



Similarities and Differences Related to the Scope and Valuation of the Financial Investments According to Turkish Accounting Standards / Turkish Financial Reporting Standards / Turkish Tax Procedure Law

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Abstract

This study aims to comparatively analyze scope and valuation measures of the financial investment account group in terms of Turkish Accounting Standards (TAS) / Turkish Financial Reporting Standards (TFRS) / Turkish Tax Procedure Law (TTPL). The study covers valuation measures used at the end of the period on the basis of the financial investments account group and does not include valuation measures used at the beginning of the period. It was aimed to reveal valuation differences between the companies applying TAS / TFRS / TTPL in terms of scope and valuation standards. For this reason, an example on evaluation of the financial investments account group with valuation measures included in TAS / TFRS / TTPL was presented. It has been determined that there are significant differences in the context of scope and valuation within the financial investment account group in terms of TAS/TFRS/TTPL.

1. Introduction

Harmonization of accounting standards with international accounting standards in Turkey became official after the establishment of the Turkey Board of Accounting and Auditing Standards (in 1994) and the Turkey Board of Accounting Standards (in 1999) (Vecdi and Ozturk, 2013:2-3). In the end, the translation of the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) into Turkish has been done with the copyright agreement signed with the International Board of Supervisory Board (IASB), in order to form Accounting Standards, and Turkish Financial Reporting Standards to be published in the Official Gazette (Akdogan, 2006:6). In this context, international accounting standardization is responsible for harmonization and comparison of activity results and financial statements of interdependent countries (Nobes and Parker, 1998:15). In this respect, two important points are noted in terms of facilitating the applicability in Turkey by ensuring compliance with TAS / TFRS. First, it is necessary to determine the necessary changes in the existing Uniform Accounting System (UAS) and to explain the reflection of TAS / TFRS on the existing accounting applications in detail. Secondly, it is necessary to determine how differences between the TAS / TFRS regulations and the regulations under the Tax Procedural Code will be reflected in accounting practices (Bayri, 2012:760). In this context, there are studies in the literature that focus on the reflection of TAS / TFRS on existing accounting practices on the basis of financial investments account group. In his research related to the accounting and measurement of basic financial instruments for SMEs under IFRS / TFRS, Bahadir (2012) has provided examples explaining the accounting for the financial instrument account group and the valuation transactions at the end of the period. Results of the research have shown that the classification criteria and valuation principles for financial instruments in IFRS / TFRS for SMEs differ from the Uniform Chart of Accounts System. In the study on the accounting of financial investments under TAS / TFRS, Dizman (2015) has shown sample accounting records explaining how the financial assets acquired with long-term purposes are subject to TAS-TFRS and accounting records under the new account plan. In that research work on the comparison of the accounting standard for investments in associates with the tax regulations, the innovations brought by the standard in the field of valuation were compared with the tax legislation by explaining how the investments in associates would be accounted for in the monotonous accounting system and TAS 28 Investments in Associates Standard. As a result of the study, it has been revealed that

there are differences in terms of Tax Legislation in the valuation of TAS 28 investments made to associates. In his study on examining treasuries within the framework of TAS 39, Aycicek (2011) has analyzed the differences between Turkish Accounting Standards and Turkish Tax Legislation practices by taking into account the principles of how to measure and account for treasuries.

In the literature, it is seen that to date, there is no study on the comparison of the financial group of the financial investors with TAS / TFRS in terms of scope and valuation measures. Ergo, this study was prepared to fill in this gap in the associated field by aiming to analyze comparatively which valuation measures will be used to evaluate accounts in the financial investments account group according to TAS/TFRS and TTPL, and how the scope of securities account group will change with the transition to TAS/TFRS. In terms of limiting the research, the study involves comparing the valuation measures used at the end of the period, in terms of the Turkish Accounting System / Turkish Financial Reporting Standards and the Tax Procedural Law, on a financial investment account group basis. On the basis of the financial investments account group, the difference between the valuation and accounting for the possible differences between valuation measures in the Turkish Accounting System / Turkish Financial Reporting Standards and the Tax Procedural Law is explained comparatively. Through the study, the definitions from the literature for the value and valuation concepts are explained. Following that, the group of financial investments according to Turkish Accounting System / Turkish Financial Reporting Standards is examined and the similarities and differences between TTPL and the related scope are examined. Then, the similarities and differences between the Turkish Accounting System / Turkish Financial Reporting Standards and the TTPL are examined.

