1.864	0,017	1 669	0,12	26 873	0,09
Period Profit/Loss After Tax	124.122.013		(10.722.339)		-1 374 934		27 124 389	

Company 6 did not make a discontinued operation reporting in the 2013.

Table 7. Effects of Discontinued Operations on Company 7

Company 7	2017	%	2016	%	2015	%	2014	%	2013	%
Continued Operations Profit/Loss After Tax	7.494.395		5.556.498		4.326.220		4.275.535		3.752.695	
Discontinued Operations Profit/Loss After Tax	(3.503)	0,047	(9.352)	0,16	94.862	2,15	75.324	1,73	91.957	2,39
Period Profit/Loss After Tax	7.437.898		5.547.146		4.421.082		4.350.859		3.844.652	

The entity that reports asset and liability reporting held for sale in its balance sheet for all years is the entity that makes best use of TFRS 5 requirements in accordance with other entities in the analysis, and according to the footnote disclosures, this entity sells its subsidiary with discontinued operations at an increased value and increased its profit except 2016.

FINDINGS

The results obtained from the data analyzed above are summarized in the table below.

Table 8. Total Effects of Discontinued Operations on companies

Name of the Company	Number of years that contain discontinued operations	Number of years that contain asset-liabilities held for sale in the financial position	Effect that increase period profit	Effect that decrease period loss	Effect that decrease period profit	Effect that increase period loss
Company 1	1	NO	-	-	1	-
Company 2	4	NO	4	-	-	-
Company 3	3	3	-	-	-	3
Company 4	3	3	-	-	-	3
Company 5	3	NO	-	1	2	-
Company 6	4	4	2	2	-	-
Company 7	5	5	3	-	2	-
Total	23	-	9	3	5	6

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In the above table, the fact that the 3 companies are reported asset-liability held for sale in the financial position related to the discontinued operation means that these assets are sold within the same year. In accordance with TFRS 5, it is stated that in case of sale purpose and opportunity, even if it is not sold within one year, it can be continued to be reported within the current assets in the financial position. In the income statement, the reported discontinued operation amounts include the increase or decrease in value of these assets for sales purposes and the results of profitable sales or sales with a loss. As the result of the discontinued operation is reported separately from the activities carried out in the income statement, the sales figures obtained from the footnote information are important for the analysis of the cash flows of the enterprise. As can be seen from the table, the effect of the discontinued operation result in a total of 23 data of these enterprises is as follows:

- The effect of increasing profit or decreasing loss ($9+3=12/23$) %52,2
- The effect of decreasing profit and increasing loss ($5+6=11/23$) %47,8

CONCLUSIONS AND LIMITATIONS

Reporting of discontinued operations in the financial statements is mandatory in Turkish Accounting/Turkish Financial Reporting Standards which is in line with the International Accounting/International Financial Reporting Standards. Identifying, accurately measuring and reporting of discontinued operations is also important for the effectiveness of the enterprise. In this study, it was tried to find out how discontinued operations affect company performance. In this sense, companies that included in the BIST 100 as of June 2018 are the universe of the study. Unfortunately, only 7 companies' past 5 year data was reached. The most common financial events reported as a discontinued operation are the transfer of an entity under its subsidiaries to another company and the financial events arising therefrom. While the discontinued operations do not have a major effect on the profit and loss statement, the transfers in certain years and the liabilities arising in this period may have a significant impact on the financial statement. However, according to the results of the research, it is revealed that the discontinued operations do not have any negative or positive effects on the income statements of the enterprises for many years in a row. In this study, results show that even though there is not a statistically significant difference, the outcome of the discontinued operation, which provides a separate cash flow from the other activities of the entity, provides a data that should be considered in terms of measuring the performance of the company in the income statement analysis. Reporting of discontinued operations has positive effects on period profit and loss.

Reporting of discontinued operations can be seen as a transparency in financial reporting. Results show that reporting of these operations has positive effects on profit and loss. Also, present and potential shareholders can be seen this type of reporting as an indicate of confidence. Transparent reporting make the company attractive to the shareholders. Creating confidence on shareholders may increase the investment opportunities to the companies.

However, since the disclosures about the discontinued operations are insufficient, the determination of which items are carried out are the limitations of the study. However, the rate of discontinued operations in BIST 100 is 15% and the disclosure of discontinued operations is a repetition of the sentences in the standard. However, the fact that detailed information cannot be obtained makes it difficult to reach a general opinion with the results obtained. Only 7 company included in the study is another limitation of the study. Also companies that included in the study are different business areas, therefore the authors unable to make a sectorial comparison. In future, data can be obtained from 2005 which is the publication year of the TFRS 5. Based on this data, results can be generalized.

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AN ASSESSEMENT ON BUILD-OPERATE-TRANSFER (BOT) MODEL AIRPORT INVESTMENTS*

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Abstract: *Cooperation between the public and private sectors for building new airports and investing in the existing airports are financed by the private sector relieves the budget pressure on the governments. Developed by one of the most important institutions of Turkey, DHMI, the model BOT can be considered successful since not only it does not require any financial resources but also, in some cases, it even generates rental income for some projects. However, examining the bidding data regarding the two major airports of Turkey indicates that the monetary value of the terminal investments is low with respect to the airport revenue and EBITDA analysis. The purpose of this study is to evaluate the construction and operation of big airports in Turkey via BOT model. The method is to study the investment amount of BOT model, the number of minimum passengers, existing and forecasted revenue, and EBITDA analyses regarding the two major airports in Turkey. Based on the study, it is proposed that the public sector should be involved in operations instead of leaving them to the private sector all together. Therefore, the public sector can have more control over operations as well as additional income due to higher-than-foreseen revenues. Moreover, the public sector can help with economic losses during economical instabilities.*

Keyword: *Public service, Aviation, Build-Operate-Transfer method*

* This paper was prepared by using the doctorate thesis prepared by Bülent Topdemir. The name of it is “Public Private Partnership Applications and Proposed Model For The Aviation Sector”

PCA ANALYSIS OF THE SOCIO-ECONOMIC INDICATORS – THE CASE OF REPUBLIC OF MACEDONIA

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Abstract: *Through the past few decades the problem of welfare segregation has become quite significant for the economies of the countries worldwide. Republic of Macedonia as a country in development is presented with a serious challenge into increasing the socio-economic conditions that have prevailed for too long decreasing the capacity of proper human development. Socio-economic inequality can be represented as major problem for a developing country, and must be considered as one of main priorities for increasing the economic development in the following years. Many indicators can be targeted as to influence the socio-economic segregation and condition in one country. A plethora of such indicators more correctly 10 are presented in this article.*

The main goal of the research is Principal Component Analysis (PCA) of key socio-economic indicators in the Republic of Macedonia, which have the greatest impact on the quality of life and well-being of people. In particular, the goal of the research is to identify the existing mutual implied conditions and connections of several socio-economic indicators that reflect the situation in the Republic of Macedonia. The obtained findings provide more extensive additional view on the basis of which additional measures and guidelines for improvement of the existing socio-economic condition. Additionally this measures and guidelines could be applied to a set of socio-economic indicators with direct influence to each other discovered by the Principal component analysis (PCA).

Key words: *Socio-economic indicators, Principal component analysis, macroeconomics factors, Republic of Macedonia.*

INTRODUCTION

The paper, excluding the introduction and conclusion, is structured in two sections. In the first section, socio-economic indicators that influence the development of the socio-economic condition in the Republic of Macedonia will be presented, thus leaving the principal component analysis of the selected socio-economic indices for the second part of this article.

There are several indices and indicators that relate to different aspects of the quality of life, such as demographics, health, education, environment, democratic rights and freedom of speech and many others. The grouping and analysis of the socio-economic indicators for the Republic of Macedonia has been made according to the general division of the United Nations. The analysis of the indicators took into account their significance and methodology of calculation and their interpretation in relation to the current socio-economic condition in the Republic of Macedonia. Also, when selecting the indicators presented in this article, the factor of data availability for the Republic of Macedonia was crucial. In many cases, certain indices and indicators did not have sufficient data needed to cover the smallest minimal denominator of observation i.e. 9, which resulted in omitting some of the indicators. Nevertheless, the included socio-economic indicators in this article cover almost all aspects of the

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socio-economic conditions and prospects of human development. That said the indicators and indices included in this research are:

- A poverty threshold for low-income countries of \$ 5.50 a day
- Unemployment rate
- Unemployment rate among young people
- Vulnerable employment
- GINI index
- GDP growth rate
- Inflation rate
- Social transfers as% of GDP
- Health insurance and health care costs as% of GDP
- Expected lifespan

All of this indicators are presented in the full version of the paper with their trends, methodologies for calculating, meaning and impact that they have on the socio-economic conditions in Republic of Macedonia.

METHODOLOGY

The research in this article is conducted using both quantitative and qualitative methods for research. The quantitative methods are consisted of statistical and econometrical analysis using correlations and PCA analysis in order to determine the link and impact between the selected socioeconomic indicators for Republic of Macedonia. Statistical method is used to collect the data necessary for comparison of the socio-economic indicators. This research used indicators that were taken or calculated on the basis of data from World Bank data bases, Eurostat, UNDP, OSCE, UNICEF, the Ministry of Finance of the Republic of Macedonia, the National Bank of the Republic of Macedonia, the Institute for Public Health of the Republic of Macedonia and the Statistical Office of the Republic of Macedonia. Generally, for most indicators the time series refers to the period 2009 to 2017. Econometric analysis presented in the second part of this research paper is based upon Principal Component Analysis, in order to determine the strength of the link and impact of the socio-economic indicators in Republic of Macedonia. The analysis is conducted within the period of 9 years from year 2009 to year 2017.

Principal Component Analysis is a method of analysis which involves finding the linear combination of a set of variables that has maximum variance and removing its effect, repeating this successively. The central idea of PCA is to reduce the dimensionality of the data set which consist of large number of interrelated variables, while retaining as much as possible of the variation present in the data set. This is achieved by transforming to a new set of variables, the Principal Components (PCs), which are uncorrelated, and which are ordered so the first few retain most of the variation present into all of the original variables (Jolliffe, 1986:1-12).

FINDINGS

The PCA analysis conducted on the selected socio-economic factors of Republic of Macedonia produced the correlation matrix presented below in Table 1. There a set of correlations are presented which shows the true bond between different set of socio-economic indicators. The most highly correlated amongst them are the indicators for Inequality (Gini index) and the indices for unemployment. Furthermore the PCA analysis shows the nature of the bond between the true variables and the strength of it. This is fairly visible in the graph presenting the histogram of the PCA analysis.

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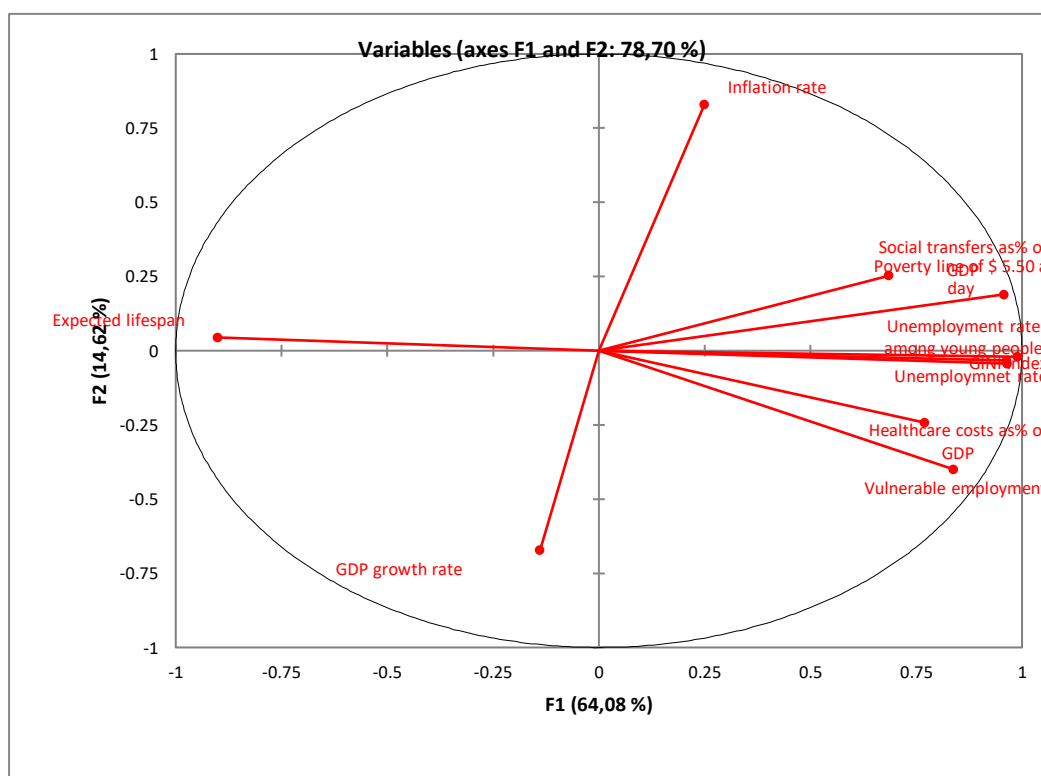
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Table 1. Correlation Matrix For Socio-Economic Indicators Of Republic Of Macedonia (Pearson (n)):

Variables	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10
Poverty line of \$ 5.50 a day (F1)	1	0,953	0,892	0,692	0,965	-0,309	0,322	0,653	0,591	-0,932
Unemployment rate (F2)	0,953	1	0,935	0,857	0,970	-0,114	0,227	0,671	0,699	-0,900
Unemployment rate among young people (F3)	0,892	0,935	1	0,771	0,909	-0,175	0,197	0,588	0,865	-0,851
Vulnerable employment (F4)	0,692	0,857	0,771	1	0,789	0,235	-0,015	0,543	0,723	-0,693
GINI index (F5)	0,965	0,970	0,909	0,789	1	-0,217	0,092	0,546	0,639	-0,976
GDP growth rate (F6)	-0,309	-0,114	-0,175	0,235	-0,217	1	-0,278	0,219	0,061	0,321
Inflation rate (F7)	0,322	0,227	0,197	-0,015	0,092	-0,278	1	0,661	0,096	0,018
Social transfers as% of GDP (F8)	0,653	0,671	0,588	0,543	0,546	0,219	0,661	1	0,481	-0,408
Healthcare costs as% of GDP (F9)	0,591	0,699	0,865	0,723	0,639	0,061	0,096	0,481	1	-0,558
Expected lifespan (F10)	-0,932	-0,900	-0,851	-0,693	-0,976	0,321	0,018	-0,408	-0,558	1

The most interesting fact from the PCA analysis is that the pure economic indicators such as GDP growth rate and Inflation rate are not correlated or connected to the pure social indicators. This means that economic reforms or practices by themselves could not influence the socio-economic condition on a larger scale to inflict changes. The measures that could influence and catalyze the changes needed in order to uplift the socio-economic condition in Republic of Macedonia on a decent level should not be looked at the pool of economic factors. Evidence towards this theorem can be seen in the length of the vectors for the two government tool indicators, i.e. Social transfers as % of GDP and Healthcare expenditures as % of GDP. The short vectors indicate that there is no significant influence of these two factors on the other bundle, although the correlation and connection is undeniably there. The spotlight in this case is shining on the other relevant factors mostly political and institutional for further development of the bases for human progress.

Graph 1. PCA Analysis Of The Socio-Economic Indicators For Republic of Macedonia



CONCLUSION

Production growth has long been an imperative for economists who have explored the process of economic growth, while the effects of increased production and quality of life have been marginalized till the last few decades. Over time, the focus of imperativeness is changing both the people and their needs and the way they satisfy them. The result of these tendencies is the emergence of the concept of human development, which clearly defines the basic goal of the process of economic development, which is focused on the people and their quality of life, not only on achieving positive economic growth and development. Statistical indicators of real GDP could not demonstrate the real well-being of people. Specifically, increased GDP as well as GDP per capita calculations are not sufficient to determine the quality of life. Therefore in order to determine the current socio-economic condition in the Republic of Macedonia, a PCA analysis on a 10 selected socio-economic indices has been made, in order to show the mutual codependence and links between them.

The indicated indexes and indicators for the socio-economic development in the Republic of Macedonia show causal and mutual dependence, which is also econometrically confirmed. A causal link between factors means that it can be overcome with a set of measures and strategies, more precisely, a set of measures can have an impact on multiple indicators from different clusters. As a general recommendation, it is appealing for a strategic approach to building measures for improving the socio-economic situation in the Republic of Macedonia.

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THE DEPENDENCE OF THE POVERTY LINE FROM THE INSTITUTIONAL AND ECONOMIC FACTORS – THE CASE OF REPUBLIC OF MACEDONIA

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Abstract: Poverty has been and remained one of the bitterest problems of humanity. Macedonia as a country in development is presented with a serious challenge into decreasing the poverty gap and increasing the poverty line which according to the World Bank latest estimates is above 20% for the whole passing decade. Poverty can be a major problem for a developing country, and must be considered as one of the main priorities for increasing the economic development in the following years. Many factors can be targeted as to influence the poverty, one being institutional and others economic in nature. The goal of this article is to show the impact of the institutional factors on poverty on a much narrower form presented through the poverty line, and also to show the impact of the economic factors. In accordance to reaching this goal, the econometric models of linear regression, correlations and PCA analysis were conducted towards determination of the linkage between the poverty line and two of separate blocks of factors. According to the conducted research a true bond and thus the impact on the poverty line can be seen in the institutional factors. More so the findings show that poverty reduction is more dependent from the institutional factors than economic, because the direct link between the economic factors and the poverty line was not discovered in the case of Republic of Macedonia.

Key words: poverty, poverty line, economic factors, institutional factors, good governance indicators

INTRODUCTION

The paper, excluding the introduction and conclusion, will be structured in three sections. In the first section the concept of the poverty line and the values of the poverty in Republic of Macedonia according to the poverty line indicator will be presented. In the second section institutional factors will be elaborated and multi regression for the impact of the factors on the Macedonian poverty line is conducted. The same was done in the third part of this article with an emphasis on the economic factors that influence the poverty line. World Bank estimates that 10.7% of the world's population or about 760 million people live with only 1.90 dollars a day. These people live in what the World Bank calls "extreme poverty," which is measured by the international poverty line or the so-called poverty threshold that was introduced in 1990. The poverty threshold is an estimate of the absolute minimum of resources needed to make a living. For a more precise definition and determination of the poverty threshold, the World Bank has set three basic principles for setting a new poverty line (James Eric Foster, Suman Seth, Michael Lokshin, ZurabSajaia, 2012):

1. Use the most accurate and up-to-date data sets available to compare the real living standards across countries.
2. Minimizing changes in attitudes, i.e. more precise definition and retention of the poverty threshold unchanged over a longer period of time unchanged.

3. In defining the "real conditions", the price levels that should be taken into account as the most important for measuring world poverty are those faced by the poorest people in the world.

These principles have led to a very simple solution to updating the poverty threshold, i.e. calculating the average of national poverty lines for the fifteen poorest countries using the country's price index. Updating the line to keep its true value constant, in terms of the purchasing power of the poorest countries, does not change much in real terms, as the index treats the poorest countries, the poverty line will still be below the required World Bank standards. Also, the poorest countries are those who always have insufficient data due to lack of household surveys or censuses annually. This additionally complicates the methodology and monitoring of the world poverty index, especially in countries where poverty line monitoring is of the utmost importance. According to the latest estimates, the international poverty line for extreme poverty is \$ 1.90 per day. The poverty line, the poverty threshold for middle-developed countries, was set in 2011 at \$ 3.10 a day. This means that real incomes relative to the nominal exchange rate of these extremely poor people were actually much lower than \$ 1.90 a day, because the US dollar's purchasing power is much higher in developing countries than in the US. That would mean that one in every eight people live below this poverty line, or rather about 30% of the world, living with less than \$ 3.10 per day.

In a bid to more precise classifications of the poverty threshold, the World Bank recently added new poverty standards to people living in middle and high income countries. They are the first additions since the poverty line was originally set up in 1990. The new standards are set at \$ 3.20 a day for people in middle income countries, such as Egypt or India, and \$ 5.50 a day for higher middle income countries, such as Jamaica or South Africa. The World Bank also announced a third standard for high-income countries, such as the United States, at \$ 21.70 per day. Under the new standards, the 15 poorest countries in their classification (low, low medium, medium high and high) determine the poverty threshold for that group of countries. This is a more accessible approach mainly due to serious development developments between countries. However, the threshold for extreme poverty is still set at \$ 1.90 per day.

METHODOLOGY

The research in this article is conducted using both quantitative and qualitative methods for research. The quantitative methods are consisted of statistical and econometrical analysis using correlations, PCA analysis and regressions as econometric models to determine the link and impact of two sets of factors (institutional and economic) on the poverty line in Republic of Macedonia. Statistical method is used to collect the data necessary for comparison of the poverty line. The data was gathered from the data base of World Bank, OECD data base and Eurostat online sources, research in the field and other written sources. Econometric analysis presented in the last chapter of this research paper is based upon PCA, correlations and linear regression analysis on taxes in order to determine the strength of the link and impact of the two separate factor groups on poverty in Republic of Macedonia. The analysis is conducted within the period of 9 years from year 2009 to year 2017. The two different groups of factors tend to show us impact on different level to the poverty in Republic of Macedonia, measured with the poverty line estimates from World Bank. The first set of factors named institutional for the purpose of the research in general covers the factors for good governance. Out of the pool of the good governance indicators four were initially chosen to represent the scale of impact that these factors have on the poverty line. The four initially chosen indicators were:

- Control of Corruption* (F1I)

*Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

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- Voice and accountability** (F2I)
- Government effectiveness*** and
- Political stability**** (F3I)

Out of the four indicators after the linear regression modulating and correlation matrix only three remained, courtesy of autocorrelation and multicollinearity. Two of the indicators i.e. political stability and government effectiveness were closely correlated and thus did not give consensual results from the analysis. Government effectiveness also had the lowest p value concerning the impact on the poverty threshold in Republic of Macedonia; therefore it was omitted from the final findings, leaving only 3 institutional factors to determine the impact. The other group of factors named as economical for the purpose of this research, was consisted of the following:

- GDP growth rate (F1E)
- Inflation (F2E)
- Inequality index (F3E)

All of the above mentioned factors were represented as a growth format for more uniformed calculations and for the purpose of compering the results of the two separate factor groups, and their impact on the Poverty line in Republic of Macedonia.

FINDINGS

The key findings below are represented in a comparative method which brings the econometric indicators of the two sets of factors head to head in order to determine which of the bundle has a greater impact on the overall poverty in Republic of Macedonia measured with the poverty line indicator. From the vast and different sets of data a simple conclusion is that the institutional factors presented through good governance indicators have a much larger impact and connection to the poverty line then the economic factors. This can be seen from the three different econometric analyses, the simple linear multivariable regression, correlation and PCA analysis which were undeniably in favor of institutional factors. The main hypothesis of the article which stands at both sets of factors having the same impact on the poverty line is rejected, having seen that only one of the sets having that impact.

Table 1. Correlation Matrix Institutional Factors (Pearson):

Variables	Y (Poverty line)	F3I	F2I	F1I
Y (Poverty line)	1	0.5112	-0.8697	0.0746
F3I	0.5112	1	-0.5297	-0.6398
F2I	-0.8697	-0.5297	1	0.0984
F1I	0.0746	-0.6398	0.0984	1

Values in bold are different from 0 with a significance level $\alpha=0,05$

**Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

***Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

****Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

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Table 2. Correlation Matrix Economic Factors (Pearson):

Variables	Y (Poverty line)	F1E	F2E	F3E
Y (Poverty line)	1	-0.4526	0.2226	0.4749
F1E	-0.4526	1	-0.2777	-0.5103
F2E	0.2226	-0.2777	1	0.5491
F3E	0.4749	-0.5103	0.5491	1

Graphs 1 and 2 Standardized coefficients of institutional and economic factors linear regression

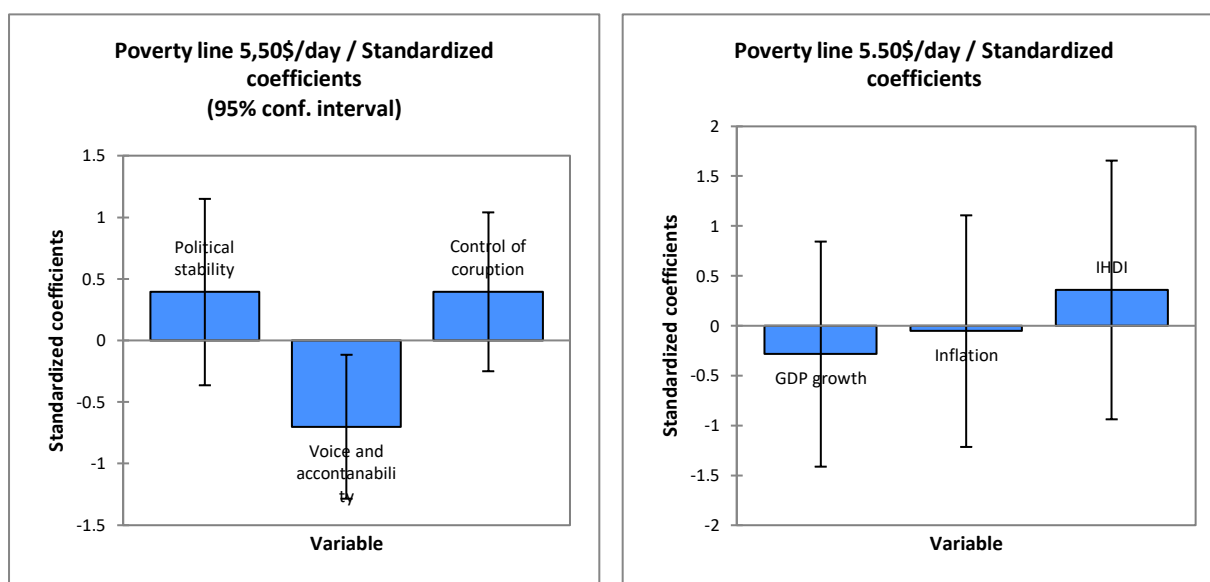
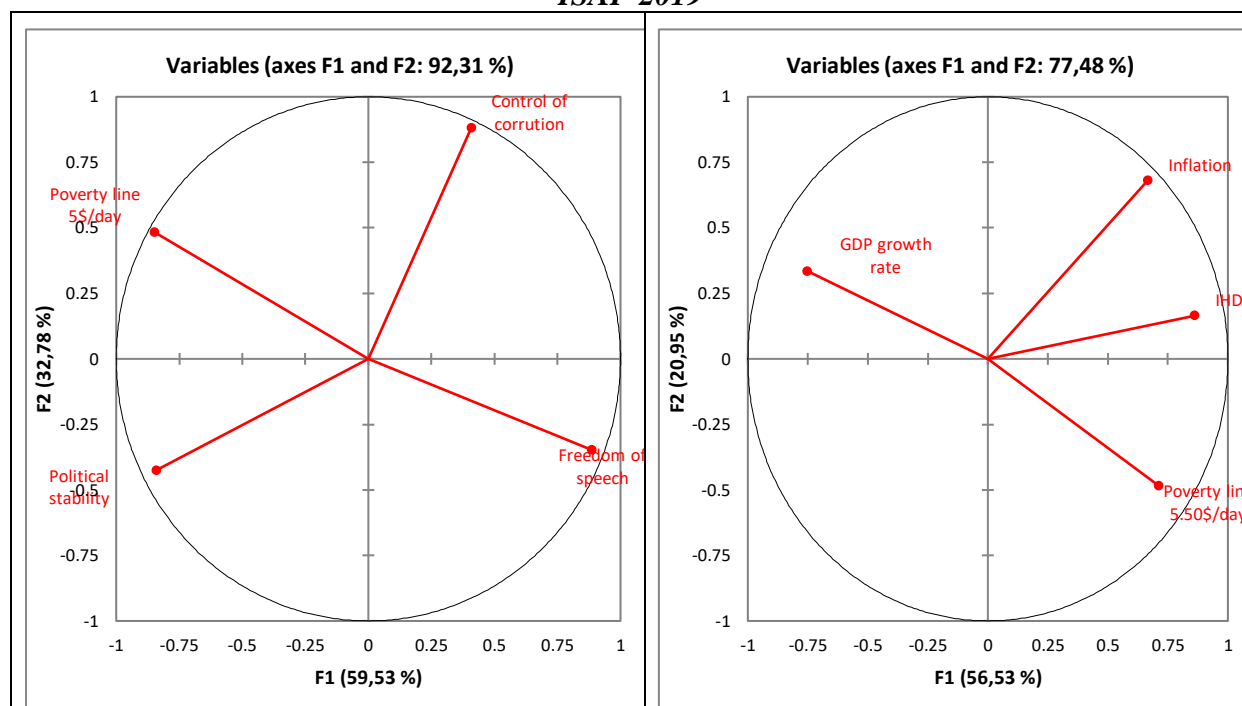


Table 3. Goodness of Fit Statistics For Institutional And Economic Factors

Observations	9.000	Observations	9.000
Sum of weights	9.000	Sum of weights	9.000
DF	5.000	DF	5.000
R2	0.839	R2	0.287
Adjusted R2	0.743	Adjusted R2	-0.140
MSE	0.000	MSE	0.001
RMSE	0.015	RMSE	0.031
MAPE	59.320	MAPE	108.107
DW	1.879	DW	1.155
Cp	4.000	Cp	4.000
AIC	-73.217	AIC	-59.801
SBC	-72.428	SBC	-59.012
PC	0.417	PC	1.853
F-test	8.717	F-test	0.672
F-test critical value	4.0661	F-test critical value	1.123

Graphs 3 and 4 PCA analysis of the poverty line 5.50\$/day for institutional and economic indicators



CONCLUSION

Poverty is a threat to modern economic system, whether for the countries in development or already developed countries, and Republic of Macedonia is definitely not an exception. According to the World Bank, Macedonia is accounted in the upper middle-income countries, with low generated economic growth and a bunch of reforms still waiting to be held in action. The relatively high percentage of unemployment was decreased, in a big extent thanks to the migration of the population, but however it still remains high according to the data gathered from State Statistical office of Republic of Macedonia. This issue is a result of a number of factors that can impact the poverty, some of them processed in this article. The main finding is that the institutional factors taken into consideration for this research have more correlation and impact on the poverty line in Republic of Macedonia than the economic factors. This shows us that Republic of Macedonia is still institutionally underdeveloped and this further disables the possibility of economic factors to have an impact and be a corrector to the poverty situation in Republic of Macedonia.

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COMMERCIAL BANK LIQUIDITY-CASE STUDY

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Abstract: *Liquidity of commercial banks plays a crucial role on functioning of financial markets and the banking sector. The purpose of this study is to analyse the liquidity determinants factors of commercial banks by case study, Kosovo. Liquidity determinants evaluation of commercial banks is grounded on the bank-specific and macroeconomic factors, exploiting data for the period 2013 -2016 for 8 commercial banks. For this purpose, the liquidity (L) is taken as a dependent variable, whereas capital adequacy (CAP), bank size (LTA), growth of loans (GL), return on assets (ROA) GDP growth rate (GDP) and Inflation rate (INF) represent the independent variables. The regression analysis indicate that liquidity of commercial banks in Kosovo has been driven mainly by factors such capital adequacy, growth of loans and return on assets.*

Key words: *determinants of liquidity, commercial banks, banks factor, macroeconomic factors.*

INTRODUCTION

The two most important decisions of financial institutions are profitability and liquidity. The term liquidity refers to the ability of a bank to fund increases in assets and meet obligations as they come due without irreparable losses (BIS, 2008:2 -10). Liquidity is the ability of assets to be transformed quickly and with minimal cash expense (cash or current account). During the global crises many banks struggled to maintain adequate liquidity so crises completely have change market condition and determine the advantages of liquidity ahead of profitability. There are a number of researches related to bank liquidity creation (Bryant 1980, Diamond & Dybvig 1983, Holmstrom & Tirole 1998, Kashyap et al.2002). However, most of the research focuses on measuring the amount of liquidity created in the banking sector (Deep & Schaefer 2004 and Berger & Bouwman, 2007);

The Vodova study showed that some indicators such as CAR (capital adequacy ratios), credit interest rates, and interbank interest rates positively impact bank liquidity in the Czech Republic. On the other hand, the financial crisis, inflation, and economic growth negatively affect banks' liquidity. Unemployment, interest rate, profitability and monetary policy interest rates have a significant effect on bank liquidity (Vodova, 201:1060 -1067). Banking and macroeconomic features affecting the liquidity of English banks are studied by Valla and SAES- Escorbiac .They assume that the liquidity ratio should be dependent on the following factors, such as: banking profitability, credit growth, bank size, gross domestic product growth, short-term interest rate, etc. (Vella et al.,2008:89-104). Bunda and Desquilbet (2008) have analyzed bank liquidity risk determinants in emerging economies through a data panel. The liquidity ratio as a measure of bank liquidity was supposed to be dependent on the individual behavior of banks, their market and macroeconomic environment, as well as the exchange rate regime, i.e. of these factors: the total of assets as a measure of the size of the bank; the ratio of capital to assets as a measure of capital adequacy, the realization of a financial crisis which may be caused by poor banking liquidity and the exchange rate regime. (Bunda and Desquilbet, 2008:361-386)

Choon, Hooi, Murthi,Yi and Shven investigate the determinants of liquidity of 15 Malaysia commercial banks from the year 2003 to 2012 and found that bank capital, bank size, non-performing loan ratio, gross domestic product, financial crisis and return on equity have significant effects on

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bank's liquid assets holdings. However interbank rate is proven to be insignificant in this research. (Choon et al., 2013: 50- 95)

The purpose of this research is to identifying the factors that determine the liquidity of Kosovo commercial banks for the period 2013 -2016 to help interested groups such as regulators, supervisors, owners, investors, researchers, financial analysts and supervisory authorities and management to identify and take appropriate measures.

METHODOLOGY AND DATA

In order to prove empirically the factors affecting liquidity of commercial banks in Kosovo, we use (OLS) as our valuation method. OLS is a method used to calculate unrecognized parameters in a linear regression model. Panel analysis is characterized as cross-sectional and observed over a certain period of time. It is used by the researchers since there is more data to work with and the analysis would run into lesser risk of obtaining biased results, considering that the observed samples are arranged according to the determined period. (Doane and Seward, 2010 :120-150).

For our research, we have used the following equation :

$$(1) L_{it} = \beta_0 + \beta_1 \cdot CAP_{it} + \beta_2 \cdot LTA_{it} + \beta_3 \cdot LG_{it} + \beta_4 \cdot ROA_{it} + \beta_5 \cdot GDP_{it} + \beta_6 \cdot INF_{it} + \beta_7 \cdot Du_{it} + \varepsilon_{it}$$

β_0	-	Constante
L_{it}	-	Liquidity at time t
CAP_{it}	-	Capital adequacy at time t-1
LTA_{it}	-	Size time t
LG_{it}	-	Loan growth at time t
ROA_{it}	-	Return on asset at time t
GDP_{it}	-	GDP growth at time
INF_{it}	-	Inflation growth rate
Du_{it}	-	Commercial banks
ε_{it}	-	Residuali

Table 1. Variables Used in Analysis

Variable	Measurement	Source
Dependent variables		
Liquidity	The ratio of total loans to total customer deposits	(Marozva, 2017,p: 90-106).
Independent variables		
Capital adequacy	The ratio of total capital to total assets	(Tefaye,2012,p:40-46)
Size	Logarithm of total assets of banks	(Vodova, 2011, p: 1060 -1067)
Loan growth	Current year total loans - previous year total loans/previous total loans.	(Melse and Laximikantham, 2015, p: 36 – 46)
ROA	The ratio of net profit after tax with total assets	(Akbas, 2012,p 103-100)
GDP	Growth rate of GDP	(Vodova, 2011, p: 1060 -1067)
Inflation	Inflation rate	(Vodova, 2011, p: 1060 -1067)

This table presents the measurements that were used to operationalize the study variables. Macroeconomic data were provided by International Financial Statistics of International Monetary Fund (IMF). Bank specific data were obtained from annual reports of Kosovo banks. We used balance sheet and profit and loss data over the period from 2013 to 2016.

Heteroscedasticity

The issue of heteroscedasticity needs to be properly addressed because it could cause OLS model to be inefficient even though the model is unbiased and consistent. Ignoring heteroscedasticity could cause incorrect standard errors of estimated coefficient, which could lead to misleading inferences. The tested hypotheses are:

H0: Model does not suffer from heteroscedasticity

H1: The model suffers from heteroscedasticity

H0: If the p-value is > above 0.05 the null hypothesis do not have heteroscedasticity we accept the null hypothesis.

With a p-value of 0.3871, we fail to reject the null hypothesis (that variance of residuals is constant) and therefore infer that their residuals are homoscedastic. Test for heteroscedasticity has been shown on the following table.

Table 2. White's Test For Heteroscedasticity

White's test for heteroskedasticity				
OLS, using 32 observations				
Dependent variable: uhat^2				
Omitted due to exact collinearity: X6_X7 sq_Inf				
	coefficient	std. error	t-ratio	p-value
const	11.7601	27.5722	0.4265	0.6846
CAP	44.9245	90.1625	0.4983	0.6360
LTA	-0.709779	2.61057	-0.2719	0.7948
LG	-14.6476	13.5665	-1.080	0.3218
ROA	-25.6202	200.170	-0.1280	0.9023
GDP	-1.73513	7.41760	-0.2339	0.8228
Inf	-4.29906	5.77842	-0.7440	0.4850
sq_CAP	-20.9732	42.3143	-0.4957	0.6378
X2_X3	3.06585	5.69235	0.5386	0.6096
X2_X4	-28.3101	25.5871	-1.106	0.3109
X2_X5	-96.9429	175.264	-0.5531	0.6002
X2_X6	-16.0781	15.8851	-1.012	0.3505
X2_X7	-17.3351	15.7414	-1.101	0.3130
sq_LTA	-0.0423408	0.0381746	-1.109	0.3098
X3_X4	0.422276	0.643024	0.6567	0.5357
X3_X5	-7.57392	8.55615	-0.8852	0.4101
X3_X6	0.360005	0.599063	0.6009	0.5699
X3_X7	0.367995	0.592916	0.6207	0.5577
sq_LG	0.876655	0.666891	1.315	0.2367
X4_X5	119.470	78.7467	1.517	0.1800
X4_X6	2.16932	1.67287	1.297	0.2423
X4_X7	1.99358	1.41426	1.410	0.2083
sq_ROA	267.482	492.626	0.5430	0.6067
X5_X6	23.7117	33.8703	0.7001	0.5101
X5_X7	25.7493	35.0390	0.7349	0.4901
sq_GDP	-0.490784	0.586329	-0.8370	0.4346

Unadjusted R-squared = 0.824598
 Test statistic: $TR^2 = 26.387131$,
 with p-value = $P(\text{Chi-square}(25) > 26.387131) = 0.387177$

From the table above we notice that the White's test for heteroscedasticity conclude that H0 cannot be rejected, so our model does not suffer from heteroscedasticity.

FINDINGS AND DISCUSSION OF RESULTS

The result of the regression analyses has been indicated on the Table 1.

Model 1: Pooled OLS, using 32 observations

Included 2 cross-sectional units

Time-series length = 16

Dependent variable: L

Table 3. Analysis Results

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
Const	0.481463	1.3692	0.3516	0.72806	
CAP	14.965	0.925826	16.1640	<0.00001	***
LTA	0.0129117	0.0521389	0.2476	0.80644	
LG	-0.210839	0.0875582	-2.4080	0.02374	**
ROA	-27.4834	6.48627	-4.2372	0.00027	***
GDP	-0.185564	0.233714	-0.7940	0.43468	
Inf	-0.20083	0.232463	-0.8639	0.39584	

Mean dependent var	1.104343	S.D. dependent var	1.690878
Sum squared resid	3.024750	S.E. of regression	0.347836
R-squared	0.965873	Adjusted R-squared	0.957682
F(6, 25)	117.9249	P-value(F)	4.23e-17
Log-likelihood	-7.663516	Akaike criterion	29.32703
Schwarz criterion	39.58718	Hannan-Quinn	32.72798

Source: Authors' calculations

** Significant in level 5%

*** Significant in level 1%

The regression analysis result (Table 1) demonstrate R-squared statistics and adjusted R squared statistics value of 96.58% and 95.76% respectively. The result indicates that the change in the independent variable explain 95.76% of the change in the dependent variable. The remaining 4.24% of change was explained by other factors which are not included in the model. Based on the result of Table 1, the coefficient of growth of loans (LG), return on assets (ROA), GDP growth rate (GDP) and Inflation rate (INF) against L (liquidity) were negative. Such result indicates inverse relationship between the aforementioned three independent variables and liquidity and statistically significant for growth of loans (LG), return on assets (ROA) and statistically significant with growth of loans (LG), return on assets (ROA). On the other hand, capital adequacy (CAP), bank size (LTA) had a positive relationship with L (Liquidity) with 14.965 and 0.0129 respectively. This reveals that there is a direct relationship between the above independent variable and liquidity and statistically significant with capital adequacy (CAP).

The result is also consistent with finding of Vodova that showed positive and significant effect of capital adequacy on liquidity of the commercial: higher capital adequacy increases bank liquidity. (Vodova, 2011, p: 1060 -1066). Marozva examined determinants of commercial bank liquidity in South Africa. He found the negative relationship between loan growths had a negative and significant effect on liquidity. (Marozva, 2017, p: 90-106). The liquidity coefficient is statistically verified as an important factor in banks 'profitability and has a negative impact on banks' profitability. Similar results have also been made in research like Fungacova and Poghosyan, find a negative relationship between

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the ratio of liquid assets to total assets and profitability in Russia. (Fungacova and Poghosyan, 2011: 10-22).

CONCLUSION

The main objective of this research is to analyze the liquidity determinant of commercial banks in Kosovo for the period 2013 -2016. The study used a balanced panel data of thirty two observations from 2013 to 2016 of 8 commercial banks. The commercial banks were analysed using the OLS to examine the commercial banks liquidity, which is measured by liquidity (L4) as a linear function of various specific variables. Continuing to take into account various research, we find that commercial banks specifications such as capital adequacy (CAP) is positively and significantly correlated with liquidity (L). The capital adequacy (CAP) of the firm proved vital in determining the liquidity of the commercial bank also enables company to contribute to bank solvency and show the existence of a virtuous circle in favor of tightening capital requirements.

On the other hand regarding the relationship between liquidity and ROA it is inverse and significantly relationship between Liquidity (L). High level of liquidity reduces investments, which can be realized with these funds, negatively affecting the profitability of commercial banks. Also growth of loans (LG) has inverse and significantly relationship between liquidity (L). The growth of loans (LG) indicates that commercial bank with high rate loan growth reflects the potential impact on liquidity and unexpected losses.

In general, the results suggest that the three variables are important in determining the commercial banks liquidity and statistically significant and commercial banks in Kosovo need to consider them to increase their liquidity. Internal banks factors depend on the decisions of the commercial banks itself, and thus by optimizing their decisions, companies can maximize their liquidity.

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UNCONDITIONAL ACCOUNTING CONSERVATISM: EVIDENCE FROM TURKEY

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Abstract: *Conservatism is one of the important accounting principle. There are two types of accounting conservatism in the literature as unconditional and conditional. The aim of the study is to investigate the existence of unconditional accounting conservatism also known as balance sheet conservatism in fifteen Borsa Istanbul indices and individually firms listed in this indices between 2008-2017 and in sub-periods. Study employs market to book ratio to measure unconditional accounting conservatism. Findings reveals that ratio is bigger than one at changing levels in 14 indices according to simple average and in 12 indices according to aggregate book to market ratio and in 116 firms. Also, conservatism level changes for some indices and firms in the second sub-period.*

Keywords: *Accounting Conservatism, Unconditional Accounting Conservatism, Balance Sheet Conservatism, Market to Book Ratio.*

META-ANALYSIS: A DISCUSSION ON FINANCE STUDIES

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Abstract: Nowadays, both the increase of technological opportunities and the globalization of information have also affected the quality and scope of scientific researches positively. Significant progress has been made in this direction. An important development of this process is the development of complex results with increasing research on specific subjects. Even though the subjects of the studies in finance as a social sciences are the same, complex results emerge. In this case, the efforts made in finance should be brought together to simplify and to produce more comprehensible results. This is also necessary for the scientific findings to turn the observed phenomena into an explanatory quality. Meta-analysis analyzes these complex results and plays a synthesizing role with the statistical methods used. The aim of this study is to talk about the meta-analysis process and to discuss the meta-analysis method in the finance field.

Keywords: Meta-analysis, Finance, Firm Performance, Effect Size, Publication Bias.

THE PROXY POWER OF REALIZED RETURN FOR EXPECTED RETURN IN THE MODERN PORTFOLIO THEORY CONCEPT

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Abstract: *In the literature, realized (ex post) return are generally used as a estimator/proxy of expected return. However, the theoretical financial models do not produce the expected empirical results in the case of using realized return as an estimator of expected return. For example, portfolios produced with modern portfolio theory techniques do not produce superior results compared to portfolios produced with traditional portfolio management techniques. As a matter of fact, modern portfolio theory techniques use the realized return, risk and covariance information as estimators of expected return, risk and covariance respectively. Therefore, in this study it has been investigated whether the realized return is a good estimator of expected return. For this purpose, we have investigated the relationship between the average monthly return of the past 1,3 and 5 years and the monthly average return for the next 1 year. As the selected ex post return period shortened (for 1 and 3 years), it was found a negative correlation between the realized and ex ante return (mean reverse property).*

For the 5-year period of ex post return, a relationship, which is positive but very close to zero (unrelatedness), was found between the realized and ex ante return. In summary, there was no the same way correlation between the realized return of 1,3 and 5 years and the ex ante return. This suggests that historical returns are not a good estimator of expected return. These results confirm that financial models such as MPT and CAPM, which use historical return as a proxy of estimated return, require a modification in which historical return is not used as a proxy of estimated return.

Keywords: *Ex post Return, Realized Return, Estimated return, Ex ante return, Modern Portfolyo Theory*

**REVIEWED OF NATIONAL AND INTERNATIONAL
PRINTED BOOKS WRITTEN IN MANAGEMENT
ACCOUNTING**

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Abstract: *Books written in scientific fields are one of the most important educational materials for both students and educators. Today, the fact that the phenomenon of robotic process and globalization is rapidly developing in the science, technology, production and service sectors, the structure of the scientific fields is also affected synchronously from this development and change. As a result of this study, alternative chapter titles are suggested for new books which will contribute to the related literature.*

The main aim of the study is to examine the national and international printed books written in the field of managerial accounting and to evaluate the new management approaches from the past to the present. In this study, there are 12 national books and 7 international academic books published in the field of management accounting. The contents of the related books are presented as a table in the study. As a result of this evaluation, it is tried to determine the differences and similarities of the related books in the literature.

In the world of academia, scientific disciplines are separated by sharp boundaries, and at the same time, they are progressing in an interrelated structure. For this reason, it is important to be able to update the works written in the context of digital transformation in cooperation with different disciplines. The results of the study are presented by the researchers with the proposal of the sections which are the current and current section titles for the newly published books which will contribute to the literature. The main conclusion of this study, researchers put forward a suggestion about new topics which are the section of management accounting.

Keywords: *Management Accounting, Accounting Education, Scientific Book.*

ORGANISATIONAL DYNAMICS AND ITS INFLUENCE ON FIRMS' ENTREPRENEURSHIP ABILITY: SOUTH AFRICAN PERSPECTIVE

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Abstract: *This research reported in this article examines the influence of the organisational context of firm on its entrepreneurship, specifically, this study examines how the organisational context variables of age, size, resources and competitive strategy affect entrepreneurship and in particular, innovation, proactiveness and risk-taking. Results from a sample of 62 forms showed, as hypothesed, the significant influence of resources and competitive strategy on entrepreneurship. Although the need to innovate has always existed, this has been accentuated in recent years due to the acceleration of technological change and growing worldwide competition.*

By entrepreneurship I understand any behaviour, which includes high scores on the dimensions of innovation, proactiveness and risk-taking. The first antecedent of entrepreneurship can be found in Schumpeter's concept of "entrepreneur" in 1912 in his work "Theorie der Wirtschaftlichen Entwicklung". As is well known. For this author "entrepreneurs" are individuals in charge of managing and carrying out new combinations.

Consequently, the aim of this research study is to analyse the relationship between the characteristics of the organisational context (size, age, resources and competitive strategy) and its degree of entrepreneurship. To this end, after presenting the theoretical bases and the applied methodology, I present the results of the empirical research, conducted on a sample of 30 SMEs, ending with the main conclusions to be drawn from the study. Before formulating and testing the hypotheses up-holding this line of research, some of the concepts used will be clarified.

Key Words: *organizational dynamics, corporate entrepreneurship, organizational context, innovation, proactiveness*

INTRODUCTION TO ENTREPRENEURSHIP

Miller (1983) suggests that a firm presents entrepreneurship if it “carries out product-market innovations, takes risks and behaves proactively and aggressively”. Numerous researchers have this conceptualisation in their works, for example, Covin and Slevin (1989), Schafer (1990) and Naman and Slevin (1993), among others. Entrepreneurial literature uses risk-taking upon comparing the entrepreneur to the self-employed worker. Cantillon (1755), one of the first authors to formally use the term entrepreneurship, pointed out that the main factor differentiating entrepreneurs from employed workers was the uncertainty and risk taken by the former. From them onwards, risk-taking is one of the most commonly used concepts by researchers to describe entrepreneurship (Dean et al., 1993).

