

IMPACT OF LIBERAL ECONOMY POLICIES ON ACCOUNTING APPLICATIONS IN TURKEY (1950 – 1980)

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Abstract

In the mixed economy model initiated by Atatürk with the Republic, it is seen that economic government institutions are founded and private sector is encouraged as an economic development model, which was transformed into private-sector based liberal economy policies by Democrat party which came to power in 1950. This shift increased the number of small-size businesses and led to a rise in managerial staff and accountants. Economic and commercial science academies and newly founded universities showed a rapid development and tried to meet this increased demand. It is also observed that such disciplines as management accounting and business finance became part of education curriculum in this period.

However, it is remarkable that the efforts for integrating Turkish accounting philosophy with Western Europe which started with the Rescript of Gulhane which was declared in 1839 and Law of Commerce which was published in 1850 came to a halt in this period and no new initiatives were taken in this direction.

Keywords : Turkish accounting philosophy, westernization process

1. Developments in liberal economy politics applied after 1950

In May 1950, government changed hands which was the first in Turkish democracy; it is also important in that economic statism which continued for centuries was replaced by liberal economy practices. This huge shift in economic philosophy can be viewed from the government program of Adnan Menderes who became the prime minister after Democrat Party came to power. It would be appropriate to indicate the following points in Adnan Menderes' government program in today's words (<https://www.tbmm.gov.tr>, -2016)

According to our economic and financial philosophy, all measures through which the private sector will feel secure in legal and de facto terms will be taken and private sector will be given all aid for fast development The flow of existing private capital to production will be facilitated ... Necessary measures will be taken to ensure utilization of technical opportunities of foreign capital...

State business administration will be only about the business that private sector cannot handle and the business that is related to public service. Economic government agencies established so far will be transferred to private sector one by one excluding those which provide public service.

We will make reductions in several taxes that keep production life under pressure. Eighty percent of the population is working in agriculture. Agriculture is the main source of national economy and trade. We will increase loan opportunities of agriculture...

It should be noted that Democrat Party governments which continued until 1960 tried to implement this government program within opportunities. After 1960 planned economy was adopted and five year development plans began to be applied. After 1990s their number decreased with privatizations and in 2000s their activities in economy became nearly negligible.

When each of the economic state agencies had huge production capacities, effort was paid to meet the demand for increase in number of small businesses of private sector. Numerical increase of these businesses which increase business administrator and accountant requirement was realised as follows (*O. Güvemli, 2001, page 22*).

Table I

Number of workplaces in manufacturing industry (1950-1980)

Work branch	1950	1960	1970	1980
<i>Food, drinks</i>	1.023	1.868	1.264	1.851
<i>Weaving, clothing, leather</i>	526	1.223	1.130	1.688
<i>Forest products, furniture</i>	234	424	258	352

<i>Paper and paper products</i>	92	194	253	367
<i>Chemicals, petroleum, coal</i>	364	758	376	1.009
<i>Stone and soil-based industry</i>	101	404	318	596
<i>Metal main industry</i>	50	115	160	492
<i>Metal ware, machinery</i>	186	411	859	2.274
<i>Miscellaneous</i>	42	106	202	81
Total	2.618	5.508	4.817	8.710

Note : 1) The table includes workplaces with at least 10 employees

2) The number of those workplaces belonging to the state are 103, 219, 254, 408 in 1950, 1960, 1970 and 1980, respectively.

Source : Statistical indicators 1923-1995, DİE, 1996, Ankara.

From the data in this table, it is clear that liberal economy policies had a wide application area after 1950 and the number of private sector industrial businesses increased from 2513 to 8302 in thirty years.

According to the statistical data that could be found, the following table shows the number of retail and wholesale workplaces in almost the same period.

Table II
Number of wholesale and retail stores (1963- 1985)

	1963	1970	1985
<i>Number of wholesale stores</i>	20.104	22.650	49.408
<i>Number of retail stores</i>	134.163	173.044	369.133
Total	154.267	195.604	418.541

Note : Data belonging to the years 1963 and 1970 give the number of workplaces in localities with a population over 2000. The statistics for the year 1985 include numbers for all kinds of localities.

Source : Statistical indicators, 1923 -1995, DİE, 1996, Ankara.

In 1986, according to the same sources, hotels-restaurants, insurance agencies, banks, education-health, culture-entertainment etc. workplaces, which constitute services industry, reached to a total number of 175000 and it is understood that this number should be added to the table above. All these data display that liberal economy policies which were put into practice between the years 1950 and 1980 increased the number of businesses in huge amounts. It is clear that each of these workplaces in various sizes will need business management knowledge of different kinds and an increasing number of accountants will be serving even if they have different accounting knowledge. In particular the numerical increase of industry agencies verify this opinion.

As a complementary to these data, it will be appropriate to focus on the population increase in the entire republican period (*wikipedi – 2016*).