2. Value and Valuation Concepts

The concept of value is derived from the logos word meaning “axiah” and “doctrine” in ancient Greek, and means “price”, “fairness”, “rate” (Erenturk 2014:1; Greek-Turkish Sentence Translation Dictionary, 2017). According to the Turkish Language Institution (TDK), the concept of value that means “valorem”, “being valued”, or “being strong” is explained as an abstract measure, a provision, value to which something touches (Turkish Language Society, 2017; Turkish-Latin Translation Dictionary, 2017). Andriessen (2005:3) defines the term of value as the indicator of the degree of utility or desirability of anything. In terms of accounting, the value is the monetary expression of the amount of

change determined by considering the cost of the assets and the market price (Basagac, 2006:19). Accounting is concerned with the monetary direction of value movements in businesses and uses money, which is a common measure of accounting as a unit of measure to track the value stream. This situation can be explained by the concept of measuring with money from the basic concepts of accounting.

In the literature of accounting, various definitions regarding to the concept of valuation are made. For example, French (2006:176) defines the concept of valuation as the process of estimating the market price (of an economic asset). According to another definition, valuation is the process of expressing securities and real estates, which are determined as quantities, in terms of currency (Ulker and Avder, 2010:18). The definition of valuation in different forms in the literature is due to the fact that it contains different aspects and subjective nature at the core of this concept (Senel et al., 2011:54). Conceptual framework valuation (measurement) related to TAS / TFRS is the process of attempting to determine the monetary amounts to be accrued and displayed in the balance sheet and in the income statement (TAS 39 Paragraph 4.54). According to the Turkish Tax Procedure Law (TTPL), valuation is “appreciation and determination of economic assets related to the calculation of tax bases” (Article 258).

Various valuation measures are used to determine the value of assets and liabilities. In this context, the valuation measures stated in the standards (published by the Public Oversight Accounting and Auditing Standards Institution) and the valuation measures within the scope of the Turkish Tax Legislation (published by the Ministry of Finance are) used in determining the monetary values of assets and liabilities in Turkey.

3. Scope of Financial Investments by TAS / TFRS

Financial assets held for investment and those not listed below are evaluated within the scope of financial investments (Public Oversight Accounting and Auditing Standards Authority, Financial Table Examples and Use Guide):

- Cash and cash equivalents,
- Receivables from financial sector operations,
- Trade and other receivables,
- Investments valued by equity method

Stocks, bonds, treasury bonds, financing bonds, mutual fund participation certificates, profit-loss partnership certificate, income share certificate, and the share certificates

received for the purpose of obtaining securities, interest income or profit share are also considered within the scope of financial investments (Altas, 2012:12).

The financial asset management model included in the classification of financial assets requires assets to be classified as measured at amortized cost or fair value in the subsequent periods. Whether or not the financial assets provide this condition is assessed taking into account the objective of the management model determined by key management staff (TFRS 9 Paragraph B4.1.1).

3.1. Financial Investments of which Fair Value Difference Can Be Reflected to Profit or Loss

The following conditions must be met for accepting a financial asset as the one of which fair value difference can be reflected to profit or loss. Regarding to the related conditions, it can be also possible to determine that the financial asset is kept for trading (Guleryuz, 2014: 145):

- The financial asset should have been acquired principally for sale in the near future,
- If the financial asset is part of a portfolio, it is necessary to have evidence for profit in the short term for this portfolio and to be formed from certain financial instruments,
- The financial asset must be a derivative product, except from the ones having a financial guarantee contract or an effective hedging instrument.