Regarding innovation it should be pointed out that Schumpeter (1912, 1942) was one of the first economists to emphasise the role of innovation in the process. Schumpeter referred to the process of creative destruction, by which wealth is created when the existing market structures are destroyed by the introduction of new products or services, which caused the growth of new companies. The key to this cycle of activity was entrepreneurship: the introduction of “new combinations” which brought about the dynamic evolution of the economy. Therefore, innovation becomes an important factor used to characterise entrepreneurship (Zahra and Covin, 1995).

FORMULATION OF THE HYPOTHESES

Research suggests that the organisational context is significantly related to entrepreneurship. In this sense, I will analyse the influence of the age, size, resources and competitive strategy of the firm on its degree of entrepreneurship.

Organisation age

The research literature indicates that the effects of organisation age on the capacity for entrepreneurial activity in the form of innovation are similar to those of size. As organisations grow older there are pressures, similar to those exerted by size, to increase formalisation and standardisation to maintain internal consistency (Aldrich and Auster, 1986). The entrepreneurial activity that characterises new organisations tends to disappear as organisations grow older. It is the choice of leadership to recreate or protect adaptive processes to ensure systemic innovation. Among the perils of organisational age are the learned capacity to focus on routine problems (Starbuck, 1965), the use of ritualised programmes to monitor problems (Meyer and Rowan, 1977), ignoring critical external information and the increasing detachment of upper management from those personally closely connected to the environment (Aldrich and Auster, 1986).

In accordance with the above, I propose the following hypothesis:

Hypothesis 1: *The older the firm, the lower its degree of entrepreneurship. The hypothesis is based on a combination of three sub-hypotheses: Hypothesis 1a: The older the firm, the greater its risk aversion. Hypothesis 1b: The older the firm, the lower its proactiveness. Hypothesis 1c: The older the firm, the lower its innovativeness.*

Hypothesis 2: *The larger the firm, the lower its degree of entrepreneurship. The hypothesis is based on a combination of three sub-hypotheses: Hypothesis 2a: The larger the firm, the greater its risk aversion. Hypothesis 2b: The larger the firm, the lower its proactiveness. Hypothesis 2c: The larger the firm, the lower its innovativeness.*

Hypothesis 3: *The more resources a firm has, the greater its degree of entrepreneurship.*

The hypothesis is based on a combination of three sub-hypotheses: Hypothesis 3a: The more resources in the firm, the lower its risk aversion. Hypothesis 3b: The more resources in the firm, the greater its proactiveness. Hypothesis 3c: The more resources in the firm, the greater its innovativeness.

Hypothesis 4: *Firms presenting a differentiation strategy are more likely to adopt entrepreneurship than those formulating a strategy based on cost leadership.*

The hypothesis is based on a combination of three sub-hypotheses:

Hypothesis 4a: *Firms presenting a differentiation strategy are more likely to take risks compared to those formulating a strategy based on cost leadership.*

Hypothesis 4b: *Firms presenting a differentiation strategy are more likely to detect new opportunities compared to those formulating a strategy based on cost leadership.*

Hypothesis 4c: *Firms presenting a differentiation strategy are more likely to innovate than those formulating a strategy based on cost leadership.*

Formulation of the hypotheses studying the influence of the environment

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In order to ascertain the conditions in which the relationship between organisational characteristics and entrepreneurship is stronger, I analysed the effect of dynamism, hostility and heterogeneity of the environment. The reason for using these control variables lies in the fact that environmental changes create a greater need for entrepreneurship. For example, Miller and Friesen (1982) in their study on innovators or, in our terminology, entrepreneurship and conservative managers found greater degrees of hostility and heterogeneity in the surroundings of the former. In a similar way, Miller and Friesen (1983) noted the existence of a significant relationship between dynamism, hostility and heterogeneity and entrepreneurship among successful managers. Zahra and Covin (1995) proposed a nexus between the perception of environmental uncertainty and change in the manager's competitive strategy. Finally, Zahra (1993) also remarked that entrepreneurship was related to environmental dynamism and complexity.

Then, the study considered two possible influence of the environment on entrepreneurship. First, the levels of both the organisational characteristics and the entrepreneurship may be higher in more dynamic, hostile and heterogeneous environments and secondly, the relationship between organisational characteristics and entrepreneurship may depend on the control variables.

This enables proposing hypotheses "a" and "b" in each of the dimensions.

Dynamism

The more dynamic the environment the greater the need for entrepreneurship and the more likely it is that firms will be entrepreneurial. On the other hand, entrepreneurial firms are often found in dynamic environments because their managers prefer rapidly growing and opportune settings; settings which may have high risks as well as high rewards. Such firms may even be partly responsible for making the environment dynamic by contributing challenging entrepreneurial performance (Peterson and Berger, 1971).

This enables proposing the following hypotheses:

Hypothesis 5a: *The relations described in Hypotheses 1-4 are stronger in a more dynamic environment.*

Hypothesis 5b: *The levels of the variables described in Hypotheses 1-4 are higher in a more dynamic environment.*

Hostility

The more hostile the environment, the greater the need for entrepreneurship and the more likely it is that firms will be entrepreneurial. When competitor's products change rapidly or when customer needs fluctuate, there are more entrepreneurial behaviour. On the other hand, because entrepreneurship prompts imitation, the more entrepreneurial the firms the more hostile their environments can become.

This enables proposing the following hypotheses:

Hypothesis 6a: *The relations described in Hypotheses 1-4 are stronger in a more hostile environment.*

Hypothesis 6b: *The levels of the variables described in Hypotheses 1-4 are higher in a more hostile environment.*

Heterogeneity

Firms operating in many different markets are likely to learn from their broad experience with competitors and customers. They will tend to borrow ideas from one market and apply them in another. The greater the heterogeneity, the greater the probability that entrepreneurial behaviour will be proposed. Of course, diversity in organisation increases with environmental heterogeneity.

On the other hand, entrepreneurship is also likely to be positively correlated with heterogeneity because entrepreneurial firms are more likely to come up with products and services that can be exploited in different markets (Chandler, 1962).

Moreover, entrepreneurship may cause heterogeneity. This enables us to propose:

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Hypothesis 7a: *The relations described in Hypotheses 1-4 are stronger in a more heterogeneous environment.*

Hypothesis 7b: *The levels of the variables described in Hypotheses 1-4 are higher in a more heterogeneous environment.*

SAMPLE CHARACTERISTICS

The basic information of this study comes from a sample made up of 62 firms, the size of which ranges from 5 to 500 employees, where SMEs with 50 can be classified as SMEs (adopting this concept of SME obeys the criterion adopted by the European Observatory of SME. Although more recently, the European Commission has dictated that within the subject of SMEs will be included those organisations meeting the following three requirements: not employing more than 250 employees, a turnover of less than 40 million ECU and independence). All the firms surveyed operate in the South African national territory and develop their activities in different industrial settings: tourism, mining, construction, food, wood, paper, chemicals and transport among others. The average number of employees of these firms is almost 81. (Only 4% of the firms in the sample considered employ between 250 and 500 employees.) The average age of the firms is 25 years. This is representative of the South African firms, because most of the firms are small and mature.

RESEARCH VARIABLES

The database used in this research study has its origin in a questionnaire designed referring to the main studies undertaken in this field at an international level. The survey consists of a set of items measuring variables of a diverse nature. In particular, the information used in this study is organised in two blocks. The first block measures the firms' entrepreneurship. The second block – concerning the organisational characteristics – includes indicators of their size, age, resources and competitive strategy and the third block measures the environment's characteristics. With the exception of the firms' size and age, which were measured by means of quantitative variables, the rest of the information was measured by five-point Likert-scales.

Regarding entrepreneurship, the items constituting this scale are those of innovation, risk-taking and proactiveness, which have been employed in numerous previous works (Dess et al., 1997). Entrepreneurship is measured by the sum of three indicators (Dean et al., 1993; Thomas et al., 1991). Since the items of this scale place emphasis on different aspects of strategic position (innovation, proactiveness and risk-taking) they were validated by a factor analysis. Validity by factor analysis is a form of corroborating the validity of the scale. The high score in the factor suggests that, although the items are focused on different strategic aspects, they are empirically related and constitute a uni-dimensional strategic orientation. All the items scored over 0.5 in the same factor, indicating that it is appropriate to combine these items in the same scale. Similarly, a Cronbach alpha coefficient of 0.7217 was obtained for the items making up the scale.

Regarding the availability of resources, information was collected on the following variables:

Availability of capital, human resources, materials and managerial competence.

Spearman correlations between the variables constituting entrepreneurship

1. Risk-taking
2. Innovation
3. Proactiveness
4. Entrepreneurship 1.00

As for the competitive strategy, information was gathered in relation to the following variables:

Importance of price undercutting, Importance of innovations, Importance of minimising advertising costs, Importance of quality, Importance of being the first mover, and Importance of advertising. To measure dynamism I added the score obtained in each of the following items:

- a. Need to introduce technological innovations,

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- b. Need to introduce New marketing policies,
- c. Product obsolescence ratio,
- d. Degree of customer preference and Degree of competitor action prediction (Miller and Friesen, 1982; 1983).

To measure hostility I added the score obtained in each of the following items:

- a. Threat of price competition,
- b. Threat of product quality competition,
- c. Threat of product innovation competition and Threat of potential market reduction (Miller and Friesen, 1982, 1983).

To measure heterogeneity I added the score obtained in each of the following items:

- a. Differences in consumer habits,
- b. Differences in the marketing strategies and policies used,
- c. Differences in the nature of the competition and Differences in the technology employed (Miller and Friesen, 1982).

MEASURES

Data were collected from multiple sources, as follows:

1. *Corporate Entrepreneurship.*

A modified version of Miller's (1983) 7-item measure was used to capture the firm's entrepreneurial activities. A 5-point scale (1= very untrue vs. 5= very true) was used. Executives were asked to indicate the extent to which each item applied to their entrepreneurial operations over the preceding 3-year period. Executives were also given the opportunity to indicate "not applicable" when responding to the survey. Previous researchers also found this measure to be reliable (Covin & Slevin, 1991; Werner et al., 1996; Zahra, 1991) and valid (Knight, 1997). Responses to the measure's seven items were averaged, and the mean was then used in the analysis. The CE scale was reliable ($D = .78$).

Items for the CE scale were: This company shows a great deal of tolerance for high risk projects; this company uses only "tried and true" procedures, systems, and methods (reverse scored); this company challenges, rather than responds to, its major competitors; this company takes bold, wide-ranging strategic actions, rather than minor changes in tactics; this company emphasizes the pursuit of long-term goals and strategies; usually, this company is the first in the industry to introduce new products to the market; and this company rewards taking calculated risks.

Four additional analyses, using data from secondary sources, were performed to validate the CE measure. Validation data were obtained from COMPUSTAT, Fortune 500, Global Business 1000, Global Scope, and Forbes. The first analysis examined changes in the firm's diversification over a three-year period, a construct related to corporate venturing (Porter, 1987). The ratio of the firm's foreign sales to its total sales was used, as has been done in past research. The correlation between this ratio and the Corporate Entrepreneurship index was positive and significant ($r = .59$, $n = 65$, $p < .001$).

The second validation analysis followed the literature by constructing an entropy measure of corporate risk. Risk taking was a key approach to corporate venturing (Porter, 1987). The change score measure over a 3-year period was positively and significantly associated with CE ($r = .71$, $n = 53$, $p < .001$).

The third analysis focused on measures of proactiveness, a key component of CE (Miller, 1983). Given that Morck and Yeung (1991) suggest that advertising is an important measure of proactiveness, a company's advertising in foreign markets was positively and significantly correlated with CE ($r = .57$, $n = 61$, $p < .001$), supporting the validity of the CE measure.

The fourth analysis focused on R&D spending, a measure of innovation (Morck & Yeung, 1991). The 3-year average R&D score (for the firm's operations) was positively and significantly correlated with CE ($r = .53$, $n = 58$, $p < .01$), which supported the validity of the CE measure.

2. *Hostility.*

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While several indicators of perceived hostility have been used in prior research (Dess & Beard, 1984), the measures developed and validated by Miller and Friesen (1984) were employed in this study. Executives were asked to evaluate their entrepreneurship based on their organizational context using six items: age, resources, skills, size, access to channels of distribution and access to skilled labour. Responses to the six items were averaged, and the mean was used in the analysis. The international business environmental hostility (hereafter "IHOST") scale had a Cronbach D of 70.

CONCLUSIONS

The aim of this study has been to evaluate the influence of the organisational characteristics on a firm's entrepreneurship. The results suggest that the resources and competitive strategy of a firm have a certain influence on this behaviour. In this sense, there exists a positive relation between availability of resources and entrepreneurship. More specifically, the human and financial capital encourages entrepreneurship. From a strategic point of view, it is the firm, which compete using differentiation, which develop a greater degree of entrepreneurship, compared to the firms competing using cost leadership. No significant differences were obtained in relation to age and size.

Furthermore, we cannot conclude the greater impact of the strategic and organisational characteristics on entrepreneurship of those firms operating in the more dynamic, hostile and heterogeneous environments. The results enable us to think that there are the levels of the variables, which are, generally, higher in more dynamic, hostile and heterogeneous environments. The findings from this study can contribute to a better understanding of entrepreneurial activity in organisation. The research supports many of the propositions and findings in the literature on entrepreneurship. The study is important in that provides multi-level data. The results may stimulate future research in several directions. First, the strategy concepts explored and used were validated but how useful are the concepts in practice?

The study was conducted with empirical data collected in 2017 from small firms in South Africa. Interpretations should be made with these facts in mind, but is it possible to make generalisations to other countries, time periods and firm sizes? In some aspects, relationships varied with firm size, the South African small business environment probably differ from what is found in other countries (Gnyawali and Fogel, 1994) and the economy and challenges for firms in the mid-1990s were different from the years before. I still think that the findings can be generalised beyond the empirical setting, but they should be subject to validating research in other settings.

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DIGITAL TRANSFORMAION OF MUNICIPAL SERVICES IN MACEDONIA

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Abstract: *The main objective of the paper is to evaluate the level of digital transformation of existing e-services at municipal level in Macedonia. The focus of interest in this research are the e-services related to the following three functionalities: 1) transparency and accountability, 2) communication with the citizens and companies, and 3) approvals, permits and other services. The research was conducted through on-line observation of the websites of the municipalities in Republic of Macedonia, and a separate set of indicators have been defined for each of the three studied functionalities. According to the research, the application for “issuing and monitoring construction permits” is the most dominant e-service in the municipalities in Republic of Macedonia, followed by “Publishing the budget of the municipality for the current year” and “Publishing the minutes and adopted decisions of the Municipal Council”.*

Keywords: *Digital transformation, e-services, municipal services, municipal e-services*

INTRODUCTION

According to Janevski at al. (2014: p.21), the concept of the development of e-services (at the central and local level) has the goal to:

- promote transparency, efficiency and effectiveness in the delivery of public services to the citizens and businesses, as well as to
- improve communication between the public, private and civil sector.

In the process of introducing e-services, for the purpose of providing greater benefits for the citizens and the business sector from their use, it is necessary to simplify the procedures, increase the degree of interactivity and feedback by the public authorities responsible for delivering the services in the traditional way and electronically, as well as to take care for improving the stability, availability and security of the e-services.

Otherwise, digitalization is defined as “adopting or promoting the use of digital or ICT technologies by an organization, industry, country, etc.” (Brennen & Kreiss, 2014). In the wider sense, it is defined as “economic and social transformation triggered by the massive adoption of digital technologies to generate, process, share and transact information” (Katz et al., 2014). The process of delivering e-services consists of the following levels: (1) information, (2) one-way interaction, (3) two-way interaction, (4) transaction and (5) personalization (Capgemini, IDC, Rand Europe, Sogeti & Dti; 2010). In the Republic of Macedonia, following the example of EU members, 20 referential e-services were being benchmarked a longer time (of which 8 intended for businesses, and 12 for citizens) and the value of the indicators „online sophistication“ and „full online availability“ were measured and compared with other countries.

Prioritizing in the implementation of e-services is important in order to enable governments to achieve better allocation of resources in selecting between options for investing in various e-services. In the selection of these priorities, consideration should be given to the following aspects (World Bank, 2006; p.2):

1. Structure and manner of managing the process of introducing e-services
2. Cost and benefit analysis of the individual e-services
3. Framework for determining priorities – criteria, risks and stakeholders.

METHODOLOGY

The research has the goal to analyze the e-services that are delivered by the municipalities in the Republic of Macedonia, from the aspect of the following 3 categories of functionality:

1. Transparency and accountability
2. Communication
3. Approvals, permits and other services

The research was conducted by using the following 2 research instruments:

1. *Interviews* – carried out in the phase of preparing the methodology of this research with representatives of several municipalities in the Republic of Macedonia. The interviews were carried out in the period from 10.10.2018 to 23.11.2018 in the municipalities: Tetovo, Cusinovo, Veles and Dojran. Individual interviews were also realized during the observation of the websites of the municipalities in the Republic of Macedonia, for the purpose of checking and verifying the results received from the observation process.

2. *Online observation* of the websites of the municipalities in the Republic of Macedonia – performed by one observer in the period from 24.11.2018 to 02.12.2018. The addresses of the websites of the units of local self-government were downloaded from the list of municipalities with their contacts available at ZELS's website (www.zels.org.mk), where all municipalities in Republic of Macedonia are members. The following 11 indicators were determined for observing the three functionalities given above:

a. The following 4 indicators are defined for the functionality *Transparency*:

I1 – Timely publication of the agenda of the council sessions

I2 – Have all public procurements been published

I3 – Has the budget for the current year been published

I4 – Have the minutes and adopted decisions of at least the last three meetings of the municipal council been published

b. The following 3 indicators are defined for the functionality *Communication*:

I5 – E-form for reporting problems

I6 – Possibility for asking the mayor questions

I7 – Available e-mail contacts of municipal employees

c. The following 4 indicators are defined for the functionality *Approvals, permits and other services*:

I8 – Applications for issuance and monitoring of construction permits

I9 – Forms for registration of property tax

I10 – Publishing job announcements

I11 – Online request for obtaining B integrated environmental permit

Each of the indicators takes one of the following 3 values:

- 1 – on the observed website, the e-service that is being researched through the concrete indicator **exists**

- 0 – on the observed website, the e-service that is being researched through the concrete indicator does not **exist**

- 0.5 – on the observed website, the e-service that is being researched through the concrete indicator **is incomplete / irregular**

Of the indicators for each researched category of functionality, 3 indexes have been created as follows:

- I_{TR} – Index of Transparency,

- I_{CO} – Index of Communication,

- I_{AP} – Index of Approvals/Permits.

The research was conducted on the entire population of the municipalities in the Republic of Macedonia. All (N=81) local self-governments in Republic of Macedonia were included, that is, their websites, of which 44 are based in a city (including here the City of Skopje as a special unit of local self-government and the 10 municipalities in the City of Skopje), while 37 are local self-governments based in a village.¹

FINDINGS

Not a single municipality offers all 11 e-services, i.e., it does not offer them by caring for their completeness and constant updating. As shown in Figure 1, the most services are 9 offered by one municipality based in a village (Ilinden) and one municipality based in a city (Resen), while 7 e-services are offered on the websites of one municipality based in a village (Krivogastani) and 3 based in a city (Gazi Baba, Delcevo and Radovis).

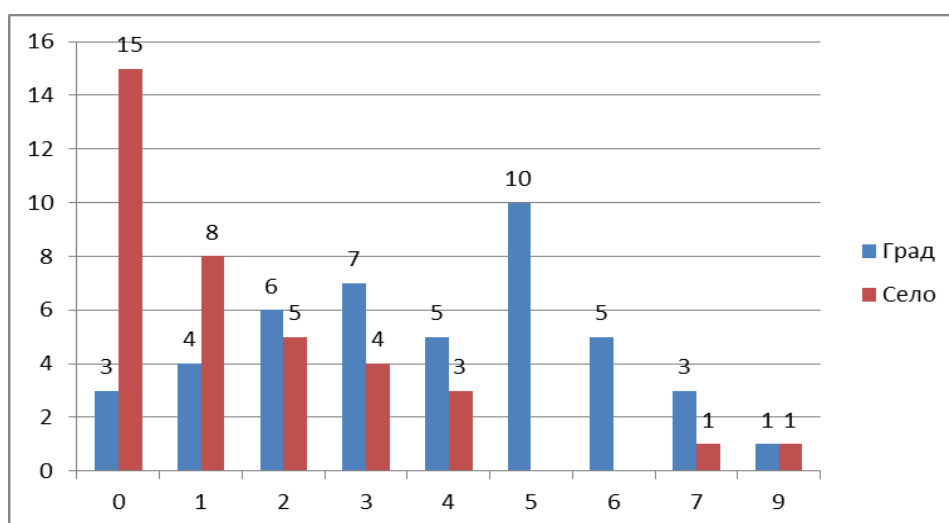


Figure 1 – Distribution of number of e-services (of the 11 analyzed) that are offered by municipalities

A little over 50 percent of the analyzed e-services (six of the analyzed 11) are offered on websites of 5 municipalities based in cities (City of Skopje, Negotino, Ohrid, Probistip and Strumica).

¹ According to the Law on Territorial Organization of the Local Self-Government in the Republic of Macedonia, Official Gazette of the Republic of Macedonia No. 55/2004, 12/2005, 98/2008 and 106/2008.

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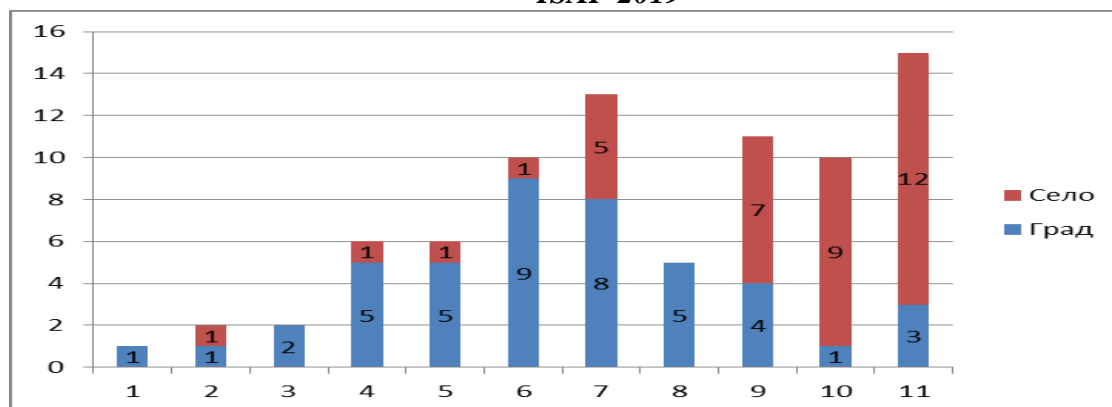


Figure 2 – Distribution of the number of e-services (of the 11 analyzed) that are NOT offered in municipalities completely and updated

Figure 2 shows the number of municipalities that do not offer an appropriate number of e-services of the analyzed 11 included with this research. Worrying is the fact that as much as 15 municipalities (3 based in a city: Saraj, Kavadarci and Struga; and 12 based in a village: Brvenica, Vasilevo, Dolneni, Zelenikovo, Konce, Lipkovo, Lozovo, Mogila, Plasnica, Tearce, Centar Zupa and Cucer Sandevo) do not offer a single one of the analyzed 11 e-services on their websites, more specifically, they do not offer them in a manner that is committed to providing them regularly and completely to the users. Additionally, 10 municipalities (1 based in a city: Shuto Orizari; and 9 based in a village: Bogovinje, Gradsko, Debarca, Karbinci, Petrovec, Rosoman, Sopiste and Staro Nagoricane) do not offer 10 e-services, while 11 municipalities (4 based in a city: Butel, Gjorce Petrov, Vinica and Makednoski Brod; and 7 based in a village: Zhelino, Zrnovci, Novaci, Novo Selo, Studenicani, Caska and Ceginovo-Oblesevo) do not offer 9 of the analyzed 11 e-services.

Table 1 shows the number of municipalities that offer an appropriate number of e-services that they deliver to their users incompletely or irregularly.

Table 1 – Distribution of The Number of e-Services Offered By The Municipalities That Are Not Updated

Number of incompletely updated e-services	Based in:		
	City	Village	Total
0	20	27	47
1	16	9	25
2	6		6
3	2	1	3
Total	44	37	81

Hence, it can be seen that in 3 municipalities (2 based in a city: Karpos and Bitola; and 1 based in a village: Jegunovce) as many as 3 of the 11 analyzed e-services are delivered in such a way that are not complete or always updated, which can cause serious problems for those using these services. Additionally, 6 municipalities based in a city have 2 that are not updated or are incomplete e-services (Gazi Baba, Centar, Valandovo, Veles, Debar and Prilep) and 25 municipalities (almost a third of all the municipalities), of which 16 based in a city and 9 based in a village, have one e-service that is not updated or is incomplete.

From the analysis of the respective indicators, it can be noted that the most prevalent e-service in the municipalities in the Republic of Macedonia is the *Application for issuance and monitoring of construction permits* (indicator I8), which is offered by 42% of all municipalities in the Republic of Macedonia. This is followed by *Publishing the budget of the municipality for the current year*

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(indicator I3) and *Publishing the minutes and adopted decisions of the municipal council* (indicator I4), which are offered by 35.8% of all the municipalities in the country.

The most common e-services in municipalities based in a city are: *Application for issuance and monitoring of construction permits* (indicator I8), which is offered by 56.8% of all municipalities in the Republic of Macedonia based in a city, followed by *Publishing the minutes and adopted decisions of the municipal council* (indicator I4) with 54.5% and *Publishing the budget of the municipality for the current year* (indicator I3) and the *E-form for reporting problems* (indicator I5) with 45.5%.

In municipalities based in a village, the most common e-services that 27% of them offer is *Publishing job announcements* (indicator I10), followed by the e-services *Publishing the budget of the municipality for the current year* (indicator I3) and the *Application for issuance and monitoring of construction permits* (indicator I8), which is offered by 24.3% of the municipalities based in a village.

From the analysis of the values of the standard deviations for all three indexes, a greater deviation from the mean value can be pointed out: in municipalities based in a city in the I_{TR} index (Std. dev. = 1,13), and among municipalities based in a village in the I_{CO} index (Std. dev. = 0,89). This may be due to several reasons: different priorities of the local authorities in determining which e-services are important for their users; greater deviations in the necessary resources for providing these e-services, including here finances, skills, knowledge, technical and organizational infrastructure, and others; lacking clearly identified guidelines for determining the priorities in introducing e-services at the local level that are based on clear, unambiguous and proven criteria; lack of clear and written procedures on ownership and managing the services that the municipalities deliver to their users; the different affinities and needs of the users from municipalities based in a city from those based in a village and etc.

This situation can be improved significantly with a greater exchange of experiences between the municipalities from the process of implementing the specific e-services, as well as the identifying and disseminating of good practices from the world and from the municipalities in the Republic of Macedonia from the introduction of e-services at the local level.

CONCLUSIONS

In the municipalities in the Republic of Macedonia, there is still much room for progress in the digitalization of e-services. It is worrying that not a single municipality offers all of the analyzed 11 services in a consistent manner, taking care for them to be on time and updated. The low awareness of the local administration on how important it is to offer updated digitalized services to their citizens and enterprises, as well as the small pressure that the local public is putting on the local self-government, are probably one of the most important reasons for such a situation.

The research in the future should include also an analysis of the digital skills of the local administration, but also of the citizens and local businesses. Furthermore, in the future it would be interesting, in the context of digitalization of the local government services, to analyze the websites of the municipalities from the aspect of how much and in which way they offer access to so-called open data, and what are the local policies for establishing of data sets that have an open character.

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TRADITIONAL VIS A VIE CONTEMPORARY COST MANAGEMENT IN MACEDONIAN HOSPITALITY INDUSTRY

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Abstract: It's notified that managers need cost management tools in order to make right decisions, so the aim of this paper is to clear up whether traditional or contemporary cost management tools are more used by hospitality enterprises in the Republic of Macedonia

Having on mind that tourism industry is becoming one of the rapid growing industry in the world, Macedonia has to be in trend with those changes as small and open economy. Hospitality enterprises should stress their attention on many questions, but very important one is the question related to managing of financial resources on optimal level to survive and to reach their main goals. Lack of cost control or lack in implementation of different possible tools for cost management in hospitality enterprises leads to unfavorable performance results especially in those industries where costs are on a very high level, or they are important part of the final price of products and services.

For that purpose, theoretical and empirical questions will be treated in this paper. For the empirical research, for gathering data, structured questionnaire has been used. Conclusions will shed light on hospitality enterprises and contribute to their performance improvement.

Key words: cost management, hospitality industry, cost, enterprises, Republic of Macedonia.

INTRODUCTION

One of the rapid growing industries in the recent period is tourism industry. With the attendance of alternative tourism, the boom of mass tourism becomes a widespread. "*Destinations around the world welcomed 956 million international tourists between January and September 2016, according to the latest UNWTO World Tourism Barometer. This is 34 million more than in the same period of 2015, a 4% increase*" (according to WTO data) This data emphasizes the importance of tourism industry, worldwide. At the last decade tourism is one of the rapid growing industries in Macedonia, also.

So, general and special conditions of the Republic of Macedonia are forcing tourism enterprises, for challenging, on one hand and on the other hand, there is very big competition pressure affecting the choices and activities of such enterprises. In that context, it is necessary to utilize resources in more efficient and effective way, or enterprises should more emphasis on cost management system.

Cost management can be generally considered as a set of techniques and methods for controlling and improving an enterprise activities and processes, its products and services, in order to achieve cost effectiveness (cost reduction, substitution and value improvement) by collecting, analyzing, evaluating and reporting cost information for budgeting, estimating, forecasting and monitoring costs, in order to assist decision making.

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Having on mind that, there is a little research papers for identifying of cost management systems among hotels or limited number of studies about the case of Macedonian hospitality industry related to cost management issues, the purpose of these paper is to determine traditional and contemporary cost management systems utilized by Macedonian hotel enterprises.

METODOLOGY

Taking into account the main purpose of this paper, notifying which cost management tools are used by hospitality enterprises in the Republic of Macedonia and clearing that managers need cost management tools in order to make right decisions, there was a need of empirical data. The most convenient way for gathering data was conduction of structured questionnaire separated in 2 parts. First part of questionnaire refers to general information of hospitality enterprise and the second one is oriented to questions related to identifying: are there any implementation of cost management systems in such enterprises and/ or which cost management tools are used by hospitality enterprises in the Republic of Macedonia. By gathering general information, it can be acquired knowledge about the status of the hotel as: location, categorization, ownership, type of service, number of employees etc.). Furthermore, by collecting and analyzing data from the second part of the questionnaire one can acquired knowledge about the implementation of traditional cost management systems as: financial analysis, standard cost, break-even analysis) *visa vie* contemporary cost management systems (above mentioned methods/ systems).

With the aim to collect more representative data for the purpose of the paper, in conduction of questionnaire during the 2018 year, main focus was on hotels that belong to lower category *visa vie* hotels that are highly ranged (scaled), with a full focus on hotels that are part of hotels chain.

FINDINGS

According to the Sector tourism review done by Ministry of economics of the Republic of Macedonia, by the end of 2018 year there were at total 231 categorized hotels in the Republic of Macedonia.² Only 7 of them are a part of world hotels chain, from which 4 hotels belong to hotel consortium and others are independent. Also, although the total number of hotels in the country is quite large (satisfactory), the presence of international chains absents or it is less than 4% of total.

After collecting and analyzing data there are summarized the following results. According to the findings, most of the analyzed hotels are familiar with traditional cost management systems and only 5 hotels that are a part of international hotels chain are implementing contemporary cost management systems for cost control and decision making.

The most well-known and preferred technique is break-even analysis, around 80% of the hotels are implementing this system. Having on mind that implementation of one technique/system of cost management doesn't exclude the implementation of the other one. Other traditional techniques are utilized in less than 45% or respectively: standard costing 34%, financial analysis 60%, product/service profitability approximately 55% and other techniques around 23%. A part of the responders, mostly lowly categorized hotels appointed that they are not familiar with none of the techniques. As the results show we can argue that modern, contemporary techniques are not well known or welcomed by hotel managers (83). Some of them are a little familiar with one or two contemporary cost management systems, but have not enough knowledge for their implementation.

What refers to hotels included in the research and at the same time are a part of international hotels chain, they have a different approach in cost control systems. All of them are implementing contemporary cost management techniques, and they prefer utilizing of: activity-based costing method with 80 % of them, combining with value chain analyses (40%) and 40% of them with total quality cost system. Rest of the hotels are using target costing in combination other contemporary techniques as target costing method.

²www.economy.gov.mk (15.12. 2018)

CONCLUSIONS

In this paper we discussed the implementation of different, traditional and contemporary cost management techniques in enterprises of hospitality industry in the Republic of Macedonia. For that purpose, empirical research was done, by conduction of questionnaire.

The main conclusion is that either contemporary techniques have a better contribution in decision making and performance of hotels, most of the hotels included in the research are not familiar or have some poor knowledge of them and for their opinion, there is still not time for implementation of contemporary techniques. Long period of time they are oriented to traditional cost management systems and there will be need of a long period of time for them to introduce with other techniques and much more period for their implementation in most of them.

Acquired results from the research direct to the recommendation for better awareness of managers of hotels that are not a part of hotels chain for benefits of contemporary cost management techniques in decision making and making different efforts for being more familiar with them from theoretical and practical aspect.

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**AN EXAMINATION ON THE INTERACTION BETWEEN
CONCORDAT, THE CONCORDAT COMMISSARIAT AND
THE INDEPENDENT AUDIT REPORT: AN EXAMPLE OF
THE INDEPENDENT REASONABLE ASSURANCE REPORT
FOR A PRELIMINARY CONCORDAT PROJECT**

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***Abstract:** This study theoretically discusses concordat and the concordat commissariat as a topic of current interest in Turkey. In addition, the interaction of concordat and the concordat commissariat with the independent audit report was analyzed. Furthermore, in order to support the theoretical information, an example of an independent reasonable assurance report for a preliminary concordat project for debtors was discussed in detail.*

***Key Words:** Concordat, Concordat Commissariat, Preliminary concordat project, Independent Reasonable Assurance Report.*

FINANCAIL REPORTING AND AUDITING IN AFGHANISTAN

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Abstract: *The study was conducted on financial reporting and financial auditing in Afghanistan, which has been used based on secondary data and have analyzed in a qualitative manner. For this purpose the secondary data were collected from website and different scientific base international journal. According to the finding of this research output referring to regulations and previous studies, it's right to say that there is a financial reporting and financial auditing system in Afghanistan that, after 2003, it has been trying to implement international accounting standards and international auditing standards with the cooperation of international community. Therefore, it should be improved.*

Key words: *Afghanistan, financial reporting, financial Auditing, IFRS, (SOEs) and (SMEs).*

INTRODUCTION

This study examines the financial reporting and financial auditing system in Afghanistan at state-owned and mixed enterprises and private companies. It is evident that financial statements to provide funding for enterprises and information for decision makers and audiences is essential (Çelik, 2017, p. 191). As well as Afghanistan, after three decades of conflict, has been on the construction with the partnership of international societies, is ultimately dependent on foreign sources (Williams, 2018, p. 28). And the international community's first urge to Afghanistan is transparency in reporting, which itself requires a united system between departments and organizations in Afghanistan. Hence, the research seeks to answer the question of whether there is a financial reporting and financial auditing system for state-owned and mixed enterprises (SOEs) and small and medium enterprises (SMEs).

Based on the studies carried out in this topic, the past researches on this topic are pale and the available data are less. Therefore, studies on this subject are briefly presented, including the article "Fair Value Accounting in Afghan Banks". Fair value accounting research based on international financial reporting system (IFRS) is discussed in this article. The researcher has compared 30 surveyed banks in Afghanistan with collected data of 29 banks in Europe and has searched for cases like; importance and the using of fair value based on International financial reporting system between the years (2009-2011). In this study, the primary and secondary data was used. This results leads to lack of use of the fair value accounting and the international financial report system in Afghanistan than Europe show, a new and less experienced of the banking system and the employees of the reporting system of international finance, the new banking system, the lack of staff experience in the use of the international financial reporting system, the lack of active capital markets, unregistered money dealers, and the lack of willingness of people to save there capitals in banks in Afghanistan are listed as the reasons (Mandozai, 2016).

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The study, entitled "Accounting norms in Afghanistan and the people who apply them: an empirical investigation of accounting staff's characteristics in Afghan enterprises and implications for future regulation and staffing" has been done in 106 companies based on size, sectors and scope of operation. The research focused on accounting norms and accountants characteristics. As a result, the researcher verifies legal cases for the requirement of financial reporting statements for all enterprises in Afghanistan accordingly state-owned and mixed enterprises (SOEs) should report their financial statements based on the international financial reporting system (IFRS) and the absence of a clear standard for small and medium enterprises (SMEs). They use traditional and deferent norms with the mostly high school graduated accountants (Yamayee, 2017). By obtaining information from these articles, laws and regulations of Afghanistan, official website and official publication of the relevant ministries and relevant institutions, the existence of accounting standards, especially for financial audits and financial audits, can be proven.

As this study is on financial reporting in Afghanistan, therefore, the following Question going to be answer in this study.

Is there any financial reporting system in Afghanistan?

If yes by whom and how it have been auditing?

METHODOLOGY

This research has been conducted to see financial reporting and auditing system in Afghanistan, According to the major problems with the lack of online access to historical and scientific books via the Internet in Afghanistan, this research was carried out using secondary data which is obtained from the library, official websites and publications of the ministries of the Islamic Republic of Afghanistan and related organizations in a qualitative and descriptive manner. Therefore, the research has only processed information which have been obtained by using the mentioned methods at the capacity of the researcher. This data includes, two scientific articles related to subject matter, rules and regulations, books and scientific journal.

That, itself, shows the lack of a sound reporting system for public access to information resources, especially accounting and financial reporting in Afghanistan.

FINDINGS

The Islamic Republic of Afghanistan after 30 years of war and chaos in 2002(after Bon conference) with the help of its international collaborators and global donors working for a stable and legitimate Afghanistan (Yamayee, 2017, p. 2). On the other hand, Afghanistan as a country and active companies in this country as organizations needs financial resources therefore they have to get the attention of donors and investors, this is not possible except through a healthy and transparent reporting that can be used by its audience meaningful and reliable (Williams, 2018, p. 27). While financial systems, especially financial accounting systems, provide lots of information that investors, managers and their owners can evaluate the performance of the organization. For The Afghan government and active companies in this country are necessary to communicate with each other and the outside world for resources that they need, accordingly first of all they need accounting and accountability norms that need to be adjusted (Yamayee, 2017, p. 3).

As the definition of accounting helps, the presentation of information about the economic and commercial transactions of the organization is one of the most important elements of accounting called "reporting" and the most important group of reports that are provided by accounting during the execution of this function are Financial balances (Çelik, 2017, p. 191).

As a consequence, as part of its plan for sustainable economic development, Afghanistan has been implementing system of accounting and auditing (Williams, 2018, p. 28), such as the Afghanistan Financial Information Management System (AFMIS), to assist the government in upgrading its accounting system in 2002.(AFMIS) has supported the Agenda for Reforming and Modernizing the

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Afghanistan's Government by providing a centralized financial management information system, providing financial information to ministries, institutions and donors, controlling and paying funds irrespective of the source of funds, recording revenue from the center and provinces And cash transfers to the provinces (Ministry of Finance, 2019) And the accounting system, which is part of a legal framework. The accounting system, which was approved only for state-owned and mixed enterprises (SOEs) in 1981 under the name of Regulations of General Accounting Principles (RGAP) and the accounting system for small and medium enterprises (SMEs) is considered separately, which has not been approved yet (Yamayee, 2017, p. 4). Since in Afghanistan, according to Article 42 of The constitution of Afghanistan and Article 87 of the Income Tax Law, every Afghan and residents persons in this territory are required to pay taxes and provide financial reports, for the sake of transparency, the Government of Afghanistan, after 2003, has been implementing the International Financial Reporting System (IMF) (Williams, 2018, p. 27).

Although there are no stock markets in Afghanistan, but with the persuasion of the Certified Public Accountant (CPA) of Afghanistan (Williams, 2018, p. 28) and according to the Corporations and Limited Liability Companies Law, according to the Afghanistan Law of Banking, all companies and banks are required to use the international reporting system (Deloitte, 2019). The Ministry of Commerce and Industry of Afghanistan has an approximate five-year plan to implement the International Financial Reporting System (IMF) for large corporations and an approximate seven-year implementation plan of (IMF) for small and medium-sized enterprises. Small and medium sized companies reporting on cash accounts (Williams, 2018, p. 27). According to the Regulations of General Accounting Principles (RGAP) and the Income Tax Law, the Report and the Balance of accounts of all companies, state-owned and mixed enterprises (SOEs), small and medium enterprises (SMEs) and banks report to the Ministry of Finance and the Central Statistics Office (Ministry of Justice, 1981) and according to the banking law, all banks and insurance companies, reports to the Central Bank of Afghanistan (Ministry of Justice, 2015) and ((DAB), 2019).

Progress in the development of accounting infrastructure are significant, and despite the need of Afghanistan, the main challenge in the existing legal system is custom and customary law that could be a barrier to qualified accountants and accounting regulations. The lack of effective stakeholder coordination also reduced the pace acceleration of progress, although it should be adjusted (Williams, 2018, p. 27).

The auditing task in Afghanistan for the regulatory of financial statements and related documents is carried out by the Supreme Audit Office (SAO) and inspectors of the Ministry of Finance's Tax Administration based on the INTOSAI standards (Ministry of Justice, 2013, p. 2). The Supreme Audit Office (SAO) is the highest authority that entails the financial and accounting activities state-owned and mixed enterprises (SOEs) and institutions. But in the case of other companies and persons, the Ministry of Finance's Tax Administration with Private Audit Companies are working (Ministry of Justice, 2013, p. 2) and (Ministry of Finance, 2016). Banks in Afghanistan are a major component of risk and the first part that deals with the international communities (Williams, 2018, p. 26), because of the sensitivity of this issue, banks are being auditing in tow step; an internal audit conducted by the central bank, and an external audit by foreign companies which are approved by the Central Bank of Afghanistan (Ministry of Justice, 2015, pp. 202-212) ((FinTRACA), 2019).

RESULTS

Although Afghanistan is a development country and dependent on international community's assistances, it has grown well in the accounting sector after the Bonn Conference in 2002 and the formation of a new Afghan government to report to international partners and to receive funds from inside of the country from Taxpayers. A series of work have been done, including efforts to implement the International Financial Reporting Standards (IFRS) and also international standards of Auditing (ISA) by the law and relevant departments, such as the Ministry of Finance, the Supreme Audit Office and the Central Bank of Afghanistan. According to different researchers finding, all companies and agencies in Afghanistan, except for small and medium enterprises (SMEs) are required to submit financial statements and related documents based on the International Financial Reporting Standards

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(IFRS), which state-owned and mixed enterprises (SOEs), small and medium-sized enterprise small and medium enterprises (SMEs) as well as institutions, report to the Ministry of Finance and review and audit by Ministry of Finance's Tax Administration and the Supreme Audit Office (SAO). But the banks are audit by the central bank (Da Afghanistan Bank) and credible foreign auditors. Afghan government and its departments should complete the implementation of these International Financial Reporting Standards (IFRS) and also international standards of Auditing (ISA) in order to be Free from foreign sources and economic growth.

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THE WAYS OF IMPROVING AUDITORS PROFESSIONAL SKEPTICISM

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Abstract: *The users of financial reports need reliable information for decision making. Professional skepticism is an important part of auditing quality. It has gained importance, especially after the accounting scandals. Both regulators and practitioners have professional skepticism definition but there is no consensus what professional skepticism is and how it should be measured and be enhanced. The aim of the study is to determine the ways of improving auditors' professional skepticism by literature review. The literature implies that not only individual auditors but also all parties of auditing have role in improving professional skepticism.*

Keywords: *Professional Skepticism, Auditing, Audit Quality*

INTRODUCTION

Corporate reports are important communications tools since that contain information about a firm. Among the corporate reports, financial statements are most visible products of a company's corporate reporting process. Although there are many standards for preparing financial statements, stakeholders need to be assured that they can trust the reports. Results from qualified audit provide confidence to the financial statements' users that the reports present fairly in all material respects in accordance with an applicable reporting framework. And auditors' professional skepticism is ingredient of audit since it is not only effect the costs of the audit but also influence the quality of audit. Because the application of professional skepticism influences the resources are used in the perform of the audit and determines the reliability of the results of the audit (Yankova, 2015:82). Although professional skepticism is not a new them, it has rapidly increased in importance, especially after the series of high-profile accounting scandals including Enron and WorldCom (Hardies and Janssen, 2017:274). For that reason, according to U.S. Securities and Exchange Commission (SEC), the lack of professional skepticism is one the most cited reason that auditors fail to detect material misstatements (Quadackers, vd., 2014:639).

The purpose of the study is to determine the ways of improving auditors' professional skepticism by literature review. The findings of paper imply that the ways of improving auditors professional skepticism necessitates contribution of all parties of auditing. In line with that ways could be classified under four categories, namely individual auditor, engagement team, audit firm, or overall audit profession. Although the importance of auditors' professional skepticism has increased, there is no consensus about what professional skepticism is, how it can be conceptualized and be implemented and measured (Nolder and Kadous, 2018:1, Yankova, 2015:82). The remainder of paper is organized as follows. In section 2, the aspects of definition of auditor professional skepticism are given. The ways of improvement professional skepticism is discussed in section 3. The final section provides conclusions of the study.

AUDITORS PROFESSIONAL SKEPTICISM

Before go forward, we need to know what professional skepticism is. There is no consensus on what professional skepticism is. The word “skepticism” is derived from the Greek word “skeptikos”, meaning “to inquire”, “to consider”, “to examine”, “to consider carefully”. (Annas and Barnes, 1985:1, Yankova, 2015:84, Corcoran and Hamid, 2015:112). As a term “professional skepticism” consist of two words “professional” and “skepticism”, and in the audit guidance and literature, the meaning of “professional” is not explicit. However, according to the International Ethics Standards Board for Accountants (IEASB) being professional, among the other things, necessities acting with integrity, objectivity, competence, due care, confidentiality, and in compliance with the relevant standards and regulations. In addition, having a broad array of intellectual, technical, personal, interpersonal, and organizational skill is necessary for an individual to be qualified as a professional and being skeptical and inquisitive are important characteristics of a good professional auditor (Yankova, 2015:83).

Professional skepticism necessities having a questioning mind (Bell et al., 2005:33). Auditing standards describe professional skepticism using attributes, mindset and action. From the point of view, professional skepticism is “an attitude that includes a questioning mind and a critical assessment of evidence”. According to the standards, “auditor uses the knowledge, skill, and ability to diligently perform in good faith and with integrity, the gathering and objective evaluation of evidence” (PCAOB, AU 230:07).The American Institute of CPAs (AICPA) and International Auditing and Assurance Standards Board (IAASB) also define professional skepticism as “an attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatements due to fraud or error, and a critical assessment of audit evidence” (Farag and Elias, 2016:125). As it is seen from the definitions, regulators generally define professional skepticism as an attitude that includes “a questioning mind and critical assessment of audit evidence” (Nolder and Kadous, 2018:1).However, the levels of questioning mind or critical assessment are not explicit. Moreover, how questioning mind and critical assessment of audit evidence is demonstrated and documented in settings that present different risks at the account and assertion levels are not uncovered (Glover and Prawitt, 2013:2). Professional skepticism often is referred as a mindset that influences auditors' professional judgment (Nolder and Kadous, 2018:1).

It is possible to say that according to the auditing literature, there are two main views of professional skepticism: Neutral view and presumptive view (Nelson, 2009:2-3, Roulin and Ternes, 2019:137). A neutral view of skepticism refers to an open minded attitude and assumes neither management honesty nor dishonesty (Popova, 2013:142, Yankova, 2015:95). According to Cushing (2000:1) supports neutrality and stated that auditors should attempt to be unbiased in forming their believes and it could be useful to think about the difference between skeptical and non-skeptical beliefs. From the point of view, non-skeptical beliefs involve bias in either a positive (trusting) and negative (suspicious) direction. Neutral view focus essentially fits the “trust but verify” principle (Quadackers, vd., 2014:640).

Presumptive view refers the auditors generally assume dishonesty unless there is evidence to the contrary (Bell, vd. 2005:22).Presumptive view is consistent with the requirement in auditing standards and it is also reasonable for regulators since they accept that a lack of professional skepticism is one of the main reasons of audit failure (Glover and Prawitt, 2014:2). However, neutral view is also main focus of auditing standards since a presumptive view would result in over collection of audit evidence in many areas and result in a suboptimal balance of effectiveness and efficiency (Glover and Prawitt, 2014:2, Nelson, 2009:3). Glover and Prawitt (2014:2-3) argue that it is important for the auditor to be able to take each perspective depending on the particular situation during the audit. For that reason, it is necessary to integrate an appropriate level of skepticism varies depending on the situation and then work to provide relevant practical implementation guidance. By this way, it would be possible to acknowledge appropriate differences in the application of professional skepticism and the appropriate differences in the nature and extent of audit evidence necessary across the continuum (Glover and Prawitt, 2014:4).

