

Turkey Adopts International Standard Financial Reporting from 2020

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For accounting periods beginning 1 January 2020 onwards, Turkey will apply the Conceptual Framework for Financial Reporting ("**New Framework**") as revised by the International Accounting Standards Board. Changes apply to measurement, presentation and disclosure, as well as recognition and derecognition. The New Framework also clarifies issues such as prudence, the managing body's management responsibilities, as well as measurement uncertainty. The New Framework can be applied before January 2020, at each entity's discretion.

The Public Oversight, Accounting and Auditing Standards Authority announced the decision, which ensures Turkey complies with international accounting standards.

The New Framework addresses the following topics:

- The purpose of general purpose financial reporting.
- Qualitative characteristics of useful financial information.
- Financial statements and reporting entity.
- Elements of financial statements.
- Recognition and derecognition.
- Measurement.
- Presentation and disclosure.
- Concepts of capital and protection of capital.

Measurement

The current Conceptual Framework includes little guidance on measurement. The New Framework describes in detail which information measurement bases provide, as well as explains the factors to consider when selecting a measurement basis (relevance, faithful representation and cost constraint).

The New Framework clarifies that when selecting a measurement basis, entities must consider the nature of the information in both the statement of financial position and the statement(s) of financial performance. The relative importance of each factor depends upon the facts and circumstances in each individual case.

Recognition criteria

Under the current Conceptual Framework, entities must recognise an item if:

- It meets the definition of an element,
- It is probable that economic benefits would flow to the entity, and
- The item had a cost or value that could be reliably determined.

The New Framework clarifies these, referring explicitly to the qualitative characteristics of useful information, using the criteria:

- Relevance.
- Faithful representation.

Presentation and disclosure

The New Framework includes a chapter regarding presentation and disclosure. Effective communication of information in financial statements makes that information more relevant and ensures a faithful representation of an entity's assets, liabilities, equity, income and expenses.

The New Framework includes concepts that describe how information should be presented and disclosed in financial statements.

Financial statements and the reporting entity

The New Framework includes a chapter regarding financial statements and the reporting entity. Determining the appropriate boundary of a reporting entity can be difficult. For example, if the entity is not a legal entity. In such cases, the boundary is determined by considering the information requirements of users of the entity's financial statements. Those users need information which is relevant and faithfully represents what it purports to represent. A reporting entity does not comprise an arbitrary or incomplete collection of assets, liabilities, equity, income and expenses.

Please see this [link](#) for full text of the New Framework. (only available in Turkish).

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