Fair value differences related to the financial assets, which are classified as the appropriate one by the enterprise during the first accounting, are reflected to profit or loss (TAS 39 Paragraph 55 a). Decision regarding to classifying a financial asset as the one of which fair value difference is reflected to profit or loss requires showing processes, events and conditions regarding to financial state of the enterprise, its financial performance, and cash flow over the financial tables accurately (TFRS 9 Paragraph B4.1.28). According to TAS / TFRS, hidden derivative products are generally classified as the ones of which fair value difference is reflected to profit or loss. Hidden derivative product is a component of a mixed (hybrid) contract, which is not derivative product. The related hidden derivative product causes a change that can be realized by considering a specific interest rate, price of a financial instrument, price of a commodity, exchange rate, index of the price or rate, degree of index of the credit or another variable (a non-financial variable must not be specific to one of the sides) within the whole or some part of cash flow regarding to the contract (TFRS 9 Paragraph 4.3.1). When it is required by the TFRS

to separate the hidden derivative product from the underlying contract but there is no possibility of measurement separately at the date of acquisition or at the end of a subsequent financial reporting period, the related mixed contract is classified as the one of which fair value difference is reflected to profit or loss (TFRS 9 Paragraph 4.3.6). When it is measured accurately, fair value of the hidden derivative product is the difference between the fair value of the mixed contract and the fair value of the prime contract (TFRS 9 Paragraph 4.3.7).

3.2. Investments in Financial Instruments Based on Equity

In accordance with TAS 18 Standard, the dividend obtained from an investment made with a financial intermediary which is not held for trading is accounted as profit or loss at the date when the right to collect these dividends is established (TFRS 9 Paragraph 5.7.5-5.7.6). Investments in equity instruments and contracts for such financial instruments are measured at their fair value. However, in some exceptional cases, cost is an appropriate method of determining the fair value. This is possible if there is not sufficient information about the fair value measurement or if fair value can be measured in more than one way and the cost best reflects the fair value estimate (TFRS 9 Paragraph B5.4.14). Indicators for situations where cost may not reflect fair value are as follows (TFRS 9 Paragraph B5.4.15);

- Significant change in the performance of the invested institution compared to developments important to the budget, plans or company,
- Changes in expectations regarding the success of the invested institution's technical product targets,
- There is a significant change in the market for the equity of the investee, its products or possible products,
- There is a significant change in the economic environment in which the global economy or invested company operates,
- A significant change in the performance of the comparable businesses or in the market-wide values,
- The existence of internal problems such as fraud, commercial disputes, disputes, changes in business management or strategy,
- Evidence obtained from transactions carried out directly by the institution (such as issuing a new share certificate) or between third parties with respect to the equity of the investee.

In terms of investments in equity instruments registered in the stock market, the cost does not always represent the best estimate of the fair value (TFRS 9 Paragraph B5.4.17).

3.3. Financial Investments Measured at Amortized Cost

Financial assets measured at discounted cost, and amortizations calculated by the effective interest rate are tracked in this account. Financial assets are measured at amortized cost when the financial asset is held within the scope of a management model for the purpose of collecting contractual cash flows and the contractual provisions of the financial asset lead to cash flows for the payment of interest payments only on principal and principal balance at certain dates (TFRS 9, 2010 Version Paragraph 4.2). Financial assets measured at amortized cost include treasury bonds, government bonds, private sector bonds, financing bonds, revenue sharing bonds, and financial investments such as Eurobonds that do not have a market price. A financial asset, however, is measured at amortized cost when the following two conditions are met: (TFRS 9 Paragraph 4.1.2):

- Retention of assets within the scope of a management model aimed at collecting contractual cash flows,
- Causing the contractual provisions of the financial asset to cash flows to be made on interest payments on only certain dates, for principal and principal balance.

A financial asset is measured at its fair value as long as it is not measured at amortized cost. In case of the financial instruments are to be managed for the purpose of for-profit purposes and the origination of the financial instrument is based on pre-determined principal and interest rates, the related financial instrument will be valued at the amortized cost, but if both conditions cannot be satisfied, it will be valued at its fair value (Ozerhan and Yanik, 2012:171). For financial assets measured at amortized cost, impairment provisions are applied (TFRS 9 Paragraph 5.2.2). If a financial asset is reclassified to an amount measured at amortized cost, the fair value at the date of reclassification represents the new carrying amount of the asset (TFRS 9 Paragraph 5.6.3).

Reclassification of financial assets is applied prospectively from the date of reclassification. In this case, there are no transactions for gains, losses or interests previously accounted for (TFRS 9 Paragraph 5.6.1). If a financial asset is reclassified as measured at fair value, the fair value of that asset is measured at the date of reclassification and the gain or loss arising from the difference between the previous book

value and the fair value is reflected in profit or loss (TFRS 9 Paragraph 5.6.2). In the event that a financial asset is reclassified at the amortized cost, the fair value at the date of reclassification is the new carrying amount of the asset (TFRS 9 Paragraph 5.6.3). If an entity measures a transferred asset at fair value, the related asset is measured at fair value [TFRS 9 Paragraph B3.2.13 (e)].