There is a variety of conceptualizations of professional skepticism in auditing literature. Some of them accept professional skepticism as an individual characteristics or personality trait stated (Nolder and Kadous, 2018:2). Traits refer “to relatively enduring styles of thinking, feeling and acting” (McCrae and Costa, 1997:509). Traits refer to individual characteristics which are generally unaffected by the environment and consequently relatively stable. As a trait, professional skepticism can be understood as “the propensity of an individual to defer concluding until the evidence provides sufficient support for one alternative/explanation over others” (Hurt, 2010:151). If professional skepticism is a trait, this means that within every individual, there is some baseline level of professional skepticism that the individual is willing to extend to nearly all those situations/engagements in which the individual interacts. In this context, some authors also understand professional skepticism as the opposite of trust, being the propensity to trust (nearly all) those with whom one interacts and a general tendency to make positive attributions about others’ intentions. In addition to being trait, professional skepticism can also be understood as emergent state (Hardies and Janssen, 2017:276, Nolder and Kadous, 2018:4). Emergent states refer to cognitive, motivational, and affective states and it can be considered both team inputs and proximal outcomes (Marks et al., 2001:357-358, Hardies and Janssen, 2017:276). If professional skepticism is a state, this means that professional skepticism can be understood primarily as an attitude which can develop over time (or very quickly) based on situational characteristics and need (Hardies and Janssen, 2017:276).

THE WAYS OF IMPROVING AUDITORS PROFESSIONAL SKEPTICISM

According to literature, auditor actions consistent with higher levels of professional skepticism are positively associated with ethical development, moral reasoning, professional identification, conservatism and trait skepticism. In addition, an auditor’s experience with a client (i.e., tenure and history of client accuracy) and other situational factors (e.g., risk of misstatement and the quality of communication) are stronger determinants of an auditor’s level of professional skepticism than are dispositional factors, including individual traits (Knechel, vd., 2013:392). As it is stated in section 2, there are different aspects of definition of auditors’ professional skepticism and it can be accepted as traits or emerging state. Accepting professional skepticism as a trait means that within every individual, there is some baseline level of professional skepticism that the individual is willing to extend to nearly all those situations/engagements in which the individual interacts. On the other hand, accepting professional skepticism is a state means that professional skepticism can be understood primarily as an attitude which can develop over time (or very quickly) based on situational characteristics and need (Hardies and Janssen, 2017:275-276).

Improving auditor professional skepticism is important for audit quality but it is not easy since the degree of skepticism to be exercised is positively or negatively influenced by a variety of factors (Toba, 2011:85). Professional skepticism is a multi-dimensional individual characteristic and because of lack of common measurement about what constitutes professional skepticism, it is difficult to reach a conclusion among accounting research studies (Hurt, 2010:150-151). For that reason, it is important to understand that not only auditing firms but also all parties of auditing, individual auditor, engagement team, audit firm, or overall audit profession, should be part of the solution. Otherwise the solutions could fail to address underlying problems and whose costs outweigh the benefits (Glover and Praiwt, 2014:4).

Kadous and Zhou (2016:30) stated that auditors’ intrinsic motivation can improve auditor skepticism. And because of changing nature of audit work necessitates to re-examine how effectively motivate auditors. Investment in culture and leadership can improve audit quality in a firm (Kadous and Zhou, 2016:31). The development and application of a good judgment process; proactive framing of issues, and alignment of performance evaluation and incentives are the main categories of measurement that could be used to improve professional skepticism at the individual author level (Glover and Praiwt, 2013:12). It is also important to remember that overconfidence, confirmation, anchoring, and availability are common judgement tendencies that can lead to bias and weaken professional skepticism (Glover and Praiwt, 2013:11). Related to engagement team, planning with involvement of engagement leadership; industry and client experience; fraud brainstorming meetings, internal quality

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performance review programs, and required upward consultation are some of the ways that could be used to improve professional skepticism. In addition, setting the proper tone for the engagement team, managing the limitations of the apprenticeship model, structuring group decisions to avoid groupthink tendencies, and focusing specifically on skepticism in internal oversight/review are the main groups of the measures that could be used to improve professional skepticism at profession and firm level (Glover and Prawitt, 2013:10). It is important to remember that professional skepticism is an important input to auditors' judgment and decision-making. For that reason, it is seen as value because it enhances audit quality (Hardies and Janssen, 2017:275, Knechel, vd., 2013:391).

CONCLUSIONS

Professional skepticism has an important role in an important concept in audit. Especially, after the series of high-profile accounting scandals the failure of auditors to exercise an appropriate level of skepticism has become increasingly important. All stakeholders who participate in corporate reporting process and decision making need reliable information, and improved auditor professional skepticism is necessary for qualified audit opinions. However, it is important to remember that a variety of factors affect the degree of skepticism. For that reason, to improve the audit professional skepticism is necessary to understand multi-dimensions of professional skepticism. After the nature of professional skepticism and how skepticism is threatened are understood, it could be possible to have a model that include all the participants in the corporate reporting. Individual auditor, engagement team, audit firm, or overall audit professions and educators have role in improving professional skepticism. Personal characteristics of individual auditor, the culture of the companies and auditing firms need to be considered in the model.

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MASTER/PHD THESES PREPARED ABOUT FINANCIAL STATEMENT FRAUD AND FRAUD AUDIT: ACADEMIC LITERATURE BETWEEN 2008 AND 2018

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Abstract: Along with accounting scandals in the past, fraud has become the most important issue for academics, researchers and legislators. The purpose of this study is examined master and PhD theses about financial statements fraud and fraud auditing published between the years 2008-2018 in Turkey. For this purpose, a total of 65 master and PhD thesis have been examined and presented as financial statement fraud and fraud auditing. The theses examined in the study are summarized as year they were published, the author, the scope of the topic and in terms of results. The conclusions of this study can be summarized as follows: a) We reached to focus on forensic accounting and forensic accounting professional in master and PhD theses prepared in Turkey. Issues such as error, fraud, fraud auditing, forensic accounting, forensic accounting profession, forensic accounting regulations are examined extensively. b) Some subjects (such as data mining techniques in fraud detection) have been studied very little, while there has been no work some sub-titles (other models apart from Beneish model, artificial neural networks etc.). c) Although the scope of the study has been in the last ten years, it has been determined that thesis studies on the subject have been prepared in 2013 and beyond. We suggest that extending the scope of the study and making it comparable with the studies in abroad.

Key words: *Fault and fraud audit, abuse, creative accounting, forensic accounting*

**FACTORS INFLUENCING THE CHOICE OF ACCOUNTING
PROFESSION OF THE STUDENTS RECEIVING
ACCOUNTING EDUCATION: THE EXAMPLE OF AĞRI
İBRAHİM ÇEÇEN UNIVERSITY FEAS**

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Abstract: *The accounting profession became legitimate in Turkey with Law No. 3568 issued in 1989. There are a lot of factors that influence the choice of accounting profession just like all other professions. The purpose of this study was to determine and evaluate the factors influencing the choice of accounting profession of the students of the Faculty of Economics and Administrative Sciences (FEAS) who are receiving accounting education. The data of the research sample was obtained through administering a survey to the students receiving education in the Departments of Business Administration, Economics, and Public Administration at Ağrı İbrahim Çeçen University, FEAS, and the research sample consisted of 234 people. The data obtained in the research were analyzed through SPSS 22.0 software. Frequency analysis (Number, percent, mean, standard deviation) was used as descriptive statistical methods in evaluating the data. In the analysis phase, firstly validity and reliability test, and factor analysis were conducted; and to measure the relationship between the factors detected in consequence of the factor analysis and demographic factors, t-test was used in comparing the quantitative continuous data between two independent groups, and one way ANOVA test was used in comparing the quantitative continuous data between more than two independent groups. To determine the variations after the ANOVA test, Scheffe test was used as a complementary post-hoc analysis. In conclusion, the factors that influence the students of FEAS, who are prospective members of the accounting profession, to choose the accounting profession were grouped under 3 factors by the help of factor analysis. In the study, as a result of factor analysis, it was detected that the scale of factors influencing the choice of accounting profession of the students receiving accounting education was a valid and reliable tool.*

Keywords: *Accounting Profession, Choice of Profession, Accounting Education, FEAS, Factor Analysis.*

**ACCOUNTING AND FINANCE LITERACY AND BANKING
EDUCATION: A RESEARCH AT THE MANISA CELAL
BAYAR UNIVERSITY**

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Abstract: *The aim of this study is to measure the accounting and finance literacy level of the students who are studying at banking and finance department. For this purpose, a questionnaire was applied to the students. The questionnaire was also applied to other students who were referred to as the control group. The control group consists of students who have not previously studied accounting and finance. The questionnaire was answered by 92 students in the banking and finance department and by 95 students in the control group. One of the sub-objectives of the study is to compare between banking and finance students and control group. Thus, the existence of accounting and finance literacy in these students will be analysed in a healthier way. According to the survey findings, while the financial literacy of the students studying in the banking department is acceptable, but it cannot be said that the same results are valid for the accounting literacy of these students.*

Keywords: *Finance, accounting, banking education, accounting and finance literacy*

FINANCIAL ATTITUDES AND BEHAVIORS OF COLLEGE STUDENTS: EVIDENCE FROM TRAKYA UNIVERSITY

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Abstract: *This study investigates the financial attitudes and behaviors of 400 undergraduate students by applying a survey during the 2017-2018 academic year. Findings indicate that there is statistical difference between the financial behavior variable and socio-economic, demographic and descriptive variables. However, no meaningful relationship was found between gender, department, education level of mother and father, and the monthly income of the students. There is statistically meaningful relationship between financial attitude and financial behavior. Due to the high levels of awareness towards financial attitude and behavior, it is appropriate to assert that students are conscious about the nature of money but yet unable to save a significant amount.*

Key words: *Financial attitude, financial behavior, financial awareness.*

EMPIRICAL ANALYSIS OF BANK PERFORMANCE AND MERGER AND ACQUISITIONS DURING THE 2008 GLOBAL FINANCIAL CRISIS

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Abstract

This study deals with a critical important topic in accounting and finance literature, the merger and acquisitions and its correlation to a bank's performance. I examine 33 countries that find decreasing merger and acquisitions (M&As) for banking institutions in non-IFRS countries during the post-IFRS by using data from these countries over a 10-year period from 2003 to 2012. The observations, which are based on 3.178 deals in a sample period, are crucially important for merger and acquisitions and bank performance in the North America, the European Union (EU)-28 and Western Europe. This study contributes to add the stream of empirical analysis that attempts to resolve the relationship between the bank performance and M&As settings during the global financial crisis. I find that IFRS-based monitoring of banks M&As in terms of higher quality financial reporting is negatively linked with bank performance, whereas local GAAP-based monitoring of banks' M&A is positively associated with accounting performance. However, the findings suggest that there is no significant difference between non-M&A and M&A groups in terms of bank performance, namely, return assets, return equity and other operating profit.

Keywords: *Bank performance, financial crisis, merger and acquisitions.*

INTRODUCTION

In 2012, 37,923 mergers and acquisitions (M&As) were occurred with a total value of more than US\$2,6 trillion (Thomson Reuters, 2018). Thus, mergers and acquisitions (M&A) have been broadly and interesting topic for context in the accounting and finance since several decades.

M&A activities can motivate changes in government policy and, the existence of economic bases for restructuring, the increase in the global economic integration and volume of international trade across national borders, undervaluation of institutions relative to their replacement value, and the existence of strong capital markets where these M&As activities can be financed (Kiymaz, 2004).

Therefore, M&As are usually targeted to increase the value for the shareholders. Prior empirical evidence shows that M&As have always benefited the shareholders of the acquired firms during the post-merger period. The profitability of acquirers has also decreased after mergers and acquisitions. The M&A was implemented as a strategic move for growth in the developed nations as USA and EU countries, and therefore, varied amount of empirical evidence was conducted in the context of these countries. By providing the systematic literature of the M&As topic, for example, Mehrotra and Sahay (2018) and Caiazza and Volpe (2015) have provided the scholars the current and the past status of business performance of acquiring firms.

Many scholars have focussed on the effect of firm acquisitions on performance improvements. However, there plays to still be no consensus as to whether acquisitions create improvements in business performance (Grigorieva & Petrunina, 2015). Prior empirical evidence on M&A has focused on performance outcomes from acquisitive entry and shareholders' wealth gains (Cornett and Tehranian, 1992; Altunbaş et al., 2004; Kiymaz, 2004; Altunbaş et al., 2008; Zhang et al., 2018). For example, Altunbaş and Ibanez (2004) finding suggest that M&As activities improve accounting

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performance. Kiyamaz (2004) find that the targets have experienced significant positive gains in wealth, whereas bidders have experienced insignificant wealth gains. Zhang et al. (2018) find that M&As are positively effect to business performance, and that the relationship between mixed mergers and acquisitions and firm performance is not significant outcomes.

The 2008 global financial crisis had a negative effect on the firm's ability to borrow and affects business' performance. For example, Zeitun and Saleh (2015) find have a negative and significant effect on business' performance during the financial crisis. Similarly, Lucky and Minai (2011) find the negative effect of economic factors, individual determinants, and firm characteristics on business' performance during the financial crisis. While the macroeconomic factors that are at the origins of the global financial crisis of 2007-2008 affected in all sector firms (Taylor, 2009), some firms were affected much more than those in others sectors (Erkens et al., 2012). Recent study uses firm-level data from the crisis economies of the world, especially during the time of the 2007-2008 financial crisis, to analyse the impact of bank performance on M&As during the financial crisis.

The banking industry has been particularly and significantly affected by the global financial crisis. The research question studied whether the bidder banks that acquire a target with accounting standards differ from those banks that were not involved in banking M&As banks during the global financial crisis. The purpose of this study is to examine the impact of M&A processes on banking performance in the North America (the US and Canada), the European Union (EU)-28 and Western Europe (Norway, Switzerland and Turkey) through studying within. Our paper differs from the prior literature in two ways. First, I examine the target bank financial statements reported under the local GAAP and IFRS. Our research explores the difference between the outcomes of bidders and targets during the financial crisis of 2007-2008. Second, unlike studies that focus on a limited number of countries, our sample covers banks from 33 countries.

METHODOLOGY

The dataset is obtained by combining two sources, such as Thomson One Banker M&As for data on the M&A activities and Bankscope for financial statements' data of the banks involved in M&A operations. This paper examines the banking performance in terms of M&As during the financial crisis. Given the essential role of banks in modern economies, measuring banking performance has become an important issue in banking M&A activities. Some studies examine the performance effects of bank merger and find no significant effect of merger-related performance improvements as measured by return on assets (ROA) (Houston et al., 2001; DeLong, 2003) and return on equity (ROE) (Altunbaş and Ibanez, 2004; Akhavein et al., 1997).

The model relates changes in the pre-and post-merger performances to a set of strategic indicators and a set of control variables. Variables that take into account the specific characteristics of a bank have been selected by considering the traditional accounting measures used in studies on bank firm performance (Altunbaş and Marques, 2008). I measured business performance around bank mergers similar to those in Hagendorf and Keasey (2009) and Cornett et al. (2006). Especially, we used bank performance indicators such as roa =return on assets, roe =return on equity, and $oopinca$ =other operating income to average total assets. Traditionally, **roe**, and **roa** are two basic ratios that are used to measure the profitability of banks. In partially, **roa** shows the capability of the bank's management to convert the institution's asset into net earnings. **Roe** estimates the net income that the shareholders have generated from investing their capital in the bank industry (Rose and Hudgins, 2005). Specially, we control for difference in bank size= log total asset. I expect that merged firms should perform better after they merge with banks that apply local GAAP institutions because bidder management had good knowledge of its bidder during the 2007-2008 crisis.

CONCLUSIONS

Our result show that IFRS group banks, the M&A group and the non-M&A group tend to pay more for the size increase than bidders, which may also increase the IFRS group banks' performance after the 2008 financial crisis. While we find that the bidder profitability means of both the local GAAP group and the merged IFRS for non-M&A groups are on average positive expect for **oopinca** until

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before the 2007 financial crisis, they are, on average, negative for the years from 2008 through 2012. Our findings are similar to those reported in the prior literature by Banerjee et al. (2014). However, for one-way variance analysis, there is no significant difference between non-M&A and M&A groups, such as **roa**, **roe** and **oopinca**. Moreover, the mean of the local GAAP group is larger than the merged IFRS group both in the post-mandatory adoption period and before the 2008 financial crisis and post-mandatory adoption period and before the 2008 financial crisis and the post-mandatory adoption period and after the 2008 financial crisis for M&A firms, but only **oopinca** is smaller than one. Further research could determine the relationship between corporate governance and financial crisis under accounting standards.

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NEW TRENDS IN CENTRAL BANKING; A STUDY ON THE RESERVE OPTION MECHANISM AND THE ASYMMETRIC INTEREST RATE CORRIDOR

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Abstract: *2008-09 Global Financial Crisis has adverse effects in terms of real economies and financial markets in both advanced and developing countries. In order to eliminate these negative effects of the crisis and to ensure the financial stability, a number of new tools such as the quantitative easing and interest rate corridor together with the traditional monetary policies focusing on price stability have been started to implement within the post-crisis period in central banking. Accordingly, the Central Bank of the Republic of Turkey aimed to increase the flexibility of liquidity and credit management through reserve option mechanism and asymmetric interest rate corridor practises while conducting monetary policy and to focus on the objective of financial stability as well as price stability in addition to the conventional monetary policy instruments since the year of 2010. With the reserve option mechanism concentrating on effective management of reserve requirements, the CBRT aim to limit the negative effects of excessive volatility in capital flows on the macro-financial indicators of the country, to produce a flexible policy for the liquidity needs of the banking sector and to strenghten the foreign exchange reserves. The CBRT also aim to eliminate the adverse effects of exchange rate fluctuations, capital outflows and changes in credit volume on both price stability and financial stability and to minimize financial risks with the practise of asymmetric interest rate corridor focusing on effective liquidity management. In this study, after giving a brief review of reserve option mechanism and asymmetric interest rate corridor practise, we tried to investigate the relationship between CBRT average funding interest rate and liquidity, credit volume of the banking sector as well as foreign exchange rates. The results supported the relationship between the variables.*

Anahtar Kelimeler; *CBRT, reserve option mechanism, asymmetric interest rate corridor, liquidity, credit volume, average funding rate*

THE RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND FINANCIAL PERFORMANCES OF THE BANKS: AN EMPIRICAL STUDY FOR TURKEY

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Abstract: The aim of this study is to investigate the causality relation between macroeconomic variables and the financial performance indicators of the banks' listed on Istanbul Stock Exchange (BIST). For the mentioned reason, quarterly data of the banks listed on BIST belonged to 2005-2017 period are analyzed. The financial performance indicators of the banks are selected as the dependent variables of the study. The macro economic variables benefited as independent variables within the study are inflation, industrial production index, budget deficit, economic development and real interest rate. The relations between variables are analyzed by the estimated regression models. According to the results of the study, positive directional relations are found between industrial production index and financial performance indicators of the banks. While any significant relation is not detected between interest rate and the bank's profitability, positive directional relations are found between economic development and return on assets rate.

Keywords: Banking, macroeconomic variables, financial performance.

INTRODUCTION

Banks are being the most substantial element of the financial system and mediate the people also institutions who are in need of funds to meet the others having exceeding funds. The mediation process of the banks is more than profitability being their fundamental business target. Banks directly contribute to the development and growth of the state's economy by virtue of their function. Therefore; it is suggested that the whole community is benefited by the banks. But overcoming the mentioned processes for the banks is directly related with several factors as external or internal ones. Liquid management also leverage ratio are being the internal factors while macroeconomic indicators such as inflation, budget deficit, industrial production index are the mentioned external ones.

The aim of the study is analyzing the effects of macroeconomic indicators on the financial performances of the banks listed on Istanbul Stock Exchange (BIST). Hence the following inquiries are to be replied:

- Do the macroeconomic indicators have effect on financial performances of the banks?
- If the macroeconomic indicators have effect on financial performances of the banks, what is the direction of the mentioned effect?

For this reason; quarterly data belonged to the 13 banks, operated constantly and listed on BIST for 2005-2017 period, are analyzed within the study.

The financial performances of the banks are quite noteworthy for the countries such as Turkey, which is being evaluated as a developing country within the literature. As financial performances of the

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banks can be affected by internal and external factors, several studies are held relating the effects of macroeconomic variables on the bank's financial performances.

Dağlıdır (2010) investigates the effect of macroeconomic variables on the bank's profitability in Turkey via regression models. While the independent variables of the research are selected as industrial production index, producer price index (PPI) and gross domestic product (GDP), the dependent variable herein is being the interest margin. A significant and negative directional relation is detected between interest margin and producer price index (PPI), due to the results of the study. Any significant relationship is not found between interest margin and gross domestic product (GDP). Besides; a significant and negative directional relation is detected between interest margin and industrial production index (Dağlıdır, 2010: 25).

Elitaş (2010) analyzes the relation between stock earnings and macroeconomic variables. According to results of the impulse response function analyses held; production level and money supply variables have positive responses while exchange rate has a negative response through the stock index. Each response of the stock index through money supply and production level is positive since it is negative through the exchange rate. Besides; reciprocal responses of stock index, interest and inflation rates vary due to the periods (Elitaş, 2010: 4).

Gündoğdu and Aksu (2011) investigate the relationship between macroeconomic indicators and financial performances of the banks. They analyze quarterly data of the deposit banks operating in Turkey by boundary value analysis for 1994-2008 period within the study. While the independent variables of the research are selected as real interest, general price level, budget deficit and industrial production index, the dependent ones are return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE). Due to the results acquired; real interest rate, general price level, budget deficit and industrial production index have effect on the bank's profitability in both short and long terms (Gündoğdu and Aksu, 2011: 243).

Taşkın (2011) investigates the internal and external factors affecting financial performances of the deposit banks operating in Turkey. The data, belonged to all deposit banks operating during 1995-2009 period in Turkey, are analyzed within the research. The independent variables of the study are selected as per capita income, industrial production index, interest rate, inflation rate and 2001 crisis while the dependent ones are return on assets (ROA), return on equity (ROE) and net interest margin. According to the results of the research; financial performance is suggested to be affected mostly by micro variables, however; any significant effect belonged to macroeconomic variables is not detected on financial performance (Taşkın, 2011: 289).

Öztürk (2016) analyzes the data belonged to deposit banks operating in Turkey for 1970-2014 period. Independent variables of the research are macroeconomic indicators such as growth rate of GDP, inflation-consumer price index (CPI) and deposit interest rate. The dependent variables are selected as financial performance indicators as return on assets (ROA), return on capital employed (ROCE) and net interest margin. Due to the results acquired; growth rate of GDP has statistically significant and positive directional relation with return on assets (ROA) and return on capital employed (ROCE). Besides; deposit interest rate and inflation ratios have significant and positive directional relationships with net interest margin while any significant relation is not detected between growth rate of GDP and net interest margin (Öztürk, 2016: 11).

Yalçınkaya et al (2016) investigate the effects of internal and external factors on profitability within Turkish banking sector. Quarterly data of 23 banks are analyzed in the study for 2002-2015 period. The independent variables of the research are consisted of external factors such as growth rate of GDP, lending rate of Turkish Central Bank, currency volatility and political instability while return on assets (ROA) ratio is selected as the dependent variable. Panel data analysis is held within the research and according to the results; political instability, increasing of lending rate and currency volatility affect the performances of the banks in negative manner (Yalçınkaya et al., 2016: 161).

Işık et al. (2017) investigate the internal and external factors affecting the profitability of deposit banks operating in Turkey. They analyze the data belonged to 20 banks for 2006-2014 period within their mutual study. The mentioned period is noteworthy by virtue of including the crisis term. The

independent variables of the research are fundamental macroeconomic indicators hence inflation, economic growth and consumer credit interest rates are included in the analysis. The dependent variable of the research is return on assets (ROA) ratio as financial performance indicator. According to the results acquired; economic growth variable has a significant and positive directional relation with bank's profitability besides any significant relation is not detected between bank's profitability and inflation also interest rates (Işık et al., 2017: 362-368).

METHODOLOGY

The following models and hypotheses are developed to display the relation between macroeconomic variables and financial performance within the framework of the aim and content of the research, therefore; the effect of macroeconomic indicators on financial performances of the banks are tried to be revealed.

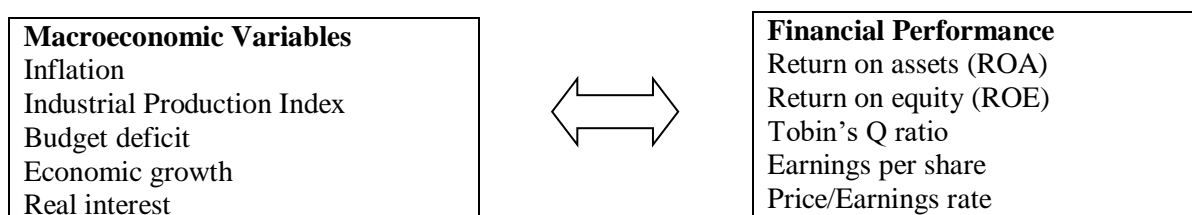


Figure 1. The Model of the Research

The hypotheses to be tested within the research are shown in Table 1:

Table 1. The Hypotheses of the Research

Hypothesis	Explanation
H ₁	Macroeconomic variables have effect on Return on assets rate of the bank.
H ₂	Macroeconomic variables have effect on Return on equity rate of the bank.
H ₃	Macroeconomic variables have effect on Tobin's Q rate.
H ₄	Macroeconomic variables have effect on Earnings per share.
H ₅	Macroeconomic variables have effect on Price/Earnings rate

The variables used in the research are shown in Table 2:

Table 2. The Variables Benefited in the Research

The Variables Benefited in the Research	
Independent Variables	Dependent Variables
Inflation	Return on assets (ROA)
Industrial Production Index	Return on equity (ROE)
Budget Deficit	Tobin's Q ratio
Economic Growth	Earnings per share
Real Interest	Price/Earnings rate

Return on assets (ROA) ratio is calculated by dividing net profit value to total assets within the research. Besides; Return on Equity (ROE) ratio is obtained by dividing net profit to total equity value. Additionally; Tobin's Q rate is measured by comparing market price of the bank to the book value. Earnings per share value is calculated by dividing net profit to the number of shares. Eventually; Price/Earnings ratio is acquired by comparing the Year-end market price to Net Profit for the Period/Number of Shares value.

The financial performance indicators representing the dependent variables are formed by the quarterly data set of the 13 banks operating in BIST for 2005-2017 period. Regression analyses are held to analyze the relations between the variables.

FINDINGS

According to the regression models estimated; any statistically significant relationship is not detected between inflation (as one of the macroeconomic variables) and profitability rates of the bank. A significant and positive directional relation is found between industrial production index and financial performance indicators. While any significant relationship is not detected between budget deficit and financial performance indicators, a statistically significant and positive directional relation is found between economic growth and profitability. Furthermore; any statistically significant relationship is not detected between real interest rate and financial performance indicators.

RESULTS

The studies analyzing the relation between macroeconomic variables and financial performance vary due to the variables they have benefited. Some of them investigate the effect of several macroeconomic variables on merely profitability ratio. Besides; there are other studies analyzing only one macroeconomic variable's effect on several financial performance indicators. In this study; the effect of 5 macroeconomic variables on 5 financial performance indicators are analyzed. Having more than one dependent and independent variables is substantial to have significant and detailed results, in this framework. In the context of Turkey; macroeconomic indicators are suggested to be uncertain for years and owing to revealing its effect on the bank's financial performance, our study contributes to the literature. Having particularly a stable and also sustainable economic growth within the context of Turkey can affect the profitability rates of the banks in positive manner and enable the banks to perform their intermediary functions more effectively.

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THE IMPACT OF CONSUMERS' MOBILE BANKING SERVICE EXPERIENCE ON COMMITMENT: A RESEARCH ON YOUNG CONSUMERS

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Abstract: *The spread of mobile devices after the 2000s led banks to develop mobile banking applications. In addition to acquiring the customer, learning the customer experiences of mobile banking applications that have an impact on customer commitment is very important for the sustainable competitiveness of banks. Therefore, the aim of this study is to determine the effect of mobile banking experience on customer commitment towards mobile banking service provider. Research data were collected through face-to-face surveys from university students. The data were analyzed by confirmatory factor analysis, and then the effect of mobile experience on the commitment was evaluated by Structural Equation Modeling. It has been found that cognitive, negative affective and behavioral experience aspects of mobile banking are effective in the loyalty of young consumers to banks. According to the result of the research, consumers' cognitive experiences have a significant effect on commitment to mobile banking applications. Positive affective/sensory and social experiences had no effect on commitment. Research results show that banks should consider the cognitive, negative affective and behavioral experiences of young consumers while developing and updating mobile banking applications.*

Keywords: *Mobile Banking, Mobile Banking Services, Customer Experience, Commitment, Young Consumers*

INTRODUCTION

As banks worldwide are trying to keep their customers as committed as possible, they are considering novel technologies like mobile banking as a way of satisfying the increasing demand for banking services (Baabdullah et al., 2019: 45). Barnes and Corbit (2003: 3) defined mobile banking as a channel which consumers through the use of mobile phones and personal digital assistant (PDA) interact with a bank. Since the use of PDAs is not very common, we will focus on the use of smartphones and tablets as the method of channel (mobile bank) connection. Mobile banking is found to be an effective tool for banks for establishing and strengthening their relationship with customers (Riquelme and Rios, 2010: 329). This study aims to investigate the relationship between the customers' mobile experience while they are using their mobile banking service provider's application on customer commitment.

In the rest of the study, firstly the literature on the mobile experience with its five dimensions (cognitive, affective (negative), affective (positive)/sensory, behavioral, social) and commitment are examined. After that, the model and hypotheses of the research are determined. Then, the methodology of the research and the results of the analyses are evaluated. In the conclusion section, the

findings of the research are evaluated in terms of theoretical and practical aspects and suggestions for future researches are presented.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

Commitment is an important concept for firms. Commitment has been defined as "an enduring desire to maintain a valued relationship" (Moorman et al., 1992:316). Iglesias et al. (2011: 578) studied the direct and indirect effects of brand experience on brand loyalty, and they found that in the three product categories (cars, laptops, sneakers), the affective commitment was the full mediator in the relationship between brand experience and brand loyalty. Similarly, Xie et al. (2017: 273) examined the mediation role of brand relationship quality in the relationship between brand experience and customer citizenship behavior. They discussed the effects of four dimensions of brand experience as intellectual, affective, sensory and behavioral on customer citizenship behavior and revealed the mediating effect of brand relationship quality in this relationship. Brakus et al. (2009: 63) stated that the brand experience has four basic dimensions: intellectual, affective, sensory and behavioral. Reliability and validity of the brand experience scale differ from other brand scales including brand evaluations, brand involvement, brand attachment, customer delight, and brand personality. Also, brand experience affects consumer satisfaction and loyalty directly and indirectly through brand personality associations (Brakus et al., 2009: 65).

Martin et al. (2015: 88) showed the effects of antecedents of consumers' cognitive and affective experiential situations on online shopping satisfaction and repurchase intention. Aesthetics, ease of use, customization, perceived benefits, and connectedness have been found to be important antecedents. Bauer et al. (2002: 159) investigated the effects of internet characteristics on satisfaction, commitment and trust in terms of relationship management. As a result of the study, the effects of trust on commitment, satisfaction on commitment and satisfaction on trust were put forward. It has also been shown that satisfaction has a positive effect on trust and has a greater effect on commitment than trust. In their study, Cyr et al. (2007: 51) found that loyalty in business-to-consumer e-services was affected by perceived usefulness, trust, enjoyment as well as perceived social presence. They put forward that perceived social presence not only influence e-loyalty directly but also has an indirect impact by positively influencing its antecedents (i.e., perceived usefulness, trust, and enjoyment). Berraies et al. (2017: 1030) studied the relationship among perceived values of mobile banking applications and trust, satisfaction and loyalty and the moderating role of customers' age on this relationship. They found that customers' perceived emotions positively impact trust which in turn affect customers' satisfaction and customers' loyalty. In their meta-analytic study on the antecedents and mediators of relationship marketing Palmatier et al. (2006: 142) showed that conflict, as a negative influencer, has the largest effect on relationship marketing. Balaji et al. (2017: 971) investigated how customers' emotions affect customer satisfaction, re-purchase intention and behavioral responses such as negative mouth-to-mouth communication in service failure context. As a result of the study, it was found that positive and negative emotions mediated the relationship between perceived injustice and customer satisfaction, and the emotion regulation of customers through suppression and reappraisal influenced the effects of satisfaction on both negative word-of-mouth and repurchase intentions. In his study on consumer engagement in co-creation Etgar (2008: 99) developed a model of consumer involvement in co-production and argued that co-production can reduce perceived uncertainty, improve customers' satisfaction.

Based on the literature above, we hypothesize the following:

H₁: *Cognitive experience positively affects the commitment of consumers using mobile banking.*

H₂: *Negative affective experience negatively affects the commitment of consumers using mobile banking.*

H₃: *Positive affective/sensory experience positively affects the commitment of consumers using mobile banking.*

H₄: *Behavioral experience positively affects the commitment of consumers using mobile banking.*

H₅: *Social experience positively affects the commitment of consumers using mobile banking.*

RESEARCH METHODOLOGY

The aim of this research is to determine the effects of mobile banking experiences on customer commitment towards mobile banking service provider. The study was carried out on the university students of Bursa Uludag University in Bursa. In the study, the convenience sampling method was used. The data were collected between 25-28 February 2019 by using face to face questionnaire method. As a result of the research, 252 questionnaires were collected. Data were analyzed using IBM SPSS 23 and Smart PLS package program.

The questionnaire used in the research consists of two parts. In the first part, there are scale items about commitment and mobile banking experiences which consists of five dimensions; cognitive, negative affective, positive affective/sensory, behavioral and social. Both commitment and mobile banking experience scales (28 items in total) were adopted from Rajaobelina et al. (2018: 147). These questions were evaluated with 5-point Likert scale (1: Strongly disagree, 2: Disagree, 3: Undecided, 4: Agree, 5: Strongly Agree). In the second part, there are questions about the demographic characteristics of the participants (four questions).

Research Model

The model of the research is based on the variables used in the research as a result of the literature review. The models and hypotheses proposed in accordance with the aim of the research are shown below.

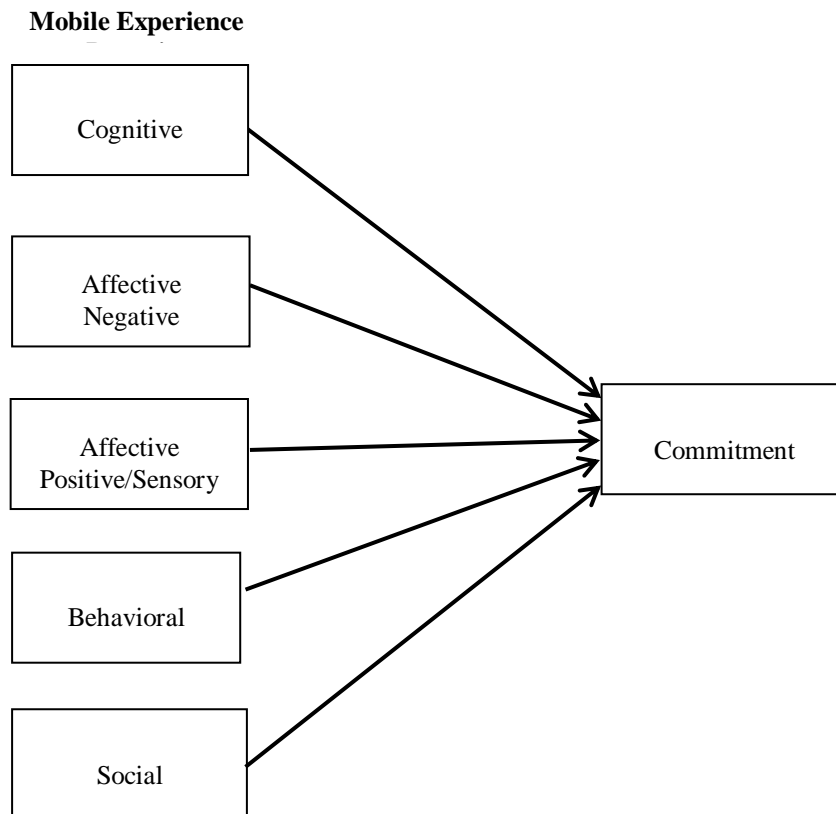


Figure 1: Research Model

Validity and Reliability Analysis of Scales

Before the analysis of the research model, the validity and reliability analysis of the structures included in the research were carried out. Within the scope of validity and reliability analysis; internal consistency reliability, convergent validity, and discriminant validity were evaluated. For internal consistency reliability, Cronbach's Alpha and Composite Reliability (CR) values were examined. The

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average variance extracted (AVE) values were used in the analysis of the convergent validity. Factor loadings, Cronbach's Alpha and Composite Reliability values are expected to be greater than 0.70, and AVE value is expected to be over 0.50 (Hair et al., 2014: 618; Fornell and Larcker, 1981: 46). Table 1 below shows the results of the reliability and convergent validity analysis of the structures included in the study.

Table 1. Results of the Measurement Model

Construct	Items	Factor Loadings	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Cognitive	Cognitive 1	0,8206	0,8449	0,8821	0,6017
	Cognitive 2	0,8857			
	Cognitive 3	0,7785			
	Cognitive 4	0,6969			
	Cognitive 5	0,6776			
Affective (Negative)	Affective (N) 1	0,8544	0,7488	0,8506	0,6562
	Affective (N) 2	0,8450			
	Affective (N) 3	0,7242			
Affective Positive/Sensory	Affective (P) 1	0,7816	0,6881	0,8056	0,5096
	Affective (P) 2	0,6905			
	Affective (P) 4	0,6932			
	Affective (P) 5	0,6856			
Behavioral	Behavioral 1	0,8288	0,7579	0,8591	0,6704
	Behavioral 2	0,8363			
	Behavioral 3	0,7905			
Social	Social 1	0,6928	0,8084	0,8668	0,5661
	Social 2	0,7815			
	Social 3	0,7934			
	Social 4	0,7639			
	Social 5	0,7260			
Commitment	Commitment 1	0,7869	0,7585	0,8471	0,5819
	Commitment 2	0,8337			
	Commitment 3	0,7302			
	Commitment 4	0,6928			

The Cronbach's Alpha values of the structures are between 0,688 and 0,884, and the CR values are between 0,806 and 0,882. Hence, it can be said that reliability is confirmed. When Table 1 is examined, it is seen that the factor loadings are between 0.678 and 0.886. It is seen that the factor loadings are higher than the threshold values. Since the AVE values are between 0,510 and 0,670, it can be stated that the convergent validity is assured.

In the analysis of the discriminant validity, the HTMT criteria (Henseler et al., 2015: 121) and Fornell and Larcker (1981: 46) criteria were used. Table 2 shows the results of the analysis performed according to Fornell and Larcker (1981: 46) criteria. According to the Fornell and Larcker (1981: 47) criteria, the square roots of the AVE values should be higher than the correlations between the structures in the research. When the values in Table 2 are examined, it is seen that for each structure the square root of the explained average variance is higher than the correlation with other structures.

According to the Henseler et al. (2015: 121)'s criterion, HTMT (Heterotrait-Monotrait Ratio) refers to the ratios of the mean of correlations of the expressions of all variables in the research to the geometric

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means of the correlations of the expressions of the same variables. The authors stated that the HTMT value should be less than 0.85. Table 2 shows the HTMT values. When the values in Table 2 are examined, it is seen that HTMT values are below the threshold value. Based on the findings in Table 2, it can be stated that the discriminant validity is achieved.

Table 2. Results of the Discriminant Validity

<i>Fornell – Larckell Criterion</i>						
	Affective Negative	Affective Positive/Sensory	Behavioral	Cognitive	Commitment	Social
Affective Negative	0,8101					
Affective Positive/Sensory	-0,0142	0,7138				
Behavioral	0,0245	0,3538	0,8188			
Cognitive	0,0415	0,4450	0,4855	0,7757		
Commitment	-0,1557	0,2451	0,3703	0,4229	0,7628	
Social	0,0366	0,4807	0,5010	0,4831	0,2860	0,7524
<i>HTMT Criterion</i>						
	Affective Negative	Affective Positive/Sensory	Behavioral	Cognitive	Commitment	Social
Affective Negative						
Affective Positive/Sensory	0,1408					
Behavioral	0,0980	0,4841				
Cognitive	0,1317	0,5979	0,5962			
Commitment	0,2252	0,3135	0,4743	0,4688		
Social	0,0779	0,6490	0,6326	0,5818	0,3595	

Note: The bolded values in the table are the square roots of the AVE values.

FINDINGS

Demographic Characteristics of Participants

In the analysis of the research data, firstly, frequency analysis is performed to determine the demographic characteristics of the participants. When the data are examined, it is found that the majority of the participants are female (65,5%) and between 20-21 years old (48.8%). In terms of marital status, it is seen that the majority of the participants are single (98,8%). More than half of the participants (59,5%) have a monthly income of 999 Turkish Liras or less. The data on the demographic characteristics of the participants can be seen in Appendix I.

Testing of the Research Model and Results

The structural equation model proposed to test the hypothesis of research is shown in Figure 2.

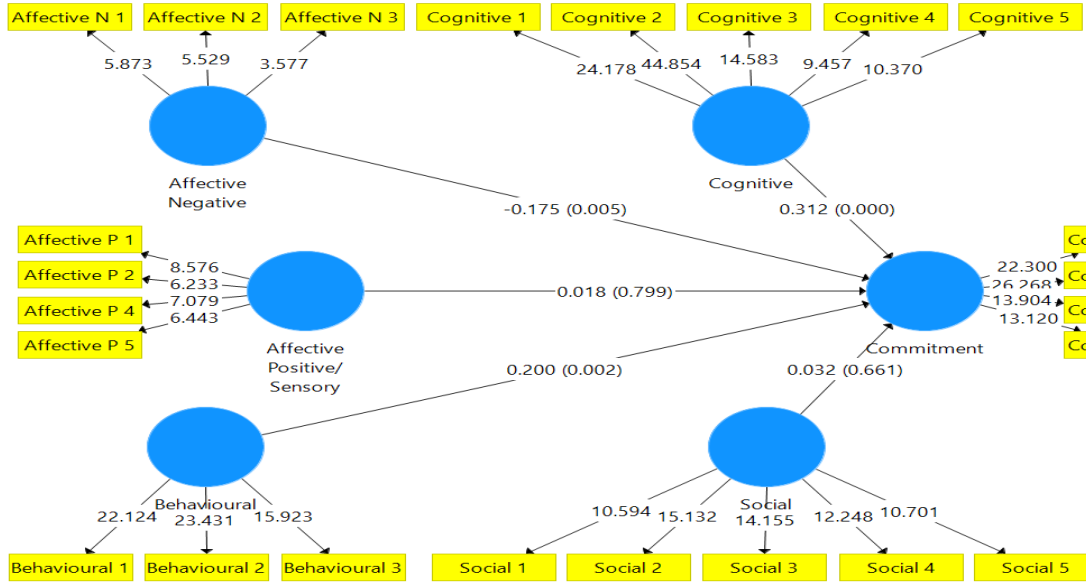


Figure 2: Results of the Structural Equation Modeling (PLS-SEM)

Partial least-squares path analysis (PLS-SEM) was used to analyze the research model. PLS-SEM, which uses nonparametric statistical methodologies based on PLS algorithm, can be used with minimum demands regarding measurement scales, sample sizes (Monecke and Leisch, 2012:1). Moreover, PLS-SEM does not demand a normal distribution of data (Hair et al., 2011: 144). Therefore, the analysis in this study was performed by using PLS-SEM mainly because of the lower demand in sample size and its other advantages. Data were analyzed using the SmartPLS 3.2.8 statistical program (Ringle et al., 2015). PLS algorithm was used for calculating linearity, path coefficients, R^2 and effect magnitude (f^2) of the research model. To evaluate the significance of PLS path coefficients, t-values were calculated by sampling 5000 sub-samples from the original sample via bootstrapping. The results of the research model are given in Table 3. The data on the descriptive statistics are shown in Appendix II.

Table 3. Coefficients of the Research Model

Hypotheses	Paths	Standardized Beta Coefficients	Standard Deviation	T Statistics	P Values	R^2	f^2	VIF	Result
H1	Cognitive -> Commitment	0,3115	0,0633	4,9209	0,0000	0,247	0,0833	1,5484	Accepted
H2	Affective Negative -> Commitment	-0,1752	0,0627	2,7939	0,0052		0,0406	1,0041	Accepted
H3	Affective Positive/Sensory -> Commitment	0,0185	0,0725	0,2545	0,7991		0,0003	1,4171	Rejected
H4	Behavioral -> Commitment	0,2000	0,0648	3,0879	0,0020		0,0356	1,4955	Accepted
H5	Social -> Commitment	0,0325	0,0739	0,4391	0,6606		0,0009	1,6337	Rejected

When the VIF (Variance Inflation Factor) values between the variables are examined, it is understood that there is no linearity problem between the variables because the values are below the threshold value of 5. The data analysis put forward a positive and significant relationship between mobile experience and commitment. The results show that both cognitive experience ($\beta= 0,312$; $p<0,05$); and behavioral experience ($\beta=0,200$; $p<0,05$) positively impacts commitment. Furthermore, findings show

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that negative affective experience has a negative impact on commitment ($\beta = -0,175$; $p < 0,05$). On the other hand, the positive affective/sensory experience ($\beta = 0,019$; $p > 0,05$) and the social experience ($\beta = 0,033$; $p > 0,05$), do not have a significant effect on commitment. H1, H2, and H4 are thus accepted. H3 and H5 are rejected. When the obtained R^2 value of the model is examined, 25% of the commitment is explained. When the effect size coefficients (f^2) is examined, it is seen that the cognitive experience, negative affective experience, and behavioral experience has low effect size, while positive affective/sensory experience and social experience have no effect on commitment.

CONCLUSION

As a result of this study in which the effects of mobile banking experiences of consumers on the commitment were investigated, cognitive and behavioral experiences were found to have a positive, and negative affective experiences to have negative effect on customer commitment. For a good experience, business managers should seek to provide customer-focused services that increase the positive emotions of customers. The positive relationship between customers and businesses depends on increasing the quality of the relationship between customer and brand, and providing unique experiences to customers. Therefore, trust, satisfaction, emotional intimacy and commitment should take place in marketing campaigns in order to increase the brand relationship quality. In addition, providing new information and skills, and entertainment services should be offered for mobile banking services. Businesses should be encouraged to take positive feedback from customers and to reward consumers who contribute to the development of their services (Xie et al., 2017: 277).

Businesses should try to determine the different needs of consumers according to their operations (Martin, et al, 2015: 92). Giving training focused on empathy communication to employees, increasing their active listening skills and improving their conflict resolution skills can lead to the development of more positive feelings of customers in cases of service failure (Balaji, 2017: 975). In addition, as Cyr et al. (2007: 51) reported in their study, the high level of social presence in businesses' websites or applications will lead to a high level of trust. If businesses can manage customer satisfaction better, this will also increase customers' trust and commitment. In this sense, customer commitment will be positively affected by customer satisfaction and personalized services. Engineering factors also have an impact on commitment; businesses can be more successful by using a simple interface and transferring customer-focused information (Bauer et al., 2002: 160).

As in many studies, this study has some limitations. One of these limitations is the fact that the study is carried out on the student sample. Another limitation is using the convenience sampling method. These two reasons limit the generalization of the results of the study. In this sense, this subject can be studied in different dimensions with different samples and with larger sample sizes.