Table III

Population of Turkey (1000)

	1927	1950	1980	2010	2015
<i>Total population</i>	13.648	20.944	44.982	73.722	78.741
<i>Increase rate</i>		%53,4	%113,7	%63,8	% 6,8

Source : Turkish Statistics Agency, www. tuik gov. tr/2016.

It is seen that the highest population increase was between 1950 and 1980.

The data above show that 1950-1980 period has some features in terms of social and economic development of Turkey. Some of the measures taken to ensure this development are examined below.

a. 1949 Tax reform

It was previously noted that in the revenue tax, transactions tax and internal consumption tax laws which were in force between 1926 and 1949, it is provided that the own books must be kept in addition to the books mentioned in Turkish Commercial Code (TCC9 and it was stated that this period was called multi-book period in Turkish accounting history. In 1949 tax reform, this situation changed with the enactment of Tax Procedures Law and two contemporary tax laws were put into practice. The putting into practice of contemporary tax laws was ensured by dividing Revenue Tax Law into three. This law was abolished and Revenue Tax, Corporations Tax and Tax Procedures Laws were put into practice. Other tax laws were also made compatible with this understanding in time.

aa. Revenue Tax Law: this is the tax a person pays from all his/her revenues and earnings within a calendar year based on an increasing rate (grounds of tax laws volume 1, page 8, 1987). Revenue Tax Law was given the number 5421 in 1949 tax reform.

ab. Corporations Tax Law: To summarize the justification of the law, as corporations keep books different from persons and as they have different accounting orders, they had to be taxed differently (*O. Güvemli, 2001, Page 168-171*). Taxpayers are companies which keep books based on balance principle. Their

revenues are defined as commercial revenues. The profit is taxed with a constant rate (today in 2016 it is 20%).

Corporations tax law has an essential place in modernization of taxing order as it brought institutionalism dimension to the tax order.

ac. Tax Procedures Law : This is the most important law of 1949 tax reform (grounds of tax laws, volume 3, page 10-30, 1988). The explanations made in the justifications of tax procedures law conclude that bookkeeping should be included in tax procedures law instead of Commercial Law. The important thing about this approach is that, as in Western Europe in the historical development, there is an effort in Turkey to change the place of accounting books from commercial law since 1850. In integration with the west, commercial laws are prominent in this area. It is known that this tradition dates back to Code de Commerce which was put into effect in 1807 during Napoleon era. The role of commercial laws in economic globalization is more effective than tax laws. Hence it should be noted that this situation did not change in Turkish Commercial Code dated 2011 which opened the way of globalization of Turkish accounting understanding.

The innovations brought by tax procedures law no. 5432 in 1949 tax reform package were mainly in the fields of documents, assessment and the like. Accounting documents such as invoice, dispatch note, voucher, and wage payroll were shaped with this law. The topic of assessment bears importance in clarifying the determination of industrial costs.

1949 tax reform is an important step in the modernization of Turkish taxation. However, it also became the document of transformation of Turkish accounting philosophy into taxation accounting. Tax procedures law had an important role to play in this development. In 1950s liberal economy policies began to be applied after such a tax reform which would bring forward the relations between business administration and finance. The tx reform and the power of tax inspection agencies which completed their development before 1950 facilitated the tax-accounting relations becoming more effective.

Tax procedures act no. 213 (1961)

Important changes in accounting were made in 1961 when tax procedures law was rewritten. It is possible to see these changes in the articles about books (*Tax procedures act no. 213, articles 171-178*). Below is the summary of the law articles on books.

Article 171 : The purposes of bookkeeping in terms of tax applications: to determine the wealth, capital and account status of the taxpayer as regards tax, as well as his/her activities and results thereof, transactions, and status against tax...

Article 172 : Tradesmen and industrialists, commercial companies, economic state enterprises, foundations and associations, self-employed people will keep book...

Article 175 : Taxpayers ... are free to organize their books and accounts in the way they desire within their affairs...The provisions of commercial code on commercial books are preserved...

Tax procedures act no. 213 strengthened the relation between finance and businesses, and it was also an act which strengthened the relation between accounting and finance. In the act there is an emphasis on accounting books from the perspective of tax. This situation had a facilitating effect on the development of accounting within the framework of tax accounting.

On the other hand, it is also known that this law put into effect a book called *operating ledger (articles 193-196)* for the self-employed people. In this ledger, beginning-of-period stocks, purchases and expenses are written to one side and revenues are written to the other side; end-of-period inventory is reduced from expenses side and the profit is determined in that way. No balance is envisaged.