4. Similarities and Differences regarding to the Scope of Financial Investments by TAS / TFRS / TTPL

Similarities and differences between financial investments and securities account groups in terms of the scope by TAS / TFRS / TTPL can be presented in a comparative table as follows:

Table 1. Comparison of financial investments in terms of scope.

Financial Investments	Scope of Financial Investments According to TAS / TFRS	Scope of Securities According to TDMS
Financial assets at fair value through profit or loss (held-for-trading)	They are financial assets purchased for a short period of time under one year to sell and make profit with price fluctuations, or held-for-trading financial assets for resale in the near future.	It is the security held by the company temporarily to benefit from the income, benefit from the price difference or to be sold if cash is needed, except from the participation purpose.
Investments held till expiration	They are financial assets purchased for a short period of time to sell in short-term and price fluctuations, or held-for-trading financial assets held for resale in the near future.	Public sector / private sector bonds, bonds and bills issued by public and private institutions / organizations are monitored in this account group.
Financial assets available for-sale	They are financial assets available for-sale.	The documents issued by the enterprises listed as joint stock companies are in the form of stocks.
Investment fund participation documents	They are securities that are held till expiration.	It includes securities declared by the issuing institutions and which are convertible into money upon request.
Treasury bonds	They are financial assets purchased for a short period of time under one year to sell and make profit	They include treasury bond and government domestic borrowing bill of exchange issued by

Financial Investments	Scope of Financial Investments According to TAS / TFRS	Scope of Securities According to TDMS
Financing bonds	with price fluctuations, or held-for-trading financial assets for resale in the near future. They are financial assets purchased for a short period of time under one year to sell and make profit with price fluctuations, or held-for-trading financial assets for resale in the near future.	the Treasury Undersecretary. They include debt securities issued by large enterprises to meet their funding needs.
Revenue share certificates	They are financial assets available for-sale.	They include indentures issued with a three or five year expiration to enable people to become partners in investments such as bridges, dams and power plants, and they can be turned into money at any time and used as collateral.
Asset-backed securities	It is taken into consideration in the context of credits and receivables.	They include securities that are included in the balance sheet assets of the companies and banks and that can be used for trading purposes by converting future receivables into securities.
Repo and reverse repo transactions	It is a security that is held till expiration. It is considered within the scope of fair value.	Repo is the purchase of securities with a commitment to repurchase and reverse repurchase is the purchase with a commitment to resell. Bills of exchange, bonds and other debt securities may be subject to repo and reverse repo transactions.
Provisions	Provision is the time or amount of certain obligations that will arise from past events and will result in the disposal of	According to TTPL, entities may allocate the provision for the unsecured portion in the period in which the

Financial Investments	Scope of Financial Investments According to TAS / TFRS	Scope of Securities According to TDMS
	<p>resources that are economically beneficial if they are paid out. Provision is made in the period when the obligation is realized.</p> <p>No reserves can be made for subjects that do not have the possibility of cash outflow.</p> <p>For example, if a tax dispute is filed against a company, a provision must be made. However, according to the TTPL, such a provision cannot be reserved.</p> <p>Positive and negative contingent liabilities that may arise for the foreseeable future are indicated in the footnotes of the financial statements. There is no such application in TTPL (TAS-37).</p>	<p>receivable becomes doubtful, if the conditions listed in Article 323 of the Law are satisfied.</p>
<p>Derivative contracts (option, future contracts, forward contracts, swaps)</p>	<p>They are financial assets purchased for a short period of time under one year to sell and make profit with price fluctuations, or held-for-trading financial assets for resale in the near future.</p>	<p>Future contracts include contracts that give an obligation to buy or sell a certain pre-determined price, quantity and quality of property, precious metals, financial indicator, capital market instrument or foreign currency.</p>

Source: (Public Oversight Accounting and Auditing Standards Authority, Conceptual Framework for Financial Reporting, [In Turkish]; Public Oversight Accounting and Auditing Standards Authority, TAS 39; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2009 version]; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2010 version in Turkish]; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2011 version in Turkish]; [Kenger](#), 2012:1; TTPL).