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APPENDIX I: Demographic Characteristics of Participants

Characteristics		f	%
Gender	Female	165	65,5
	Male	87	34,5
Age	18	6	2,4
	19	27	10,7
	20	63	25,0
	21	60	23,8
	22	40	15,9
	23	33	13,1
	24 years and older	23	9,1
Marital status	Single	249	98,8
	Married	3	1,2
Income (Turkish Lira)	999 or less	150	59,5
	1001 – 1500	66	26,2
	1501– 2500	26	10,3
	2501– 3500	6	2,4
	3501 and above	4	1,6
	No	47	30,5
Total		252	100

APPENDIX II: Result of the Descriptive Statistics

Construct	Statement	Mean	Std. Deviation
Cognitive	I have the impression that I am learning something	3,56	1,105
	My curiosity is stimulated	3,22	1,102
	I engage in a thinking process	3,05	1,068
	My creativity (new accomplishments or ideas) is stimulated	2,83	1,102
	My attention is captivated	2,96	1,042
Affective (Negative)	I sometimes feel disappointed	2,82	1,091
	I sometimes feel angry	2,57	1,167
	I sometimes get bored	2,73	1,149
	I sometimes get impatient	3,00	1,138
Affective Positive/ Sensory	I sometimes feel happy	3,32	1,038
	I sometimes feel entertained	2,85	1,085
	I sometimes get enchanted	2,33	1,033
	My senses are involved	2,83	1,045
	My visual sense is stimulated	3,28	1,091
	My sense of hearing is stimulated	2,57	1,017
	My sense of touch is stimulated	2,90	1,151
Behavioral	I tend to conduct more bank transactions than planned	3,15	1,152
	I tend to search for information about new products and services	3,20	1,111

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Construct	Statement	Mean	Std. Deviation
	I tend to compare the financial institution's products or services	3,37	1,124
Social	I enjoy a pleasant social experience	3,46	1,094
	I feel that I am a part of a community	3,37	1,042
	I identify myself with the other customers	3,07	1,075
	I develop relationships with the staff	2,92	1,161
	I socialize	2,91	1,165
Commitment	I am very committed to my relationship with this financial institution	3,46	,983
	The relationship with the financial institution is something I intend to maintain for a long time	3,75	,972
	I put efforts into maintaining this relationship for a long time	3,40	1,019
	I am attached to this financial institution's mobile banking	3,95	1,040

**AN EVALUATION ON REGULATIONS AND
ENVIRONMENTAL ACCOUNTING PROVIDED BY LAW
7153**

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Abstract: *Ecological changes in the natural environment such as natural disaster, global warming, drought, air pollution etc. which people consume and Human consume when producing have caused sensitivity about the environment. The global impact of the ecological changes which are seen gradually by expanding industrialization has led to a change in the degree of sensitivity and especially to reach the global level as a result of the efforts of the country administrations to create prevention and awareness. Beginning by the 1970s in the United States (US), efforts of showing the accounts related to environment under the the accounting system and 11.29.2018 in Turkey in 7153 numbered Environmental Law and regulations introduced by the Law Amending Certain Laws are considered in this context. In this study, the concepts related to Environmental Accounting were examined and an evaluation was made on the Traditional Accounting and Environmental Accounting practice about the regulations introduced by Law No. 7153.*

Keywords: *Environmental Accounting, Environment and Accounting, Environmental law*

**THE EFFECT OF SERVICE QUALITY RECEIVED FROM
MEMBERS OF ACCOUNTING PROFESSION ON
CONSUMER SATISFACTION: SAMPLING OF GUMUSHANE
PROVINCE**

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Abstract: *The main purpose of this study is to determine the effect of service quality on consumer satisfaction. In accordance with this model has been developed and tested. Five hypotheses have been generated to test the model and a questionnaire has been carried out on 205 firms in city of Gumushane. Structural equation model has been used to test the hypotheses generated. According to the companies included in the scope of the research, it can be said that the quality of service received from professional accountants positively affects customer satisfaction. In addition, it can be said that the tangible which is sub-dimensions of service quality has the greatest effect on customer satisfaction.*

Keywords: *Service Quality, Customer Satisfaction, Members of Accounting Profession, Structural Equation Model.*

TESTING THE IMPACT OF INTELLECTUAL CAPITAL ON COMPANY VALUE THROUGH THE OHLSON AND VAIC MODELS: AN APPLICATION ON BIST 100*

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Abstract: Changes in the field of information and communication technologies have been transforming the present ecosystem since the 2000s. Consequently, the impact of company's tangible assets (physical + financial capital) on company's market value has started to decrease, while the impact of intangible assets (intellectual capital), which provide a prognosis about the company's future success, has started to increase. Along with this transformation in business ecosystem, active investors in capital markets have evolved from a traditional perspective that merely bases on tangible capital intensity to a new one that also considers the intellectual capital of the company for its valuation.

The objective of this study from this viewpoint is to investigate the impact of intellectual capital on company value through traditional valuation metrics used in value relevance. To reach this goal, the study applies the 'Ohlson model' developed by James A. Ohlson in 1995 as a value relevance model and the 'Value Added Intellectual Coefficient (VAIC) model' developed by Ante Pulic in 2004 in combination. Sample data from 79 companies (632 observations) within the BIST 100 index that have uninterruptedly operated in the Istanbul stock exchange between the years 2010-2018 were analyzed by the panel data analysis method. The model revealed heteroscedasticity, autocorrelation and cross-sectional correlation. Results were estimated by the Driscoll-Kraay Standard Errors Resistant Estimator.

According to the results, the Ohlson's models variables, book value per share and earnings per share, positively, statistically and significantly affect company value. Secondly, one of the subcomponents of the VAIC model, capital employed efficiency, has a positive effect on the company value, while another one, human capital efficiency, has a negative effect on it. In addition to these, a statistically significant relation has not been observed between company value and another variable of the VAIC model that is structural capital efficiency.

Keywords: Intellectual Capital, Ohlson Model, VAIC Model, Value Relevance

* This study bases on a Master's Thesis completed by Cengiz Kalyoncu at Yalova University, Institute of Social Sciences, Department of Business Administration.

PROBLEMS AND SOLUTION PROPOSALS TO PARTIAL DIVISION PROCESSES OF COMPANIES

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Abstract: *The regulations on partial division are regulated by Articles 159 to 179 of the Turkish Commercial Code (TCC) and Articles 19 and 20 of the Corporate Tax Code (CTC). In art. 20/3 of CTC, it is clearly stated that partial division procedures will not be taxed. However, in the rules given by the tax administration, it was accepted that partial division procedures that led to capital reduction should be taxed. The retrospective application of this view led to serious problems and made the partial division process meaningless. Since there is no increase in the withdrawal and the assets of the partners from the transfer or operation of the companies from the capital account of the companies dividing and taking over in the partial division process, there is no need to be taxed considering the actual economic nature of this transaction. For the effective use of the partial division process by the requirements of economic life, legal arrangements should be made to eliminate the doubts and expand the scope.*

Keywords: *Corporation tax, Partial division, Capital reduction, Solution proposals*

INTRODUCTION

In addition to the normal activities of capital companies; sometimes merging or transferring, and sometimes the reduction may be on the agenda because of economic and financial problems. Companies; can apply to the division process to reduce costs and increase profitability, get rid of their cumbersome structures, specialize and compete at the international level by separating many services or production activities carried out within the same company.

Although all assets are subject to partial division according to TCC, the assets that can be subject to partial division in CTC are kept more narrowly. It was stated in the CTC that the partial division procedures carried out by the law would not be taxed, and the partial division process has been accepted as a kind of tax deferral facility.

But with the rules given on various dates, practices are carried out to tax the partial division process in contravention of the law and its purpose.

In this study, first the legal and administrative regulations related to the partial division process will be mentioned, then the problems experienced in the application will be evaluated, and suggestions for the solution of these problems will be presented.

LAW REGULATIONS REGARDING THE PARTIAL DIVISION PROCESS

The partial division is regulated in Article 159/1-b of the TCC, allowing all assets in the companies to be subject to partial division (Şeker, 2017: 74). The partial division in terms of tax legislation is included in articles 19 and 20 of the CTC. In the article19/3-b of the CTC, the transfer of the assets in the balance sheet of the company to the existing or newly established capital company based on the registered values of the participation and production enterprises with at least two full years remaining

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in the asset and the capital of the production and service enterprises are accepted as part of the partial division.

The shares of the acquirer against the assets transferred in the partial division may be held in the transferor company or directly to the shareholders of this company. Also, in the article 20/3 of the CTC, it is clearly stated that the profits arising from the partial division transactions by the provisions of this Law will not be calculated and taxed. Thus, a partial division process is essentially a tax deferment (Ankara YMM Odası, 2017: 3).

ADMINISTRATIVE ARRANGEMENTS RELATED TO PARTIAL DIVISION PROCESS

In the General Communiqué No: 1 of CTC, the statutory regulation on partial division was repeated. Then, the shares of the assets and subsidiary shares were transferred in accordance with art. 19/3-b of the CTC in the period when the shares of the acquirer are given to the shareholders of the transferring company, the transfer of the debts related to the transferred assets and participation shares is also compulsory. In the same Communiqué, it is explained that the partial exemption of the profits will not be considered as a withdrawal from the company (1 Nolu KVK GT: part 5.6.2.3.3).

Until 24.09.2013, in the Revenue Administration related to the partial division process; In the case of reduction of the capital of the company that was transferred as a result of the partial division and the revaluation value increase fund that was previously added to the capital; In the capital increase to be made in the acquired company, it is stated that the inflation adjustment difference accounts and revaluation value increase fund shall be included in the capital as a part of the capital and this transaction shall not be considered as a traction and shall not be subject to tax (İzmir VDB 20.07.2012 dated rules; BMVDB 23.07.2013 dated rules).

However, on 24.09.2013, the revenue administration changed the opinion, and it was stated that the capital reduction to be made due to the partial division process was accepted as traction from the company and should be taxed (BMVDB 23.09.2013 dated rules).

PROBLEMS RELATED TO THE PARTIAL DIVISION PROCESS

A. The Problem of Retrospective Application of Rules Related to Partial Division Process

One of the problems encountered with the partial division process is the retrospective application of the rules related to the partial division. As a requirement of the rule of law, the law should not go backward to ensure the security of law. The Constitutional Court in its individual application decisions, it accepts that the right to property has been violated when the transaction is violated with the criteria of certainty and predictability of taxation (AYM, 2013/3245: § 44). Legal security requires rules to be foreseeable, individuals trust in the state in all their actions and operations, and the state should refrain from methods that undermine this sense of security in legal arrangements (AYM, 2013/849: § 34). Therefore, it would not be fair to expect individuals to fold into the consequences of the effective interpretation of the interpretation of the taxation process (AYM, 2014/6192: § 50). Before the change of opinion of the Revenue Administration, the retrospective application of the rules for the partial division procedures carried out by the companies was against the Constitution and Tax Procedures Law.

B. The problem of Not Taking the Real Economic Nature of the Partial Division Process

Turkish tax law contains rules that provide the real nature of the event with material and concrete evidence and thus provide tax justice (VUK md. 3/B). Therefore, the rules on taxation are not intended to be based on assumption or opinion, but are intended to investigate the real nature of tax event (Dnş. 9. D., E:2014/3641, K:2016/2871). In the partial division process, the Capital Account and the assets must be transferred together with active regulatory accounts and with the sub-accounts. In this case, an increase occurs in the capital of the acquiring company as well as the decrease in the capital of the transferred company. This is a natural result of the partial division process in the form of an

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“independent company model”. Regardless of the actual nature of this result, the capital reduction process in the transferred company is considered as traction from the enterprise, and this is contrary to the actual economic nature of the event (Dnş. 9. D., E:2008/2926, K:2009/3161).

C. The Problem of Failure of Accounting Records

The accounting records related to the partial division shall be in accordance with the Uniform Chart of Accounts, General Communiqué on Accounting Application No 1 and the partial division procedure in the CTC. This Communiqué gives preference to the use of sub-accounts in monitoring the details of the main accounts according to the needs of the enterprises. For this reason, companies generally do not use sub accounts.

However, article 19 of the CTC requires that the partial division shall be monitored in detail with the sub-accounts of the divisional and acquiring companies. To demonstrate the true nature of the partial division and to follow the process correctly, the accounting record should be made as follows:

-----30.09.2016-----

500-Capital	800.000,00
500.01-Cash Capital	
500.02- Capital in Kind	
500.03-Revaluation Value Increase Fund	
500.04-Extraordinary Reserves	
500.05-Capital Account Inflation Adjustment Positive Differences	
500.06-Previous Year Profits	
257-Accumulated Depreciation (-)	200.000,00
257-03 Buildings	
252-Buildings	1.000.000,00
252.01.Building003	
252.01.Building004	

Explanation: Fall of the Factory Building as a Result of Partial Division

D. The Problem of Traction or Transition of Capital from the Capital Account

As a result of the partial division, the issuance of the company shares by the company shareholders does not cause any change in the assets of the shareholders but results in a capital decrease in terms of the transferring company. During this period, the assets are transferred together with their book values and regulatory accounts. Therefore, these assets remain an element of capital in the books and accounts of the acquiring company, and the tax is deferred until the disposal of these assets.

By the conditions outlined in the law, the transfer of the assets of the entity to a new company or an existing company by partial division cannot be considered as a withdrawal from the enterprise as the gain arising from the sale of these values is postponed until the disposal of the acquirer. Therefore, it is not lawful to comment that inflation positive differences, which are the sub-components of the capital or the exception of the participation of associates, have been withdrawn from the entity (İstanbul 10. VM, E:2013/2736, K:2014/1187).

E. The Problem of Increasing the Assets of the Company Partners due to Partial Division Process

In order to be able to talk about the traction from the company, an amount that is withdrawn from the enterprise and an increase in the assets of the partners. There is no change in the value of the shares for

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the partners in the partial division process. The share of the partners in the divided company is the same as the shares of the acquiring company.

According to the decisions of the Council of State, to apply withholding tax because resources are transferred out of the enterprise, these amounts must be distributed to the shareholders. For this reason, without research and determination that the sources are allegedly withdrawn from the company were not distributed to the shareholders or transferred to other accounts, only the sources of the resources that are distributed to the partners are not legally established (Dnş. 4. D.: E: 2004/391, K: 2004/2635).

CONCLUSION AND RECOMMENDATIONS

In the article 20/3 of the CTC, it is stated clearly that the profits arising from the partial division transactions in accordance with the provisions of this Law shall not be calculated and taxed.

However, the Revenue Administration has started to introduce new conditions with the rules, which are not in the law related to the partial division process, and to impose taxes and penalties on those who do not comply with them. As a result, the following problems have been experienced in the partial division process over time:

- The rules related to the partial division process have started to be applied to the past as a violation of the Constitution and the Law.
- If the partial division by the requirements of the TCC and the CTC, the decrease in the capital of the divided company is considered to be the withdrawal from the enterprise, contrary to the actual economic nature of the transaction.
- In the partial division, the asset is transferred from the dividing company, and the capital decrease is made. For this reason, the evaluation of the transfer of the company's assets through partial division as traction from the enterprise is against the article 19/3-b of the CTC.
- It is assumed that resources are transferred out of the operation in the partial division process and even if no profit share is obtained by the partners, practices such as the application of income tax withholding according to article 94 of the PTC are deprived of legal basis.

In order to overcome the problems in the partial division, it is necessary to make the following regulations:

- The division of commercial enterprises should be allowed by extending the scope of the partial division.
- Company integrity should be tailored to real life (brand, royalties, etc.).
- Each share should be considered as a separate entity in the division of subsidiaries.
- The immovable property shall be divided independently of the entity in which they are part.
- The problem with inflation adjustment positive differences should be solved in a fair manner.

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REFLECTIONS OF IFRS AND TRANSLATION LOSS: THE CASE OF TURKCELL

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Abstract: *This study examines the possible reflections of translation differences based on the financial statements that prepared in accordance with TFRS, which is a literal translation of IFRS and IFRS. Majority of the literature about translation and accounting concerns regulations, and there has been a few on the reflection of these on annual reports presented in more than one languages. A company which prepares financial statements in two languages has been chosen for case study analysis to gain insight. We selected Turkcell Group since they are the first and only company in Turkey that trades on both New York Stock Exchange (NYSE) and Borsa İstanbul (Istanbul Stock Exchange). Turkcell prepares its financial statements in both languages. SEC's rule in 2007 to accept financial statements prepared in accordance with IFRS without reconciling them to U.S. GAAP, we focused on the period of 2008 to 2013. As a pilot study, content analysis revealed that there is a significant difference between two financial statements.*

Keywords: *Accounting standards, translation, IFRS, content analysis*

SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE: EVIDENCE FROM BORSA ISTANBUL

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Abstract: *The main objective of this study is to investigate whether corporate sustainability performance (CSP) has an impact on corporate financial performance (CFP). It is also examined how the firms' size and profitability affect the association between CSP and CFP. Towards this end, we analyze the data of listed firms in Borsa Istanbul (BI) for the period of Q1 2014 – Q3 2018. Results show that CSP, which is proxied by the membership of BIST Sustainability Index, has an impact on CFP, which is proxied by share prices. The firms never included in the BIST SI during the entire period of the sample have lower share prices and this finding is valid even if the firm is small or large, profitable or not.*

Keywords: *Corporate Sustainability Performance, Corporate Financial Performance, Value Relevance, BIST Sustainability Index*

ANALYZING CASH FLOW PROFILES OF OPERATING TOURISM COMPANIES IN BIST USING THE CASH FLOW PATTERNS METHOD

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Abstract: Tourism sector has an important position to develop countries on local basis and global basis due to both its contribution to macro economy and also positive effect on employment. For this reason, evaluating of tourism companies' fiscal performances is quite important for both decision makers in firm and also for information users out from firm. As for indicators which are basic for evaluation of fiscal performances, are the financial information.

Cash Flow Statement which presents important information regarding cash generation power of firm and cash consumptions is a vital financial information source for financial statement users. Economic decisions made by users require to be evaluated of cash and like cash generation power of firm and timing of cash generations and their preciseness. "The Cash Flow Patterns Method" is one of the analysis methods used in this evaluation. In "The Cash Flow Patterns Method" evaluations on cash presence and companies are carried out by analyzing cash profiles according to whether net cash flow is positive or negative related with three major components which are Operating Activities, Investing Activities and Financing Activities belonging to Cash Flow Statement of company.

In this study, direction of three major compenents of Cash Statements transacted in Borsa Istanbul XTRZM index, having uninterrupted data which comprises quarter period in 2012 – 2016 belonging to 10 tourism companies and regulated in accordance with IAS 7 has been analysed according to " The Cash Flow Patterns Method ". Within this scope, yearly 120 and also 600 observations during analysis period have been done. According to research results, it has been determined that analyzed tourism companies intensify on Pattern 2: Successful Firm, Pattern 4: Growing Firm and Pattern 6: Young Firm profiles based on Turkey.

Keywords: Cash flow statement, Cash flow patterns method, Cash flow profile, IAS 7

CASH FLOW RATIO ANALYSIS: THE CASE OF TURKEY

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Abstract: *Cash flow-based ratios are better indicator than other primary financial statements when it comes to liquidity. Cash flow ratio analysis can also be helpful about the financial strength and profitability of the firms. Thus, this research aims to provide insights about the cash flow ratios with traditional ratios by using 107 non-financial firms (966 firm-year observations) in Manufacturing Industry from 7 different sub-sector in Borsa Istanbul (BIST) between the dates of 2008-2017. We calculate 8 cash flow ratios and 8 traditional ratios to evaluate the financial performance of the firms. According to the results, cash quality of sales and quality of income ratios reveal that generated cash from operating activities is not sufficient. In addition, operating cash flow ratio which measures how well a company pay off its short term liabilities prove that excessive proportion of current liabilities in total liabilities is a vital problem when it comes to liquidity. Furthermore, according to industry and yearly results, Non-Metallic Mineral Products sector and the year of 2009 have relatively the best values in terms of cash-flow based information.*

Keywords: *Cash Flow Ratios, Ratio Analysis, Cash Flow Statement, Borsa Istanbul*

A COMPARATIVE STUDY ON KEY AUDIT MATTERS

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Abstract: *The key audit matters raised by the new auditor reports are the crucial points set by auditors on the audited current financial statements. These are based on professional judgement. In most of the previous reports, there were no data about the scope of audit review and the content of the independent audit opinion standardization. Amendments of the auditor's report, which were issued as standard procedure by the International Auditing and Assurance Standards Board (IAASB) in this regard; provide more relevant information to the users and improve the perceived value of the control of financial situation. The most striking feature of new auditor reports is the section on key audit matters. It is indicated that the purpose of the key audit matter is to improve the communication value of the audit reports by explaining the intent of financial reporting and annual reports. Standard builders have clarified that this will help to increase transparency and accountability, improve impartiality in reporting, and help stakeholders to understand the audited annual financial statements.*

In this study, the key audit matters will be studied among the new auditor's reports and the purpose and expected benefits of the standards will be considered in accordance with the targets. The main point of view is that the new directives improve the scope of audit information and improve transparency. In this respect, Arçelik, that has a reference value in the white goods sector, and two companies that explain net profit and net loss will be compared in terms of the old and new independent audit reports and the risk section of annual reports. It will also be demonstrated how companies were traded in BIST 100 and how they handled key audit matters.

Keywords: *Auditing, New audit reporting, Key (critical) audit matters, ISA 700, ISA 701*

INTRODUCTION

Independent auditor report is the most important tool to convey the audited business information for report users. Previous reports contained less information in terms of personalized information disclosures. In order to increase the value of communication and intelligibility of the auditors' report, the new BDS 700 has been updated. The new BDS 701 which is about on new auditor reporting was published on key audit matters. Disclosure of key audit matters is seen as the most important innovation.

In our study, the role of the new standard BDS 701 in enhancing audit information is demonstrated by the adaptation of a previous case analysis to our country conducted by Miao Z ve P. We have planned to answer whether the disclosure of key audit matters in the auditor report increase the transparency of the auditor's reports and provide more useful information than standard information.

(Yanık and Karataş, 2017), (Doğan, 2018); by comparing previous and new auditor reports, they put forward our countries and international practices; stated that the communication value and comprehensibility of the new auditor report would increase. The results of (Can, 2017)'s work among

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the Auditors of the Court of Accounts stated that the participants generally have expected positive results on the implementation of the standard however, there were still some doubts about some issues.

According to (Li, Hay and Lau 2018) auditor report changes provide more relevant information to users and improve the perceived value of the audit. The findings of the studies are related to the impact of audit report changes on audit quality in New Zealand and on auditor fees. The study suggests that decrease in absolute abnormal accruals will contribute to the increase of the quality of the audit after the new audit report conditions are enacted. It has been reported that there has been also a significant increase in audit fees. The new auditor report emphasizes that some of the benefits will not come without costs, even if the quality of the audit will increase.

(Trpeska, Atanasovski and Lazarevska 2017)'s review is about the importance of financial information about the new auditor report since 2016 for the lenders. The questionnaire results showed that the annual reports on financial position (except for management reports and notes) can be used in making the decision of the participants and has high importance. Also key audit matters, additional information on going concern and the judgment of the auditor attached thereto, and the procedures for fraud risk have been considered highly important by them. They have given low importance to auditor's name, the responsibility of auditor with compliance with the ethical responsibilities and materiality.

The studies contrary to the above opinions, are as follows;

According to (Bradbury and Almulla, 2018) the purpose of key audit matters is to improve the communication value of the audit report by explaining the risk of financial reporting. In their studies the impact of improved auditor's report needs in New Zealand and the auditor's work were examined in terms of efforts (audit fees and audit delays), audit quality (absolute abnormal accruals), client firm descriptions and investor (value-for-money). As a result there were no increased or altered effects on key audit matters in the application descriptions.

Results of (Backof, Bowlin and Goodson's 2018) studies with university students are related to the responsibility of the auditor. The participants perceived the auditors more negligent than those who did not as participants perceived misleading statements that are not detected as more predictable during the audit. However, the explanations which mean reasonable assurance have decreased the auditor's liability and reduced the expectations of the participants from the audit.

(Segal, 2017) use the audit literature and key audit matters risks. In cases where the auditors do not disclose the key matter of auditing, or if their reports contain longer explanations of the key matter to protect themselves or to mitigate any potential risks, the literature suggests that such reporting may lead to boiler plate.

(Kavut and Güngör, 2017), (Biçer and Erol, 2017) agree on the same points. With care it will be ensured that transparency and quality in auditing, communication value of auditor reports will be increased, and information users will reach satisfactory information about enterprises.

In addition, (Erkoyuncu, 2017) stated that the auditor should stay away from directing statements while the auditor declares the findings of the key audit findings.

According to (Lennox, Schmidt, Thompsin, 2018); "In an effort to make audit reports more informative to investors, the U.K. recently passed a standard that requires auditors to disclose the risks of material misstatement (RMMs) that had the greatest effect on the financial statement audit. We find the RMM disclosures lack incremental information content because most of the risks had already been disclosed by management in the prior earning's announcement, conference call, or the previous year's annual report. Thus, investors were already informed about a majority of the risks before the risks were disclosed by auditors in the expanded audit reports".

According to (Miao, Z and P, 2018) the standard of key audit matters is a temporary solution to the state of asymmetric information.

Within the scope of the above mentioned explanations, the audit report innovations are discussed in terms of the implementation of the key audit matters in our country.

METHODOLOGY

In this study, the new auditor reports and especially the explanations of the key audit matters were made in terms of theoretical and legal principles. It has been hypothesized that innovations introduced by literature review may be effective for increasing transparency in audit information. In the provision of secondary data sources, internet and publications in the library were used.

In this context, the study was conducted with respect to Arçelik, Vestel and İhlas's independent auditor's reports in all aspects, the risk sections of the annual reports were only performed for dates 31.12.2016 - 31.12.2017. Vestel and İhlas explained the net profit and net loss results in the same sector as Arçelik. Furthermore 76 companies' key audit matters were made from the BIST 100 index (excluding finance, banking and football clubs) was made by addressing the key audit matters in the auditor's reports dated on 31.12.2017.

The aim of comparing of the reference values of Arçelik, Vestel and İhlas's auditor reports are related to how these companies handled their key audit matters. Similar to the studies of (Lennox, Schmidt, Thompsin, 2018), the risk sections of Arçelik, Vestel, İhlas's, which might have learned the risks early from annual reports for 2016 and 2017 were studied.

FINDINGS

1. Comparison of New and Old Audit Reports

Table 1. Differences Between New And Old Auditor Reports

New audit reports	Old audit reports	Difference
Audit scope and audit opinion	Audit scope	Consisted of two original united parts. The opinion section is at the top of the report.
The basis of the audit opinion (new)		It is emphasized that it is independent of the audited company due to ethical provisions. The opinion was based on evidence.
Key audit matters (new)		Important audit details that are taken into account by auditors and related audit procedures are explained.
Other considerations (information) (new)		Although it is intended to provide assurance for non-financial information, the opinion of the previous auditor, if any, is specified.
Responsibility of management and senior management	Management's responsibility	Explanations on going concern have been introduced. It is stated that senior management is responsible for oversight of the financial reporting process.
Responsibility of the independent auditor	Responsibility of the independent auditor	Audit details and communication with senior management have been added.

Additional important points to the explanations in the table above are as follows.

2. Audit Reports of Arçelik, Vestel and İhlas for 2016

If a positive opinion had been published in previous reports, the overall format was the same in all reports. If only a positive opinion had been issued with an opinion or commentary paragraph outside with the positive opinion, some brief explanations of the particular cases had been given in the paragraph. This approach gave a lack of information content which did not contain a real value.

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As in the above table, the information contained in the reports of Arçelik, Vestel and Ihlas's addition to these information and sections do not differ.

3. Arçelik's Audit Report of 2017

The key information highlighted in the new report is based on the improved audit format. Thus, information users rely more information on their analysis.

In the auditor's report, "recoverability of trade receivables, impairment of inventory, impairment of unlimited life intangible assets tests" are specified as key audit matters. How to handle them is given.

Compared to the previous audit report, the transparency of audit information is greatly improved. It provides a very effective basis for stakeholders to make decisions. The structure of the events is explained in an honest manner, more comprehensively, reasonably.

In the New "Other Issues" section, it is stated that the other audit firm has given a positive opinion for the previous period. Despite the need to include other issues (information) like corporate governance, future planning and risk in international audit standards Arçelik and almost all companies listed in BIST 100 do not specify the meaning of "other informations". The previous opinion is stated together with the change of the auditor. Unlike the general; for example Koç, Net Holding's "Other Issues"; the exchange rates of foreign currencies have included information about the ongoing projects that have started with other firms in previous years.

In general, the use of new audit standards has improved the scope of audit information. This is a major improvement over the previous audit report.

4. Audit Reports of Vestel and Ihlas for 2017

Measurement and accounting of hedging derivative instruments for cash flows including complex calculations and how the issues are addressed were evaluated as the subject of key audit in Vestel. In Ihlas's issues are "impairment of trade receivables, impairment of inventory, impairment of unlimited life intangible assets" such as Arçelik's and different from Arçelik's are "valuation of intangible asset and investment properties, accounting of revenue" as key audit subjects.

When compared with the previous year's audit reports, it is seen that Arçelik has a great degree of transparency in audit information. It has helped to develop previous blind spots in the quality of audit control. This helps users to better understand auditors and audited company management responsibilities. It also reduces the risk of general fraud awaiting the auditor.

However, it was understood that other sections of the new audit reports were not able to proceed from the printed format except for the key audit matters.

5. Annual Reports of Arçelik for 2016 and 2017

When it is necessary to consider whether the cases that have taken place in key audit matters as an early warning in their annual reports, Arçelik's annual report for 2016 should be addressed. In the annual report, the subject of the audit report on the "recoverability of trade receivables" included in the auditor's report for the year 2017 is about "risk of receivable". Explanations related to the risk of receivables are within the framework of the control and analysis of the risk. As a key control subject, the audit procedures related to receivables from related parties are included in the recoverability of trade receivables. There is no explanation for other key audit matters.

Any explanations regarding key audit matters about the risks do not exist in annual report of Arçelik on 2017.

Contrary to the study of (Lennox, Schmidt, Thompsin, 2018), Arçelik, which has a reference value in our country, has not included the necessary explanations in the annual reports for the investors.

6. Vestel and Ihlas's Annual Reports for the Years of 2016 and 2017

In Vestel's 2017 auditor's report, "the measurement and accounting of hedging derivative instruments for the cash flows", which are specified as the key subject of the auditor report, are outlined in the

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annual report. In the annual report of 2016, apart from general statements, no specific matters were mentioned. In this respect, the annual reports do not have an early warning feature for the investors.

It can be said that the explanations on the risk in Ihlas's 2017 annual report are more detailed than Arçelik and Vestel.

When the disclosures of Ihlas's key audit matters are compared with the 2017 annual report, the annual report disclosures are more detailed.

However, the 2017 annual report already includes the 2017 auditor's report. The risk should be expressed as an early warning in terms of handling the issue and, if any, the risk should be expressed in the 2016 report. The explanations regarding the risks included in the 2016 and 2017 annual reports of the three companies examined in this respect did not have an early warning feature for the investors.

7.Key Audit Matters for BIST 100 Companies

When the key audit matters of BIST 100 Companies (except finance, banking, football clubs) are examined, the most important issues of the audit are; “revenue, impairment of goodwill and intangible assets, recoverable trade receivables, deferred tax assets, guarantee (expense) provision, auditor transition and auditing of opening balances, impairment of inventory”.

RESULT

New audit standards deepen the responsibilities of management and senior management and independent auditors; the auditor ensures the transparency in auditing and increases the overall value of the auditor's report. Asymmetry of information is decreasing, providing greater understanding to stakeholders and providing confidence in financial statements and providing more useful data for decision making.

However, this article only presents the issue through the interpretation of the audit reports. More empirical support is needed for the effectiveness of new, revised rules. And because there are many cases, the path to empirical research is clear. We believe that in the near future, when audit companies adapt to new auditing standards, audit information scope research will inevitably multiply. This will explain the changes in the content of future audit information through new standards.

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KEY AUDIT MATTERS: INVESTIGATION OF BIST MANUFACTURING COMPANIES 2017 AUDIT REPORTS*

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Abstract: *Financial statements are the key elements that provide data -for decision-making. However, only when financial statements are correct and reliable, they have a value for decision-makers. An independent audit is an assurance service to increase the confidence of financial statement users to the information in the financial statements. The audit report is prepared as a result of the independent audit process. Auditors transfer their opinions on the financial statements of the companies to the users of the financial statements. In January 2015, the International Auditing and Assurance Standards Board (IAASB) issued its revised auditor reporting standards. The aim of the revision was to provide more transparent and informative audit reports to financial statement users. A new section titled “Key Audit Matters” was added to the audit reports with this revision. In Turkey, in parallel with this revision, Public Oversight Accounting and Auditing Standards Authority issued Turkish Standards on Auditing (TSA) and Communicating Key Audit Matters in the Independent Auditor's Report on March 09, 2017. Key audit matters were determined by auditors and they are the most important matters that auditors pay attention to during the audit process. The purpose of communicating key audit matters in audit reports is to improve the communicative value of audit reports, give information about matters that required significant audit attention and provide greater transparency about the audit that was performed.*

The aim of this study was to analyse the key audit matters in audit reports of the manufacturing companies in 2017. To accomplish this purpose, 2017 audit reports of manufacturing companies listed on the BIST manufacturing sector were investigated. There are 181 companies in the BIST manufacturing sector. We were not able to reach audit reports of three of these companies. Therefore, the sample of this study consist of 178 companies. These financial statements of the companies are audited a total of 45 auditor firms. Only 38 of these companies are audited by national audit firms. 8 of 178 audit reports have not key audit matters. Also, there is no reference to the key audit matters in 21 of 178 audit reports. There are 2 key audit matters in 69 audit reports and 3 audit matters 54 audit reports. Audit reports have a total of 360 key audit matters. Considering the sub-sectors, audit reports of the companies in Fabricated Metal Products, Machinery and Equipment Sector has the most key audit matters. Moreover, many of the cited key audit matters are about revenue. Of 360 key audit matters, 72 are related to revenue.

The year 2017 is the first application year of key audit matters in Turkey. This study provides information regarding the first application of TSA 701. The results of this study will contain the determination of defects and better application in the following years.

Key Words: *Audit Reports, Key Audit Matters, BIST Manufacturing Companies*

*This study is derived from the Master Thesis of Ekinç Kızık which is written in the consultancy of Dr. Yasemin Ertan.

INVESTIGATION OF FRAUD IN FINANCIAL STATEMENTS WITHA HEURISTIC APPROACH

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Abstract:*The human brain creates random numbers according to certain systematic rules it creates in its own mind. Although one thinks that he randomly chose numbers when he produces a random number, in fact, production of numbers depends on certain systematic rule as a result of mental calculation process in his own mind rather than performed randomly. This study aimed to reveal the systematic rules in the production of random numbers in individuals' mental processes, what patterns they use and how they perceive numbers. It is foreseen that if the numbers of the human brain detecting and producing the random numbers are determined based on the patterns they have formed, the numbers generated in the financial statements are either incidental or if the financial statements are prepared according to a certain rule and it can be used to identify the tricks in the financial statements. In this context, the participants tried to produce a random number according to the scenarios by stratified sample. As a result of the analyzes, it was observed that the subjects formed the random numbers according to a certain systematic rule in accordance with the hypothesis. As a result of the analyzes, it can be considered as an audit tool that can be used to reveal the tricks in the financial statements.*

Keywords: *Behavioral Finance, Mental Accounting, Random Number, Heuristic, Benford's Law.*

COSTING LOGISTICS ACTIVITIES: CASE STUDY

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Abstract: *Logistics has become an important factor affecting the competitiveness of enterprises. The fact that logistics involves purchasing, supplying, production and distribution processes leads to many different cost elements. This draws attention to the need for managers to make proper decisions with reliable data so that logistics operations can be carried out more efficiently in terms of performance and cost. Cost management is of the utmost importance during these decisions. Costing is also an important area of cost management. This study aims to reveal how logistics costs are integrated into production costs. In order to achieve this goal, a case study including the logistics costs of a port company was conducted. Based on findings, it is believed that a preliminary study was conducted to propose a new costing approach for similar enterprises. The results of the study indicate that the integration of the costs related to the logistics activities to the production costs will provide many competitive advantages.*

Keywords: Logistics Costs, Cost Accounting, Cost Management

EFFECTS OF VALUE CHAIN ANALYSIS ON STRATEGIC COST MANAGEMENT APPROACHES: BIST MANUFACTURING INDUSTRY EXAMPLE *

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Abstract: *Businesses can reach low-cost and high-quality products in an intense competition environment through an effective cost management system. In order to establish an effective cost management system in enterprises, value chain analysis should be done. The value chain is a set of activities that add value to the product manufacturing processes. Value chain analysis is the definition of strategic activities and determining the cost reduction and value-enhancing effects of these activities. Value chain analysis has become one of the important elements of strategic cost management as it enables the company to look at the business in a wider perspective in cost control.*

In this study, the effect of value chain analysis on the strategic cost management approaches was investigated. In this context, a questionnaire was applied to the accounting managers of the manufacturing industry businesses in the BIST. For the analysis of the data, multiple regression analysis method was used in SPSS package program.

As a result of the study, it has been determined that the activities and functions included in the value chain affect the strategic cost management approach practices from the viewpoint of accounting managers of BIST-listed manufacturing industry businesses.

Key Words: *Value Chain Analysis, Strategic Cost Management Approaches, BIST Manufacturing Industry.*

*This study was developed from the PhD Dissertation, supported by the Scientific Research Projects Coordination Unit of Süleyman Demirel University(Project number 4406-D1-15), entitled “Strategic Cost Management Practices in TheManufacturing Industry and the Impacts of These Practices on the FirmPerformance: A Study on Istanbul Stock Exchange”.

USE OF ARTIFICIAL NEURAL NETWORK MODELS IN DETERMINING COST FUNCTION

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Abstract: *Engineering and statistical techniques are used to help the methods used in accounting to determine the relationship between cost and workload. Each method used in determining the total cost function by classifying the expenses makes it a superior method by eliminating the lack of other method. These methods are gathered under the name of mathematics and statistical techniques in general. It is predicted that artificial neural networks can be used in determining the cost function in conditions where the mathematical and statistical other techniques are insufficient. In this study, graphic technique used in the literature to determine the total cost function of one house per m², lowest maximum volume technique, double average technique and alternative function of artificial neural network models as an alternative to least squares technique were tried to be estimated and compared with other methods. As a result, it was determined that the least squares technique and artificial neural network models had similar results in the cost function established by the factor effecting the unit cost per m² of a house.*

Key Words: *Cost Function, Artificial Neural Networks, Mathematics and Statistical Techniques.*

**IMPLEMENTATION OF CONSERVATISM PRINCIPLE
ACCORDING TO FINANCIAL REPORTING STANDARDS
FOR LARGE AND MEDIUM-SIZED ENTERPRISES IN
TURKEY**

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Abstract: *According to the regulations of Public Oversight Accounting and Auditing Standards Authority, financial statements of public interest entity are prepared according to Turkish Financial Reporting Standards that is compatible with International Financial Reporting Standards- IFRS. Companies independently audited and do not apply Turkish Financial Reporting Standards should prepare their financial statements according to Financial Reporting Standard for Large and Medium-sized Entities (BOBI FRS). The main aim for financial reporting in TFRS and Financial Reporting Standard for Large and Medium-sized Entities is to present current and comparable information that is appropriate for users of the financial statement and demand that these businesses should behave according to the conservatism principle for protection against risks. The aim of this study is to present the regulations on the implementation of the conservatism principle in the Financial Reporting Standards for Large and Medium-Sized Entities.*

Keywords: *Financial reporting standards, conservatism principle, continuity of businesses*

**COMPARATIVE EVALUATION OF GENERAL
COMMUNIQUE ON ACCOUNTING SYSTEM APPLICATION
AND DRAFT CHART OF ACCOUNTS IN ACCORDANCE
WITH FINANCIAL REPORTING STANDARDS FROM THE
POINT OF COST ACCOUNTS**

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Abstract: *The regulation which is currently being applied in Turkey and which enabled implementation of uniformity in the accounting system, has become law in the end of 1992 and put into force in 1994. The fact that the economy has become more complex lead to accounting in Turkey and in the world to continuously develop and change. Accounting standards that are in compliance with new conditions were brought, and as a result of this, a need has arisen to update the chart of accounts. Standardization of chart of accounts provides benefits from various aspects such as carrying out accounting education and accounting applications in the electronic media, adaptation of accounting employees to new enterprise in case of change of job and auditing. The Draft Chart of Accounts In Accordance With Financial Reporting Standards, which was prepared in line with the needs, was published and opened for opinions and recommendations by Public Oversight Accounting and Audit Standards Authority (KGK). This study relies on comparison of cost accounts in the Draft in question with the cost accounts in the General Communique on Accounting System Application and its analysis. Qualitative research method was used in the study. The analysis was made based on the account groups, accounts and account explanations. It was observed that there were significant differences in some account groups as a result of the study. There has been an increase in the number of accounts in groups that were different. It was concluded that the draft included more accounts compared to the existing chart of accounts on the basis of cost accounts, and that the account explanations were more detailed in general.*

Keywords: *General Communique on Accounting System Application, Draft Chart of Accounts In Accordance With Financial Reporting Standards, Cost Accounts, Qualitative Research*

THE ACCOUNTING OF LONG TERM CONSTRUCTION, CONTRACTING AND REPAIR PROJECTS ACCORDING TO TURKISH FINANCIAL REPORTING STANDARDS (TFRS) 15 AND THE COMPARABILITY THROUGH THE UNIFORM ACCOUNTING SYSTEM*

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Abstract: The construction sector which has gained acceleration in recent years in our country has an important place in developing countries such as Turkey. Completion of construction works covers a certain time and constructions are divided into two parts. These are constructions which are completed in less than one year and lasting more than a year. Depending on this situation types of accounting of construction works changes according to completion time. In construction contracts, constructions and repairing works which will be completed in more than a calendar year are accepted as being spreaded on years constructions and repairing works. Accounting processes of being spreaded on years construction works are different in terms of Uniform Accounting System and Turkish Financial Reporting Standards (TFRS). Two methods are applied at being spreaded on years constructions : method of completely finishing work and method of partially finishing work. While Income Tax Law adopts the method of completely finishing work, TFRS15 gives importance to periodicity concept of accounting and at the same time adopts the method of partially finishing work in order to provide comparability and analysis of the financial statements in the globalizing world. While according to Income Tax Law profit and loss account of current year and also calculation of tax are calculated in the year of completion and reflected to financial statements , at TFRS15 profit and loss account of current year and calculation of tax are reflected to financial statements of related period. In this study the accounting of long term construction, contracting and repair projects according to Turkish Financial Reporting Standards (TFRS) 15 and the comparability through the uniform accounting system has been included.

Keyword: TFRS 15, construction accounting.

INTRODUCTION

The comparability, comprehensibility and transparency of financial statements have an important place in the globalized world. Therefore, the standards issued for the purpose of establishing a common language in the world are responsible for ensuring the comparability and comprehensibility of these financial statements. Financial tables prepared according to the Uniform Accounting System (TDMS) are insufficient in terms of comparability and analysis. Said insufficiency has created the need for financial statements to be prepared according to Turkish Financial Reporting Standards (TFRS). The aim of this study is to examine the accounting of long term construction, contracting and repair procedures which have held an important place in the domestic industry in recent years in

accordance with TFRS 15 Standards for Revenue from Contracts with Customers which was published in the official gazette dated 09.09. 2016 and accepted for implementation on 01.01.2018. The essential literature for the preparation of the study has been reviewed, TDMS and TFRS 15 have been compared. And then the differences between the repealed Turkish Accounting Standards (TAS) 11 and TFRS 15 were addressed in the study.

CONSTRUCTION, CONSTRUCTION ACCOUNTING AND ITS PROPERTIES

Types of Construction Activity

The term construction has many definitions in various sources. However, in the broadest sense, construction is the activity of building structures on a land or plot using materials and equipment along with labor. Buildings, airports, dams, roads, bridges, tunnels, sewerage, water dams, mine galleries, landscaping, port, subways, construction of sports fields, drilling, demolition, restoration, repair, etc. are all considered to be within the scope of construction (Şenlik, 2017: 15).

There are two types of construction

Custom (Build-Sell) Construction: Structures like apartments, floors, shops and workplaces that companies build to either sell or use themselves (Çatıkkaş ve Şuekinçi, 2013: 4).

Construction Contracting: The commitment of completion and delivery of the construction job to natural and legal persons in exchange for a certain fee. Construction contracting is divided into two groups as in long term and short term. The construction jobs which will take longer than a calendar year to complete are defined as long term contracts and those that will be completed in a calendar year and defined as short term contracts (Selimoğlu, 2011: 2).

Construction Accounting

The collection, recording, classification, reporting, analysis, interpretation of the information about financial events in construction companies and presentation of the resulting data to the related persons and groups (Şenlik, 2017: 281).

Properties of Construction Accounting

Due to the nature of the construction works and the fact that it differs from other production activities, there are some unique properties of construction accounting. They properties can be listed as follows.

- ✓ Construction work extends over a period of time and usually takes longer than one year.
- ✓ The fact that every project in the construction business is different from each other requires the use of an order cost system.
- ✓ Due to its nature as a long-term activity, construction work requires the use of methods such as full and partial completion.
- ✓ The long-term nature of construction works creates the need for accounting practices regarding accumulation and deferment of expenses.
- ✓ Determining the approved and applied accounting policies, depreciation and current affairs can have a significant impact on income.
- ✓ Construction projects are usually carried out at a long distance from the headquarters of the companies. This causes problems in the collection, processing and use of data. And it raises the

question of whether to keep the accounting at the headquarters or at the construction site (Magal ve World, 2011: 46).

DIFFERENCES BETWEEN THE EXAMINATION OF LONG TERM CONSTRUCTION, CONTRACTING AND REPAIR PROJECTS ACCORDING TO TFRS 15 AND COMPARABILITY WITH THE UNIFORM ACCOUNTING SYSTEM (TDMS)

Purpose and Scope of Revenue Standards from TFRS 15 Customer Contracts

Purpose of TFRS 15 Revenue from Contracts with Customers

- Resolving the issues of when, how, and in what amounts are the revenue from the contracts with customers to be transferred to the financial statements,
- Applying the standards in all contracts of similar nature while taking into consideration all the terms and conditions set out in the contract,
- Ensuring that the accounting of all written or verbal contracts made with customers are done separately and regulating the accounting principles that the company will apply regarding the articles mentioned above (TFRS 15, Number 1).

Scope of TFRS 15 Revenue from Contracts with Customers

This standard covers all contracts except for the following types of contracts.

- Leasing agreements within the scope of TMS 17 Leasing Procedures
- Insurance contracts within the scope of TFRS 4 Insurance Contracts,
- TFRS 9 Financial Tools,
- TFRS 10 Consolidated Financial Statements,
- TFRS 11 Joint Agreements,
- TMS 27 Separate Financial Statements,
- TMS 28 Financial tools and other contractual rights or obligations under participations and investments in joint ventures,
- Non-monetary exchanges among businesses that are active in the same line of operation to facilitate sales to customers or potential customers (TFRS 15, Number 5, 8).

Repealed Standards

- TMS 11 Construction Contracts,
- TMS 18 Revenue,
- TFRS 13 Fair Value Measurement,
- TFRS 15 Real Estate Construction Contracts,
- TFRS 18 and TMS 31

Differences between Uniform Accounting System (TDMS) for Long Term Construction, Contracting and Repair Works and the Accounting Principles Provided by TFRS 15 Customer Contracts

These differences are examined under four main titles.

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- Differences in Taxation
- Differences in Income Detection Method
- Differences in Accounting for Cost Elements
- Differences in the Accounting of Progress Payments

Differences in Taxation

❖ **Taxation Under TDMS:** Article 42 of the Income Tax Law states that in construction and repair works that take longer than one calendar year, profit or loss and tax are determined and calculated in the year when the work is completed. No profit or loss is determined or presented in the financial statements during the period in which construction activities are underway (Usul, 2015: 13).

❖ **Taxation Under TFRS 15:** According to the standard, income and costs are taken into consideration in the period in which they occur, profit or loss is calculated in the relevant period and shown in the financial statements. However, the taxes are paid at the end of the year. This situation gives rise to deferred tax liability or receivables (Sayın ve Merter, 2017: 74-76).

Differences in Income Detection Method

❖ **Determination of Income Under TDMS:** The full completion method is applied here. In this method, profit or loss is determined in the year when the work is completed (Usul, 2015: 17).

❖ **Determination of Income Under to TFRS 15:** The partial completion method is applied here. In TMS 11, income is determined by a measurement method called percentage of completion, whereas in TFRS 15, this calculation method is used as input method. In this method, accurate measurements have critical significance for the correct preparation of financial statements (Şavlı, 2016: 38).

Differences in Accounting for Cost Elements

❖ **Accounting of Cost Elements Under TDMS:** According to the TDMS, long term construction costs are included in the financial statements of the period when the provisional or final acceptance certificate is signed (Usul, 2015: 21).

❖ **Accounting for Cost Elements Under TFRS 15:** According to the standard costs are taken into consideration in the period they occur (TFRS 15, Number 95).

Differences in the Accounting of Progress Payments

❖ **Accounting of Progress Payments Under TDMS:** The long term construction and repair claims are included in the financial statements of the period when the provisional or final acceptance certificate is signed (Küçük, 2013: 110).

❖ **Accounting of Progress Payments Under TFRS 15:** The progress payments calculated using various measurements to be included in the financial statements of a period, will be accounted in the period they occur and included that period's financial statements (TFRS 15, Number 9, 15).

New Effective TFRS 15 and the Repealed TMS 11 Differences

The main differences between TFRS 15 and TMS 11 are as follows;

Contract Costs; Although there is no special regulation in TMS 11, the additional costs incurred by the conclusion of a contract together with TFRS 15 (e.g. all preliminary costs such as the engineering work done for a construction project) are considered to be expense and included in financial statements, regardless of whether or not the contract has been made.

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Example: X Construction Inc. spent 20.000,00 TL on engineering work for the airport project tender (Şavlı; 2016: 62).

SERVICE PRODUCTION COSTS	20.000,00	
Project Preparation Expenses		
CASH		20.000,00
Project Preparation Expenses		

The Contract Includes a Critical Financing Element; If the seller has been provided with financing due to early payment (advance payment), the financing effect of the contract is considered to be financing expense. This does not apply to progress payments received in TMS 11. With TFRS, if the contract 15 includes a critical financing element regarding projects that take one year or more, the financing element must be separated and accounted for separately (Şavlı; 2016: 50).

Input Method; Completion Percentage Method is used in TMS 11. With TFRS 15, revenue measurement will be made according to Input Method (costs incurred or sum of inputs / estimated costs incurred).

Example: X Construction Inc. started the bridge construction project under the contract signed on 25.07.2017 and set the total completion time as 2 years. The contract type is a unit price contract. The estimated cost of construction is 4.000.000,00 TL. according to the tender price of 5.000.000,00 TL. The company has spent 1,000,000.00 TL on the first year. Progress payment of the first year is calculated as follows (TFRS 15, Number B18).

Input Method: Costs incurred or sum of inputs / estimated costs incurred).

$$1. \text{ year} = 1.000.000,00 / 4.000.000,00 = 0,25$$

$$1. \text{ Year Progress Payment} = 5.000.000,00 * 0,25 = 1.250.000,00$$

RELATED CREDITOR ACCOUNTS	1.250.000,00	
REVENUE		1.250.000,00
Bridge Project Progress Payment		

CONCLUSION

The fact that the duration of long term construction and repair works is lengthy causes problems regarding the inclusion period of revenue and costs incurred by continuing construction activities. TDMS is insufficient in terms of comparison, analysis and transfer of accurate information to investors whereas TFRS 15 provides more data on financial statements, analysis, comparison and transfer of accurate information to investors. Until December 31, 2017, the accounting procedures for long term construction and repair works would be recognized and included in financial statements in accordance with TMS 11 Construction Contracts. But TMS 11 was repealed on January 1, 2018 and the more comprehensive TFRS 15 Revenue from Contracts with Customers was put into effect. We see 3 new applications which were non-existent while long term construction, contracting and repair procedures were followed according to TMS 11, and which have come into force with the implementation of TFRS 15.