According to TAS / TFRS / TTPL, common side of the financial assets of which fair value difference can be reflected to profit or loss (with purpose of trade) is that they are kept temporarily to make profit as a result of price fluctuations and for selling. On the other hand, common side of the investments that will be held till the expiration is being kept for making profit as a result of price fluctuations. In addition, common side of financial assets of which fair value difference can be reflected to profit or loss (with purpose of trade), investments held till the expiration, financing bonds, and treasury bonds according to standards is that they are financial assets, which are kept to be sold within less than one year as being bought to make profit as a result of price fluctuations or as kept for trade and undertaken to repurchase in a near future. According to the standards, all kinds of financial assets available for sale can be included in the group of financial assets available for sale, whereas the documents issued by joint stock companies are included in the group of financial assets available for sale, according to TTPL. Securities to be held till expiration according to the standards are the participation certificates of securities investment fund which is declared by the issuing institutions and convertible into money when requested, according to TTPL. Revenue share certificates are considered as available-for-sale financial assets in terms of standards. According to the TTPL, they include the certificates issued by real persons or legal entities in order to enable them to become partners in investments such as bridges, dams and power plants, which can be turned into money at any time and used as collateral. Asset-backed securities are accepted as credits and receivables according to the standards. On the other hand, according to TTPL, they include the assets that are included in the balance sheet actives of the enterprises as subject to purchase and sale by converting their future receivables into securities. Repo and reverse repo transactions are evaluated within the scope of securities held till expiration, according to the standards. On the other hand, according to the TTPL, the repo is evaluated within selling of securities with a commitment to repurchase, while the reverse repo is evaluated within purchasing under a commitment to resell of securities. Provisions according to the standards are certain obligations with defined realizing time and cost and arising from past events by causing sources with economic benefits to exit from the company if paid. According to TTPL, small claims which are not paid by the borrower even though they are demanded more than once with the protest or written, and which are not worth pursuing the lawsuit and execution, are considered as doubtful receivables and passive provision is reserved according to the value of saving for the

receivables for these receivables. When the differences in TTPL are examined according to the standards in terms of provisions, provision is reserved in the period when the obligation is realized, according the standards whereas it is reserved in the period when it becomes doubtful to obtain, according to TTPL. In addition, according to the standards, provision can be reserved for the subjects for which only cash out is possible. According to TTPL, there is no such necessity. In addition, according to the standards, positive and negative contingent liabilities that may arise in the future are stated in the footnotes of the financial statements, but there is no such application in terms of TTPL. A common side of derivative contracts both by standards and by TTPL is futures contracts that are valued within the scope of financial assets that are purchased to generate profits as a result of price fluctuations.

5. Similarities and Differences on Valuation Measures of Financial Investments by TAS / TFRS / TTPL

Table 2 below presents the comparison of financial investments account group in terms of valuation measures by TAS / TFRS / TTPL:

Table 2. Comparison of financial investments in terms of valuation measures.

Financial Investments	Valuation Measures Used at the End of the Period by TAS / TFRS	Valuation Measures Used at the End of the Period, according to TTPL
Stocks	Fair value: Stock market of securities value	Buying value
Treasury Bond / Government Bill	Amortized cost: Effective interest rate.	Difference between nominal value and selling price
Private Sector Bond	Calculation of the present value of the account with the effective interest rate on the expiration of the amount to be collected. Amortized cost: Effective interest rate. Calculation of the present value of the account with the effective interest rate on the expiration of the amount to be collected.	Processed interest income
Financing Bonds	Redemption value	Buying value + Addition of periodical profit