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- Firstly, the additional costs incurred for contracting (preliminary preparations, engineering work etc.) are transferred to the financial statements as expense regardless of whether the contract has been made or not.
 - Secondly, the contract includes a critical financing element. Long term contracts for one year or longer are required to be accounted for separately if they contain a critical financing element. This applies to progress payments in construction and repair works.
 - Lastly, instead of completion percentage method, input method (costs incurred/costs predicted) is applied. Furthermore, TFRS 15 has introduced new concepts such as contractual existence, contractual obligation, transaction fee, performance obligation, and stand-alone sales price.
- There is a need for many new practices, academic studies and comments from various academics regarding this new standard.

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LICENSE OF INTELLECTUAL - INDUSTRIAL PROPERTY AND ACCOUNTING IN THE SCOPE OF TFRS-15

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Abstract: Intellectual industrial property rights are among the most important intangible assets owned by enterprises today. Sometimes these rights can have an economic value beyond the other assets of the enterprise. With the developing technology, the enterprises gain new intellectual and industrial rights and make these rights available to other individuals and institutions through license agreements. In this way, the owner of the business acquires the economic benefit of having an intellectual property right. The aim of this study is to examine the contents of intellectual property concepts and to examine how license agreements can be recognized under TFRS-15. For this reason, the content and limits of the concept of intellectual property have been emphasized and its scope has been put forward. Then, the accounting of the scope of intellectual property in the form of TFRS is mentioned and examples are given..

Keywords: Intellectual Property, Industrial Property, Licensing, TFRS-15, Accounting

INTRODUCTION

Technological and economic developments are closely related to the elements that have become economic values. For example, if a user wants to share video via social media, he / she can upload and share the video to the related platforms if all the elements in the video (such as sound, music, content) are his / her own. If another user is entitled to any of the elements in the user's video, the video can be removed from the related sharing platforms. In the video of the user, the related video may be presented to social platforms if a new right of use is obtained from the right holder. In such cases, the social media (such as TV, Internet) offered to the public interest in the film, video, audio and visual elements such as audio and visual elements (such as a music playing in the film) belongs to someone else, or if someone else has the right to use the element while the relevant production is presented in the social media, the content cannot be given (for example, the music cannot be heard in the music playing places) or its full publication can be stopped. Similar considerations apply to commercial ideas that have been transformed into physical products such as art products. For example, in order to be able to offer the products offered by an international enterprise operating in the fast food sector in another market, region or country within the knowledge of the enterprise, it is absolutely necessary to obtain permission from the company that holds the right to name and content of the products, otherwise the products cannot be sold. In fact, sometimes products such as the logo, brand, such as a new product presented in the market in a similar format, this situation may be subject to the case by the company that holds the right. It is possible for the person or company holding the commercial right of a product or idea to make an agreement to use the right to another person or company. In such a

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case, the commercial right may have a contract with the person or the company, product or idea rights and may use it. As regards the exercise of rights in accordance with the contract, a number of payments are made to the original owner. The time when the element that generates the income and the time of recognition of the income may vary depending on the nature of the contract and the product or idea that is the subject of the contract. Therefore, the revenue is when recognized and how the income is recorded, it constitutes another aspect of the issue.

The term intellectual property is a concept that includes industrial and commercial property. In order to have an industrial or commercial right, an idea containing the right must be born and this idea must become marketable. For this reason, intellectual property has a broad meaning, which includes the terms industrial and commercial property. Intellectual property in its broadest sense is the result of the creation and thought of the human mind; expresses symbols, names and images used in trade, literary and artistic studies (<https://www.wipo.int>, 2019). Therefore, the concept of intellectual property includes copyrights related to an artistic work and including industrial and commercial rights such as trademarks, patents and logos. In the event that a contract is made for the use of such rights to another person, the situation of transferring or selling a right (license) is encountered, and the subjects such as how to register the payments made and when such income will be recognized are in the interest of accounting science.

INTELLECTUAL-INDUSTRIAL PROPERTY CONCEPTS

In accordance with the second paragraph of the World Intellectual Property Convention (WIPO Convention) signed in Stockholm in 1967, intellectual property rights include the following: These are (<https://www.wipo.int>, 2019):

- Literary, artistic and scientific studies,
- Performances of stage artists, phonograms and publications,
- Inventions in all areas of human effort,
- Scientific discoveries,
- Industrial designs,
- Designs with trademarks, service marks and trade names.
- Protection against unfair competition and
- All other rights arising from intellectual activity in industrial, scientific, literary or artistic fields.

According to Tekinalp (2004), intellectual property is the right not only in ideas and works of art, but also in patents, utility models and industrial designs, where intellectual property is the result of the creative ideas of the human brain. Commercial or service brands, trade names, logos and designs that give rise to the intellectual property rights are more features to distinguish the business from another business (2004: 1).

WIPO has examined the concept in two different ways in defining intellectual property. According to WIPO, intellectual property, industrial property and copyrights are divided into two. Industrial property; In general, inventions include patents, trademarks, industrial designs, and geographical indications. Copyrights refer to literary works, (such as novels, poetry and plays), films, music, works of art (eg drawings, paintings, photographs and sculptures) and rights to architectural design. Copyrights at the same time; the performances of performing artists, their rights in the records made by music producers and the rights of broadcasters in their broadcasting programs (<https://www.wipo.int>, 2019).

The subject of the WIPO Convention and Trade-Related Aspects of Intellectual Property Rights (TRIPS) which is the attachment of the contract, consists of both inventions (patents and utility models), brands, designs and ideas and works of art (Deligöz, 2010:5). Therefore, there is no distinction between intellectual and industrial property in the relevant contract and these concepts are used in the same.

The development of humanity is closely related to the capacity to create and invent new studies in the fields of technology and culture. Therefore, the legal protection of intellectual property elements allows for the creation of additional resources for further innovation. Thus, it is aimed to reveal new jobs and industries by encouraging economic growth. Industrial property rights; In general, it includes technological inventions, utility models, trademarks of goods and services, industrial designs and geographical signs. The person or organization that finds a product or production technique is entitled to the benefit and interest arising from the use of the present invention. The invention must be registered to enable the individual or institution to benefit from this right. The registration process is made by obtaining the patent related to the invention. Copyright; It covers the rights of the individuals who produce literature, music, art products and audiovisual products, films, computer programs and software on these products and the secondary rights of their performers, producers and publishers, other than their original producers, called neighboring rights (or related rights). Copyright, contrary to industrial property rights, in principle, without the need for registration process, the owner of the work is published after the publication (Yücekal, 2003).

CLASSIFICATION OF INTELLECTUAL - INDUSTRIAL PROPERTY CONCEPTS

Industrial property is classified by WIPO as patents of inventions, utility models, industrial designs, integrated circuit designs, trademarks, trade names and geographical signs. Intellectual property by WIPO is divided into copyrighted works, copyrighted rights and linked rights. In this section, firstly the elements related to industrial property and then the elements related to intellectual property are briefly explained.

Patent system; it is a system that aims to promote innovation, to transfer and disseminate technology and thus to contribute to the benefit of both the inventors and inventors and therefore the society. In general, when a patent is issued by one or several countries, the owner of a patent may have the right to prevent another person from commercially exploiting the invention for 20 years. In order to obtain a patent for an invention, the invention must be a patentable invention. Therefore, it cannot be said that a patent can be obtained for each invention. When the invention of a patent is required, the invention must be of a patentable nature. In other words, the subject matter of the invention must be defined in the rules of national law. Another aspect of the invention for which a patent is to be obtained is the industrial applicability and utility of the invention. The invention of the invention is an important feature of the patent. Therefore, the invention must be different from the previous technologies and should reveal some unknown features of the old technology. The invention should also include a creative feature. The person having an average knowledge about the subject should have an aspect of the invention which cannot be revealed. The last feature required to obtain a patent for an invention is that the invention can be clearly disclosed to a person when the patent application is filed (WIPO, 2016a: 8-9).

The term utility model refers to certain inventions, such as inventions in the mechanical field in general. Ownership of utility models is directed to inventions which are less technologically less complex than those of the patent subject, and have less commercial life than patents. Therefore, it is easier to get the property right for the utility model than to get a patent. The maximum ownership period for the utility model is 7 to 10 years by the laws of the countries and the legal regulations regarding the utility model may vary widely from country to country (WIPO, 2016a: 12).

INTELLECTUAL - INDUSTRIAL PROPERTY LICENSING AND ACCOUNTING IN ACCORDANCE WITH TFRS-15

In general, a license agreement refers to the transfer of the license holder's (licensor) license to the licensee for a certain fee and for a certain period of time. Licenses are used to transfer the use of an entity's intellectual property rights and to determine the obligation of the entity to provide such rights. License agreements relating to intellectual property, according to TFRS-15; software and technology, cinema films, music and other media and entertainment products, franchises and patents, trademarks and copyrights. 6796 numbered Industrial Property Law (IPL), the license agreements; the right to design, the right to design and patent rights (Sınai Mülkiyet Kanunu(SMK), md.24-75-125). According to the law, these rights may be subject to a license agreement and may be given as an exclusive license or non-exclusive license. The licensor of exclusive license agreements shall not grant a license to any other person and shall not exercise the right to own trademark, design or patent unless expressly reserved. In the case of exclusive license agreements, the licensee may use the invention, brand or design right as well as other licenses to third parties for the same rights (SMK, art.24-75-125).

The first case to be taken into account in the accounting of the license agreements to TFRS-15 is whether or not the transfer of other goods or services in addition to the component subject to the license. If the contract has a commitment to transfer the other goods or services to the customer with the license, then the entity must determine each performance obligation (TFRS-15, B53).

Accounting for license agreements in accordance with TFRS-15 varies depending on whether the license differs from other goods and services in the contract. If the commitment to license does not differ from other goods or services in the contract, the entity recognizes the commitment to license and transfer other goods or services into a single performance obligation. In other words; if the contractual license constitutes a component of a material good and completes the functionality of the property or the license in question is such that the customer can only benefit from an associated service, then it is necessary to determine whether the performance obligation is the performance obligation that is spread over time or at a given moment (TFRS-15, B54-B55). The following case study may be given for this topic.

Case Study: An entity enters into a contract with a customer to license (for a period of three years) intellectual property related to the design and production processes for a good. The contract also specifies that the customer will obtain any updates to that intellectual property for new designs or production processes that may be developed by the entity.

The updates are essential to the customer's ability to use the license, because the customer operates in an industry in which technologies change rapidly. The entity does not sell the updates separately and the customer does not have the option to purchase the license without the updates.

The entity assesses the goods and services promised to the customer to determine which goods and services are distinct. The entity determines that although the entity can conclude that the customer can obtain benefit from the license on its own without the updates, that benefit would be limited because the updates are critical to the customer's ability to continue to make use of the license in the rapidly changing technological environment in which the customer operates. The entity observes that the customer does not have the option to purchase the license without the updates and the customer obtains limited benefit from the license without the updates. Therefore, the entity concludes that the license and the updates are highly interrelated and the promise to grant the license is not distinct

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within the context of the contract, because the license is not separately identifiable from the promise to provide the updates

The entity applies to determine whether the performance obligation (which includes the license and the updates) is satisfied at a point in time or over time. The entity concludes that because the customer simultaneously receives and consumes the benefits of the entity's performance as it occurs, the performance obligation is satisfied over time (<https://www2.deloitte.com>, 2015).

CONCLUSION

In the concept of intellectual property, it refers to a broad concept which includes industrial and commercial property and copyright. Nowadays, the importance of literary and artistic works, including copyright, as well as the rights related to patent, trademark and industrial design, expressed by industrial property, has increased.

Rights to such intellectual property cannot be used by others without a license agreement. In Turkey, intellectual property rights are protected by the IPL No. 6796 and the Law on Intellectual and Artistic Works No.5846. Particularly in recent times, the discussions that emerged with the sharing of revenue between filmmakers and movie theater operators signaled that new legal regulations regarding intellectual property rights would be made.

The most important requirement for the accounting of the intellectual property license agreements to TFRS-15 is whether the license agreement element (brand, patent, software, etc.) is different from other goods and services in the contract. If the commitment to license does not differ from other goods or services in the contract, the entity recognizes the commitment to license and transfer other goods or services into a single performance obligation. It should be determined whether the obligation of performance is a liability that is spread over time or fulfilled at a certain time. If the license is separate from other goods or services under the contract, then the license must be recognized as a separate performance obligation. The nature of the license to be recognized as a separate performance obligation changes the accounting method. According to this, in the event that the license has access rights, the revenue allocated to the license is recognized by spreading over time. However, if the license is a right of use, the revenue allocated to the license is recognized at a certain time.

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CONTENT ANALYSIS OF STATEMENTS OF ASSURANCE GIVEN TO SUSTAINABILITY REPORTS

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Abstract: Assurance audit about sustainability reports files the report on the accuracy of nonfinancial information in the sustainability report. Recently, corporations that file their sustainability reports through the declaration of assurance have been increasing. This flourishing service supports the creation of nonfinancial information market which is at the developmental stage. The aim of this study is to reveal the differences in the statements of assurance presented by expert companies realizing guarantee auditing and audit companies, scrutinizing the statements of assurance given to sustainability reports. The study is based on the deductive content analysis sophisticated from literature to apply on statements of assurance. In the research, sustainability reports registered in institutional sustainability portal and in the data base of global reporting enterprise with the statements of assurance in the sustainability reports issued by companies registered in Istanbul Stock Exchange (Borsa İstanbul) sustainability index have been analyzed. According to the results of analyses carried out, the standards of guarantee audit, audit procedures, selected data guaranteed in the sustainability report show differences with regard to parties providing guarantee audit. It has been determined that assurance report, when given by the expert corporations, only environmental information is guaranteed but when occurred by audit corporations; economic, social and environmental information is assured.

Keywords: Sustainability Reports, Sustainability Assurance, Assurance Statement.

INTRODUCTION

Businesses have the responsibilities of explaining the social and environmental information besides presenting the financial data realistically. Sustainability reports have been prepared with the aim of sharing that corporations handle the risks and opportunities from the sustainable point of view and how to balance their social and environmental affects with their economic benefits within the framework of corporate management principles of companies transparently. Sustainability reports including the nonfinancial results of operating activities involve the data about the economic, environmental and social performances of businesses. At the same time, these reports enable to produce the knowledge that world-existing life styles of businesses and shareholders need for their

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present and future and is impossible to obtain via financial reports (Sisaye and Birnberg, 2010:350-358; ACCA, 2008:2; Aras and Crowther, 2009:978).

The subject of sustainability is the effect of presently taken decision to the future. Therefore, sustainability reports including the economic, social and environmental effects of operating activities ,in fact, inform about businesses' use of environmental resources responsibly and their commitments to futuristic environmental and social strategies (Aras and Crowther, 2008:438; Sisaye, 2011:388-389). Yet, being able to obtain this knowledge depends on the content of the reports as mentioned. Accordingly, members of a profession can fulfil the ability to measure financial and nonfinancial information reliably and the ability to assure their accurateness and to fulfil the reflection of related information in the report (ACCA, 2008:6; Jones, 2010:29).

Preparation of sustainability reports is based on voluntariness in our country likewise in many other countries of the world. Recently, in parallel with the global developments, the number of businesses that prefer to declare the economic, environmental and social dimensions of their activities to the public by means of their sustainability reports have been increasing.

The presentation of sustainability report of the business and identification of the risks have gained importance with regards to all stakeholders "being able to make various decisions about the business. As a result of businesses" sharing their social, environmental and economic knowledge, decision makers" assurance need about the reliability of nonfinancial knowledge has increased and within this context as a response to the needs of data information users, supervision of assurance has appeared. Supervision of assurance is a supervision operation enabling to provide assurance in consequence of substantiation of nonfinancial information by the audit firm or by an expert. The need to increase the reliability of nonfinancial information in the sustainability report has expedited the developmental process of international standard framework. In this regard; when looked at the supervision implementations, it is seen that many countries have their own auditing standards. In this field, the most efficient ones in the world are: foundations within the structure of International Federation of Accountants (IFAC) and American Institute of Certified Public Accountants (AICPA). Today, many countries follow the guidance of IFAC's international regulations concerning supervision and assurance services (Manurung and Basuki 2010: 75-115).

International Auditing and Assurance Standards Board (IAASB) put ISAE3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" standard into action in the year 2004. In the year 2003 AA1000 Assurance Standard was issued by Social and Ethic Accountability Institute and was improved in 2008. In Turkey, within this scope, Public Oversight Accounting and Auditing Standards Authority has put "GDS3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information" standard into action since the year 2015 to be implemented. This assurance supervision standard regulate the assurance supervisions staying out of Standards on Auditing or audits and reviews of historical financial information. In this standard, guarantee audit which is determining the overall framework about the guarantee audit has been identified as the supervision for increasing the assurance level related to the supervision subject of users that make use of audit subject information or process, as being realized by auditors or experts according to specific criterion, and as having sufficient and suitable proof being based on these proofs enabling the preparation of an assurance report.

Literature researches show that the inspection of sustainability reports can affect potential internal benefits of the company management. According to the previous studies, declaration of assurance given to the sustainability reports shows that it eases the risk management of companies and it helps a company foresee the economic, social and environmental problems in future (Adams and Frost, 2008:289; O'Dwyer, 2011:1253). Statements of assurance given to sustainability reports can also be thought as a value creation source for companies (O'Dwyer, 2011:1236). The presentation of sustainability report via statements of assurance is crucial for users as this provides confidence in

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making decisions (Park and Brorson, 2005:1095). Adams and Frost (2008:288) also states in his studies that when decision makers reach the data in their sustainability reports more, it is more probable that this data will be taken in consideration in managerial decisions.

Jones and Solomon (2010:1105) upholds that assurance should be used as a means not only for affirming the accountability towards the external stakeholders but also for controlling the management and for its working effectively. Writers, here, do not regard their declarations of assurance as a means of response to increasing transparency demands but see as the supplementary internal means for the decision making of company management. This finding has been supported by Park and Brorson (2005:1100) with this expression: “providing assurance to develop the real performance and internal reporting system related to subjects about sustainability of under researched companies”. Yet, in another study, it has been put forward that in shareholder-based countries and in countries owning a high level corporate pressure for corporate sustainability, the possibility of securing sustainability reports is higher (Perego and Kolk, 2012:20). This finding manifests clearly that most of the declarations of assurance are first given addressed to the managing board. Accordingly, it reveals that these cannot be used as communicative or stakeholder-based tools.

On the other hand, in Gürtürük and Hahn (2016:39) studies sustainability reports have shown that companies lack clear and dependable information system; hence, data accuracy is inadequate, data quality (69%) and information flow (52%) have gone up. According to this study, it is put forward concretely that the assurance of sustainability report helps companies develop their internal information system concretely.

When literature studies assessed, it has been ascertained that statements of assurance given to sustainability reports contribute to external shareholders, risk management, other managerial decisions and to the increase of company value. Nevertheless, it has been concluded that scientific studies on assurance audit given to sustainability reports are globally insufficient. For this reason, we can state plainly that, in the framework of international supervision and assurance agreements, academic studies about guarantee audit given to sustainability reports are needed. In this study, examining the assurance reports given to sustainability reports; similarities and differences in assurance reports has been put forward. Carrying out content analysis to assurance reports in sustainability reports that provide nonfinancial information, assurance-auditing standards applied, assurance contracts, and parties giving the declaration of assurance were identified and evaluated.

METHODOLOGY

The first study was conducted by Perego and Kolk in the year 2012 in an attempt to determine the contents, differences, similarities and transparency of assurance reports. Perego and Kolk who tried to determine the quality of assurance reports set up measuring rules taking specific indicators into account. These suggested measuring criteria have enabled analyzing the content of assurance statements in detail and at the same time the evaluation of the quality of assurance statements. To bases formed by Perego and Kolk, they broadened the scope of the research including Gürtürük and Hahn (2016:40) additional criteria. In our study, fundamentals of assessment extended by Gürtürük and Hahn have been used, adapting them.

In the study, assurance reports in the sustainability reports published by companies have been examined. Institutional sustainability portal and sustainability reports registered in the data base of global reporting initiative with sustainability reports published on web pages of businesses taking place in İstanbul Stock Exchange (Borsa İstanbul - BIST) Sustainability Index constitute the sample of this research. These businesses have been trading in BIST and the ones whose corporate sustainability performances are at a high level. “Vodafone Turkey” included in the research has not been trading in BIST; however it is registered in Dow Jones Sustainability Index in the USA. The

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reason of our including the company mentioned is that the group Vodafone has published its sustainability report as “Vodafone Turkey”.

In the research, 391 sustainability reports of total 120 businesses published between the years of 2013 and 2017 have been examined and 35 of them have been determined to have been guarantee audited. Statements of assurance of 35 sustainability reports belonging to 16 businesses in total, have been examined. The reason for the start of research period in 2013 is the increase in the number of companies that have had assurance audit relating to sustainability report done since this time and supply of minimum 30 samples required to approach the normal distribution in terms of statistical analyses (Akoğlu and Mutlu, 2018:282). Before the year 2013 only 3 companies: Eczacıbaşı (2009), Arçelik (2010), Opet (2012) presented the assurance report about sustainability report. Sustainability reports have not been included in the analysis as their assurance haven't been audited.

FINDINGS

In the light of the information about businesses setting up the research subject, 13 businesses out of 16 presenting the sustainability report with the assurance report are registered in the Sustainability Index. When businesses that present sustainability report with assurance report are examined on sectoral basis, it is seen that (8) 50 % of it is production, (4) 25 % financial corporation and (4) 25 % tertiary sector. According to this finding, companies that operate in manufacturing sector can be said to present sustainability report with assurance report the most.

Table 1. Details of Assurance Statement

Criteria	Characteristics	Frequency	Percent
Addressees of statement	- Address to the board of directors or management of the company	8	%23
	- Specified address	25	%71
	- No addressee mentioned	2	%6
Type of assurer	- Independent audit firm	20	%57
	- CSR/sustainability specialists/consultants	15	%43
Level of assurance	- Limited assurance	20	%57
	- Reasonable assurance	11	%31
	- Combination	4	%12
Type of limited assurance party	- Independent audit firm	19	%100
	- CSR/sustainability specialists/consultants	0	-
Type of reasonable assurance party	- Independent audit firm	1	%8
	- CSR/sustainability specialists/consultants	11	%92
Type of combination assurance party	- Independent audit firm	0	-
	- CSR/sustainability specialists/consultants	4	%100
Methods applied the most(more than one method per report is possible)	- Negotiations with company management	14	%40
	- Negotiations with senior employees	8	%23
	- Realization of substantive tests on the basis of sampling	17	%49
	- Application of analytical procedures over data	13	%37
	- Examining internal documentation	12	%34
	- Presented information has been evaluated by recompilation method	26	%74
	- Field visits	7	%20
	- Design of greenhouse gas information system, control of it and measurement of it	14	%40
- Evaluation of inventory design and application	7	%20	
Assurance standard	Single standard		
	- ISO14064 only, scope 1, scope 2, scope 3	10	%29
	Combination of standards		
	- GDS 3000, GRI and national code of ethics	14	%40

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- GDS 3000 and industry-specific standard	4	%11
- GDS 3000 and AA1000 and GRI	2	%5
- ISO 14064 and national code of ethics	5	%14

Assurance audit view in the sustainability reports of the businesses we research has been given both by independent auditing firms and by specialized agencies. All the auditing firms giving assurance audit in Turkey are the auditing firms called as “Four Great”

In assurance auditing, particularly two standards: GDS3000 and AA1000 have been used. Of total 35 reports examined, in the assurance report given to 20 companies, according to GDS3000 assurance audit have been realized. In the assurance report of 15 companies, no information is given about the standard the auditor used. In the assurance audit of sustainability report filed by Vodafone Turkey both GDS3000 and AA1000 standards have been used. The reason of this is group Vodafone is a company operating in the Dow Jones Sustainability Index in America. As stated above, AA1000 is a standard used in America.

It has been detected that when assurance audit is realized by the auditing firm, the information about assurance standard used in the audit is given; when it is realized by the specialized agency, assurance audit standard is not stated but only ISO-014064 and GRI were determined to have been taken into consideration.

To be able to reach the view of assurance audit, assurance audit reports involves a section about the operation by the supervisor or the expert including the procedures supervisors applied. Audit operations are explained in most of assurance statements.

Table 2. Information Taken From Sustainability Report Under Assurance

Information in the sustainability report	Auditor	Specialist
Economic information	4	0
Social Information	12	0
Environmental Information	19	15

When the content of assurance statements are examined, which content of sustainability report companies arranged is put forth clearly. It has been observed that these guaranteed sections involve quantitative data of especially environmental information.

In the assurance reports given by both audit companies and by expert institutions to the businesses in the scope of research, it has been detected that no proposal has been made to the companies by supervisors. Yet, in foreign literature studies, it has been put forward by Gürtürk and Hahn (2016:39) that companies have been given relevant advice in the assurance statements given to sustainability reports of publicly-traded companies in the stock exchange of England and Germany.

CONCLUSION

This study examines the declarations of trust given to sustainability reports published between the years of 2013 and 2017 of publicly-traded companies in İstanbul Stock Exchange. Auditors can be suggested that they give advices on companies in their assurance reports concerning sustainability reports in our country. This is because suggestions may help companies with taking potential precautions for their developing the processes that will improve sustainability performances (Gürtürk and Hahn, 2016:39). It is determined in our country that whether the assurance audit is presented by auditing company or by the expert company, not whole information taking place in sustainability reports is guaranteed, but selected information is guaranteed .

In the selected information generally environmental information takes place; that is, greenhouse gas emission, energy usage, water usage, indirect emission and waste information and this information is assured both by the auditing company and the expert company. Statement of assurance given to social

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sciences is encountered only in reports run by auditing company. When the assurance audit reports of publicly-traded companies in the stock exchange of Germany and England are taken into consideration, it is seen that social indicators are focused (Gürtürk and Hahn, 2016:39). For instance; education rate of employees, occupational safety, accident and death rates, job satisfaction surveys conducted on employees and social aids have been guaranteed. In the assurance audit that will be arranged by expert institutions, it may be recommended that social indicators in the sustainability report should be taken into consideration because it has been thought that the assurance of social sciences may increase the performance of sustainability reports. Assurance statement related to the economic information has been determined to have been given only by audit companies. These companies are Türkiye İş Bankası and Yapı Kredi Bankası operating in financial sector.

Concludingly, GDS 3000 Standard which the sustainability report has used in the assurance audit has been seen as an assurance standard related to sustainability. When the assurance audit given to sustainability reports are given by auditors, the standardization of assurance procedure may cause the risk of tarnishing the reliability of declarations. The standardization of assurance procedure causes extremely little assurance transparency and it cannot offer the proof that existing assurance application can clarify the sustainability information or it can add assurance to the sustainability reports. When the assurance audit is given by expert institutions, applied assurance procedures differ according to the sector the company is in.

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SUSTAINABILITY ASSURANCE AND INDEPENDENT AUDIT CONCEPT: INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS No. 3402 AND A STUDY ON SUSTAINABILITY REPORTS

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Abstract: *The sustainability concept is consisted of three dimensions which are economic, environmental and social, has become even more remarkable with the protection of natural resources for future generations has become a global issue. The economic dimension of sustainability expresses the efficiently management of the tangible capital of the enterprise, social dimension expresses supporting their social goals by keeping stakeholders' human capital power and contributing to the development of social capital, and the environmental dimension expresses enterprises' activities in order to ensure the sustainability of natural resources. Today, since the constitution of healthy financial structures has a great importance for all states and all international economic organisations, it is very important that the sustainability activities are reflected on accounting and auditing processes. Activities related to sustainability concept which are in accounting and auditing are closely affecting all three dimensions of sustainability. The sustainability of the enterprises is of great importance for the stakeholders of the enterprises. The globalization movement that entered the third phase with the communication technologies development in the 19th century, in which the mercantilist understanding of the 15th century triggered the start of the colonialism, stepped up the industrial revolution in the 18th century, accelerated the diversification of the activities in enterprises and accelerated them to become multinational corporations. The increment in the mobility of the factors of production has become most prominent with the increase in the mobility of capital. The diversification and expansion of the business activities came with accounting and auditing deceptions. After the encountered financial scandals, corporate management and auditing concepts came to the forefront for the environment of confidence re-establishment in the capital markets.*

The purpose of this study is revealing the role of independent audit in the permanent establishment of the assurance mechanism in organisation, which is one of the most fundamental expectations of corporate management. For this purpose, logistic regression method was preferred as the method. The most important reason behind the preference of the method is that the dependent variable is categorical and does not require the normal distribution. In the scope of the study, the audit reports of 8 banks that are listed in the BIST Sustainability Index are examined. In addition, banks which are performing sustainability reporting were also subjected to scoring. As a result of the study, the importance of the concept of assurance in auditing quality and corporate sustainability and the existence of the relationship between these concepts are revealed statistically. Additionally, the relationship between the size of asset and audit quality is also determined and the findings are compatible with the literature.

Keywords: *Sustainability, corporate management, independent audit, professional scepticism, reasonable assurance concept, ISAE 3402*

INTRODUCTION

Corporate management is an important element for ensuring the effective functioning of the financial reporting system. Theoretically, there are three monitoring mechanisms existed that enable to create and implement effectively the corporate management. These are; internal control system, board of directors and audit committee. The basic research question to be answered in this study is the forms in which professional scepticism reflections confront organisations and what contributions are of professional scepticism's to reasonable assurance, that is also considered both in independent auditing standards and general standards. The attitudes of the members in the audit committees concerning to professional scepticism, who have the qualifications specified in Article 6 of the Internal Systems of the Banks Regulation and do not have executive duty and selected by the Board of Directors of banks in the scope of study to assist it in the execution of the audit and supervision of the activities, affect the situation regarding to carrying out the risk management effectively. At this point, it is aimed to provide the comprehensibility of the concept of "reasonable assurance" which reveals the value of audit and audit standarts by putting forth the contributions to independent audit, that corporate management takes as base the importance of accurate and reliable based information network between top management and stakeholders.

Within this framework, the rising importance of the "assurance" concept in terms of corporate management and sustainability reporting and the relationship between the independent audit will be examined in International Standard On Assurance Engagements No. 3402.

In the literature inspection during the study, it has been reached to audit and corporate management, however no study has been encountered dealing together with reasonable assurance, professional scepticism, corporate management, corporate sustainability, sustainability reporting and assurance auditing standards. Gündüz (2018), in his study on financial statement deceptions and methods in enterprises, aimed to reveal deception audit and the reasons for requiring to deception audit and emphasize the role of auditor in the prevention of deception, as a result it has been reached that new techniques should be developed for the methods used in the deception. Terzi, Şen and Solak (2014) examined the financial reports of firms in their studies which are indexed in BİST100 and found positive reflections on the independent audit quality of the big firms' auditing and institutionalization on independent audit quality level in accordance with the literature. Çağırın and Varıcı (2018, in their study, have carried out a research upon the especially occurred accounting scandals along with the financial crises and financial information users requests with more information and more transparent audit report, as a result of the work, auditors related to KDK and top executives with whom will be contacted may need to be informed, emphasized that especially sections about KDK in new audit reports which reports have just begun should be kept away from stereotypes expressions.. Uyar (2015) aims to explain the limited independent audit within the framework of international audit and quality control standards and limited independent auditing standards. Türedi, Ala ve Tepegöz (2018), evaluated the relationship between the corporate management and independent auditing standards. Varıcı ve Karakaş (2017), examined the 2014 data, the audit reports, financial statements and price/performance ratios of the enterprises which are operating in the BIST Industrial Index in order to determine whether the earnings-based variables derived from the items in the financial tables affect the probability of the audit risk. Karacan ve Uygun (2018), In their study, it has been explained the new standard regarding to the developed key audit issues notifications in auditor's report in order to provide more detailed and transparent information to the users of the financial tables by increasing the communication value of the auditor reports and consequently the quality and reliability of the auditors, it has been investigated how and in what scope this issue is handled in the audit reports in the 2017 fiscal year, which is the first implementation year of the standard in our country. Karğın ve Arıcı

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(2015), in their study, they aimed to measure the quality of the accounting information which are reported in capital markets and conducted a research on BIST.

METHODOLOGY

In this study, a researching has been made on the banking sector in order to reveal the relationship between corporate management, corporate sustainability activities, reasonable assurance concept in auditing and independent audit. One of the first reason behind the selection of the banking sector is that the banking sector began its institutionalization process at an early stages and has been intensively going on to its activities related to institutionalization. Hence, the banking sector has started in the first studies on sustainability reporting is another reason for the selection. The data used in the study were obtained from public disclosure platform, open to public available financial reports and sustainability reports from BIST and banks' own sites.

In the study, the quality of the audit was selected as a dependent variable, and the variables were generally selected from the variables in the literature that connected to the quality of the independent audit. The logistic regression method will be used as the method and the reason for choosing the method is the fact that the dependent variable is categorical and does not require a condition for normal distribution.

Within the scope of the study, “audit quality” is the dependent variable. In terms of the audit quality, it has taken 1 if it is one of the four major auditing companies, otherwise the structure of the binary variable is formed by taking 0. In the study, independent variables are consisted with, “percentage of independent members in the board of directors”, “CEO duality”, “management ownership”, “period of being registered in BIST and XUSRD”, “whether there is an Audit Committee or not”, “percentage of belongings to any profession who are members of the Audit Committee”, “company size” and the “financial leverage”.

Table 1: Variables of Research

	List Of Banks	Dependent Variables	Abbr.	Independent Variables	Abbr.
1	Adabank A.Ş.	Audit Quality	AUQU	Percentage of Independent Members in The Board Of Directors	PIMBD
2	Akbank T.A.Ş.			CEO Duality	CEODU
3	Anadolubank A.Ş.			Management Ownership	MANOW
4	Fibabanka A.Ş.			Period of Being Registered in BIST and XUSRD	BISTSRD
5	Şekerbank T.A.Ş.			Whether There is An Audit Committee or Not	WACN
6	Turkish Bank A.Ş.			Percentage Of Belongings to Any Profession Who Are Members of The Audit Committee	AUCOM
7	Türk Ekonomi Bankası A.Ş.			Company Size	COMS
8	Türkiye İş Bankası A.Ş.			Financial Leverage	FINLE
9	Yapı ve Kredi Bankası A.Ş.				

CONCLUSION

As a result of the study, firstly, the importance for of institutionalization and reporting in compliance with the standards for the stakeholders has been put forth. It is of great importance that the institutionalization process's completion on increment the quality of the audit. Corporate compliance reports, which are examined within the scope of the study and one of the main sources of data collection, support the findings. It has been seen that there is a relationship between independent members in the board of directors, non-executive board members, institutional investors and auditing. Within the scope of the study, the importance of the concept of assurance in the quality of auditing and the concept of assurance in sustainability and the existence of the relationship between these concepts are revealed statistically. The existence of the relationship between asset size and quality of audit is appropriate with the literature. Since the effects of the auditor qualifications are of great importance on the independent audit process, this aspect has been examined separately within the scope of the study.

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THE EFFECTS OF INNOVATIVE SUSTAINABLE DEVELOPMENTS IN ENVIRONMENTAL ACCOUNTING INFORMATION SYSTEMS

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Abstract: *This paper highlights and discusses the effects of innovative sustainability developments on environmental accounting information systems. First of all, This paper aims , the integration of environmental information into the accounting system and the perspectives of companies in their efforts to reduce the high technology costs in environmental reporting have been taken into account. In the second part of the study, the evaluation of environmental values with information systems within the scope of sustainable and innovative policies are examined. Finally, the application of environmental information systems has been evaluated in a way to provide very effective benefits in the presence of continuity and innovation in companies. This study also discusses the role of the System of Environmental Economic Accounting System and its contribution.*

Keywords: *Environmental Accounting, Sustainable Innovation Developments*

INTRODUCTION

In the new world order in all branches of science for the future changes and taking into account the level of research and studies are being done. The disclosure of environmental accounting regarding environmental conservation activities of companies and other organizations, including public interest organizations and local public entities, provides a means for stakeholders to understand, evaluate, and give their support to such efforts. Environmental accounting continues to take root as part of the social system. Sustainability is a complex concept. Sustainability is the principle of engaging in practices that will not deplete a resource, and sustainability accounting and measurement is to engage in practices that allow a business to measure and assess the environmental impact of its activities. Sustainability measurement is a quantitative basis for management of sustainability practices. When a business makes a decision to use green packaging (a sustainable practice). It needs to know how that increased cost is offset with decreased waste disposal costs or increased consumer interest, in addition to the environmental implications. However, it is very important to ensure that sustainability innovations take place in the accounting system and organizations. (accounting.edu.org:2019)

METHODOLOGY

In this study, it is aimed to reach detailed information by focusing on various areas related to sustainability and effects of innovation in the triangle of environment, accounting and information systems. These are shown below: As a research method in this perspective, a clear explanation and integrity of expression were given importance in the study. The methodology of this study consists of books, articles, web resources, reports and working papers.

LITERATURE REVIEW

The valuable approach by (Gray, 2010:47–62) . The emergence of sustainable development as the complex notion through which social and environmental issues must be addressed whether at policy, personal or organization all levels has had a growing influence in the accounting literature. The other study by(Jones,2010:132) The traditional accounting paradigm with its narrow focus on accounting numbers does not capture the environmental consequences of organisational activity. Another study pointed about information Taxonomy Of Sustainable Development Goals by (Parris ,Kates, 2003:562).

The organization of the Global Sustainable Summit and the publication of the Industry Standards are also important developments.(SASB:2016)

FINDINGS AND EVALUATIONS

The findings of this study are as follows: In the application of environmental accounting information systems, there are many problems in creating a perspective within the framework of the benefits of two important factors such as sustainability and innovation in enterprises. It is observed that the data of accounting information and environmental accounting information systems are very small. Another important finding is that the transformation of data flow into information in environmental accounting information systems will provide added value to companies. In addition, businesses need an environmental accounting information system that covers environmental standards.

THE ROLE OF ENVIRONMENTAL ACCOUNTING INFORMATION SYSTEMS

Industrial operations cause unique environmental liabilities globally with its associated financial effects. Industries are therefore becoming progressively more aware of the social and environmental liabilities pertaining to their operations and products. (Beer and Friend, 2006:548- 549)

A specific type of accounting information system is the so-called financial reporting system such as 'Hyperion Enterprise' or ' Solver'. Such systems are not transaction systems perse but use data from accounting transaction systems to provide managers with information without having to drill through layers of accounting data. In short, these systems are a level 'above' transaction-based accounting systems and capture data from these systems to enable more efficient reporting of financial information environmental management purposes. (Rikhardsson:1998)

Relative to traditional accounting information, environmental accounting information has lower levels of user familiarity. As a result, the organizational display of these data, and their combination with non-environmental metrics, is of particular and unique concern. This paper analyzes how some attributes of environmental data may impact cognitive processing and decision making in order to guide future environmental accounting research and practice.

This insight informs practitioners wishing to establish more effective environmental accounting information systems. The implications from this discussion also encourage researchers conducting environmental accounting experiments to consider the importance of environmental data attributes in their experimental designs, as well as other factors that may ultimately impact the evaluative effectiveness of decisions involving environmental accounting information. (Alewine:2019) Basic concept of Accounting is collecting measuring, controlling and communicating economic information

about an organization. Comparing accounting information system to traditional accounting systems that you can find five basic phases: Planning, Analysis, Design Implementation and support. (Williams, Spaul, 1994:216-217) It can be thought that environmental accounting information systems can be seen in the accounting systems and the organization is as follows. In the figure (3.1) below I tried to make a model of Information Systems and environmental relationship in the corporate companies (Gökdeniz, 2016:262)

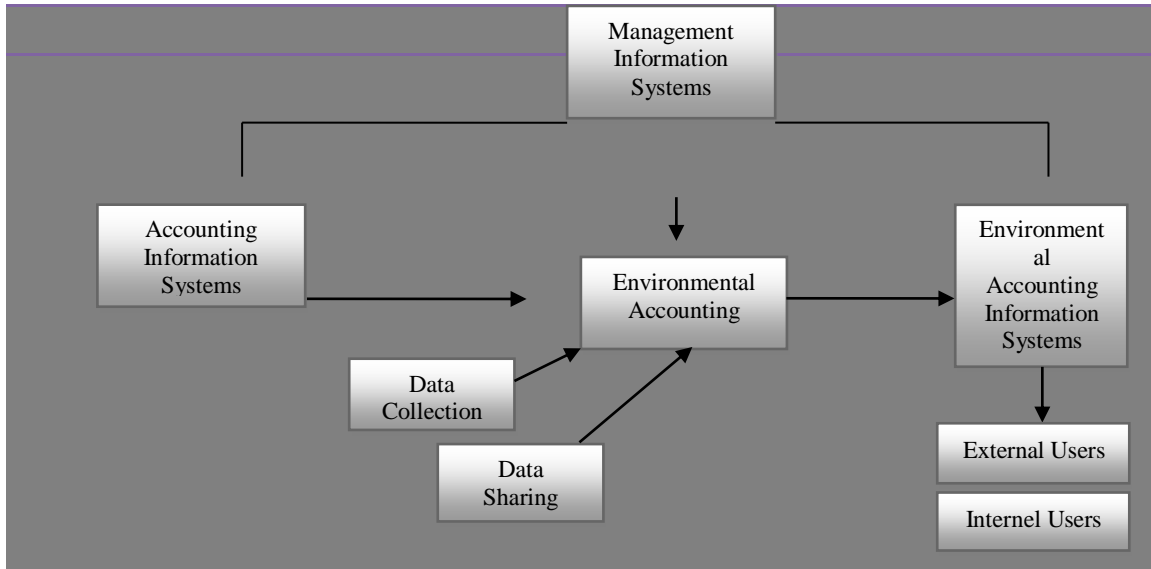


Figure 1. The Aspect of Environmental Accounting Information Systems in the Corporate Companies

Environmentally induced financial impacts and ecological impacts of a defined economic system (Schaltegger and Burritt, 2000:30) On the other hand, environmental costs associated with manufacturing have continuously increased over the past three decades due to increasing societal demands and regulation. For this reason, companies throughout the United States have increased their efforts to fully understand the impact of environmental costs. These efforts have been motivated by a realization that these costs are truly significant. As such environmental cost accounting (ECA) is an activity that can add business value to company. (Elliott: 2001) In Table (3.1) as shown below suggests that effective cost management principles for value creation can also be evaluated within the scope of environmental costs:

Table 1. Principles of Effective Cost Management

Complexity
Organizational Performance
Effective Lasting Change
Employee Knowledge
Experience
Objectives
Knowledge and Tools
The True Cost of Products and Services
Excellence is the Only Acceptable
Performance Target
Complexity Reduction
Broad-Based, Knowledge Driven
Involvement
Organizational Cost

Source: Elliot, 2001

ENVIRONMENTAL ACCOUNTING INFORMATION SYSTEMS IN THE SCOPE OF EFFECTIVE SUSTAINABLE INNOVATIONS

Sustainability is one the newest degree subjects that attempts to bridge social science with civil engineering and environmental science with the technology of the future. When we hear the word “sustainability” we tend to think of renewable fuel sources, reducing carbon emissions, protecting environments and a way of keeping the delicate ecosystems of our planet in balance. In short, sustainability looks to protect our natural environment, human and ecological health, while driving innovation and not compromising our way of life. (Environmental Science Org:2019)

After this valuable information above, how should sustainability serve the objectives of the elements? Looking at this point, we need to understand what their purpose is. For a better understanding of the subject, sustainable development goals are categorized as including class, life support, people and subheadings of economy, which include what is to be sustained and what is to be developed, as shown below in table.(3.2)

Table .2. Taxonomy Of Sustainable Development Goals

What is to be sustained	What is to be developed
Nature	People
Earth	Child survival
Biodiversity	Life expectancy
Ecosystems	Education
	Equity
	Equal opportunity
Life support	Economy
Ecosystem	services Wealth
Resources	Productive sectors
Environment	Consumption
Community	Society
Cultures	Institutions
Groups	Social capital
Places	States
Regions	

Source: Parris,Kates.2003

Sustainable development is firmly anchored in the European Treaties and has been at the heart of European policy for a long time. The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals adopted by the UN General Assembly in September 2015, have given a new impetus to global efforts for achieving sustainable development. The EU is fully committed to playing an active role to maximize progress towards the sustainable development goals. (Eurostat: 2018). Another important development is the Sustainability Accounting Standards Board (SASB) to develop a series of 77 industry standards in November 2018. On the other hand, SASB has issued these standards by providing a complete standard that sets minimum standards for material sustainability. It publishes industry-specific standards applicable to worldwide and provides relevant measurements for a typical company in a sector. (SASB:2019) Moreover, SASB, In 1987, the World Commission on Environment and Development set out an aspirational goal of sustainable development – describing it as ‘development which meets the needs of the present without compromising the ability of future generations to meet their own needs.(UCLA:2019)

The GRI Sustainability Reporting Standards (GRI Standards) are designed to be used by organizations to report about their impacts on the economy, the environment, and/or society (GSSB;2016). Additionally, the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) announced ahead of the Global Climate Action Summit (GCAS) last week that they will move forward soon with a Bloomberg-funded effort to bring their standards in line with each other wherever possible (SASB :20). Building on the six priority areas that have framed its Sustainability Policy since 2015, as well as on its Sustainable Procurement Policy, the Forum has developed its Sustainability Strategy 2021. This aims to ensure the highest level of sustainability for its offices and events, as well as to strengthen the integration of sustainability into its global operations and business processes. (WEF:2019)

THE EFFECTIVENESS OF ENVIRONMENTAL ECONOMIC ACCOUNTING (SEEA) AND (EIONET) DATA COLLECTION SYSTEMS

The role of international institutions and organizations in globalized accounting integration is increasing. Therefore, in this part of the study, two of the important ones are examined. The System of Environmental Economic Accounting (SEEA) Central Framework applies the accounting concepts, structures, rules and principles of the System Of National Accounts (SNA) to environmental information. The Central Framework encompasses measurement in three main areas:

- The physical flows of materials and energy within the economy and between the economy and the environment;
- The stocks of environmental assets and changes in these stocks; and Economic activity
- Transactions related to the environment. (U.N.2012:9-11)

At this point it will be appropriate to mention some of the works of the European Environmental Agency which is one of the organizations that make the environmental activities at the highest level in the European Union. The European Environment Agency (EEA) is an agency of the European Union. Their task is to provide sound, independent information on the environment. They are a major information source for those involved in developing, adopting, implementing and evaluating environmental policy, and also the general public. The (EEA) has 33 member countries. Information and communications technology for (EEA) and Eionet Specific objectives: provide horizontal services supporting the EEA-Eionet data collection, data management and access to data, with a focus on the use of Report net applications, across the five thematic areas where (EEA) has the role of a European data centre. (EEA,2008:8)

CONCLUSION

Social and Environmental Environmental related performance and operations are the most important management strategy of the companies. I can only say that primary aim of changing role of accountant must be protect companies by the environmental damages therefore cost-based operations must be taken by accountants. Environmental accounting has been one of the most important development in globally issue. (Gökdeniz.A.Ümit,2016:262) It is important to evaluate the positive and negative factors that may arise in the context of sustainable innovations in accounting systems and organization. Future research could consider whether environmental accounting information systems can play a more vital role in managing environmental sustainability. (Sarah and Prem,2013). Last point

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of view is that mostly companies having related data from the Accounting Information Systems and using them in Environmental Accounting Systems.

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CSR FINANCING OF HEALTH AND EDUCATION

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***Abstract:** In many countries, new patterns of interaction between government and society can be observed particularly since the 1980's. The main tendency has been to shift the balance between government and society away from the public sector and more towards the private sector or towards the joint sharing of tasks and responsibilities. Governing means all those activities of social, political, and administrative actors that can be seen as purposeful efforts to manage a society and or one of its segments. Governing in contemporary society is mainly a process of coordination, steering, influencing and balancing interaction processes between public actors and involved target groups or individuals. The recognition of the interactive nature of modern government means that the traditional forms of governing based on top-down or a rational central rule approach are not considered adequate to cope with new problems or of creating new possibilities for governing. Governance, on the other hand, may be viewed as the pattern or structure that merges in a social political system as the result of the interacting intervention efforts of all involved actors. This pattern cannot be reduced to one actor or group of actors.*

Social/ Human rights, particularly in the areas of health and education have been assuming a central role in the development agenda of national governments, bilateral, and in international aid agencies. Justifications for such social rights rests on the selection and defense of a set of basic needs, primary goods, or essential human capabilities. While the theoretical issues surrounding human rights are complex, there is no doubt that the declining role of governments need to be assumed by other actors to maintain a viable society. The concept of corporate social responsibility (CSR) has evolved over the past few decades, reaching its current status of expressing the responsibility of enterprises to society. Such responsibility may be viewed as consisting of four components: the economic responsibility, the legal responsibility, the ethical responsibility and the philanthropic responsibility. The first two are required by society while the third is expected and the fourth is desired by society. Support for education and health services is part of the philanthropic responsibility of business. This understanding of CSR is universally shared and promoted by all constituents in society.

In the early writings on CSR, the concept was more often referred to as social responsibility (SR) than as CSR- The evolution of the concept may be seen through the main phases of development which are: the 1950-1960s which represented the period when CSR was introduced in the academic arena and in corporate philanthropy. The 1970's which saw a period of rapid growth in the concept of CSR; the 1980's when stakeholder theory and business ethics came to the fore; the 1990's in which CSR was seen to be practiced by corporate organizations; and the year 2000 onward, since when much empirical work investigating the determinants of CSR, its embodiment in corporate strategy, and the consequences of its effective implementation has been undertaken.

As an example of CSR, the regional banking group, ALBarka, issued in December 2018, its annual report on its social responsibility. The report shows that the plan for 2016-2020 calls for the disbursement of US \$ 434 million in support of health care and of US \$191 million for financing education in the 11 countries of its operations. Details regarding the allocation per country and the realization rates are provided- This is a commendable achievement and a good example for other corporations in the region to follow. However, the information provided is too limited to permit stakeholders and analysts to evaluate the efficiency and effectiveness of the programs. For example, how are the funds earmarked for health and education are used? By whom? Are they in line with the national policies for the sectors? Are they supporting measures to redress

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gender, regional, or income inequality? Such questions to be answered require much more information than the financial targets and disbursements.

Evaluation of the effectiveness of the CSR programs requires both financial and non-financial measures. It is recognized that without financial resources there is no CSR programs, but that all the financial resources are irrelevant if they are not well spent on well thought out mission. Therefore, it is important for organizations having CSR programs to constantly measure and evaluate performance based on both financial efficiency and its effectiveness in meeting the goals of the program. The key question of any evaluation is whether the CSR program is delivering on the mission and realizing the maximum impact from the expenditures.

The purpose of this paper is to propose that reporting on CSR activities should be expanded to cover details of the delivery system used in disbursing the allocated funds for health and education. It is also important that the reports should cover the evaluation system used by the organizations to judge the effectiveness of the programs. Such information is considered to be vital for the proper assessment of the organization social responsibility activities. In the absence of such evaluation, the support of the organization to health and education may be viewed as an ad-hoc or random charity and not part and parcel of a well conceived sectoral plans.

AN EVALUATION ON THE USE OF COMMUNICATION TOOLS OF INTERNAL AUDITORS IN THE LIGHT OF A QUALITATIVE RESEARCH

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Abstract: *The communication success between auditor and the staff of the firm audited has great importance in gathering information and reporting. Effective communication with both top management and employees ensures successful execution and termination of this process. This paper presents some of findings of a qualitative research conducted on internal auditors. Today, the use of electronic communication tools has been increasing rapidly. But these tools caused some communication problems which negatively affected the process of auditing. Face to face communication is still the most effective style, but this takes lots of time of auditors for gathering data or questioning. E-mail communication needs more attention in selection the right words for achieving goals. This paper present the opinion of some internal auditors about the communication in their auditing process.*

Key words: *Auditing, Communication, Communication at Auditing*

PREFACE

Businesses, governments, regulatory agencies, independent auditing and internal auditing are more and more serious in the world of economies, where the economies of countries are integrated internationally, changing the principles and rules according to the conditions of the day; add and / or interpret. In this context, the auditors' access to financial information, their monitoring, the control of external and internal audit processes, the information they receive from their customers, the explanations, the answers to the questions they are asked is highly dependent. For this reason, it is of great importance to communicate effectively and to maintain and conclude communication in accordance with the purpose of the work.

Businesses use control as a tool to detect and eliminate any threats that occur during their activities. In terms of business the meaning of audit and its purpose is increasing the efficiency, eliminating application differences among the units, reaching the targets of the enterprise and increasing the quality of the work done. Businesses aim to achieve these goals through successful internal and external audits (Sabuncu, 2017, 164).

The purpose of the audit is to determine whether a specified purpose has reached the desired result or not according to the predetermined norms and standards. The economic audit means auditing of the compliance of the actions taking place during the activity period with the related standards and reporting the results by creating evidence during the audit process. The audit is not a goal in general terms, it is a regulatory method used to determine the objectives, targets and the threats and risks that may arise against those who are responsible for accountability, and to make the sustained activity more efficient, effective and sustainable (Özoğlu, et al., 2010, 37).

There are some functions that the audit performs with the intended objectives and the results achieved. Ozoglu et. al. (2010, 38-40) determines these functions as continuity, efficiency, effectiveness, frugality, prevention and restriction, correction, restructuring, and coordination. The realization of

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these concepts, which are of great importance for the enterprises, depends on the correct and appropriate communication of the auditors with the audited persons.

In this context, it is not enough for auditors to be equipped with expert knowledge only; in addition to these knowledge and skills, they must have a social personality and communication skills.

When the definition of communication is examined, it is seen that common characteristics are transfer, communication and various symbols used for this purpose. One of the parties involved communicates a message to the other party using the oral, written and/or body language; the other party receives this message. There is interaction in communication and emotion, thought or knowledge transfer can enable both sides to enter into an attitude and behavior. In this transfer and interaction, words, gestures and mimics, body movements, visual elements, etc. symbols are used.

Communication has four basic elements: Source (sender), message and coding, communication channel, and receiver.

When transmitting a message to the opposing party, the source should be competent to convey what he/she wants to say, equipped, and informed. For example, if there are issues to be explained that the auditor has identified during the review, he/she must first make sure of these determinations; he/she should be aware of what he/she should pay attention to when transferring these determinations and who will ask questions about these determinations.

The message is a verbal, written, visual element that the source sends to the other party. The message must be encoded in such a way that the receiver can understand and act according to the message received.

The communication channel is the means by which the source transmits the message. These tools arise in the form of oral communication or written communication. Verbal communication can take place in the form of face-to-face interviews or phone calls, while written communications, reports, minutes or e-mails can be made. The most effective tool is face to face. The fact that both parties communicate using verbal and body language and the possibility of explaining unclear elements is an important advantage. However, in case of need for proof documents, written communication environments are preferred. In this case, however, the source should be careful to encode the message correctly. For example, the auditor should clearly state the request for an explanation of the error; The article should be careful not to be too short to make a doubt or to make it difficult to understand, nor to make it too long to cause the subject to dissipate.

The recipient is the party receiving the message the success of communication is based on his/her perceptions, interests, and value judgements (Yatkın ve Yatkın, 2006, s.104).

There are three types of communication, verbal, non-verbal and written. Oral communication is shaped by two concepts language and beyond language. While the language has meaning with the words we use while talking, beyond language has meaning of emphasizes and senses of the words. The words and accents used to describe a perceived misconduct to the opposite party may determine the extent to which the other party is willing to approach or be willing to explain.

Nonverbal communication is the type of communication formed by the elements such as tone of voice, body language, space outside the words.

Facial expressions and eye contact are important in effective communication. Ensuring the listening of the other party, using the expressions, voice tone while talking, are important for the success of the communication.

Sound language is an important element of nonverbal communication. The tone we use together with the emphasis during communication has a different effect on creating attention and interest.

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Written communication has a different effect than other forms of communication in terms of being permanent and evidence. Letters, e-mails, reports, minutes, etc. Are the examples of written communication. However, written communication is a form of communication that takes longer than oral communication. Although it is possible to communicate more quickly with the widespread use of electronic environment, it is still a longer way of communication than face to face communication (Tutar and Yılmaz, 2003, 54-70).

Saiewitz and Kida (2017, 1) state that there have been differences in communication between the auditor and the audited firm in recent years with the employment of young auditors, and that they prefer to communicate with their staff via e-mail. Researchers emphasize that auditors working in audit firms, which are considered to be the milenium generation born in 1980 and later, prefer to grow by computer-based communication technologies and to send shortened text messages via electronic mail.

As mentioned above, face to face and verbal communication plays an important role in ensuring cooperation and reaching the target in a more effective and easy understanding of each other. Written communication may adversely affect this process, and shorter writing of messages may lead to an understanding of the subject and incomplete and / or incorrect information of the counterparty, resulting in unsuccessful communication (Saiewitz and Kida, 2013, 2).

Saiewitz and Kida, (2013, 9), in their study, the supervised unit managers, have given prejudicial answers to questions that would put their positions in trouble, or did not give, they have missed the unwanted information when forced to give. In addition, the more the social investigation is carried out, the more the supervisors provide such contradictory information. According to another finding, they are not positive about the income reduction recommendations of the auditors in communication with electronic mail.

Doan and McKie (2017, 306) stated that since 2000, the investor relations have moved to another dimension with the scandals, like as Enron, WorldCom, and that communicators and finance professionals must work together to create synergies in order to create a fair appreciation approach. Researchers point to the importance of working in the financial world where accounting and auditors are located, working with professionals in the communication sector, and conducting public relations studies on ethical values. This problem draws attention to the scientific studies on how to send a message to gain confidence and to create a positive image especially after the negative experiences of the auditors.

Lim et al. (2016, 185) emphasized that employees in accounting are more information professionals than accounting technicians. The authors argue that those working in this area have assumed roles in facilitating access to information, forensic accounting, strategic analysis and team players. In this context, they emphasize that communication skills, problem solving, emotional intelligence, critical thinking, flexibility, team building, in addition to interpersonal communication skills should be possessed.

Borzi and Mills (2001) and Kerby and Romine (2009), referring to the work of Lim et al. (2016, 186), in general, communication skills are the most important skills for universities who want to make a career in accounting. According to Nellermeoe, Weirich, and Reinstein (1999), accounting professionals spend 80% of their work time in communication (Lim et al., 2016, 186). According to Gray (2010) and Andrews and Sigband (1984), they have the skills of listening to listening, listening, listening, listening, listening, listening, and presenting to the other parties. is important (Lim et al., 2016, 186).

Plant and Slippers (2013, 310-321) have demonstrated that internal auditors should have excellent oral and written communication skills in order to provide added value to their clients by providing assurance and consultancy services to their customers in the light of their research findings on internal

audit doctoral students in South Africa. . For this purpose, a group of stakeholders attended the business communication course and the students were asked about the benefits of this course. The students stated that they have acquired the skills to promote team work, to create confidence, to develop presentation skills and to learn effective communication skills.

RESEARCH FINDINGS

Internal auditors were targeted in the qualitative research planned to reveal the attitudes and behaviors of the auditors regarding the relations with the audited company's staff. The aim of the research is to find out what styles of communication the internal auditors prefer in the audit processes, and what manners they face to in that process.

The questions were prepared as open-ended to achieve these objectives. 16 internal auditors, who served as internal auditors in the public and private sectors, were selected by means of convenience sampling from non-random sampling methods and the questions were sent by e-mail.

The data obtained were evaluated by content analysis and the findings were interpreted.

The findings present the answers of these questions:

- What are the communication styles (face to face, phone, e-mail) internal auditors have been using with the units / employees that are audited in their internal audit reviews?
- What problems do they face in using each one?
- What are their approaches in solving those problems for each style?

It's wanted them to rank their priorities among three communication styles from 1 to 3. As seen in Table 1, the respondents' favorite style is face to face communication mostly. E-mailing is the second and telephone communication is the third one.

Table 1. The Rank Points of Communication Styles That Respondents Preferred

Communication Styles	Rank Points
Face to face	48
E-mailing	27
Telephone	21

It's also analyzed the factors affected their preferences of communication styles and the communication problems they face for each style. Table 2 shows the advantages and difficulties of face to face communication. According to the findings, gathering more information, using and understanding body language, necessity of respect to the top management, achieving more comfortable environment, having instant response are the most advantages of face to face communication.

On the other hand, it has been shown that there are some challenges such as time and place constraint, inability to respond immediately and requesting time for examination in face to face communication.

The advantages and challenges of telephone communication are seen in Table 3. As seen, this style of communication is mostly considered as a form of support. This support can sometimes be for meetings and coordination purposes and sometimes for confirmation purposes. However, at the top of the challenges of this type of communication are the possibility of misunderstanding, the inability to use the body language and asking documents for evidence.

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Table 2. The Advantages and Challenges of Face To Face Communication

Advantages	n	% (n=16)
Open-ended questions with more explanations and additional questions	2	12,50
Using and understanding body language	2	12,50
Necessity of respect to the top management	2	12,50
Gathering information rapidly and easily	1	6,25
Instant response	1	6,25
Ask questions instantly	1	6,25
More information due to instant communication	1	6,25
Easy explain the extent and content of audit	1	6,25
More help from supervised staff	1	6,25
The advantage of finding more open speech	1	6,25
The auditor feels himself/herself more comfortable	1	6,25
The most productive style of communication	1	6,25
The ability correct misunderstanding	1	6,25
Healthy feedback	1	6,25
Error prevention	1	6,25
Challenges	n	% (n=16)
Time constraint for interview	1	6,25
Place constraint for interview	1	6,25
Obligation to make an appointment	1	6,25
Inability of unresponsiveness instantly	1	6,25
Request time for review	1	6,25
Prioritize information that will justify themselves	1	6,25
Act like he/she doesn't understand	1	6,25
Expose document that does not meet / partially meet the finding	1	6,25

The advantages and challenges of e-mail communication are presented in Table 4. E-mail communication is mostly used for gathering written evidence, sharing information and documents, official correspondence, the need for extra explanation, The internal auditors as respondents determine the challenges of this communication style as failure to provide timely feedback, difficulty of transcribing expressions to writing, forgetting feedback because of being busy, and various communication accidents.

Table 3. The Advantages and Challenges of Telephone Communication

Advantages	n	% (n=16)
Use for interview and coordination of meeting	3	18,75
Rapid communication	2	12,50
More information due to instant communication	2	12,50
Advantage of use for approval	2	12,50
No time and space constraint	1	6,25
Support role of face to face communication	1	6,25
A complementary means of communication	1	6,25
Use for post-reporting monitoring	1	6,25
Advantage of use at geographic distance	1	6,25
Challenges	n	% (n=16)
Possibility of misunderstanding	2	12,50
Verbal infirmation	1	6,25
Evidence needs additional information and support	1	6,25
Not seeing the body language	1	6,25
Forget what to do	1	6,25
Details can be overlooked	1	6,25
The negative image as if refraining from face to face communication	1	6,25
Conflict between wanted and presented information	1	6,25
The problem of determining of the date of meeting belirlene sorunu	1	6,25
Communication accidents	1	6,25

Table 4. The Advantages and Challenges of E-Mail Communication

Advantages	n	% (n=16)
Sharing information and documents	4	25,00
The advantage of gathering written document	2	12,50
The advantages of official correspondance	2	12,50
Use for extra explanation	2	12,50
The advantage of using after reconciliation	1	6,25
Us efor support	1	6,25
Challenges	n	% (n=16)
Information may not be received at the requested time and format.	2	12,50
Difficulty of transcribing to writing	1	6,25
Inability of expressions to give exactly what is meant	1	6,25
Forget feedback because of being busy	1	6,25
Details can be overlooked	1	6,25
Closed to more information due to formal structure	1	6,25
Communication accidents	1	6,25
The negative image as if refraining from face to face communication	1	6,25
Possibility of misunderstanding	1	6,25
Meaning chaos	1	6,25
Conflict between wanted and presented information	1	6,25

CONCLUSION

International integration is increasing day by day in the globalizing world economy; companies offer appropriate and attractive investment areas for their investors through their financial statements without discriminating between countries of origin. In this presentation, assurance is largely provided by auditors. However, the success of the auditors in the companies is to finalize the process through auditing activities in accordance with international auditing standards by using the financial statements prepared in accordance with international standards. This process requires intensive communication between the the firm being audited and his / her staff and the auditor.

In this context, it is important that the auditors establish a sound communication with senior management and employees in their information collection, evaluation, monitoring and reporting activities as well as their expertise. It is one of the basic principles of successful communication to give importance to the principles and rules in oral, non-verbal and written communication, to use body language and to understand the body language of the other party and to listen effectively.

The qualitative research on the service of internal auditors reveals important findings in this area. Internal auditors believe that face to face communication is the most important form of communication. They prefer to use e-mail for communication in the form of written documents, while they use telephone communication for support.

Internal auditors stated that face to face communication is more effective and stated that body language is important in this communication. On the other hand, they stated that they preferred the professional attitude during the audit process, but they did not ignore social communication according to the customer's attitude.

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TO CONVERGE ERM PROCESSES WITH GRC PROCESSES FOR BETTER INTERNAL AUDIT

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Abstract: Governance, Risk and Compliance (GRC) is an emerging topic in the internal audit. The purpose of this study is to define GRC approach, benefits of it, to examine framework of it and to study relationship between GRC, internal audit value and Enterprise Risk Management (ERM). The study includes theoretical investigation of the GRC implementation. In this context, a literature review was made on the concept. The current literature on GRC systems is primarily concerned with the application of GRC systems and the concept of it. The study can provide contribution in the area of GRC systems for further research.

Keywords: Governance, Risk, Compliance, Internal Audit.

INTRODUCTION

Governance, Risk and Compliance (GRC) is an emerging topic in the internal audit. Today's market conditions force organizations to be more proactive and rigorous while managing risks and providing coverage to internal and external stakeholders in risk management effectiveness. Companies that can clearly identify and scale the risks and potential impacts they face to face as a result of which they make their business decisions more efficiently. A comprehensive technology-enabled GRC approach enables organizations to become more resilient by gaining compliance and performance capabilities (KPMG, 2019).

According to PwC (2005) "In itself GRC is not new. As individual issues, governance, risk management and compliance have always been fundamental concerns of business and its leaders. What is new is an emerging perception of GRC as an integrated set of concepts that, when applied holistically within an organisation, can add significant value and provide competitive advantage."

LITERATURE REVIEW

The following is a summary of literature on the concept of GRC (Frigo and Anderson, 2009; Racz et al., 2010; Butler and McGovern, 2012; Spanaki, and Papazafeiropoulou, 2013; Papazafeiropoulou and Spanaki, 2016).

Author	Methodology	Main Objective
Frigo and Anderson (2009)	Theoretical	The 'risk policies and appetite' approach and these set overall common goals for adding value and protecting the common processes associated with GRC practices.
Racz et al. (2010)	Literature review	The research at hand provides a frame of reference for research of integrated GRC.
Butler and	Conceptual	Analysis of the GRC compliance Information Systems in

McGovern (2012)		the environmental management area.
Spanaki, and Papazafeiropoulou, (2013)	Theoretical and empirical investigation	Primary analysis of the GRC implementation process.
Papazafeiropoulou and Spanaki (2016)	Interviewee groups	The study investigates GRC systems in depth by (a) reviewing the literature on existing GRC studies, and (b) presenting a field study on views about GRC application by professional experts.

The current literature on GRC systems is primarily concerned with the application of GRC systems and the concept of it.

CONCEPT AND FRAMEWORK OF GRC

GRC is the integrated collection of capabilities that enable an organization to reliably achieve objectives, address uncertainty and act with integrity (OCEG, 2019).

Governance, risk, and compliance (GRC) initiatives, which seek to improve efficiency and effectiveness across an organization's risk and control functions. Internal auditing is often involved in these initiatives, given its role as a critical GRC function. GRC initiatives can provide internal auditors with numerous opportunities to enhance audit processes and knowledge activities, yet they can also present auditors, and the organizations they serve, with many challenges. Accordingly, auditors need to understand GRC processes and position themselves to help the organization both achieve GRC benefits and avoid the potential pitfalls (Frigo and Anderson, 2009). Recently, GRC becomes very important topic for business world.

The aim of GRC integration is to eliminate the traditional boundaries between units, including ensuring the same classification of risks, controls and problems, and to develop a single risk approach that will replace this fragmentary structure (KPMG, 2016, 26).

The definition was incorporated into a high-level frame of reference highlighting the key elements that should be examined when researching the integrated GRC concept (Racz et al., 2010, 113).



Figure 1. Frame of reference for integrated GRC (Racz et al., 2010)

Governance, Risk Management and Compliance are the core subjects of GRC. Each of the subjects consists of the four basic components of GRC: strategy, processes, technology and people. The organisation's risk appetite, its internal policies and external regulations constitute the rules of GRC. The subjects, their components and rules are now to be merged in an integrated, holistic and organisation-wide (the three main characteristics of GRC) manner – aligned with the (business) operations that are managed and supported through GRC. In applying this approach, organisations long to achieve the objectives of GRC: ethically correct behaviour, and improved efficiency and effectiveness of any of the elements involved (Racz et al., 2010, 113).

RELATIONSHIP BETWEEN GRC, ERM AND INTERNAL AUDIT

Controls, risk, and governance increases, internal audit value also increases as an illustrated in Figure 2.

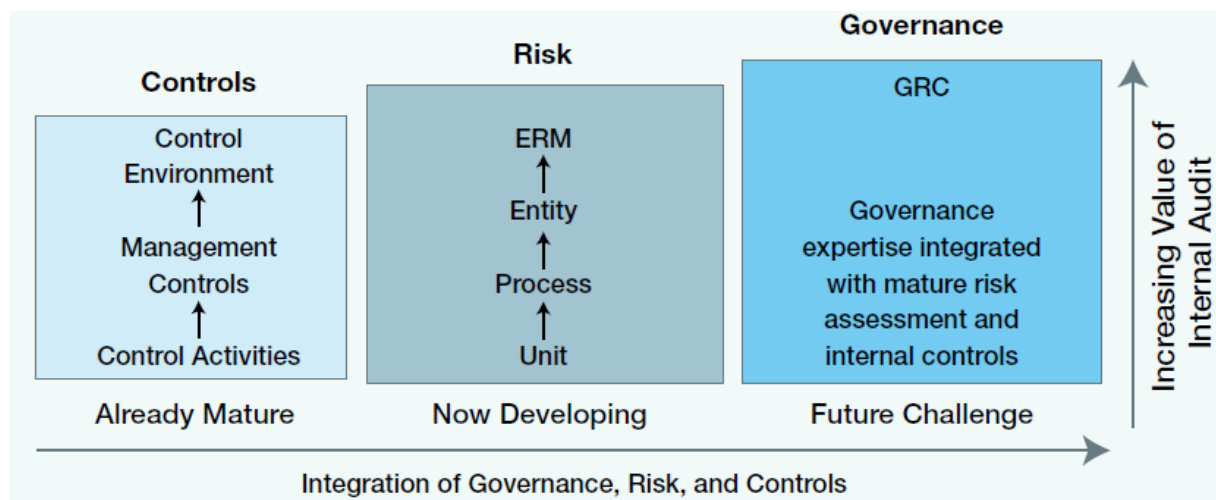


Figure 2. The Evolution Toward Increasing Value for Internal Audit (IIARF, 2013, 16)

Management must work through the perceptive barriers to ensure there is a holistic view of ERM and GRC. To enforce this concept, ERM and GRC must be more than just an initiative; management must fully support it and establish clear accountabilities and concepts. They should establish a strategic vision and implementation plan that ties to corporate strategies (Fountain, 2012).

BENEFITS OF GRC

Organizations with an effective GRC approach can achieve as follows (KPMG, 2019):

- By increasing risk awareness and supporting decision-making mechanisms, it can protect and strengthen business values by linking compatibility and assurance layers.
- Risk management, risk controls, risk assurance structures and processes; Improve operational efficiency by improving Information Technology (IT) and data management structures.
- It can respond quickly, consistently and efficiently to the challenges arising from rapidly changing risk profiles and regulatory requirements.
- By using an integrated framework that supports strategic goals, it can achieve performance goals while at the same time improving performance.

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When GRC is done right, the benefits accrue. Organizations that integrate GRC processes and technology across all or many silos have (OCEG, 2019):

- Reduced costs
- Reduced duplication of activities
- Reduced impact on operations
- Achieved greater information quality
- Achieved greater ability to gather information quickly and efficiently
- Achieved greater ability to repeat processes in a consistent manner

The number of companies investing in GRC technologies is increasing day by day. A survey by PwC UK clearly demonstrates this situation. According to the research which conducted for 100 companies preferred to apply risk and control management at excel in 2005, while in 2014 they preferred to apply commercially available GRC solutions.

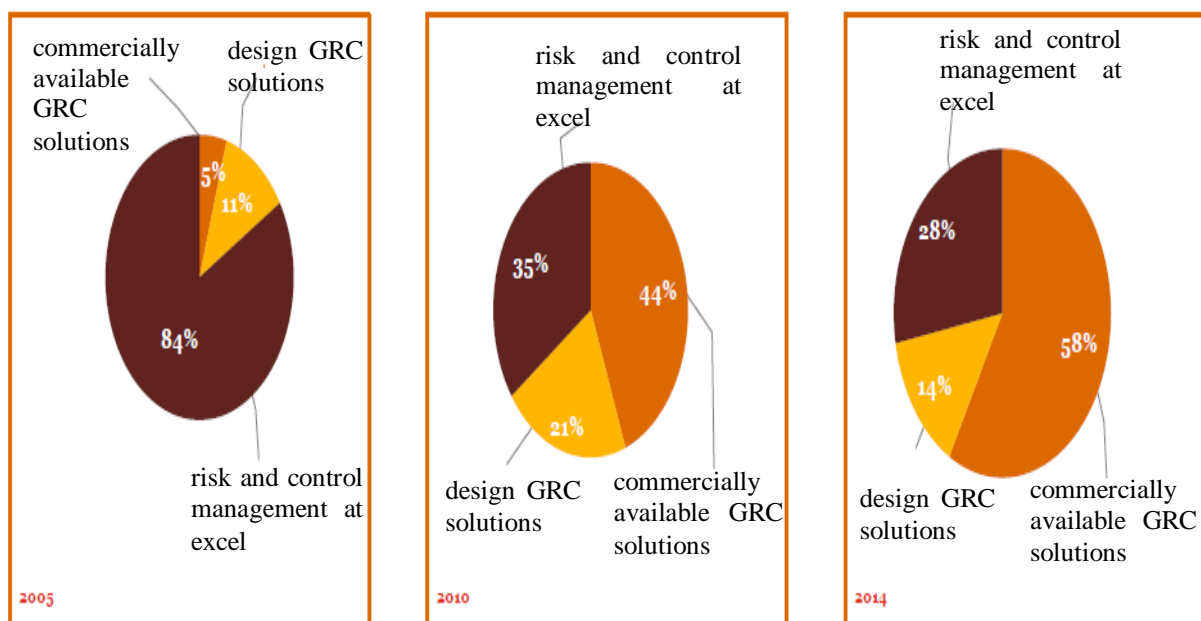


Figure 3. Companies that invest in GRC Technologies (PwC, 2015)

According to Figure 3 companies preferred to apply risk and control management at excel as percentage of 84%, design GRC solutions as percentage of 11% and commercially available GRC solutions as percentage of 5% in 2005. Companies preferred to apply risk and control management at excel as percentage of 35%, design GRC solutions as percentage of 21% and commercially available GRC solutions as percentage of 44% in 2010. Companies preferred to apply risk and control management at excel as percentage of 28%, design GRC solutions as percentage of 14% and commercially available GRC solutions as percentage of 58% in 2014.

CONCLUSION

Governance, Risk and Compliance (GRC) in a very important topic in the business world with developing technology. The study is defined Governance, Risk and Compliance (GRC) approach, benefits of it and examined framework of it.

According to results of the research the number of companies investing in GRC technologies is increasing day by day. When the current literature on GRC systems is examined that study application of GRC systems and the concept of it.

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EVALUATION OF THE RISK DETERMINED IN THE STRATEGIC PLANS OF HIGHER EDUCATION INSTITUTIONS IN TERMS OF ENTERPRISE RISK MANAGEMENT

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Abstract: Financial Management and Control Law that aims to ensure accountability and fiscal transparency, to establish internal control system together with strategic planning and performance-based budgeting as well as structuring the public financial management and control system and using public resources effective, economic and efficient was enacted in 2003 and it was entered into force in 2006 in accordance with international standards and EU norms. According to the Public Financial Management and Control Law No. 5018, the public administrations should allocate their budgets and resources on a program and project basis for the provision of public services at the desired level and quality. They have to base their budget on their strategic plans, annual goals and targets and performance indicators. In this context, universities should prepare their strategic plans covering 5 (five) years according to the regulations "Strategic Planning Guide for Universities" issued by Ministry of Development in 2018 and "Procedures and Principles Regarding Strategic Planning in Public Administrations" which is published on 26.02.2018 and removed the 2006 dated one.

Strategic plan refers to the planning activities which includes medium and long term goals, mission and visions for the future, basic principles and policies, objectives and priorities and performance indicators of public administrations as well as the methods applied and the resource distributed to achieve these. Enterprise Risk Management is the determination, measurement and prioritization of events or situations that may affect the realization of the strategic goals and objectives of the institutions operating with different mission, vision and core values. In this way, it is a comprehensive and systematic approach applied to ensure that the necessary and sufficient actions for the effective evaluation of the opportunities that may arise as a result of the occurrence or the possibility of occurrence of the said events or situations are realized.

In this study, the period of 2019-2023 which is the strategic planning period after the new regulation enter into force in 2018 were examined. In this context, the strategic plan which is prepared according to "Strategic Planning for Universities Guide" released by the Ministry of Development and shared with the public by the 21 state universities for the period of 2019-2023 were examined. Strategic plan of a university which did not identify any risks on Objective Card was not included into the study. In this context, it was aimed to determine whether 897 risk definitions on the 355 Objective Cards of the universities were determined correctly in accordance with the Enterprise risk management approach mentioned above. In this study, it is aimed to guide universities, which will prepare new strategic plans or update their strategic plans, in making correct risk definitions during the preparation of strategic

plan. And also it is aimed to contribute to the Enterprise Risk Management literature in public institutions.

Keywords: *Strategic Planning, Enterprise Risk Management, Risk Identification, Objective Card*

INTRODUCTION

Within the framework of the changes and transformations in Public Administration, which have been experienced since the 1980s and increased its speed in the 21st century, new administrations were needed away from the bureaucracy. The principles on which traditional public administration is based; central public understanding, vertical organization, rigid hierarchical structure, cumbersome bureaucratic structure, legislation and rules-based management, input-oriented control and control. However, the New Public Management (NPM) concept is based on principles such as decentralization, corporate governance, participation, risk management, strategic management, transparency, accountability, internal control and internal audit.

New Public Management understanding has introduced concepts such as internal control, risk management and strategic planning to public administration. Internal control is the whole of the financial and other controls including organization, methodology, procedure and internal audit established by the administration in order to provide the activities that are performed in an effective, economic and efficient way. In accordance with the aims, defined policies of the administration and legislation, the assets and resources are protected, the accounting records are held correctly and completely, the financial information and management information are produced in time and securely by internal control (5018 sayılı Kamu Mali Yönetimi ve Kontrol Kanunu, 2003). Risk assessment is the most important element of internal control which is an effective and functional system that is brought by the New Public Administration system.

Risk is defined as events or situations that may affect the achievement of the strategic goals and objectives of the institutions (Duran, 2013:25). Enterprise Risk Management is the determination, measurement and prioritization of events or situations that may affect the realization of the strategic goals and objectives of the institutions operating with different mission, vision and core values. In this way, it is a comprehensive and systematic approach applied to ensure that the necessary and sufficient actions for the effective evaluation of the opportunities that may arise as a result of the action or the possibility of occurrence of the said events or situations are realized (Kurumsal Risk Yönetimi Rehberi Taslağı, 2018).

Strategic plan refers to the planning activities which includes medium and long term goals, mission and visions for the future, basic principles and policies, objectives and priorities and performance indicators of public administrations, as well as the methods applied and the resource distribution to achieve these (Kamu İdarelerinde Stratejik Planlamaya İlişkin Usul ve Esaslar Hakkında Yönetmelik, 2018). This planning activities are being done within the framework of development plans, policies set by the President, programs and basic principles adopted by the relevant legislation and institutions through participatory methods (5018 sayılı Kamu Mali Yönetimi ve Kontrol Kanunu, 2003).

Strategy seçimi tercihlerde bulunma ve birşeyler elde etmek için başka şeylerden feragat etmek demektir. Kurumsal risk yönetiminin strateji seçiminde uygulanması en iyi seçeneğin belirlenmesinde-çözümünde en doğru yaklaşımdır.

The implementation of Enterprise Risk Management begins with the process of preparing strategic plans of public administrations. Strategy selection is related with making choices within alternatives or exchange something with another. Implementing enterprise risk management in strategy selection is the right approach in solving the best option. (COSO, 2017:4).

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The main purpose of enterprise risk management is the management of the risks related to the strategic goals and objectives. In Enterprise Risk Management, the process of determining risks is carried out simultaneously with the process of defining goals and objectives within the scope of strategic planning (Kurumsal Risk Yönetimi Rehberi Taslağı, 2018).

Enterprise risk management is an important tool in choosing the right strategy and achieving strategic goals and objectives of institution. Enterprise risk management provides to the heads of public administrations the answer to the question "How can we arrive where we want to go?" with risk information. By integrating Enterprise risk management into institutions processes, reasonable assurance to all internal and external stakeholders is provided in achieving its strategic goals and objectives (Kurumsal Risk Yönetimi Rehberi Taslağı, 2018).

Ensuring a strong comprehension of the entity's strategy, objectives and enterprise structure is crucial to Enterprise Risk Management (COSO,2018:23). Enterprise risk management begins with the process of preparing the strategic plan (COSO, 2017:6). It also continues in the activities and in monitoring and reporting processes carried out in order to achieve the goals and objectives of institution determined by the strategic plan.

According to the Public Financial Management and Control Law No. 5018, the public administrations should allocate their budgets and resources on a program and project basis for the provision of public services at the desired level and quality. They have to base their budget on their strategic plans, annual goals and targets and performance indicators. In this context, universities should prepare their strategic plans covering 5 (five) years according to the regulations "Strategic Planning Guide for Universities" issued by Ministry of Development in 2018 and "Procedures and Principles Regarding Strategic Planning in Public Administrations" which is published on 26.02.2018 and removed the 2006 dated one.

Universities should have autonomous statutory in accordance with administrative, financial and scientific and, be sensitive to the needs of society and economy, being in interaction with stakeholders and being convert information produced into product, technology and service. In this framework, it is important for the universities to carry out their activities in a planned manner in order to achieve a competitive higher education system on a global scale.

In the framework of public financial management reforms, strategic management process in universities is fundamental to determine the university's medium and long-term priorities, to ensure fiscal discipline in the preparation of budget and its implementation process, to distribute resources in strategic priorities and to monitor whether they are utilized effectively and to develop an established accountability based on all these (Üniversiteler İçin Stratejik Planlama Rehberi, 2018).

Universities have a different structure from other public administrations. This difference is due to the presence of more than one actor offering the same service. This situation uncover the efforts of differentiation among universities. However, this differentiation become as a struggle to gain superiority or preference rather than direct competitive strategies which aim to profit like private sector enterprises. This feature makes it necessary to apply together the traditional planning approaches used by public administrations, the competitive strategy and benchmarking approaches developed by private sector enterprises in a manner specific to the higher education sector.

"Strategic Planning Guide for Universities" Released by the Ministry of Development aims to assist universities in strategic plan preparation and implementation, monitoring and evaluation stages in the following issues:

- To ensure strong linkage of strategic plans with other fundamental components of strategic management,
- To increase efficiency in prioritizing objectives and targets with the use of resources,

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- To provide evidence-based decision making by making the performance evaluation better
- To contribute to the establishment of a better understanding of transparency and accountability in public administration by establishing a better quality reporting.

"The strategic management cycle" is fully covered in the guidelines. This cycle, which starts with the planning process, consists of answers to the questions "where we are", "where we want to arrive", "How can we arrive where we want to go?" and "How can we follow up and evaluate our success ". The basic steps of the strategic management approach are shown in Figure 1.

<ul style="list-style-type: none"> • Ownership of the plan • Organization of planning process • Determination of needs • Time planning • Preparation program 	STRATEGIC PLAN PREPARATION PROCESS	Plan of the planning process
<ul style="list-style-type: none"> • Institutional history • Evaluation of the strategic plan being implemented • Legislation analysis • Analysis of top policy documents • Determination of products and services with fields of activity • Stakeholder analysis • Organization internal analysis • Academic activities analysis • Higher education sector analysis • SWOT analysis 	CONTINGENCY ANALYSIS	Where are we?
<ul style="list-style-type: none"> • Mission • Vision • Basic values 	A LOOK AT THE FUTURE	
<ul style="list-style-type: none"> • Position preference • Success zone preference • Value presentation preference • Basic competency preference 	DIFFERENTIATION STRATEG	Where do we want to arrive?
<ul style="list-style-type: none"> • Goals • Objectives • Performance indicators • Strategies 	STRATEGY DEVELOPMENT	
<ul style="list-style-type: none"> • Activities • Responsible 	ACTION PLANS	
<ul style="list-style-type: none"> • Performance objectives • Performance indicators • Activities • Projects • Costing • Budgeting 	PERFORMANCE PROGRAM	How can we reach where we want to go?
<ul style="list-style-type: none"> • Strategic plan monitoring report • Strategic plan evaluation report • Strategic plan realization report • Accountability Report • Internal audit 	MONITORING AND EVALUATION	How do we follow up and evaluate our success?

Figure 1. Strategic Management Process

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Source: Kalkınma Bakanlığı, "Üniversiteler İçin Stratejik Planlama Rehberi, 2018"

According to the Figure 1, after the goal in the strategy development section are determined, the goals for these objectives need to be determined. The objectives are defined as the quality and quantity of the results and results foreseen for the realization of the goals within a defined period of time (Tektaş, 2008:28).

Objectives must be set before enterprise management could define potential occurrence affecting their achievement. Enterprise risk management ensures that organization conducts a process to set goals and that the selected objectives support the enterprise mission, be consistent with the risk appetite, and comply with them. (COSO, 2004:3).

There are a number of issues to be considered when creating objectives. These are (Üniversiteler İçin Stratejik Planlama Rehberi, 2018);

- It should be determined which specific results are being reached.
- Factors affecting the result should be analyzed.
- The target risks to be considered should be determined.
- How to measure objectives realizations should be determined.
- It should be clarified which data for measuring and in what way it will be provided.
- If there is, developments in reference to objective in the previous plan period should be taken into account.

The Objective Card to be prepared in accordance with the above mentioned points is given in Figure 2.

Goals (A1)*									
Objectives (H1.1)*									
Performance Indicators	Effects on Objective (%)**	Plan Period Start value	1. Year	2. Year	3. Year	4. Year	5. Year	Monitoring Frequency***	Reporting Frequency****
PI1.1.1*									
PI1.1.2*									
PI1.1.3*									
Responsible Unit	The unit to which responsible for the realization of the objective shall be included								
Cooperation will make unit(s)	The unit and / or units to which the unit responsible for the realization of the objectives shall cooperate shall be included.								
Risks	Maximum five risks that may affect the achievement of the objective shall be included								
Strategies	Maximum three strategies for how to achieve the objectives shall be included								
Cost Estimation	The total estimated cost for the objective shall be included.								
Determinations	A maximum of five of the findings obtained as a result of the contingency analysis and which constitute the justification for the targets shall be included.								
	A maximum of five items should be included in the problem areas that are identified as priorities of upper policy documents analysis. The needs here must include the rationale of the objective.								

Figure 2. Objective Card Template

Source: Kalkınma Bakanlığı, "Üniversiteler İçin Stratejik Planlama Rehberi, 2018"

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As can be seen in the Objective Card in Figure 2, it is necessary to identify and analyze the risks related to each target in the stages of identifying and detailing the targets and to take precaution against to these risks. Thus, by the determined risks and taken precaution in strategic plans in the context of the vision, mission and core values make it possible to identify the elements that may hinder the achievement of the goals of the institution or increase its success (Derici et al., 2007:155).

Risk management have became one of the important stage of all management processes in the new business environment. Risks should be analyzed. Some of these risks are internal and some of them are external. To identify potential risks and to manage these risks, enterprises have to be informed about all ongoing activities in its internal and external environment (Dimitrijevic and Dakic, 2014:139). The risk analysis studies carried out in the context of internal control are mainly used in the determination and analysis of the objective risks.

According to the Enterprise risk management approach, it is necessary to take into consideration the following issues when determining the risks: (Kurumsal Risk Yönetimi Rehberi Taslağı, 2018).

- The identified risks should be clear and easy to understand.
- The risk must be related to the future, not to the past or to the present.
- There is uncertainty on the basis of the risk. But risk and uncertainty which are different concepts should not be confused.
- Risks should be related with the strategic goals and objectives of the institution
- To define a risk as an event or situation, mentioned event or situations have to affect the institution to reach its strategic goals and objectives or to to cause disruption in the operational functioning of the institution.
- To define a risk as an event or situation, mentioned event or situations have to cause the institution to reach its strategic goals and objectives or to cause disruption in the operational functioning of the institution.
- The risks that may be exposed by the institution change over time depending on the changing internal and external conditions. Therefore, changing conditions must always be taken into account when defining risks.
- Risk is not only "root cause" or "impact". These concepts should not be confused in determining the risks. The root cause is the underlying cause of risk. The impact is the ultimate cause of risk.
- Risk-related root causes should also be identified during risk identification. Root causes will reveal actions that need to be taken towards the institution's relevant risk.

METHODOLOGY

There are 128 state university in Turkey as of date January 2019. According to the transitional calendar set out in the By-Law on Principles and Procedures Regarding Strategic Planning in Public Administrations published on 26/05/2006, although different strategic planning periods have been determined for each public administration, all public administrations are obliged to prepare their first strategic plans as of 31/12/2009. The strategic plans prepared should be announced to the public and published on the websites of public administrations. Because of this transition schedule, each university's strategic planning periods varies. The related regulation 2006 dated was annual on 26/02/2018 and the new regulation enter into force.

In this study, the period of 2019-2023 which is the strategic planning period after the new regulation enter into force in 2018 were examined. In this context, according to "Strategic Planning for Universities Guide" released by the Ministry of Development and shared with the public the 21 state universities strategic plan for the period of 2019-2023 that was prepared were examined. A strategic plan of a university which didn't identify any risks on Objective Card was not included into the study.

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In this context, it was aimed to determine whether 897 risk definitions on the 355 Objective Cards of the universities were determined correctly in accordance with the Enterprise risk management approach mentioned above.

FINDINGS

Risks should be determined at a level where a specific impact can be measured and a specific action to manage the risk can be applied (Horror Council London, 2010:3). Risk Identification can be defined as the process of determining what, where, when, why and how something and/or an event could happen (Horror Council London, 2010:16). Risk definition can not be done correctly everytime.

It is determined that some risk definitions on the Objective Cards of the strategic plans reviewed are not done correctly. The Sample Objective Card related to this is shown on Table-1.

Table 1. Sample Objective Card

STRATEGIC GOALS	OBJCETİVES	RİSK
Disseminating and Institutionalizing Entrepreneurial and Innovative Activities across the University.	Activities that will ensure the personal and social development of students will be increased.	<ul style="list-style-type: none"> • Budget limitations, • Inadequate physical and social facilities
Developing research capacity for innovative production.	Researcher human resources will be developed	<ul style="list-style-type: none"> • lack of number of research assistant • Lack of qualified technical personnel
Developing/Support output-oriented, sustainable, and effective research activities prioritizing social and economic benefit	To increase the quality and quantity of interdisciplinary and international joint studies.	<ul style="list-style-type: none"> • Financial risks • Lack of number of academicians
To improve and to increase the quality of services offered to stakeholders and the society.	To increase the capacity and the quality of services offered to students in social, cultural and sportive areas.	<ul style="list-style-type: none"> • Inadequacy of budget and funds • Establishment of new Faculties and Colleges • Increasing number of students • Inadequacy of existing physical areas

As seen on the Example Objective Card above, impacts that prevent the institution to achieve its goals and objectives or the problems that may occur in the functional operation of the institution are not specified in the definitions of risk. For this reason, the identified risk definitions are incorrectly defined because of only showing the root causes of the risks. In this study, the most common incorrect risk definitions encountered in 897 risk definitions examined. Examples of correct risk definitions that are appropriate to enterprise risk management approach are shown in Table-2.

Table 2. Most Common Incorrect Risk Definitions and Correct Risk Definitions

Incorrect Risk Definitions	Correct Risk Definitions
Lack of Personnel	Due to the personnel deficiency, disruptions in the operations of the institution and the decrease of the quality of the public service / education offered to the personnel / student or the citizen
Resource / Budget inadequacy	Decrease in the quality of services provided to personnel / student or the citizen as a result of the lack of necessary equipment due to resource / budget inadequacy
Failure to meet the training needs of personnel	Not developing the required competencies and not providing the services at the desired quality as a result of not meeting the training needs of the personnel

Source: Maliye Bakanlığı, "Kurumsal Risk Yönetimi Rehberi Taslağı, 2018"

When Table-2 is examined, it is seen that the situations that may affect the achievement of the strategic goals and objectives of the institution or cause disruption of the operational functioning of the institution are taken into consideration in the definition of the correct risk.

CONCLUSION

As a result of the research, it was determined that risk (root) causes were determined as risk without the establishment of cause-effect relationship in the risk definitions determined on the target bases in the strategic plans prepared by universities. As a result of the occurrence of an event, its effects on the goals and objectives should be defined as risk and the reasons should be considered as root cause.

In this study, it is aimed to guide universities, which will prepare new strategic plans or update their strategic plans, in making correct risk definitions during the preparation of strategic plan. And also it is aimed to contribute to the Enterprise Risk Management literature in public institutions.

In our study, it was aimed to examine the strategic plans of all universities which prepared a strategic plan for the period of 2019-2023 and shared with the public. However, some universities did not publish their strategic plans for the period of 2019-2023 on their corporate sites. Therefore, the strategic plans of these universities could not be examined.

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THE EVALUATION OF THE RISK AND OPPORTUNITIES OF INFORMATION TECHNOLOGIES IN THE SCOPE OF IEPS 2 BY PROFESSIONAL MEMBERS: SAMPLE OF IZMIR PROVINCE

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Abstract: *The accounting profession, in which the enterprises have a mutual interaction, has entered into a digital accounting process as a result of the developments. The digital accounting process made it necessary for the professionals to adapt to electronic applications without any resistance. However, considering the number of taxpayers and the number of users registered in the electronic invoice application; It is understood that the members of the profession resisted the electronic applications implemented in 2010 by the Electronic invoice application. It is considered that vocational trainings on Information Technologies, which are taken during the internship period, are important in terms of breaking the resistance and increasing the level of competence in practice.*

Information technologies also present threats to the professionals. Information technologies to users; It offers competition and equal opportunity, control mechanism, long term cost advantage and flexible working opportunities. In addition to the opportunities offered by information technologies, they also carry important risk factors such as technical errors, planned actions and human-based risks. For this reason, it is considered that more attention should be paid to the risks and opportunities of information technologies compared to the other courses offered before licensing in order to increase the awareness level on the opportunities and risks of information technologies.

IEPS 2 (Information Technology for Accounting Professionals); IFAC member professional organizations are an accounting professional education program prior to licensing. Within the scope of IT component; current and future IT environment, IT strategy planning, IT experts, IT impact on business models, processes and solutions of the business, IT security management, IT organization, performance monitoring on IT resources, financial control and risks and opportunities related to IT comprising.

In this study, the risks and opportunities related to IT in the content of IEPS 2 (Information Technology for Accounting Professionals) are examined. Considering the e-trainee training given by TESMER, it can be seen that the courses that can create awareness about, Risks and Opportunities related to IT, within the scope of IEPS 2 courses are Information Technologies and Business Information System, Information Technology Supervision, Risk Management and Use of Information Technologies in Auditing.

The aim of the study is to investigate the awareness level of the professionals about TESIS by taking courses at TESMER and their thoughts on IT risk and opportunity before licensing under IEPS 2.

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The sample of the study is composed of professionals with intermediate level knowledge in the field of information technologies related to the Chamber of Certified Public Accountants of Izmir. A semi-structured interview technique on the subject of IT Risk and Opportunity was made for professionals.

According to the qualitative research findings made by the professionals working in the Chamber of Certified Public Accountants of İzmir; professionals believe that the risks posed by information technologies may be caused by technical errors, planned actions, and human origin, but minimizes data loss by systems such as cloud computing. Most of the members of the profession think that the cyber attacks against companies can lead to the loss of data as a result of the loss of data. Responses to the advantages of information technologies can be listed as time, convenience, cost advantage and control.

Keywords: *Information Technology, International Education Standards, Accounting Education, IAESB, TESMER*

**A STUDY ON THE BRAND VALUE-PROFITABILITY
RELATIONSHIP: HIROSE METHOD AND PANEL
CAUSALITY ANALYSIS**

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Abstract: *The aim of this study is to determine the brand value based on the financial data and to analyze the causality relationship between the obtained values and the profitability levels of the firms. The sample used in this study consists of the food sector firms located in Brand Finance Turkey-100 list over the last four years. Hirose method is used to measure the financial-based brand value for the period of 2008: Q1-2018: Q3. Additionally, panel causality analysis is used in determining whether there is a relationship between the brand value and asset profitability. The empirical results show that there is no causality relationship from brand value to asset profitability.*

Keywords: *Brand value, Hirose method, Panel causality analysis, Profitability, Turkey.*

EXPLANATORY FACTORS OF DIVIDEND PAYOUT RATIOS IN TURKEY

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Abstract: This study examines the determinants of dividend payout ratios of public listed companies in Turkey as an empirical study of an emerging market. The analysis is based on 5-year unbalanced panel data with 240 firm-year observations covering the period 2013 and 2017. Dividend payout ratio is dependent variable and profitability, firm size, leverage, free cash flows, firm risk and maturity are explanatory variables. According to the results of fixed-effect model, factors such as firm risk and free cash flow increase the likelihood to pay dividends and leverage, profitability and maturity decreases the probability to pay dividends.