Financial Investments	Valuation Measures Used at the End of the Period by TAS / TFRS	Valuation Measures Used at the End of the Period, according to TTPL
Revenue Share Bills of Exchange	Redemption value	Buying value / stock current price
Profit / Loss Joint Certificate	Fair value: Stock market of securities value	Buying value
Asset-Backed Securities	It is valued with stock current price if it is processed in the stock market; otherwise it is valued with constant yield measure.	Buying value + Addition of periodical profit
Investment Fund (Type A BIST National 100 Index Fund)	Fair value: Stock market value	Stock current price: BIST value
Investment Fund (Type A Mixed Fund)	Fair value: Stock market value	Buying value
Investment Fund (Type B Short Term Bill Bond Fund)	Fair value: Stock market value	Stock market fair value
Eurobonds	If traded on the stock market and have no stock current price / market price, it is valued at the amortized cost.	Buying value + Addition of periodical profit
Financial Assets of which Fair Value Difference can be reflected to Profit or Loss	It is valued at fair value (stock market value) or at amortized cost. The fair value / valuation difference is reflected to profit-loss.	Buying value / stock current price out of stocks
Investments in Financial Instruments Based on Equity	Fair value	Buying value / Stock current price
Derivative Contracts (Option, Future Contracts, Forward Contracts, Swaps)	Fair value: Market value	Stock current price, if there is no stock current price then Buying value + its definite return

Financial Investments	Valuation Measures Used at the End of the Period by TAS / TFRS	Valuation Measures Used at the End of the Period, according to TTPL
		Exchange valuation is made on the products associated with foreign currency. Exchange rate is written to income and expense.

Source: (Public Oversight Accounting and Auditing Standards Authority, Conceptual Framework for Financial Reporting, [In Turkish]; Public Oversight Accounting and Auditing Standards Authority, TAS 39; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2009 version]; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2010 version in Turkish]; Public Oversight Accounting and Auditing Standards Authority TFRS 9 [2011 version in Turkish]; Kizil et al., 2013:405; TTPL).

Financial assets according to the TFRS 9 (Paragraph 4.1.1) are:

- a) The management model used by the entity for the management of related assets (financial asset management model), and
- b) It is classified according to the contractual cash flow characteristics of the assets, measured at amortized cost or fair value at subsequent periods.

According to TAS / TFRS, the fair value of a financial instrument at initial accounting is generally the transaction price (TFRS 9 Paragraph B5.1.2A). If the fair value of a financial instrument that is accounted for at fair value previously falls below zero, the related financial instrument becomes a financial liability (TFRS 9 Paragraph B5.2.1). In addition, hybrid contracts that include prime products that are considered as an asset are also measured at amortized cost or at fair value in subsequent periods (TFRS 9 Paragraph 4.1.1). In addition, associates, subsidiaries and affiliated securities are valued at cost. If the net book values of these non-traded securities that are not traded on the stock markets are less than the acquisition costs, the net book value will be used for valuation. Borrowing costs are not included in the cost equivalent. Securities that are held for trading purposes are valued at their fair value. The fair values of the financial assets at the transaction date are the acquisition costs and the transaction costs are not added to the fair value (TAS 39 Paragraph 43). According to TTPL, at least 51 percent of the stocks and fund portfolio is valued at the purchase price of the investment fund participation

certificates including stocks of the companies established in Turkey and does not cover the purchase cost. All kinds of securities other than these are valued with the stock market raider. If there is no exchange trader or if the exchange trader is found to be in a fraudulent manner, the amortized cost is calculated by adding the portion of the income (including exchange rate differences) from the acquisition date to the valuation date. However, securities that are not traded on a stock market, originated as a result of the profit and loss of the issuer and are not possible to be calculated on the day of valuation are valued with the purchase price (TTPL article 279). Equity securities issued in foreign currencies are valued at the buying exchange rate on the date of acquisition as they are valued with the purchase price (referrer Uzun, 2012:88). According to TTPL, whether it belongs or not to Turkish or foreign companies, the stock included in the business are valued with the purchase price. It is valued at fair value according to TAS / TFRS. At least 51% of the stocks and fund portfolio is valued by the purchase price of the participation certificates of the mutual funds, which are the stocks of the companies established in Turkey. Outside of these, securities are valued by stock market traders. If the securities are not listed on the stock market, or if it is understood that the stock market is in a fraudulent manner, the valuation basis is the addition of the portion of the securities (including foreign exchange differences) from the buy date to the valuation date. In valuing mutual funds, it is first necessary to know which securities the fund portfolio is made from. The securities to be invested by the funds are specified in the establishment designations and circular (TTPL Article 279). There is no valuation difference in terms of TTPL and TAS / TFRS in Eurobonds. According to TTPL, Eurobonds are valued by stock current price, if valuation day is in effect, and valuation differences arising from currency are taken into account as exchange profits / foreign exchange losses. If the standard is traded on the stock market, the stock current price is valued at the amortized cost if there is no stock current price / market price. If there is no stock market trader for Revenue Share Certificates, the valuation should be made on the basis of prudent returns. It is also possible to calculate the transaction income as of the valuation day as in the investment fund participation certificates. They are valued at amortized cost, such as financing allowances. Impairment of financial assets is measured at amortized cost in accordance with the standards and uncollectible amounts are expensed. According to TTPL, the value of depreciation is valued over the value of the depreciation, and uncollected portions can be written down according to court decision or proving documents.