Keywords: Dividend payout ratio, dividend policy, panel data, Turkey

INTRODUCTION

Dividend policy, which is the most debatable topic in corporate finance, has influence on various stakeholders such as managers and investors due to its significant impact on investment and financing decisions. A large body of theoretical and empirical researches primarily focused on developed markets and these studies on dividend policy attempt to examine the impact of dividend policy on the value of a firm and the factor influencing dividend policy. The evidence generally indicates that no consensus has emerged about the dividend behavior or determinants of dividend policy despite several decades of research. Earlier study by Lintner (1956) sets the base for further development in dividend payout. Lintner (1956) argues that firms target their desired payout ratio and it is determined by the current earnings and past dividends of the companies. On the other hand, Miller and Modigliani (1961) demonstrate that under certain assumptions including rational investors and a perfect capital market, dividend policy is irrelevant in measuring the value of a firm. In actual market practices however, it has been found that dividend policy is relevant due to the existence of differential tax rates, information asymmetries, agency problems or transaction costs. In fact, Black (1976) noted that “the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just don’t fit together”. Therefore, over the past years researchers propound many theories and explanations to solve this dividend puzzle. Below, the theories carried out during the period 1963-2006 has been summarized.

- *Bird in hand theory:* The bird in hand theory states that the investors value cash in the hand more than a future promise of capital gain due to minimizing risk. It asserts that a higher payout ratio will reduce the required rate of return and increase the value of the firm (Gordon, 1959; Walter, 1963; Bhattacharya, 1979). However, Baker *et.al.* (2002) do not support the bird in hand hypothesis.
- *Signaling theory:* According to this theory, dividends minimize information asymmetries between insiders and outsiders, by delivering private information about the firm’s future prospect to investors (Bhattacharya, 1980; John and Williams, 1985; Miller and Rock, 1985). This theory states also that a rise in the dividend payments acts as a signal of capability of earning high future cash flows (Thakur and Kannadhasan, 2018).

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- *Agency cost theory:* Agency cost theory emphasizes the separation of ownership and control in a firm. It predicts that dividends may serve as a mechanism to overcome the agency problem by reducing cash flow under management control. Reducing cash flow may also result in forcing them into capital markets more frequently (Jensen and Meckling, 1976; Rozeff, 1982; Easterbrook, 1984)
- *Tax preference and tax clientele effect theory:* Tax preference theory asserts that low dividend payout ratios lower the required rate of return, therefore investors prefer capital gains to dividends if capital gains are taxed at a lower rate (Brennon, 1970; Litzenberger and Ramaswamy, 1979). Tax clientele effect theory argue that differentials in tax rates between dividends and capital gains lead to different clienteles (Miller and Scholes, 1982). It also views that investors in high tax brackets prefer non-dividend or low-dividend paying stocks (Litzenberger and Ramaswamy, 1979).
- *Life cycle theory:* Life cycle theory is based on the influence of maturity of a firm on dividend policy. It views that firms in early stages of their life cycle, with ample profitable investment opportunities and limited earned equity, will retain all funds when internal financing is cheaper than external financing. According to this theory younger firms are likely to pay lower dividends than mature firms (DeAngelo *et al.*, 2006; Fama and French, 2001).
- *Catering theory:* Catering theory of dividends, which is a behavioral explanation for dividend payment decision, posits that managers cater rationally to investor demand, which changes over time, for dividends by paying dividends when they prefer dividend paying firms and by not paying dividends when they prefer non-dividend paying companies (Baker and Wurgler, 2004).

In addition to rival theoretical explanations on dividend policy, prior studies indicate that dividend policy could be affected by firm- and market characteristics. An important observation to emerge from the literature, is that the literature has focused mostly on dividend policy in developed markets. The examination of factors determining dividend policy in emerging market has been limited. This study aims at investigating the explanatory factors of dividend payout ratios of listed companies in an emerging market, i.e. Turkey. Turkey, as an emerging market, differs from developed markets in characteristics such as more volatility, smaller in size or new regulation, which are mainly adapted from developed markets. In 2012, many regulations from developed markets including dividend policy of firms are amended in Turkish Commercial Code of 2012 (Bostancı *et al.*, 2018) In addition to those new regulations, firms in Turkey are subject to more financial constraints than their counterparts in developed markets, which can affect their dividend policy. This study focuses on public listed companies in Turkey for 5 years of time periods between 2013 and 2017 and main results show that profitability, leverage and maturity have negative impact, whereas firm risk and free cash flows have positive impact on dividend payout ratios. This study contributes to the dividend policy literature in several ways. It updates previous researches, which are based on emerging markets and the findings from this study are useful to the board of directors in deciding an appropriate dividend policy that subsequently help in retaining and attracting the probable investors.

LITERATURE REVIEW AND HYPOTHESIS

There is a long line of research that identified factors affecting dividend payout ratios of firms. Earlier researches begin with Lintner (1956) who found earnings as a driver for dividend payments. According to Brittain (1964) cash flow has a positive impact on dividend payout ratios and variables like depreciation allowance, interest payment and change in sales have a negative impact on dividend payout ratios. Higgins (1972) finds a negative relationship between leverage and dividend payout ratios. A number of factors, responsible for the determining firm's dividend payout ratios have been identified which includes profitability, firm size, growth, taxes, leverage, risk and many more. In this section the literature of variable used in this study are reviewed.

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- *Profitability:* Profitability has been found the most primary indicator of a firm's dividend payout ratio. According to signaling hypothesis, a positive relationship exists between dividend policy and profitability (Baker *et al.*, 1985; Pruitt and Gitman, 1991; Fama and French, 2001; Faccio *et al.*, 2001; DeAngelo *et al.*, 2004; Amidu and Abor, 2006). Consistent with the previous researches, it can be pointed to a certain relationship between profitability and dividend payout ratios.

H1: There is a relationship between profitability and dividend payout ratios.

- *Size:* One of the main factors determining firm's dividend payout ratios is firm size. Empirical studies by Fama and French (2001), Higgins (1972), Aivazian *et al.* (2006), Yusof and İsmail (2016), confirm that larger firms are more likely to afford paying higher dividends to shareholders, because larger firms have a better access to capital markets and generally depend less on internal funds (Higgins, 1972). It can be therefore suggested that there is a positive relationship between firm size and dividend payout ratios.

H2: There is a positive relationship between firm size and dividend payout ratios.

- *Leverage:* Various empirical studies have shown that the leverage is also a critical determinant of dividend payout ratios (Faccio *et al.*, 2001; Gugler and Yurtoğlu, 2003; Aivazian *et al.*, 2003; Yusuf and İsmail, 2016; Rozeff, 1982; Jensen and Meckling, 1992). Rozeff (1982) argues that high leverage increases transaction costs and risk of the firm, therefore the higher the leverage ratio, the lower the chance for the dividend payment. This negative relation is also supported through agency cost theory. On the other hand, signaling theory suggest a positive relationship between leverage and dividend payout ratios as firms having high leverage tend to continue issuing dividends to signal their financial stability (Thaker and Kannadhasan, 2018). Hence the association is inconsistent between dividend payout ratios and leverage.

H3: There is a relationship between leverage and dividend payout ratios.

- *Free cash flow:* The payment of dividends serves to reduce free cash flows of a firm. Firms with higher free cash flows are more likely to pay dividends than firms with insufficient level of free cash flows. Therefore, a positive relationship is likely to exist between free cash flow and dividend payout ratios. This view is also supported by Lang and Litzenberger (1989), Easterbrook (1984), Jensen and Meckling (1976), Rozeff (1982), Faccio *et al.* (2001), Amidu and Abor (2006), Baker *et al.* (2007). Jabbouri (2016) provide a contrary view and find a negative relationship between free cash flows and dividend payout ratios for Middle East and North African civil law countries. Hence, the relationship is not consistent between free cash flows and dividend payout ratios.

H4: There is a relationship between free cash flow and dividend payout ratios.

- *Firm Risk:* Another variable used in the literature to explain dividend payout ratios is firm risk. In terms of firm risk, high dependence on external financing reflects higher volatility of a firm's cash flow, which increases firm risk. In minimizing the firm risk due to external financing, a firm will pay lower dividends (Rozeff, 1982). The findings are supported by Aivazian *et al.* (2003), Amidu and Abor (2006), Labhane and Mahakud (2016), which suggest that highly risky firms pay lower dividends to the shareholders, because firms experiencing high volatility in earnings have higher uncertainty about the future. Based on prior researches, the association between firm risk and dividend payout ratios is anticipated to be negative.

H5: There is negative relationship between firm risk and dividend payout ratios.

- *Maturity:* According to life cycle theory, the mature firms have more retained earnings, which cause them to pay more dividends. Empirical studies by DeAngelo *et al.* (2006) and Labhane and Mahakud (2016) have confirmed that dividends are paid, as a firm's retained earnings to the book value of total equity increase.

H6: There is a positive relationship between firm maturity and dividend payout ratios

EMPIRICAL MODEL

This study examines the explanatory factors of dividend payout ratios of listed firms in Turkey. A sample of firms that have been listed on the İstanbul Stock Exchange during the recent five-year period 2013-2017 was considered and 245 firms were included (excluding financial sector companies). However, due to the non-availability of comprehensive data on all the variables and after the removal of non-dividend paying companies, the final data set is reduced to 48 firms for a period of five years from 2013 to 2017. In particular, information on accounting and financial variables is obtained from Thomson Reuters Database. The model for this study to explain the relationships between dividend payout ratios and the determinants takes the form:

$$DIVPAY_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 FCF_{it} + \beta_5 RISK_{it} + \beta_5 LIFE_{it} + \varepsilon_{it}.$$
 where:

DIVPAY: the dependent variable, defined as the ratio of dividend per share to the earnings per share.

PROF: profitability, defined as the ratio of earnings before income tax to total assets.

SIZE: the size of the company, measured as the logarithm of total assets.

LEV: the leverage, defined as the ratio of total debt to total assets.

FCF: free cash flow, defined as the ratio of operating cash to total assets

RISK: firm risk, measured as variability in return on assets

LIFE: maturity, measured as retained earnings to total equity

The panel character of the data allows for the use of panel data methodology. Panel data involves the pooling of observations on a cross-section of units over several time periods and provides results that are simply not detectable in pure cross-sections or pure time-series studies. In this study, regression analysis was carried out using fixed effects, random effects and pooled least squares model. The statistical test like the F-test, Breusch-Pagan's Lagrange Multiplier test and Hausman test have been used to find out a suitable model for estimating the dividend policy determination equation.

RESULTS AND CONCLUDING REMARKS

For the purpose of comparison, the simple-pooled ordinary least squares (OLS) regression model, as well as the two panel models, the fixed-effects model and the random-effects model were estimated. The model-specification tests indicate that fixed-effects mode performs better than both the simple-pooled OLS and REM. Overall, the R^2 of the model is 44% indicating that, variables examined in this study explain 44% of the factors affecting dividend payout ratios. The results of fixed-effects model estimations are reported in Table 1.

Table 1. Regression Model Results

Model Regressors	Coefficient	Fixed-Effects Model <i>t</i> -statistics	Prob
Constant	0.2224	0.44	0.661
PROF	-1.4955	-3.66	0.001*
SIZE	0.0997	1.58	0.121
LEV	-0.7296	-4.91	0.000*
FCF	0.0994	3.08	0.003*
RISK	2.6976	4.25	0.000*
LIFE	-0.7721	-3.43	0.001*
<i>R</i> -squared	0.4417		
<i>F</i> -statistic	74.56		
Prob.	0.0000		

Note: * indicate the significance level at 5%

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Of the six factors, firm profitability, leverage, firm risk, free cash flows and firm maturity have a significant influence on dividend payout ratios, with firm risk and free cash flows exercising a positive significant effect on dividend payout ratios at the level of 5%, while profitability, leverage and firm maturity assert a negative significant effect at 5% significance levels, respectively.

Profitability, as one of the most insignificant determinants of dividend payout through the literature review, is found to be a significant negative variable in this study. The results indicate that higher levels of debt lead to lower dividend payments to shareholders and free cash flow is affecting the dividend payout positively. The results suggest that dividend payment reduces the free cash flows of the firm and agency problems between managers and shareholders. In line with agency cost theory, larger firms have the potential to pay higher amount of dividend and the results also reveal a positive but insignificant association between firm size and dividend payout ratios. Contrary to prior researches, the results of this study surprisingly show a negative relationship between firm maturity and dividend payout ratios, indicating that younger firms pay more dividends. Firm risk is also affecting dividend payout positively, inconsistent with prior researches.

This study is an attempt to understand the drivers of dividend payout ratios in Turkey. Using 48 companies listed on Istanbul Stock Exchange, the study documents that profitability, leverage, free cash flow, firm risk and maturity significantly influence dividend payout ratios. In particular, it can be summarized that dividend is an effective tool used by younger and less profitable firms. The firm's leverage found to have a negative impact and firms experiencing earnings volatility find it not difficult to pay dividends.

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CONVENTIONAL AND ISLAMIC INDICES: A COMPARISON ON PERFORMANCE

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Abstract: Islamic finance has become an important component of the international financial system. Although the very recent experience of Islamic finance was 40 years ago it is growing by 30% since 2000. Despite the growing interest in Islamic finance and Islamic capital markets, there are a few empirical studies that examine the performance of Islamic equity investing in the literature. As can be seen from the literature, the relations between Islamic and conventional indices vary according to the period and country of study. In some studies, it is suggested that Islamic indices have lower risk and volatility, but also lower return than the conventional indices in the periods of decline. In other studies, expect opposite results were obtained. However, when an overall assessment is made, it is widely regarded that Islamic indices are more stable bear market conditions and more suitable for portfolio diversification.

The purpose of this study is to compare the return performances of Islamic and conventional indices. The paper studies the impact of Shariah screening on the performance of an index. The paper aims to answer the following question: Do Islamic indexes achieve lower return levels when compared to their counterparts?

According to the findings of this study and in accordance with most of the literature, there is no significant difference between the returns of Islamic and conventional indices. Also when the mean returns are compared between Islamic indices and their counterparts, it's been observed that all of the Islamic indices show higher performance than their counterparts.

Key Words: Islamic Finance, Islamic Indices, Shariah Screening, T-Test, Financial Leverage.

**EFFECTS OF FINANCIAL REPORTING DIFFERENCES IN
BETWEEN IFRS-BASED BOBI FRS AND NATIONAL
STANDARDS-BASED ACCOUNTING PRACTICES ON
FINANCIAL STATEMENT ANALYSIS: AN INVESTIGATION
ON FINANCIAL STRUCTURE RATIOS**

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Abstract: *As known, the objective of the Financial Reporting Standards for Large and Medium Sized Enterprises (BOBI FRS) is to ensure that entities, which are subject to independent audit, but do not apply the Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) present consolidated and individual financial statements providing fair, useful and comparable financial information. As also known, financial indicators of enterprises are used in order to measure financial performance of them. It is quite important for stakeholders to assess financial structure of enterprise they concern by using financial structure-related ratio analysis with historical financial data.*

In this study, we focus on financial structure ratios in order to reveal to what extent financial structure-related ratio analysis is affected by the differences in between historical financial data presented in balance sheet prepared in accordance with BOBI FRS and prepared in accordance with the General Communique on Application of Accounting System of Turkey (MSUGT) and Turkish Tax Procedure Law (VUK), which are two main determinants in preparing financial statements in Turkey for the purpose of tax.

Reminder of the study is organized as follows. Firstly, the explanation regarding BOBI FRS related studies conducted in Turkey is presented in order to reveal how this study is different from others. Secondly, financial structure ratios is explained. Thirdly, the reporting differences between BOBI FRS and MSUGT/VUK on Financial Structure Ratios are discussed. Then the effects of the reporting differences between BOBI FRS and MSUGT/VUK on financial structure ratios is revealed by means of a case study. The final section provides a general evaluation on effects of the reporting differences between BOBI FRS and MSUGT/VUK on financial structure ratios and to what extent.

We conclude that the differences in between BOBI FRS and MSUGT/VUK have effects on the results obtained from, and comments on financial structure-related ratio analysis.

Keywords: *BOBI FRS, financial structure ratios, financial statement analysis*

**FINANCIAL REPORTING STANDARD FOR LARGE AND
MEDIUM-SIZED ENTERPRISES IN REGARD TO
AGRICULTURAL ACTIVITIES**

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Abstract: *The Financial Reporting Standard for Large and Medium-Sized Enterprises is subject to independent auditing and is a standard for the enterprises unable to conform to Turkish Financial Reporting Standards. The Financial Reporting Standard for Large and Medium-sized Enterprises had been prepared by Public Oversight, Accounting and Auditing Standards Authority and has come into effect. According to the latest changes, businesses that are not subject to independent audit will be able to apply financial reporting standard for large and medium-sized enterprises upon request. This study examines agricultural activities taking place in The Financial Reporting Standard for Large and Medium-Sized Enterprises. Thus, it is aimed to contribute to the literature.*

Keywords: *Financial Reporting Standard for Large and Medium-Sized Enterprises, Agricultural Activities, Accounting*

EXAMINATION OF REVISED VERSION OF THE CONCEPTUAL FRAMEWORK

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Abstract: *The purpose of this study is to examine the revised conceptual framework that is the joint work between the IASB and FASB and published in March 2018. The Conceptual Framework for Revised Financial Reporting is a guidance to express the scope, basic concepts and measurement principles of the International Financial Reporting Standards. The study compares the revised conceptual framework with the 2010 version to display the main changes in eight chapters and appendix. According to the results, there are significant changes especially on the definitions of the asset, liability, income and expense. In addition, 2018 version of conceptual framework brings new concepts such as reporting entity or derecognition.*

Keywords: *Revised Conceptual Framework, IFRS, IASB, FASB, Public Oversight*

INTRODUCTION

Conceptual framework is a set of rules and procedures to assist the Board to develop IFRS Standards (Standards) based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors. It allows to interpret the standards and presents a choice of accounting policies. The IASC (International Accounting Standards Committee) foundation which has later become IASB (International Accounting Standards Board) issued a statement that mentioned the need to update the existing conceptual framework in December 2000.

Conceptual Framework Convergence Project was initiated in 2004 by the IASB following the Norwalk agreement of 18 September 2002, known as the harmonization protocol between the IASB and the FASB. In order to review the objectives and qualitative characteristics of the financial reporting, the discussion text and the draft text were published on 6 July 2006 and on 29 May 2008 respectively. After partial arrangements, Financial Reporting Conceptual Framework was published in 2010, yet it was not completed. Since the joint work between the IASB and FASB ended in the end of 2010, the project was continued within the IASB as of 2012 (Tomaszewski and Choi, 2018: 47). The International Accounting Standards Board (Board) issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018. It will be mandatory for the periods beginning on or after 1 January 2020 for preparers who develop an accounting policy based on the Conceptual Framework.

THE PREPARATION PROCESS OF THE CONCEPTUAL FRAMEWORK

The IASB and FASB previously commenced a joint comprehensive project on the Conceptual Framework in 2004. However, during late 2010, the Board effectively deferred further work for the other urgent projects and the IASB decided in September 2012 to reactivate the Conceptual Framework project as an IASB-only comprehensive project. The IASB emphasizes that the conceptual framework project should focus on elements of financial statements, measurement, reporting entity, presentation and disclosure. Developments related to the Conceptual Framework project initiated by the IASB are presented in Table 1.

Table 1. Conceptual Framework Convergence Project Stages

Date	Development	Comments
September 2012	IASB-only comprehensive project added to the agenda	Discussion Paper expected in 2013, project aims to be completed in 2015
18 July 2013	Discussion Paper <i>DP/2013/1 A Review of the Conceptual Framework for Financial Reporting</i> published	Comment deadline 14 January 2014
28 May 2015	Exposure Drafts <i>ED/2015/3 Conceptual Framework for Financial Reporting</i> and <i>ED/2015/4 Updating References to the Conceptual Framework</i> published	Comment deadline 26 October 2015
22 Sept. 2015	IASB decides to extend comment period	New comment deadline 25 November 2015
29 March 2018	Revised <i>Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards</i> published	

Source: www.iasplus.com, www.kgk.gov.tr

CONCEPTUAL FRAMEWORK SECTIONS OF REVISED FINANCIAL REPORTING

The International Accounting Standards Board IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018. It sets out:

- The objective of financial reporting (Chapter 1)
- The qualitative characteristics of useful financial information (Chapter 2)
- Financial statements and the reporting entity (Chapter 3)
- The elements of financial statements (Chapter 4)
- Recognition and derecognition (Chapter 5)
- Measurement (Chapter 6)
- Presentation and Disclosure (Chapter 7)
- Capital concept and capital maintenance (Chapter 8)
- Explanations on concepts (Appendix)

The objective of financial reporting, chapter 1 is one of the two parts concluded in 2010 as part of the joint project with FASB and therefore only limited changes have been made. The main purpose of this

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chapter is to provide general purpose of financial reporting and display who the primary users of financial reports are. Financial information should be useful to the related parties in buying, selling or holding equity or debt instruments, loans and credits or in management actions. This chapter specifically focus on the management's stewardship.

The qualitative characteristics of useful financial information (chapter 2) was the second of two divisions concluded as part of the joint project with FASB in 2010 and it discusses what makes financial information useful. This chapter which was published as chapter 3 in 2010 revision has limited changes in 2018 version. For information to be useful it must both be relevant and provide a faithful representation. According to this chapter relevance and faithful representation are the elements of fundamental qualitative characteristics of useful financial information. In addition, comparability, verifiability, timeliness and understandability are the enhancing qualitative characteristics of financial information. Besides, this section clarifies the concepts of prudence, measurement uncertainty and priority of essence in evaluating the usefulness of information.

Financial statements and the reporting entity which is a new chapter added by IASB describes the objective and scope of financial statements and provides a description of the reporting entity. The purpose of Chapter 3 is to provide a financial information that is useful to evaluate the entity's assets, liabilities, equity, income and expenses regarding the expected net cash inflows of the reporting entity. This chapter defines the reporting entity concept as "an entity that is required, or chooses, to prepare financial statements". Financial statements are presented as consolidated, unconsolidated and combined and the chapter also states that the consolidated financial statements are more likely to provide useful information than the unconsolidated financial statements.

The elements of financial statements called chapter 4 mainly focuses on the definitions of asset, debt and equity as well as income and expense concepts that are the five elements of financial statements. Although the definition of asset and liability is revised, the definition of equity is not changed. Revised definition of the main elements is given below comparatively.

Previous Version of Asset

A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Revised Version of Asset

A present economic resource controlled by the entity as a result of past events. An economic resource is a right that has the potential to produce economic benefits.

Previous Version of Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Revised Version of Liability

A present obligation of the entity to transfer an economic resource as a result of past events. An obligation is a duty or responsibility that the entity has no practical ability to avoid

The main changes in the revised version of asset and liability is to emphasize the economic resource concept. In addition, liability part includes "no practical ability to avoid" criterion in the definition of obligations. Income and expense definitions were updated to reflect the definition of assets and liabilities. In particular, the new regulation in the definition of the asset is a proof that the IASB no longer views assets as only physical objects, but as a set of rights.

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Revised Version of Income

Increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims.

Revised Version of Expense

Decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

Recognition and derecognition, chapter 5, guides the recognition of assets and liabilities in financial statements as well as the derecognition. Recognition is a process when an item meets the criteria of assets, liabilities, equity, income or expense. The main purpose of this chapter is not to increase or decrease the range of inclusion but to develop a more coherent set of concepts. In addition, the guidance on derecognition is new for this chapter.

Measurement, since the 2010 version of the Conceptual Framework did not provide enough guidance about measurement principles, the revised version covers the shortcomings and describes what information measurement bases provide and explains the factors to consider when selecting a measurement basis in chapter 6. This chapter intends to draw attention to the cases under which the measurement methods change, rather than when a particular measurement method should be used. This section also describes the current value with the concepts of fair value, value in use (for assets), fulfilment value (for liabilities) and current cost.

Presentation and disclosure chapter handles with the presentation and disclosure and guidance on including income and expenses in the statement of profit or loss and other comprehensive income. The newly added section includes concepts that describe how information should be presented and disclosed in financial statements. Furthermore, the concept of Other Comprehensive Income which is not included in the 2010 version of the Conceptual Framework is included in the Revised Conceptual Framework.

Capital concept and capital maintenance (Chapter 8), The text in the Conceptual Framework published in 1989 has been preserved. (Source: IFRS Conceptual Framework Project Summary)

CONCLUDING REMARK

The International Accounting Standards Board (IASB) issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework) in March 2018 that is long term process and takes more than 15 years. The Conceptual Framework for Revised Financial Reporting has become a guidance that better expresses the scope, basic concepts and measurement principles of the rapidly developing and updated International Financial Reporting Standards. The main point to consider here is that the update project on the Conceptual Framework is essentially a convergence project between the IASB and the FASB. In other words, the aim of the project is to bring the two boards together in the project rather than an update in Conceptual Framework. IASB and FASB commenced a joint comprehensive project on the Conceptual Framework in 2004 but could not finalize the revised version, Conceptual Framework is the result of studies mainly carried out by IASB. Conceptual Framework is likely to change and update within the dynamics and needs of future financial reporting mentality. Future revisions and updates should not only consider the financial dimension of reporting but also focus on the non-financial information in reporting to provide more insights to all stakeholders.

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**INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSAS): AN OVERVIEW & THEIR
DIFFERENCES FROM IFRS**

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Abstract: *This paper focuses on International Public Sector Accounting Standards (IPSAS) that are prepared by International Public Sector Accounting Standards Board (IPSASB). In this study, the coverage of IPSAS that is based on full accrual basis, the roadmap to prepare IPSAS standards, IPSAS or similar standard adopted countries are declared and essential differences between IPSAS and IFRS were examined. This paper proposes the updating of the texts of IPSAS in the context of the most recent version of IFRS and adoption of similar IFRS policies except for public sector-specific issues to decrease the burden experienced by the preparers of financial statements.*

Key Words: *Governmental Accounting, IPSAS, IPSASB, IFRS*

INFLATION TARGETING AND ITS IMPACT ON MONETARY POLICY POST 2008 CRISIS: A SOUTH AFRICAN INSIGHT

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Abstract: South Africa Inflation Rate declines to 7-Month Low of 4.5%. The annual inflation rate in South Africa fell to 4.5 percent in December of 2018, reaching the mid-point of the central bank's target range of 3 percent to 6 percent, from 5.2 percent in the previous month. It is the lowest annual inflation since May as cost of transport slowed sharply. The main task of microeconomic policy is the promotion of sustainable high economic growth, the creation of employment opportunities, the containment of inflation, improvement of the living conditions of all residents of a country, and the elimination of unjustifiable discrepancies in the distribution of income amongst our people. These economic objectives can best be obtained amongst other things in a stable financial environment. Financial instability is a major obstacle in the fulfilment of this task. Stable financial conditions should be maintained throughout the various phases of the business cycle to attain maximum economic development. In addition, inflation could only have an effect on the rate of unemployment if it could somehow affect the real wage in the economy. That is not impossible since the real wage is determined by the marginal productivity of labour in a competitive system. A number of countries have successfully adapted inflation targeting monetary policy framework in recent years. It is a framework based on hitting an inflation target, and it is considered that the target is going to be missed, then determining whether a change in policy stance is called for. In this paper, we briefly assess the viability of implementing an inflation targeting monetary policy framework in South Africa. The monetary policy in South Africa is conducted by the South African Reserve Bank. Those who have lived in South Africa in the past three decades witnessed dramatic uncontrollable price increase, convincing the Government to take serious measures pertaining to supply and demand of money. The paper further more, analyses the impact of inflation targeting on monetary policy in general, with a special focus on South Africa as a developing country, highlighting the main strategies and approaches implemented as well as the obstacles facing the developing countries and South Africa in particular.

Keywords: Inflation targeting, Finance, Accounting, South Africa, Central Bank

DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN FINANCIAL SECTOR

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Abstract: As a result of the increase in the ability to provide resources from overseas markets, the resource structure of banks has changed and thus financial markets have been integrated. This situation allowed banks to increase their ability to find fund and investments from overseas. Investments in the financial sector will also have a significant impact on the national economy. Foreign investments provide the liquidity required by financial sector. Because of these 2 reasons and more, countries want to attract foreign direct investments. In this study, the determinants of foreign direct investments in financial sector were investigated by using the data between the years 2010-2016 of 21 countries. According to 2-Step GMM results, GDP growth has a significant and positive effect on financial sector FDI. The growth of the economy increases the profitability of the companies and thus GDP growth raises the profitability of the banks. Hence, the positive effect of the economic growth is expected. Short term interest rate and 65 age rate have a significant negative effect on financial sector FDI. The increase in interest rates affects the real sector and reduces profitability. Modigliani and Brumberg (1954), spending and saving decisions vary according to the age of the people. This change can be a trend in the change of asset prices. According to the theory, people 65 years of age and over do not save money and tend to spend. This situation will have a negative impact on the financial market. According to the literature, the negative effect of short term interest rate and 65 age rate is also expected.

Keywords: Financial Sector FDI, GMM, GDP Growth.

INTRODUCTION

In the technological world of today, like the other sectors, the quality and expectation in the banking sector has increased. As the generations change, expectations from banking and investment or accumulation of customers are changing. When banks are compared to real sector companies, the sector is highly dependent on each other. Moreover, trust has been a very important factor especially for bank investors. When the problem of loyalty and trust comes together with the sector's high financial leverage situation, it can create the potential of negative developments in a bank to spread to other banks. This situation may spread to the banks of other countries as well as financial globalization.

The globalization of finance, in other words, the liberalization of international capital movements, the supply and demand of funds and the participants of the financial market to operate in more suitable places without being subject to geographical limitations. Financial integration, which is the most fundamental requirement of financial globalization, is the elimination of restrictions in the financial markets of different countries. Political, institutional and technical factors such as the liberalization

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policies implemented by the developed countries to attract international financial activities to their own countries, the adoption of free exchange policies, the rapid increase in the types of financial instruments, the developments in telecommunication have played important role on the basis of financial globalization. As the mobility of capital increases between countries, states have to compete with each other in order to prevent financial intermediation activities from being attracted to foreigners. This competition forces the state to implement policies towards national targets, especially in economically weak countries. As a result of the increase in the ability to provide resources from overseas markets, the resource structure of banks has changed and thus financial markets have been integrated. This situation allowed banks to increase their ability to find resources from overseas, increase the ratio of foreign currency among the bank resources, increase the exchange rate risk, and to keep the foreign exchange gains made in foreign currencies as foreign currencies on the active side of the balance sheet. Nevertheless, the rate of foreign currency increased and currency substitution situation emerged among bank uses. The impact of the exchange rate thus affects the banking sector of multiple countries.

Economic fluctuations and economic policies also affect the real sector through the financial sector. For example, an increase in inflation expectations raises interest rates. High interest rates affect both the consumption of individuals and investment decisions of the companies. Moreover, if a global shock occurs, its effects are primarily felt in banks. The measures taken by banks against shock affect the real sector. Companies that find it difficult to find a loan cut their investments and dismiss a significant number of staff. This situation also affects the profit of the banking sector quickly. As in bad conditions, effects are also moving rapidly in good conditions. Especially after 1980, GDP figures in the world have started to increase rapidly. 2009 is an exception in which GDP figures do not increase. As the economic size increases, the probability of profit increases. The banking sector will take its share from the return that will emerge with the growth of the economy. For last seven years 21 countries have been selected for the study because it is thought that economic growth effect will be higher. In this study, the reasons of foreign investments in finance sector will be examined. The following parts of the study cover literature, data and methodology, findings and conclusion sections, respectively.

LITERATURE

The literature of foreign direct investment is based on international business. They paid attention to production efficiency in the FDI works under international business. Afterwards, foreign direct investments became an important issue and factors other than production efficiency were examined. Although foreign investments made to the banking sector have their own characteristics, they show the similar characteristics as foreign direct investments. Literature summary table of foreign investments made to banking sector can be seen in appendix table 1.

Kravis and Lipsey (1982) used labor cost and GDP data of 49 countries in 1966. According to results, while the increase in labor cost is statistically negative and significantly affecting foreign direct investments, GDP affects positively and significantly.

In the Beaudreau (1987) study, the data of the five regions (Canada, Latin America, Europe, Asia, Australia) between 1974-1984 were used to determine profit growth rate, customs duty rates, age of firms in the sector, investment cost / sales impact on foreign investments was investigated. It has been found that the profit growth rate, customs duty rates are significantly positive, the age of the firms in the sector, investment cost / sales, and the 20-year production of the industry are positively affecting to the foreign direct investments.

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Young (1988) investigated the effect of post-tax return rates on direct foreign investments by using the American data between 1953-1984. It has been revealed that the post-tax return rates affect foreign investments in a meaningless and positive.

Tsai (1994) investigated the impact of GDP, growth rate, labor cost and trade balance on foreign direct investment by using data from 62 countries between 1975-1986. As a result of the two-step least squares method analysis, different results were obtained for the 1970s and 1980s. In the 1970s, while GDP was significantly positive, growth rate was positive, labor cost was negative and trade balance had a significant negative effect. In the 1980s, labor cost had a significant negative effect.

Buch (2000) investigated the effect of trade, non-financial sector FDI and GDP per capita variables on foreign direct investments of banks by using German banks data between 1981-1998. According to the findings, both variables had a significant positive effect.

Bol et al (2002), using data from 8 countries between 1992 and 2000, investigated the effect of the reform variable on foreign investors in the banking sector. The effect was found to be significant and positive.

Magri et al (2004), using data from 22 OECD countries between 1983-1998, investigated the effect of FDI, credit per capita, and population variables on foreign direct investment in banks. According to the findings, trade, credit per capita, the population variables have a significant positive effect and FDI has a negative effect on foreign direct investment in banks.

Wezel (2004), the data of the three regions (Latin America, Europe, Asia) between 1994-2001 were used to determine the effects of the GDP per capita, trade, market capitalization, country risk and non-financial sector on the foreign direct investment in banks were investigated. Wezel (2004) found that non-financial sector FDI has significant positively effect on foreign direct investment in banks. Moreover, GDP per capita, trade, market capitalization and country risk positively effect on foreign direct investment in banks.

Papaioannou (2005) investigated the effects of population, GDP per capita, distance, political risk, inflation and education on bank flows by using data from 51 countries between 1984-2002. He found that population, inflation, GDP per capita, education has a significant positive effect on bank flows. In contrast, political risk and distance have a significant negative effect on bank flows.

Herrero and Peria (2007), using the data of 3 countries between 1997-2002, were investigated for foreign investments in banks. For Italy, trade and population have a significant positive impact, while taxes and restrictions have a significant negative impact. For Spain, the legal structure and population have a significant positive impact, while the minimum capital requirements, restrictions and property rights have a significant negative effect. For the US, only the population has a significant positive effect. Also, they find that, restrictions and internet hosts have a significant negative impact on investment in banks.

DATA AND METHODOLOGY

Firstly, many countries have not been included in the analysis due to the desire to reach the current data. Foreign investment data for the financial sector is taken from the OECD data archive. For the last years, only 21 countries have complete data in OECD data archive. In this study, the data of 21 countries were used to investigate the causes of foreign investments in the financial sector. The countries used in the study can be seen in table 1.

Foreign investments in financial sector = f(GDP growth rate, Short-term interest rate, 6 Sa generate)

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In the study, foreign investments in the financial sector were taken as dependent variable, short term interest rate, GDP growth and 65 age ratio as independent variable. 65 age rate depicts population ages 65 and above as a percentage of the total population. GDP growth shows annual percentage growth rate of GDP at market prices based on constant local currency. Short term interest rate represents one-week repurchase agreement interest rate determined by the Central Banks.

Table 1. Countries

Australia	Israel	Estonia	Ireland	Turkey
Belgium	Italy	France	Poland	
Canada	Korea	Greece	Portugal	
Chile	Luxembourg	Hungary	Slovenia	
Denmark	Netherlands	Iceland	Sweden	

Unlike static panel data models, dynamic panel data models are models with delayed variable or variables. The most preferred method in dynamic panel data analysis is the Generalized Moments Method (GMM) proposed by Arellano and Bond (1991). Arellano and Bond (1991) states that GMM method is a method used when error terms are autocorrelated. In addition to this, it is a suitable method in case of both fixed variance and changing variance. 2-Step GMM will be used due to the advantages it provides in this study.

FINDINGS

In the study, the determinants of the foreign investments made in the financial sector were investigated with 2-Stage GMM. Findings can be seen in table 2.

Table 2. Determinants of Financial Sector FDI

	1
FDI (1)	.1096368 (0.169)
GDP Growth	.16677 (0.000)
Short Term Interest Rate	-.5556148 (0.002)
Population 65 and above	-.14607 (0.017)
Constant	10.21058 (0.000)
Sargan Test Statistic	9.370374 (0.96)
AR(1) Z Statistic	-1.5811 (0.11)
AR(2) Z Statistic	1.3034 (0.19)
Wald Test	973.27 (0.000)
Number of Countries	21
Method	GMM- 2 Step

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Sargan test depicts the validity of the instrumental variables. Sargan test results show that there is no problem of instrumental variables validity. According to Wald test results, independent variables can explain the model. Also, AR 2 test shows that there is no autocorrelation problem in the model. According to 2-Step GMM results, GDP growth has a significant and positive effect on financial sector FDI. Other variables have a significant negative effect on financial sector FDI.

CONCLUSION

Investments in the financial sector will also have a significant impact on the national economy. Foreign investments provide the liquidity required by countries. Because of these 2 reasons and more, countries want to attract foreign direct investments. In this study, the determinants of foreign investments made to financial sector were investigated by using the data between the years 2010-2016 of 21 countries. According to 2-Step GMM results, GDP growth has a significant and positive effect on financial sector FDI. Other variables have a significant negative effect on financial sector FDI. The growth of the economy increases the profitability of the companies and thus the profitability of the banks. Hence, the positive effect of the economic growth is expected. Interest rates represent the most difficult estimation variables in each economy. The increase in the ratio of foreign currency rates of the assets and liabilities of banks, coupled with interest variability, increases and diversifies the risks of banks. Moreover, the increase in interest rates also affects the real sector and reduces profitability. Hence, the negative effect of the increase in interest rate is expected. In the life cycle theory revealed in Modigliani and Brumberg (1954), spending and saving decisions vary according to the age of the people. This change can be a trend in the change of asset prices. According to the theory, people 65 years of age and over do not save money and tend to spend. This situation will have a negative impact on the financial market.

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APPENDIX

APPENDIX TABLE 1

Authors	Countries	Years	Findings
Buch (2000)	Germany	1981-1998	Trade->A+, non-financial sector FDI->A+, GDP per capita->A+
Bol et all (2002)	8	1992-2000	Reform ->A+
Magri et al. (2004)	22	1983-1998	FDI-> -, Trade->A+, Credit per capita->A+, Population->A+
Wezel (2004)	(Latin America, Europe, Asia)	1994-2001	non-financial sector FDI->A+,GDP per capita->+, Trade->+, Market capitalization->+, Country risk->+
Papaioannou (2005)	51	1984-2002	Population->A+, Inflation->A+, GDP per capita->A+, Education->A+,Political risk->A-, Distance->A-
Herrero and Peria (2007)	3	1997-2002	Italy- Trade->A+, Population->A+, Taxes->A-, Restrictions->A- Spain- Legal structure->A+, Population->A+, Minimum capital requirements->A-, Restrictions->A-, Property rights->A- US- Population->A+, Restrictions->A-, Internet hosts->A-

A+, +, A-, - denote significant positive, positive, significant negative, negative, respectively.

IMPACT OF VENTURE CAPITAL ON THE EMERGING ECONOMIES: A CASE THE EGYPTIAN ECONOMY

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Abstract: *The Venture capital is the new driving force behind industries in the financial market today. Venture capital is the money provided by professionals who invest alongside management in young, rapidly growing companies that have the potential to develop into significant economic contributors. Venture capital is an important source of equity for start-up companies. Venture capital can be visualised as “your ideas and our money” concept of developing business. The venture capital industry in Egypt has really taken off in. Venture capitalists not only provide monetary resources but also help the entrepreneur with guidance in formalising his ideas into a viable business venture. In order to promote innovation, enterprise and conversion of scientific technology and knowledge-based ideas into commercial production, it is very important to promote venture capital activity in Egypt. Egyptian’s success story in the area of information technology has shown that there is a tremendous potential for growth of knowledge-based industries. The recent economic slowdown of IT Sector is provided a chance to Venture capitalist to consider investment opportunities in other sectors such as Manufacturing and Service Industry which will be necessary to have overall economic development and to reduce the economic dependency on a single sector. The current paper will concentrate on the different opportunities in Non-IT Sector as well the investment opportunities available for Venture capitalist which ensures better perspective for Egyptian economy.*

Key Words: *Venture Capital, Egypt, Small Medium Enterprises, Economic Development, Financial Planning*

INTRODUCTION

The Venture capital sector is the most vibrant industry in the financial market today. Venture capitalists are professional investors who specialize in funding and building young, innovative enterprises. Venture capitalists are long-term investors who take a hands-on approach with all of their investments and actively work with entrepreneurial management teams in order to build great companies which will have the potential to develop into significant economic contributors. Venture capital is an important source of equity for start-up companies. Venture capital can be visualized as —your ideas and our money concept of developing business. Venture capitalists are people who pool financial resources from high net worth individuals, corporate, pension funds, insurance companies, etc. to invest in high risk - high return ventures that are unable to source funds from regular channels like banks and capital markets. The venture capital industry in Egypt has

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really taken off in. Venture capitalists not only provide monetary resources but also help the entrepreneur with guidance in formalizing his ideas into a viable business venture.

Five critical success factors have been identified for the growth of VC in Egypt, namely:

1. The regulatory, tax and legal environment should play an enabling role as internationally venture funds have evolved in an atmosphere of structural flexibility, fiscal neutrality and operational adaptability.
2. Resource raising, investment, management and exit should be as simple and flexible as needed and driven by global trends.
3. Venture capital should become an institutionalized industry that protects investors and invitee firms, operating in an environment suitable for raising the large amounts of risk capital needed and for spurring innovation through start-up firms in a wide range of high growth areas.
4. Venture capital should become an institutionalized industry that protects investors and invitee firms, operating in an environment suitable for raising the large amounts of risk capital needed and for spurring innovation through start-up firms in a wide range of high growth areas.
5. In view of increasing global integration and mobility of capital it is important that Egyptian venture capital funds as well as venture finance enterprises are able to have global exposure and investment opportunities
6. Infrastructure in the form of incubators and R&D need to be promoted using government support and private management as has successfully been done by countries such as the US, Israel and Taiwan. This is necessary for faster conversion of R&D and technological innovation into commercial products.

With technology and knowledge-based ideas set to drive the global economy in the coming millennium, and given the inherent strength by way of its human capital, technical skills, cost competitive workforce, research and entrepreneurship, Egypt can unleash a revolution of wealth creation and rapid economic growth in a sustainable manner. However, for this to happen, there is a need for risk finance and venture capital rage innovation, promote technology and harness knowledge-based ideas.

Venture capital at a take-off stage in Egypt:

The venture capital industry in Egypt is still at a nascent stage. With a view to promote innovation, enterprise and conversion of scientific technology and knowledge-based ideas into commercial production, it is very important to promote venture capital activity in Egypt. Egypt's recent success story in the area of information technology has shown that there is a tremendous potential for growth of knowledge based industries. This potential is not only confined to information technology but is equally relevant in several areas such as bio-technology, pharmaceuticals and drugs, agriculture, food processing, telecommunications, services, etc. Given the inherent strength by way of its skilled and cost competitive manpower, technology, research and entrepreneurship, with proper environment and policy support, Egypt can achieve rapid economic growth and competitive global strength in a sustainable manner.

Critical factors for success of venture capital industry:

While making the recommendations, we felt that the following factors are critical for the success of the VC industry in Egypt:

- a. The regulatory, tax and legal environment should play an enabling role. Internationally, venture funds have evolved in an atmosphere of structural flexibility, fiscal neutrality and operational adaptability.
- b. Resource raising, investment, management and exit should be as simple and flexible as needed and driven by global trends

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c. Venture capital should become an institutionalized industry that protects investors and investee firms, operating in an environment suitable for raising the large amounts of risk capital needed and for spurring innovation through startup firms in a wide range of high growth areas.

d. In view of increasing global integration and mobility of capital it is important that Egyptian venture capital funds as well as venture finance enterprises are able to have global exposure and investment opportunities.

e. Infrastructure in the form of incubators and R&D need to be promoted using Government support and private management as has successfully been done by countries such as the US, Israel and Taiwan. This is necessary for faster conversion of R & D and technological innovation into commercial products.

f. The hassle-free entry of such Foreign Venture Capitalists is even more necessary because of the following factors:

1. Venture capital is a high-risk area. In out of 10 projects, 8 either fails or yield negligible returns. It is therefore in the interest of the country that VCs bear such a risk.
2. For venture capital activity, high capitalization of venture capital companies is essential to withstand the losses in 80% of the projects. In Egypt, we do not have such strong companies.
3. The VCs are also more experienced in providing the needed managerial expertise and other supports.

Financing stages

There are typically six stages of venture round financing offered in Venture Capital, that roughly correspond to these stages of a company's development.

Seed Money: Low level financing needed to prove a new idea, often provided by angel investors. Crowd funding is also emerging as an option for seed funding.

Start-up: Early stage firms that need funding for expenses associated with marketing and product development

Growth (Series A round): Early sales and manufacturing funds

Second-Round: Working capital for early stage companies that are selling product, but not yet turning a profit

Expansion: Also called Mezzanine financing, this is expansion money for a newly profitable company

Exit of venture capitalist: Also called bridge financing, 4th round is intended to finance the "going public" process between the first round and the fourth round, venture-backed companies may also seek to take venture debt

DIAGRAM OF THE STRUCTURE OF A GENERIC VENTURE CAPITAL FUND

Structure

Venture capital firms are typically structured as partnerships, the general partners of which serve as the managers of the firm and will serve as investment advisors to the venture capital funds raised. Venture capital firms in the United States may also be structured as limited liability companies, in which case the firm's managers are known as managing members. Investors in venture capital funds are known as limited partners. This constituency comprises both high net worth individuals and institutions with large amounts of available capital, such as state and private pension funds, university financial endowments, foundations, insurance companies, and pooled investment vehicles, called funds of funds.

Types

Venture Capitalist firms differ in their approaches. There are multiple factors, and each firm is different. Some of the factors that influence VC decisions include:

- **Business situation:** Some VCs tend to invest in new ideas, or fledgling companies. Others prefer investing in established companies that need support to go public or grow.
- Some invest solely in certain industries.
- Some prefer operating locally while others will operate nationwide or even globally.
- VC expectations often vary. Some may want a quicker public sale of the company or expect fast growth. The amount of help a VC provides can vary from one firm to the next.

Roles

Within the venture capital industry, the general partners and other investment professionals of the venture capital firm are often referred to as "venture capitalists" or "VCs". Typical career backgrounds vary, but broadly speaking, venture capitalists come from either an operational or a finance background. Venture capitalists with an operational background tend to be former founders or executives of companies similar to those which the partnership finances or will have served as management consultants. Venture capitalists with finance backgrounds tend to have investment banking or other corporate finance experience.

Although the titles are not entirely uniform from firm to firm, other positions at venture capital firms include:

Venture partners — Venture partners are expected to source potential investment opportunities ("bring in deals") and typically are compensated only for those deals with which they are involved.

Principal — this is a mid-level investment professional position, and often considered a "partner-track" position. Principals will have been promoted from a senior associate position or who have commensurate experience in another field, such as investment banking, management consulting, or a market of particular interest to the strategy of the venture capital firm.

Associate — this is typically the most junior apprentice position within a venture capital firm. After a few successful years, an associate may move up to the "senior associate" position and potentially principal and beyond. Associates will often have worked for 1-2 years in another field, such as investment banking or management consulting.

Entrepreneur-in-residence (EIR) — EIRs are experts in a particular domain and perform due diligence on potential deals. EIRs are engaged by venture capital firms temporarily (six to 18 months) and are expected to develop and pitch startup ideas to their host firm although neither party is bound to work with each other. Some EIRs move on to executive positions within a portfolio company.

Need of venture capital

There are entrepreneurs and many other people who come up with bright ideas but lack the capital for the investment. What these venture capitals do is to facilitate and enable the start-up phase. When there is an owner relation between the venture capital providers and receivers, their mutual interest for returns will increase the firm's motivation to increase profits.

Venture capitalists have invested in similar firms and projects before and, therefore, have more knowledge and experience. This knowledge and experience are the outcomes of the experiments

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through the successes and failures from previous ventures, so they know what works and what does not, and how it works. Therefore, through venture capital involvement, a portfolio firm can initiate growth, identify problems, and find recipes to overcome them.

Compensation

Venture capitalists are compensated through a combination of management fees and carried interest (often referred to as a "two and 20" arrangement):

Management fees — an annual payment made by the investors in the fund to the fund's manager to pay for the private equity firm's investment operations. In a typical venture capital fund, the general partners receive an annual management fee equal to up to 2% of the committed capital.

Carried interest — a share of the profits of the fund (typically 20%), paid to the private equity funds management company as a performance incentive. The remaining 80% of the profits are paid to the fund's investors. Strong limited partner interest in top-tier venture firms has led to a general trend toward terms more favorable to the venture partnership, and certain groups are able to command carried interest of 25–30% on their funds.

Because a fund may be run out of capital prior to the end of its life, larger venture capital firms usually have several overlapping funds at the same time; doing so lets the larger firm keep specialists in all stages of the development of firms almost constantly engaged. Smaller firms tend to thrive or fail with their initial industry contacts; by the time the fund cashes out, an entirely-new generation of technologies and people is ascending, whom the general partners may not know well, and so it is prudent to reassess and shift industries or personnel rather than attempt to simply invest more in the industry or people the partners already know.

Types of Investing

By combining the two dimensions of CVC investing - strategic and financial objectives - four distinct investment strategies can be outlined.