The following is an example of the valuation and accounting of the purchase of shares traded on the stock market according to the TFRS 9 and TTPL.

For example, ATLAS Joint Stock Company has purchased 12.000 stocks of a company traded on the stock market on 27.10.2016, from 2,46 TL. The closing value of the stock is 2,52 TL by 31.12.2016. Effect to the financial profit of the purchase made on the related stock is as follows on the (reporting) date of 31.12.2016 (The application was adapted from Akbulut, 2012: 126).

TAS / TFRS Application:

Stocks will be taken to the active according to the TFRS 9 and their fair values.

Accordingly, value of the bought stock is $(12.000 \times 2,46) = 29.520.-$ TL at the date of buy.

Value of the stock at the end of the period: $12.000 \times 2,52 = 30.240.-$ TL

Buying value of the stock: $12.000 \times 2,46 = 29.520.-$ TL

Value increase related to the stock is: $720.-$ TL.

TTPL Application:

According to the 279th article of the TTPL, stocks are valued by buying value in the following periods. For this reason, the value of stocks at the end of the period is 29,520.- TL. Therefore, in terms of Tax Legislation, there is no question of value increase in stocks, and because of this, the amount of 720.- TL which is reflected as commercial income should be deducted from commercial profit by 31.12.2016. Since the difference is temporary, it is necessary to monitor the same amount in the deferred tax account.

According to the TFRS 9, the accounting record for the purchase of the share should be as follows (Figure 1) (Akbulut, 2012: 129):

27/10/2016	
1.. Financial Investments	29.520.-
1.. 01. Stok of the Atlas Company	
(12.000 x 2,46)	
1.. Bank	29.520.-
Recognition of the Stock Purchase	
/	

Figure 1. According to the TFRS 9, the accounting record for the purchase of the share.

According to the TFRS 9, when the commercial profit is transferred to the financial profit, the accounting record of TL 720.- reflected as commercial income should be as follows (Figure 2) (Akbulut, 2012: 129):

31/12/2016	
9.. Non-Taxable Income Equivalent	720.-
9.. Non-Taxable Income	720.-
Recognition of the financial investment valuation difference	
/	

Figure 2. According to the TFRS 9, the accounting record of TL 720.- reflected as commercial income.

According to the TFRS 9, the accounting record of the effect by the financial investment valuation difference to the deferred tax should be as follows (Figure 3) (Akbulut, 2012: 129):

31/12/2016	
6.. Deferred Tax Expenses	144.-
(720 x 0,20)	
3.. Deferred Tax Liability	144.-
Recognition of the deferred tax	
/	

Figure 2. According to the TFRS 9, the accounting record of the effect by the financial investment valuation difference to the deferred tax.

Conclusion

Thanks to the evaluation made in this study, it can be expressed that the scope of financial investments in TAS / TFRS is not stated clearly although the scope of securities in the UAS-TDMS is clearly stated, and that there are significant differences in terms of coverage between the financial investment account group of the Turkish Accounting System / Turkish Financial Reporting Standards and the securities account group of the existing Uniform Accounting System (UAS-TDMS). Nevertheless, when the valuation measures in the Turkish Accounting System / Turkish Financial Reporting Standards and valuation metrics in TTPL are examined comparatively, it can be said that there are significant differences in the context of the financial investments account group and validation metrics. In addition, since TAS / TFRS allows companies to choose between some

alternatives in terms of financial reporting, the possibility of comparison of financial statement data also ceases to exist. As can be seen in the above example, there are some valuation differences in terms of Turkish Accounting System / Turkish Financial Reporting Standards and Tax Procedures Law as a result of evaluation done over the accounts related to the financial investment account group via different valuation measures.

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