A. Driving Investments Driving investments are pursued by CVCs for strategic alignment that is tightly linked between the investment company's operations and the startup company that is being invested in. The purpose of this investing option is to advance the strategy of the current business. The CVC looks for key growth areas within the startup companies and then hopes to combine them with the company's initiatives. Appropriately selected investing and alignment can benefit the investing company by furthering the corporate strategy. On the other hand, this could result in failure. Closely linked investments essentially roll into the current strategy in place. This would not be useful in dealing with already disruptive strategies in place, or in finding new ones when the investing company needs to update processes when trying to keep up with a changing environment. Thus, if CVCs are looking to —transcend current strategies and processes, they would need to look to other investing strategies.

B. Enabling Investments Enabling investments are also made for strategic purpose, but in this case they are not linked closely with investing company's operations. The thought process is that a tight link is not necessary for a successful investment to help the investing company to succeed. Although this may seem counterintuitive, the idea is to take advantage of complementary products. Enabling investments complement the strategy of the current business. Ideally, the popularity of the investments will help to create demand for the investing company's products by stimulating the industry in which the products are used. The limits of enabling investments are that they will only be successful if they —capture a substantial portion of the market growth they stimulate.

C. Emergent Investments While Emergent investments do not promote current strategies, they do link tightly with the investing company's operations. If the business environment or company's strategy changes, the investment could become strategically valuable. This design

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helps create a sort of option strategy that is independent of financial returns. Emergent investments allow investing companies to explore new untapped markets that they are unable to enter due to their focus on the current markets they serve. Investment products can be sold in new markets to help gather vital information that could not be otherwise obtained. If the information looks promising, the company could look to shift towards this new direction. Emergent investments are initially made for financial gains but could ultimately result in strategic gains as well. On the contrary, if they do not prove to be important for the company strategy, they should be left untouched to generate whatever financial returns possible. In summary, emergent investments require—balancing financial discipline and strategic potential.

D. Passive Investments Passive investments are neither connected to the investing company's strategy nor their operations. Thus, these investments do not help the investing company to actively advance their own business and can only provide financial returns. Essentially, passive investments are no different than typical investments whose financial returns are contingent on the volatility of the private equity market. Due to the lack of any strategic advantages with this kind of investing, passive investments are not very practical or advantageous.

DATA COLLECTION

Secondary data:

1. Historical data: Pre and post liberalization of Egyptian economy
2. Journals and other popular publication (e.g. economic times, Business World, Business Standard)
3. Books on entrepreneurs and venture capital growth in Egypt by popular author.
4. INTERNET

OBJECTIVES

1. To know the venture capital and different sources of financing venture capital.
2. To know the different perspective areas of venture capital in Egyptian financial sector.
3. To know the sectorial perspective with respect to the expert opinion.
4. To Find the best practices to increase the venture capital about better perspectives.

SCOPE OF THE STUDY

1. To the various investment perspective opportunities among various sectors.
2. To know why there is a slow growth of venture capital in Egypt.
3. To know the stated and unstated entry barriers for venture capital in Egypt

LIMITATIONS

Venture capital and Egyptian entrepreneurial growth' had various limitations. They are mentioned below.

1. The concept of venture capital is fairly new in Egypt; therefore, the historical data was limited to the year 1993 onwards.
2. This project requires constructive supporting data which is not been involved in this paper. The questionnaire though useful, may not provide concrete information.
3. Primary data collection required personal interviews, and sample selected were reluctant to fill in questionnaire.

4. The secondary data is available freely online, but the recent data and data prior to 1993 is not available freely. It could be accessed from online libraries, but only after payment of a certain fee.

CONCLUSION

As in Egypt, small and medium-sized enterprises with active support from large industries (their customers) and government have turned manufacturing into an art form. To achieve this, these enterprises poured money into R&D and cut other expenses. The government supported them by loosening up the tightly regulated labor market. Large and small manufacturers found unique ways to cut labor costs by sometimes providing an employment guarantee for a fixed period as a quid-pro-quo for less pay. Instead of laying-off workers, managements deployed idled workers to new assignments. The result of such strategies is evident.

Egypt has emerged as an industrial economy across Africa through the last decade. Unemployment in Egypt has declined during the global economic crisis. Identifying a valuable market position ahead of competitors is a necessary first step to high performance. Our focus on this paper suggests that high performing manufacturers can build their market position by prioritizing investments in strategic initiatives that support and strengthen their core differentiation. Our framework identifies the innovative and distinctive capabilities that organizations must build to differentiate them from the competition: smart shop floor, market-driven innovation infrastructure, informed-decision making and responsive relationships. This report shares insights into leading sector opportunities across Egypt's are available for the investors and to focus their energies to build investment opportunities. But we do not stop at identifying distinctive capabilities.

We propose four key actions toward this goal: building brand image for Egypt, opportunities in Egyptian operating environment, using sustainability to build competitiveness and developing Egyptian economy in overall sector. The challenge of building Egypt's strong economy must be a shared responsibility.

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RESEARCH ON DETERMINANT FACTORS IN ACCOUNTING MANIPULATION: LITERATURE REVIEW

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Abstract: Accounting manipulation is a deliberate modification of accounting information to mislead users of financial information. The most important goal of accounting manipulation is to use accounting manipulation to show the positive performance of the company exaggerating current income statement by inflating revenue or underestimating the current income statement by deflating revenue to make artificially financial situation of the company to look worse. In different countries accounting manipulation may be called different terms such as window dressing, forensic accounting, aggressive accounting, earning management, cosmetic accounting, fraud, reduction in earnings and income smoothing. The purpose of this is to try to find reasons and causes of accounting manipulation. The paper reviewed papers published in recent years in Science Direct, Emerald Insight, Google academics and Web of sciences databases.

Keywords: Accounting manipulation, Creative accounting, Earning management

INTRODUCTION

The term manipulation is defined in the Cambridge dictionary as the process of changing removing or adding information to influence or control of someone or something to your advantage, often unfair and dishonesty. Accounting manipulation can be called as the fact that company managers give false statements about their financial information to show a positive image of the financial performance of an enterprise. It is intended to influence the expectations of the users of the financial information on the entity's financial position and their activities. Where there are different definitions of financial information manipulation (Arens & Loebbecke, 2000), fraudulent financial reporting is the violation of accounting standards, the omission of current amounts or the inclusion of fictitious amounts. (Stolowyand Breton, 2004) stated that the actors of manipulating behaviour; managers, existing stakeholders, employees, suppliers, client, and society each of one has potential gains and losses from manipulating accounts.

While today's economy is fragile and sensitive the need of business entities to establish for themselves a good reputation in an increasingly competitive and tough economic environment, researchers indicate the impact of manipulated financial information is immense. Manipulating financial information damages today's economy which cause users of financial information to an appropriate decision on the economy (Elisabeta et al, 2014: 555). This may cause economic values of the enterprises in question to fall and even to fall into the dangerous conditions that may extend to bankruptcies. The most common forms of manipulation can be distorted in several different ways such that increasing a revenue, decreasing expenses, the increasing and falsifying of receivables, reducing or not showing liabilities, increasing the value of inventories, counterfeiting the inflow and outflow of money from the company and many others (Dimitrijević, 2015: 135). In this study, accounting manipulation is considered as the cooking up of the financial reports of the entities in order

to achieve a particular purpose; the paper presents literature review to find out determinants of accounting manipulations.

LITERATURE REVIEW

Lourenço (2018) compared the role of corruption in earning management in developed and emerging countries. The paper indicated the higher corrupting perception has positive relation in earning management in developing countries.

Gabric (2018) identified that the accrual-based investment ratios have significant contribution in the determination of accounting manipulation in the financial statement of the selected firms in Bosnia and Herzegovina.

Hasan et al. (2017) adopted financial variations, financial forensic tool and dichotomous approach to analyzing the level of financial statement manipulations of listed companies from Asia. They found that there is a significant national difference between countries according to the measure of financial statement manipulations.

Ndebugri and senzu (2017) discussed the practice of creative accounting techniques in the financial statement in Ghana. The study concluded the evidence of the cause of Ghana's financial crises and the adoption of creative accounting.

Barac et al. (2017) analyzed the frequency and nature of IFRS/IAS violations the results modified audit opinions (MAOs). The investigative search results from archival indicate MAOs expressed in 29% of the audit report of listed companies in Croatia.

Tiwari and Depnath (2017) proposed the need for separate multidiscipline for forensic accounting education to develop the skills of forensic accounting professionals.

Mostafa (2017) investigated the relationship between earning management and the value of the relevance of earnings in Egypt. They concluded that companies with low operating performance have has higher earning management practices than those with high operating performance.

Okoro and Okoye (2016) examined the position of the International Financial Reporting Standards (IFRS) in timing creative accounting in Nigeria. They suggested that IFRS basically minimizes excessive unethical accounting practices that cause manipulating of financial statements.

Bhasin (2016) investigated accounting manipulation practices in the Asian economy. The paper examined how an Indian CEO (Raju) practiced accounting manipulation fudging and cooking up the financial reports by creating fake invoices, generating false revenues, showing non-existent interest on fixed deposits, etc. applying Satyam scam become embroiled in India's most prominent corporate scam in history.

Mamo and Aliaj (2014) paper provided information about the reasons and consequences of accounting manipulations Albanian case. They concluded that there are a difference and similarities in the causes of manipulating between companies working in developing countries (Albania) and companies operating in developed countries.

Charfeddine et al. (2013) researched empirical analysis to investigate factors that influence earning management in developing countries with an example of the Tunisian economy. The paper evaluates incentives and constraint factors of earning management.

Marilena and Corina (2012) study stated in their point of view that creative accounting is essential tool for enterprises to protect image and performance of the company.

Kamau et al. (2012) provided an evidence of the practice of creative accounting for the objective of evading and avoiding tax is widely practiced among private sector companies in Kenya.

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Karim et al. (2011) surveyed to research the ideas of external auditors, internal auditors, and accountants on techniques, impact, causes and solutions for cosmetic accounting in developing countries with Bangladesh perspectives. The paper revealed that the three categories have different views about the various aspect of cosmetic accounting.

Matis et al. (2009) tried to examine how companies in Romania interest using creative accounting technique to manipulate cash flow reporting. The result indicates that Romania companies only partly use cash flow.

Barac and KlepoIn (2006) surveyed with auditors about most frequent features of accounts manipulations in Croatia. They found that those accounting manipulations are prevalent practice in Croatia, particularly in the area of depreciation contingencies, write-off of accounts receivable, asset impairments and long-term investments in financial instruments and revalorization.

Stolowy and Breton (2004) presented a literature review on different techniques of accounting manipulation. Their study revealed that all methods of accounting manipulations have common characteristics, but there is also important difference them.

Shah (1996) investigated the issue of creative compliance in case of complex convertible securities issued by the United Kingdom selected companies between the years 1987-1990. There was an active dialectic of creativity in the design of these instruments, a shift from avoidance to rules to restraint again.

Table 1 summarized some selected empirical studies in accounting manipulation

Table 1. Selected Empirical studies

Study	Country	Method
Gabrić (2018)	Bosnia and Herzegovina	Content analysis
Ndebugri and senzu (2017)	Ghana	Descriptive statistics
Hasan et al (2017)	Japan, Singapore, Malaysia, Indonesia, Thailand, Hong Kong and Chin	Statistical analysis
Barac et al (2017)	Croatia	Logistic regression
Mostafa (2017)	Egypt	Mathematical model
Okoro and Okoye (2016)	Nigeria.	Pearson Product Moment Correlation statistical tool
Mamo and Aliaj (2014)	Albania	Content analysis
Charfeddine et al (2013)	Tunisia	Empirical method based on Modified Jones (1995), Kothari et al. (2005), and Raman and Shahrur (2008) models
Kamau et al (2012)	Kenya	Descriptive statistics
Karim et al (2011)	Bangladesh	Descriptive statistics
Matis et al., (2009)	Romania	Descriptive statistics
Shah (1996)	United Kingdom	Case study

CONCEPTS OF ACCOUNTING MANIPULATION

Accounting manipulation is when the managers of a company or an organization deliberately misconduct financial information to achieve predetermined objectives favorably represent the entity's financial performance (Trussel, 2003: 616).

Methods of accounting manipulations

Income Smoothing

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It is applied by the managers because of to increase profit when is low and also to reduce when profit is high. In other way, managers may tend to shift their earnings from the current period when the financial performance of the company is useful to the future when the performance of the company is terrible or compared to the add-ons, and the future earnings are shifted to the current period (Rezadeh et al., 2014: 136). The purpose of income smoothing is to increase companies' value, reduction of corporate risk to decrease companies' cost of capital, tax incentives and so on. It is generally accepted that managers pursue the perception of stakeholders on the financial situation predetermined objectives. Factors like dept size, sector of the company operates, the leader in capital and audit quality has been identified by determinants of income smoothing (Boudich, 2013:2).

Earing management

There is no common agreeable definition for earning management. Difference researchers proposed a different definition which commonly explains as manipulation of financial reporting to reach desired objectives. Earnings management happen when company managers use judgment in financial reporting and in mistreat transactions to change financial reports to guide some stakeholders wrongly about the company performance (Ronen and Yaari, 2008: 26). In other words, the aim of earning management is to affect the perceptions of financial users by intentionally misrepresenting accounting information.

Big Bath Accounting

A big bath accounting is an entities' management strategy of manipulating income statement in order to reduce assets, which results in lower expenses in the future. It is usually applied in a bad year so that the entity can increase future earnings. Big bath accounting generally observed in the period in which management changes in companies. New managers often use the big bath so they can blame the entities' poor performance on the previous managers and take credit for the next year's improvements.

Creative accounting

Creative accounting concept refers to fraudulent financial reporting by using accounting techniques, even though it is sometimes used synonymously with the idea of fraud and manipulation. Creative accounting practices are any or all steps used to play accounting transactions to show the financial situation differently; it includes the aggressive choice and application of accounting principles, fraudulent financial reporting, and any steps taken toward earnings management or income smoothing. (Mulford and Comiskey, 2002: 3). Creative Accounting Practices are that are applied nowadays classified the following five categories; 1) recognizing premature or fictitious revenue, 2) aggressive capitalization and extended amortization policies, 3) misreported assets and liabilities, 4) getting creative with the income statement, 5) problems with cash-flow reporting (Mulford and Comiskey, 2002: 9).

Aggressive Accounting

It is defined as "A forceful and intentional choice, and application of accounting principles done to achieve desired results, typically higher current earnings, whether the practices followed are under GAAP or not" (Mulford and Comiskey, 2002: 3). Within the scope of mistreating the financial statements of the company, it is the method that the accounting standards and policies have been misused where the unrealized or indefinite revenues are recorded, and the expenses of the current period are transferred to the future periods. The primary objective in this method is to increase profit.

Fraudulent financial reporting

Fraudulent financial reporting are determined managers intentional misrepresentation of amounts or disclosures in the financial statements in order to deceive users of the financial statements (Mulford and Comiskey, 2002: 3) fraudulent financial reporting is related to accruals management, and the

probability that it can happen is dependent on the effectiveness of the board of directors and audit quality (Nor et al, 2010: 131).

Objectives of accounting manipulations

The main purpose of accounting manipulations is to ensure that investors' positive perception of the reliability of entities' performance. It mostly the objective to use is to affect the perception of financial information's users. The general purpose of accounting manipulation is to increase stock prices, improve the credibility of the enterprise, reduce the borrowing costs and increase the premiums of the managers based on the reported period profit, in larger enterprises; more regulations or more reduction of political costs by avoiding high taxes as main objective (Wilson and Shailer, 2007, 256, Kirschenheiter and Melumat, 2002, 763).

In applying the accounting manipulation against the enterprises, the managers apply accounting manipulation for the entities in lowering the borrowing costs and creating the stock price as desired. (Mulford and Comiskey, 2002:4) a summarized list of rewards and objectives the game of accounting manipulation in the following table

Table 2. Objectives and rewards of accounting manipulation

Objectives of accounting manipulation	Rewards
Share-price effects	Higher share prices Reduced share-price volatility Increased corporate valuation Lower cost of equity capital Increased value of stock options
Borrowing cost effects	Improved credit quality Higher debt rating Lower borrowing costs Less stringent financial covenants
Bonus plan effects	Increased profit-based bonuses
Political cost effects	Decreased regulations Avoidance of higher taxes

Source: Mulford and Comiskey, 2002: 5

METHODOLOGY OF THE STUDY

The study was done by using content analysis method in the qualitative pattern. The main purpose of the content analysis is; analysis of written materials containing information about the cases or facts intended to be investigated. The universe of the research consists of the academic studies carried out examining accounting manipulations. The papers reviewed in this research were collected from Science Direct, Emerald Insight, Google academics and Web of sciences databases.

CONCLUSION

The macro manipulation and micromanipulation of financial information related to managers manipulative behavior. The macro manipulation states when new rules and regulation are not favorable to the policy makers the lobby against it while micro manipulation come out when managers hide true results to keep away from stakeholders. It is a weapon that companies try when they are in a hard situation. This paper attempted to find out the reasons and causes of accounting manipulation. The literature reviews found that academic research of accounting manipulation become an interesting topic among researchers. The papers reviewed mostly emphasized financial report manipulations. The factors like unethical values or lack of moral values, lack of knowledge, and lack of awareness are

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main causes of managers manipulative behaviour. Generally, factors of indebtedness of the company, stock market returns, managerial ownership, and dividend policy have a significant effect on the accounting manipulation and have been tested on the basis of accounting theories. The reviewed papers in this study conclude determinant factors of accounting manipulation differs from one country to another whether they are emerging economy or developed. The common main causes of accounting manipulation can be summarized as accrual accounting, inappropriate internal control system, companies' management weakness.

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THE DIFFERENCES BETWEEN EMPIRICAL MANAGEMENT ACCOUNTING STUDIES IN TURKEY AND THE WORLD

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Abstract: *The main goal of the empirical studies in management accounting is to understand the development of management accounting practices, to examine the factors affecting these practices and to analyze their contribution to business performance. Most majority of the studies in management accounting have been conducted in North America and Europe. Given the fact that businesses have been managed under different dynamics and affected by country based factors, to generalize the findings of academic studies to every country would not be appropriate. Therefore, empirical findings need to be tested and evaluated for different countries in accordance with their own conditions. Current literature shows that empirical studies in management accounting field in Turkey seem rather lag behind the studies conducted all over the world. Most majority of the accounting studies conducted in Turkey focus on financial accounting. Limited number of studies in management accounting lag behind their international counterparts in terms of methods they have adopted and practices they have examined. Effectiveness of businesses in Turkey should be enhanced as Turkey has still been considered as an emerging economy. Main objective of this study is to identify the shortcomings of empirical management accounting studies conducted in Turkey and propose solutions to improve the quality and quantity of the research studies to be conducted in the future. To do so, this study relies on a systematic literature review on “Journal of Management Accounting Research” (JMAR) as the main international journal on the field. To examine the studies in Turkey, two major Turkish Accounting journals were selected: The World of Accounting Science (Muhasebe Bilim Dünyası Dergisi) which is published by The Turkish Foundation for Science and Collaboration of Accounting Academician- MODAV); and Journal of Accounting and Finance which is published by the Association of Accounting and Finance Academician-MUFAD). Results Show that empirical Management Accounting studies conducted in Turkey lag behind the ones published internationally. Major problems identified are those that most of the Turkish studies focus on the topics that are not the main stream research topics anymore; there is lack of theoretical background, literature review is not used sufficiently, and empirical results do not provide appropriate contribution in terms of future studies or practical implications.*

Key Words: *management accounting, research quality, empirical studies, empirical evidence, academic publications*

INTRODUCTION

Cost structure of enterprises has become more sophisticated and complex over the time as a result of industrial and technological developments and also the transformation from labor business structure to capital intensive structure. This transformation resulted that there has been increasing need for

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intercompany information (Johnson ve Kaplan, 1987, s.174; Johnson, 1983; Edwards ve Nawell, 1991).

As indicated in most majority of the studies in management accounting or management in general, major responsibilities of managers are planning, control, coordination and decision making (Bhimani, Horngren, Datar ve Rajan, 2015, s.8; Drury, 2011, s.326; Arnold ve Turley, 1996, s.316). As the increasing competition force companies to use the intercompany process in the most effective manner. Given the fact that competition, supply-demand, and other market conditions are not controllable by individual company initiatives, it has become even more important to focus professional management process as they are also affective on the company performance.

Common feature of the businesses that create economic value is in today's world must be their effective management. These businesses should use their resources such as human, finance, physical assets and know how in an in an effective and efficient manner in order to achieve their organizational goals. Hence, they benefit from a number of professional management functions. Planning, decision making, coordination and control play are the majors of these functions and they all might be evaluated within the scope of management accounting. The main purpose of the researches in the management accounting field-just like all other business related fields- is to propose solutions, exercises and technics to the managements in practice as well as defining business processes that might contribute to the effectiveness of management to enhance the business performance. Given that different countries have unique dynamics which are not duplicated; generalization of finding on empirical researches is not appropriate. Unfortunately, the empirical studies in management accounting field in Turkey is suffering from duplicated research topics, lack of sufficient literature review and theoretical background, inadequately hypotheses development, and academic and practical contribution.

Given that Turkey has many different dynamics than US or/and Europe, current literature doesn't provide sufficient information for future studies or practical implications. Therefore there is an immediate action needed to improve the quality and the quantity of the empirical studies in Management Accounting in Turkey.

Main purpose of this study is to compare international publication to Turkish publication and explain the differences in the main stream. As doing so, it is expected to identify the major problem and provide an avenue for future researches in Management Accounting.

METHODOLOGY

We performed a "systematic literature review" is performed as the research method of this study by following the guideline developed by Tranfield et al.(2003) and Jesson et al. (2011). management. The systematic literature review as compared to conventional literature review provides objective and transparent process as it enables repeating the same process by others (Lopez, Hielb, 2015).

As the first step, EBSCO web site is used for international research search. Journal of Management Accounting Research is selected to be a reference point of the systematic review. On the search filter "Journal of Management Accounting Research" is typed and search with the filter year 2013-2018 and full text. Using the symbol quotes (") at the beginning and the ending of the searched words provides to execute the search only for the full group of the words. This initial search protocol resulted in 146 studies. No key word restriction is used to cover all potential study topics in the initial search.

On second step, all of the studies were reviewed to eliminate irrelevant research papers. Elimination was made based on the topics and the type of the papers. Topics excluded were Audit, Financial Reporting, Tax, International Financial Reporting Standards (IFRS). The types excluded were literature reviews, research proposals, call for papers, research notes and theory building. By doing so, only empirical studies resulted as 67 papers. All of the papers included in the analysis is listed and

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classified as qualitative or quantitative. Keywords used on these papers were listed, findings were summarized.

On the third step, two major Turkish Journals: The World of Accounting Science and Journal of Accounting and Finance were used to execute management accounting research by using the key word gathered on the second step as a result of classification of studies. The keywords were searched either/both on the abstract and/or keywords. The same time frame (2013-2018) is used as the time filter. The keywords searched were “sustainability”, “activity based costing”, “costing”, “integrated reporting”, corporate social”, “CSR” “performance”, “plan”, “control”, “effectiveness”, “budget”, “management”, “just in time”, “JIT”. Search on The World of Accounting Science for the year 2013-2018 was resulted in 26 relevant papers out of 184 papers in total between the given time frame. Search on Journal of Accounting and Finance was 18 relevant research papers out of 284 papers in total between 2013-2018.

RESULTS

Main Themes

According to the search results on Journal of Management Accounting, the topic studies the most is performance measurement system in the companies. The main stream literature focus different aspect of performance measurement systems and/or management accounting and control systems; antecedents/determinants and/or their impact on different aspect of organizational performance. The major issues studied might be listed as follows: determinant of the optimal performance measurement system under different organizational structure (Fehrenbacher, Schulzb and Rotaru, 2018; Groen, 2018; Oblak, Licen, Slapnicar, 2018; Kaplan, Peterson and Samuels, 2018; Groen, Wounters, Wilderom, 2017; Huang, Balakrisman, Pan, 2017; Reichert and Woods, 2017; Minnaar, Vosselman, Veen-Dirks, 2017; Cravens, Oliver and Oishi, 2016; Hyun, Kim, Kwon and Shin, 2014); how performance measurement affects managers’/employees’ behaviors (Brink, Hobson, Steevens, 2017; Fehrenbacher, Kaplan and Pedel, 2017); effect of performance evaluations/measurement on different process/procedures such as transfer pricing strategy (Chonga, Loy, Masscheleina and Woodliffa, 2018), interfirm relationships (Dekker, Ding and Groot, 2016); how differently the companies act by using or not using performance measurement systems and how the firm performance gets affected initially (Knauer, Silgeb, Sommer, 2018; Fisher, Peffer and Sprinkle, 2015); effect of feedback about the performance on initial attitude (Lourenço, Greenberg, Littlefield, Bates and Narayanand, 2018; Holderness, Olsen and Thornock, 2017); relationship between the performance measurement system (for managers) and firm performance (Ikaheimo, Kallunki, Moilanen and Schiehl, 2018; Tian, Tuttle and Leitch, 2018; Hirsch, Reichert and Sohnc, 2017), relationship between compensation packages (different aspect of) and business strategy (Gerakos, Itner and Moers, 2018), relationship between organizational structure and/or strategy and incentives provided to executives (Bratten and Xue, 2018; Navissi, Sridharan and Khedmati, 2017), or innovation (Ax and Greve, 2017); role of balanced scorecards on timely information provision (Campbell Datar and Kulp, 2015), determinants of successful performance systems (Mailna and Selto, 2015), and/or balanced score card (Johnson, Reckers and Bartlett, 2014; Dekker, Groot and Schoute, 2013).

Role of personal characteristics on aspects of management accounting and control practices, procedures is another major topic studied. Researchers in this topic mainly focus on decision making (Mahlendorf, Matejka and Weber, 2018; Du and Xu, 2018; Chen, Dikolli and Jiang, 2015; Ghost, Karuna, Tian, 2015; Yu, 2014), management control system (Young Du and Dworkis, 2016), firm performance (of different aspects) (Kelly, Webb and Vance, 2015; Olsen, Dworkis and Young, 2014). Similarly, role of management accountant’s/CFO’s use of information and management of tensions between conflicting expectations (François-Régis Puyou, 2018), on external communication of his/her organization (Janin, 2016), and/or performance evaluation (Bai, Kajiwara and Liu, 2016); role of

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budget authority on managerial information disclosure (Brink, Coats and Rankin, 2017; Brown, Fisher and Pepper, 2017), role of planning on organizational flexibility (Wall, Kraus and Karlsson, 2017) have been also studied.

Association between cost behaviors of firms and management earnings forecast (Ciftci and Salama, 2018); role of external factors such as environmental risk on management control practices (Anderson, Christ, Dekker and Sedatole, 2014); relationship between debt pressure and management accounting and control systems (MACS) (Osma, Gomez-Conde and Ias-Heras, 2018); relationship between perceived environmental uncertainty (PEU) and management control (Janka and Guenther, 2018) are some of the major issues studied as well.

Role of management accounting practices/information on measurability of design and technological innovation (Berhausen and Thrane, 2018) ; on innovative performance (Grabner, Posch and Wabnegg, 2018), on negotiation (Kenno and Free, 2018); on managerial decision making process (Bisbe, Sivabalan, 2017; Christ and Nicolaou, 2016), on organization performance (Stouthuysena, Slabbinck and Roodhooft, 2017; Chang, Ittner and Paz, 2014); on creative process (Cools, Stouthuysen and Abbeele, 2017; Davila and Ditillo, 2017), on earning forecast success (Ciftci, Mashruwala and Weiss,2016); role of organizational and contextual factors on informal controls (Kruis , Spekle and Widener, 2016), role of CSR on investment decision (Jain, Jain and Rezaee, 2016), determinant and outcomes of CSR (Bhimani Silvola and Sivabalan, 2016; Herremans and Nazari, 2016; Ditillo, Lisi, 2016), determinants of management accounting and control systems (Strobele and Wenges, 2018), role of risk awareness on risk management (Braumann, 2018), uncertainty affect under certain knowledge of accounting information on negotiation (Essa, Dekkerb, Grootb, 2018) are the other topics extracted through the systematic review.

When looking into the selected Turkish research articles; the range of topics is way narrower. 11 research articles out of 44 studies focus on activity based costing (ABC) by applying the ABC system in different type of organizations (Ege and Kurtlar, 2018; Keskin and Billerlioğlu, 2017; Atalay and Kurulu, 2016; Tutkavul and Elmacı, 2016; Karataş, Bekçi and Ömürbek,2014). These studies provide highly technical details about the application in their respective firm setting. Six studies focus on sustainability and/or corporate governance on different aspect (Arıcı and Altın, 2018; Kılıç, 2018; Saban, Vargün and Gürkan, 2017; Solak, Gönen and Rasgen, 2017). Some of these studies provide an application or quantitative analysis by using publicly available data while others try to explain the reporting process through application in a choosen firm setting. 13 studies focus on cost accounting related issues. Some of these studies use case study to explain the costing process (Torun and Ayanoğlu, 2016; Özbirecikli and Güven, 2016; Tutkavul and Elmacı, 2016; Okutmuş and Kahveci, 2015; Elmacı and Tutkavul, 2015; Okutmuş and Ergül, 2015; Cengiz and Ersoy, 2014). Three of these studies explain complex process without any empirical implication (Cengiz and Ersoy, 2018; Sevim and Bülbül, 2016; Öncel and Yanık, 2013). Other papers vary in topics such as providing a case study for strategic planning (Taner, 2018), analyzing cash management by using regression analysis (Uyguntürk and Vargün, 2018), explaining impact of planning and control on firm performance (Zor, 2018); analyzing performance measurement system (balanced scorecard) by using a case study (Yaman, 2014; Ege and Şener, 2013). Four of the studies provide conceptual information about Accounting Information System (AIS) (Alagöz and Ortakarpuz, 2018); enterprise resource planning (ERP) (Eker, 2016); relationship between AIS and corporate governance (Kaderli and Köroğu, 2014) and performance measurement systems (e.g. balanced scorecard) (Kalmış, 2013).

Major Differences³

All of the studies with no exception in JMAR relies on a theory. The most common theories used are institutional theory, contingency theory, agency theory. Hypotheses development always start with a respective theory. As compares to JMAR articles, only a few studies conducted in Turkey is built upon a theoretical background. The question of why they have the specific hypotheses is not answered.

The way the literature review part is presented is another major difference. JMAR articles provide what the other researchers reached as similar or contrast findings. This methodology provides reader the opportunity to understand the background and the rationale of the study. With few exceptions, in Turkish articles literature review section is used for a summary of text book in respective topics. Hence, it is not possible to figure what the rationale of the study out by reading the section. Moreover, most of these studies explain too much of the concept unnecessarily and fill the limited numbers of pages which were reserved for them. Along with the fact that most of the studies focus on the similar topics, a literature review gives duplicated conceptual text information but nothing about prior studies in the field.

Methodology section of the JMAR articles clearly define the main objective of the study, what type of method used (e.g. regression analysis, qualitative case study, experiment), the protocols followed in the methods with citing respective studies to prove the adequacy of the methodology. Turkish studies with few exception don't have the methodology section which turns a desk reject reason for most of the international journals. Some of these studies having methodology section use the section to develop hypotheses while some others claim that their method is explaining which is not sufficient for empirical studies.

Case studies are usually used to deeply analyze a phenomenon in a firm setting n JMAR articles. However, most of the Turkish articles using so to say case study as a method use a demonstration to explain the application of a system, process, or procedure. Most of this type studies include too much technical detail which would be useful only for the respective firm setting.

DISCUSSION

Empirical studies in Management Accounting as it is also the case for most of business related fields, are conducted to explain an uncovered phenomenon, to analyze complex relationships among different factors, and eventually develop a solution for a problem, or offer a better process, procedures and so on. They are expected to provide contribution not only for the academia but also for the practical implications. Most of the international studies end with explaining their contribution to the field and practice. Most of the Turkish researched included in this study do not provide such information.

Based on the systematic review, it is found that most of the above mentioned JMAR researches were conducted in North America and Europe. Out of the 146 research paper that the initial step on the systematic review resulted, there was no single paper to come out either that the study was conducted in Turkey or conducted abroad by a Turkish scholar. This is very unsatisfactory in terms of the visibility of Turkey based studies and Turkish academicians in this area.

In this study the major differences between Turkish research papers and international research papers in Management Accounting field is discussed. The results show that empirical Turkish research in Management Accounting lag so behind of the similar type international research papers. Of course, the results should be considered carefully given that the limitation of this study which is that only two Turkish journal MODAV and MUFAD were reviewed along with one of the most reputable

³In this part, the major differences are explained with no citation for not directly pointing any scholar. All of the studies used on this project are presented on the Result section for further review.

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Management Accounting journal JMAR. However, it is obvious that there is an urgent need to improve the quality and the quantity of empirical Turkish studies in Management Accounting. This paper is an initial step of a project to be conducted in the future for this purpose. Next step will be conducting a focus group and survey study respectively to investigate the reasons for the unsatisfactory situation encountered and develop solutions.

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THE ROLE OF MANAGEMENT ACCOUNTING IN RISK MANAGEMENT

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Abstract: *The new technologies, digitalization and industry 4.0 have effected many fields. Management accounting and risk management are the two fields that were affected from these changes. To keep pace with the changing business environment and advancements in technology interdisciplinary, holistic and integrated working has been necessity. Within this scope the aim of this study is to examine how management accounting can possibly play a role in risk management. The relationship between these two management area were examined considering the latest developments in management accounting and risk management. It was considered that an effective management accounting can play a key role in risk management and complement the risk management process. Management accountant's new competencies especially strategic management, reporting and control, business acumen and operations and leadership are closely associated with risk management.*

Key Words: Management Accounting, Risk, Risk Management, COSO, ISO

THE AVAILABILITY OF BDG MATRIX IN MANAGEMENT ACCOUNTING AND IT'S ROLE IN DECISION MAKING

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Abstract: *The competition between the countries as well as the companies has increased with the developments in the world economy and technological innovations, In order to be able to adapt to global competition, the enterprises that are in the production activities have to increase their profitability by calculating product costs and cost planning. In addition to the planning of product costs, many methods are developed to decide which products have more contribution to the enterprise. In terms of marketing and strategic decision-making, the Boston Consulting Group (BCG) developed a portfolio matrix in 1963 to help determine the effectiveness of products and business units. This approach has been the subject of many researches. In this study, the usability of BCG matrix in cost and managerial accounting decisions is investigated. First of all, the implementation and interpretation of the BCG Portfolio Matrix and the functioning of marketing and strategic management decisions are examined. After the theoretical investigation of the usability of the matrix in cost and managerial accounting decisions, the study is completed with a practice.*

Keywords: *Boston Consulting Group Matrix, Cost, Managerial Accounting.*

DAY OF WEEK EFFECT IN ISE INDICES COMPARATIVE ANALYSIS IN SUB SECTORS BETWEEN 2010 TO 2018

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Abstract:*In this study, the day effect of the week was analyzed on a daily basis between 2000 and 2018 in Borsa Istanbul (ISE) subsectors. For each of the indices, 4763 return data calculated on the daily closing values were prepared for analysis on the basis of sectors. all time series, last 10 years, last 5 years and especially the last year's sectoral daily closing returns were analyzed. According to the results, the ANOVA test shows that the mean returns of the days differ significantly from each other. According to the results of the Post Hoc test, Scheffe test was found to be ideal for obtaining abnormal returns on Monday and Friday. On the other hand, when the effect of the day of the week is analyzed graphically, it is determined that the sectors have average return in “U”, “V” and “W” shape forms. The resulting anomalies are not always rational and the investors It shows that they are affected by various psychological factors in making their decisions.*

Key Words:*Day of week effect, ANOVA, ISE Subsectors*

INTRODUCTION

Equity markets are highly sensitive markets, affected by economic changes, national and international political and political factors and information about firms. When the rational and non-rational behaviors of the individual and institutional investors in these markets are added, the level of uncertainty and risk increases. Studies in the literature, stock price, various results and interpretations on the relative weight of the factors affecting the return and volatility and the factors affecting it. However, both in-house factors as well as the studies conducted with national and international factors outside the company as a result of unexplained parts, investor behavior and psychology of the market has started to be a matter of curiosity.

In financial markets, situations that cannot be explained by traditional financial theories are called "Anomaly" and they are tried to be explained by behavioral theories.

Fama (1970) 's effective markets hypothesis that the investor accepted by the efficient use of the information obtained and can not be able to obtain extraordinary earnings theses, traditional forms the basis of financial theories. Theories of modern finance, theories of traditional finance tried to explain the price and return movements in human behavior. Although the effects of psychology in human decisions are based on old times, the psychological factors in the decisions of investors in financial markets were first published in the literature by Kahneman and Tversky (1979). It was entered. It is tried to explain with the psychological factors which affect the decision making of investors and the different price formations created by these effects by behavioral finance.

METHODOLOGY

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In this study, the day effect of the week was analyzed on a daily basis between 2000 and 2018 in Borsa Istanbul subsectors. In the sub-sector, daily closing price were calculated with the following formula. And for each of the indices, 4763 return data calculated on the daily closing values were prepared for analysis on the basis of sectors.

$$\text{Daily Return} = \ln (CP_{t1} / CP_{t-1})$$

In this formula, CP_{t-1} refers to the closing value of the day before, and CP_{t1} refers to the closing value on day t. Ln is also refers to the natural logarithm. The sub-sectors examined in the study are shown in the table below.

Table 1. The Sub-Sectors Used in the Analysis

ISE Code	Name of Indices
XU100	ISE 100
XU030	ISE 30
XUSIN	ISE INDUSTRIAL
XGIDA	ISE FOOD, BEVERAGE
XTEKS	ISE TEXTILE, LEATHER
XKAGT	ISE FOREST, PAPER, PRINTING
XKMYA	ISE CHEMICALS, PETROLEUM, PLASTIC
XTAST	ISE STONE, GROUND
XMANA	ISE METAL MAIN
XMESY	ISE METAL GOODS, MACHINERY
XULAS	ISE TRANSPORTATION
XTRZM	ISE TOURISM
XTCRT	ISE TRADE
XUMAL	ISE FINANCIAL

To determine the differences between the groups to be compared and if the group numbers are more than two the methods is ANOVA (analysis of variance). T-test and multiple groups compared to the first type of error rate increases because the ANOVA test is needed. The ANOVA test compares the more than two groups by keeping the first type error rate 0.05. In this test, it is important that the groups are independent of each other, the samples are randomly selected and their arithmetic means are compared by using the variances.

ANOVA test is used to compare a numerical variable in at least 3 groups. Whether at least one of the groups is different from the others is calculated by this test. If there is a statistically significant P value ($P < 0,05$) in the test result, multiple comparison tests (PostHoc) are used to reveal different groups.

The Scheffe test was developed to compare all the linear combinations that should be between the groups, and this method is considered to be the most flexible and conservative, if there are too many groups to compare, and as a post hoc type that does not take the assumption that the number of observations in the groups is equal. ANOVA and Scheffe tests will be applied in the study to determine which day of week can difference from the other as a means.

FINDINGS

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In the study, all time series, last 10 years, last 5 years and especially the last year's sectoral daily closing returns were analyzed. According to the results, the ANOVA test shows that the mean returns of the days differ significantly from each other. According to the results of the Post Hoc test, Scheffe test was found to be ideal for obtaining abnormal returns on Monday and Friday. On Wednesday, it was determined as neutral for the investor and reached the level with the lowest daily returns on Wednesday.

Table 2. ANOVA Result in Selected Sub Sector

Ln Daily Return	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,006	4	,001	3,349	,010
Within Groups	2,064	4759	,000		
Total	2,069	4763			

In addition to the differences in daily returns, differentiated average return levels in recent years are also calculated and the values are stated in the table below.

Table 3. Average Returns by Year and Sub Sector

Weekly Return	Average Return of XU100	Average Return of XU030	Average Return of XUSIN	Average Return of XGIDA	Average Return of XTEKS	Average Return of XKAGT	Average Return of XKMYA	Average Return of XTAST
All Period	0,0003	0,0003	0,0005	0,0005	0,0004	0,0003	0,0004	0,0004
Last 10 Years	0,0002	0,0002	0,0004	0,0002	0,0006	0,0002	0,0006	0,0001
Last 5 Years	0,0002	0,0003	0,0004	-0,0001	0,0006	0,0001	0,0007	0,0000
Last Year	-0,0009	-0,0009	-0,0008	-0,0008	-0,0007	-0,0010	-0,0003	-0,0012

Weekly Return	Average Return of XMANA	Average Return of XMESY	Average Return of XULAS	Average Return of XTRZM	Average Return of XTCRT	Average Return of XUMAL	Average Return of XBANK
All Period	0,0006	0,0004	0,0006	0,0001	0,0005	0,0003	0,0003
Last 10 Years	0,0006	0,0005	0,0006	0,0000	0,0006	0,0001	0,0000
Last 5 Years	0,0007	0,0003	0,0006	0,0003	0,0004	0,0001	0,0000
Last Year	-0,0013	-0,0014	-0,0001	-0,0006	-0,0001	-0,0012	-0,0015

CONCLUSION

In this study, the day effect of the week was analyzed on a daily basis between 2000 and 2018 in Borsa Istanbul subsectors. For each of the indices, 4763 return data calculated on the daily closing values were prepared for analysis on the basis of sectors. In addition to this, And also, in the study, all time series, last 10 years, last 5 years and especially the last year's sectoral daily closing returns were analyzed. According to the results, the ANOVA test shows that the mean returns of the days differ significantly from each other. According to the results of the Post Hoc test, Scheffe test was found to be ideal for obtaining abnormal returns on Monday and Friday. On the other hand, when the effect of the day of the week is analyzed graphically, it is determined that the sectors have average return in "U", "V" and "W" shape forms.

As a result, and based on indices that are used in Turkey in the period under review, it was determined that the effect of the anomalies are days of the week. Rational investors, one of the basic assumptions of traditional finance theories and Efficient Market Hypothesis, were rejected. The resulting anomalies

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are not always rational and the investors It shows that they are affected by various psychological factors in making their decisions.

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THE ESTIMATION OF INCOMESMOOTHING ON BIST 100 INDEX

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Abstract: *The purpose of this paper is to estimate the income smoothing degrees of the largest manufacturing companies traded in Borsa Istanbul under the subject of accrual-based earnings management. Using the model of Tucker and Zarowin (2006), the correlations between the change in discretionary accruals and the change in un-managed income are calculated for each company between the years 2010-2017. As a result of the research, it is found that most of the companies have more negative correlation values which is the evidence of higher income smoothing. The firms in “metal goods, machinery and equipment” sector have higher income smoothing degrees, whereas the firms in “food, beverage and tobacco” sector are at the end of the list.*

Keywords: *Income Smoothing, Accrual-Based Earnings Management, Discretionary Accruals*

INVESTIGATION OF CASH FLOW PROFILES IN FIRMS: BORSA ISTANBUL APPLICATION

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Abstract: *The purpose of this study is to provide insights about the cash flow patterns of the firms and combine the cash flow profiles with life cycle theory by using methods of Gup et. al. (1993) and Dickinson (2011). The research covers 206 non-financial firms from 4 different sector in Borsa Istanbul (BIST) between the dates of 2008-2017. 1793 firm-year observations are first grouped according to the signs, either positive or negative and assigned to the patterns and life cycle stages. Results reveal that %40 of firm-year observations are at the mature stage which is pattern 2 (Successful Company) that is consistent with the literature.*

Keywords: *Cash Flow Patterns, Life Cycle, Cash Flow Profile, Borsa Istanbul*

SCRUTINIZING NET STOCK ISSUES PHENOMENON IN TURKEY

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Abstract: *The more stocks companies issue, the fewer subsequent stock returns are called “net stock issues phenomenon” in asset pricing. In this research, I explore the presence of net stock issues anomaly between July of 2013 and June of 2018 in Turkey. The portfolio sorts and regression methods are both used to determine the predictive power of net stock issues on expected future returns. In portfolio approach, the deciles yield average returns ranging between -2.1% and -0.6% monthly for overall market. Despite negative hedge returns, they have found statistically insignificant. The returns also present similar patterns for big, small and micro groups. Since Fama-French three factor model has explanatory power on unexplained returns over CAPM, the average returns associated with net stock issues are attempted to be explained by factor models. To this end, alpha and adjusted R² values are evaluated which are obtained from time-series regressions. Neither CAPM nor Fama-French three factor model present significant alpha values and further adjusted R² values remain under 50% for most of the regressions. All those findings indicate that there is no particular relation between net stock issues and subsequent stock returns in Turkey for five years analysis period.*

Keywords: *Net Stock Issues, Stock Returns, Anomaly.*

THE EFFECT OF QUALITY OF SERVICE PROVIDED BY PROFESSIONAL ACCOUNTANTS ON CUSTOMER SATISFACTION: ERZINCAN SAMPLE

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Abstract: *The aim of the study is to reveal the effect of service quality of professional accountants on customer satisfaction. In addition to this main purpose, it is aimed to determine the satisfaction level of the customers. The scope of this study consists of the companies that are registered to Erzincan Chamber of Commerce and Industry and which are companies that receives service from a public accountant. SERVQUAL scale was used to determine the quality of service offered by professional accountants. In addition, some questions have been included in the questionnaire form to measure customer satisfaction.*

The questionnaire was sent via e-mail to 870 of 929 companies. The contact details for 59 companies have not been reached. 232 companies have returned. 17 unsuitable questionnaires were eliminated and data from 215 questionnaires were analyzed.

In line with the data to be obtained, Confirmatory Factor Analyze (CFA) was performed to reveal the dimensions of service quality offered by professional accountants. The impact of service quality on customer satisfaction was analyzed by Structural Equation Model (SEM).

As a result of the research, it has been determined that the dimensions of service quality of accounting professionals have an impact on customer satisfaction. It has been identified that physical properties, reliability, safety and empathy dimensions have a positive effect on customer satisfaction. It was understood that the dimension of enthusiasm had a negative impact on customer satisfaction. Another result of the study was that the customers were satisfied with the high level (87%) of service offered by the accounting professionals.

Keywords: *Service Quality, Customer Satisfaction, Professional Accountants, SERVQUAL Scale.*

THE ORGANIZATIONAL CULTURE IN THE CERTIFIED PUBLIC ACCOUNTANT'S OFFICES AND THE EFFECTS OF ORGANIZATIONAL CULTURE ON ACCOUNTING PROFESSION

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Abstract: Each social structure within a society has its own norms, values and perceptions. The connection between the individuals in these social structures provides the concept of culture. There are subcultures that can occur in different layers within each society. Organizational cultures are subcultures of societies in which they exist. Each organization has its own norms and values. This also applies in the accounting offices where the accounting profession is carried out. The accounting subculture, which has emerged in the accounting profession in which the master apprentice relationship has an important place since the Ottoman period, has a significant effect on the development of the accounting profession from past to present.

Therefore, the main purpose of this study, which is prepared in line with this importance, is to determine whether there is a common organizational culture in the accounting offices, and thus to determine the effects of the organizational culture that is related to the profession on the profession of accountancy. In the study, firstly, the concepts of culture, subculture, organizational culture and accounting subculture were explained and in accordance with the purpose of the study, the certified public accountants offices were surveyed in the province of Isparta. The answers of the respondents were analyzed by means of SPSS 17 package program. According to results the most important subject is organizational success in accounting offices. In addition to this organizational support, cooperation and rewarding are provided and with the existence of an atmosphere of tolerance in the accounting offices, the organizational structure adopted by the employees. Also it is determined that organizational identity and performance indicators are specific, but employees do not have sufficient autonomy and are not allowed to take risks. This situation arises from the fact that the responsibility required by the profession is belongs to certified public accountants. So it can be say that by providing an atmosphere of tolerance and protecting employees against the effects and pressures from outside the office, still certified public accountants try to develop the accounting profession in the master apprentice relationship.

Key Words: Culture, Accounting Sub-Culture, Office Workers of Certified Public Accountants

AN EMPIRICAL RESEARCH ON THE PROFESSIONAL BURNOUT LEVELS OF ACCOUNTANTS: THE CASE OF BURSA PROVINCE

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Abstract: Burnout syndrome is a fact that occurs depending on the work stress and shows its effect more in working environments where long-term work in human services. The aim of this study is to investigate the burnout levels of accountants registered with the Bursa Chamber of Certified Public Accountants and to determine whether their burnout levels differ according to demographic variables. In the study, 22 items Maslach Burnout Inventory was used consisting of 3 sub-dimensions (emotional exhaustion, depersonalization, personal accomplishment). The sample of the study was formed 391 accountants. The data were analyzed in SPSS 23 package program and t test and ANOVA test were applied to determine whether burnout levels differed according to demographic variables. As a result of the research, accountants experienced high levels of burnout; that the sub-dimensions of burnout levels showed statistically significant differences according to gender, age, educational status, marital status, working time in current work place and professional working time; it was determined that it did not differ according to the working place and working style.

Keywords: Professional Burnout, Accountants, Maslach Burnout Inventory.

ACCOUNTING EDUCATION IN AMERICA AND ASIA CONTINENTS

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Abstract: *Accounting applications, standards and education have been evolving along with the changes in science, economy and technology. This study aims at researching academic studies which have been carried out in the field of accounting education in America and Asia continents since 2000, courses which stand out in accounting education and new systems that are developed by deriving benefit from technological developments. The research question has been analyzed with descriptive and content analysis. At the end of the study, the course of accounting education has been tried to be revealed by researching the academic studies, course books, university curricula, syllabi and accounting institutions in America and Asia continents.*

Keywords: *Accounting education, professional competence, America and Asia continents*