The freedom in bookkeeping which is envisaged in the 175th article of this law led to the accounting plan chaos later in 20th century. This freedom led to a delay in adopting uniform accounting plan. Uniform accounting plan was only handled in academic studies in this period and applied in economic state enterprises.

b. Act no. 5590 on the Union of chambers of commerce and industry and stock exchanges

An advocate of liberal economy policies, Democrat Party brought to the agenda legal regulations for development of private sector even before it came to power (March 1950) (TOBB law no. 5590, March 1950). In the law chambers were organized first, followed by an emphasis on the foundation of the Union in Ankara. After the legislation which came into force in the foundation years of the republic with the purpose of regulating private sector, this was the second important legislation. In the first article of the act, it was stated that chambers were public bodies with legal personality with the aims of performing the requirements of the vocation, protecting professional ethics and solidarity, and paying effort to ensure that commerce and industry develops according to general benefit.

This law resolved the foundation pattern of chambers and the nature of the organization which was heading towards the union formed in Ankara; it had great importance in the preparation of infrastructure of liberal economy policies which would lead to the businesses in the beginning.

In the 5th article of the law, the tasks of chambers are listed, among which the following points stand out:

- *Chambers perform economic research on the economic structure of their region related to commerce and industry...*

- *they make proposals to ministries in the topics related to vocational activities...*

- *they can open courses, meet the expenses of students for economy sciences...*

The interest shown by chambers in accounting is among the reasons for the delay in integration of Turkish accounting understanding with Western Europe.

c. Foreign capital law no. 6224 – 1954

This law was a legislation brought to the agenda by Democrat Party in line with the government programme (*act no. 6224 , 1954*).

With this law, Turkish economy met foreign capital in line with liberal economy policies and an opportunity was created to ensure that Turkish companies meet the business culture in other countries.

In the law, it was envisaged that companies founded on foreign capital had to be beneficial to the economy and operate in fields which were open to Turkish companies (article 1). In addition, it was required that part of the profits would be added to the capital (article 3), borrowing of foreign corporation from abroad was regulated (article 6), an authorised committee was founded at Central Bank of Turkey for the execution of law (article 8), and it was guaranteed that the foreign corporation would have the same rights with Turkish corporations (article 10).

This legislation remained in force in Turkey for long years as a law which directed foreign capital investments in Turkey, and it would be fair to add that it brought several innovations in accounting plan, budgeting works in addition to business management of the companies which were founded with this legislation.

d. Turkish commercial code no. 6762 - 1957

When 1949 tax reform came into force, 1926 dated Turkish commercial code was in effect. According to the developments changed until then, commercial code had to protect its traditional effectiveness and its language had to be renewed vis-a-vis 1949 tax reform.

The novelties brought by the act can be listed as follows.

Article 66 : Books that are obligatory: daybook, general ledger, inventory ledger and minute book for companies.

Article 67: the records made by the person authorised by the tradesman for keeping books are considered as books kept by the tradesman himself...

Article 68: the obligatory books have to be kept for at least ten years...

Article 69: the obligatory books have to be approved by notary before the beginning fo the year...

Article 70: daybook is the book for stating in the form of items and chronological order the transactions which have to be recorded based on documents...

Article 71: general ledger is the ledger which collects the transactions included in daybook and distributes them to accounts in a systematic manner and collects them in these accounts in a classified manner.

Articles 72 - 73 : the inventory and balances obtained at the beginning date fo the corporation and at the end of every working year are recorded in the inventory book...Making an inventory is determining in a definite and detailed manner the assets, receivables and liabilities on the balance day by counting, measuring, weighing and assessing...

Article 74: Balance is the summary table prepared by classification of values shown in the inventory and in terms of their mutual values.

Article 75: ...It is required that inventory and balances are regulated in a complete, open and easily understandable manner in the national currency according o the commercial principles so that related parties can have accurate opinions on the economic and financial status of the corporation...

In the 82nd and 83rd articles of the law, there are provisions on the proof and evidence nature of commercial books.

This part of the paper provides a summarised version of the articles of the law about accounting. It is seen that with this law Turkey had an avant-garde commercial code in the mid-20th century. The law ensured the infrastructure upon which accounting understanding could follow a path based on openness, accuracy principles with a vision of enlightening he public. Management of the corporation and other relevant parties (other corporations, banks etc.) could benefit from financial tables and trust in the book records of the corporation in case of any commercial disputes. The infrastructure provided by the law would open the way of integration of Turkish accounting understanding with Western Europe. This law was in force until 2011 when globalization began and protected its characteristic. However, the integration was limited by this law and neither uniform accounting plan was adopted nor accounting profession gained a legal order going from the oath opened by the commercial code by accepting the profession (article 67).

Explanations made so far show that legal infrastructure of liberal economy policies were formed by tax reform, organization of private sector, opening the doors for foreign capital although it was not used effectively, and updating the commercial code according to the needs of the time, and effort was paid to implement these policies.

It should be noted that in this period, accounting developed within the framework of accounting-tax approach. This relation which began with declaration method developed by making inspection effective and was accelerated with 1949 tax reform.

2. Efforts and Attempts for Uniform Financial Table and Uniform Accounting Plan in Turkey

20. Attempts for uniform financial table

In this period, balance profit-loss account was witnessed as financial table. Revenue table was not developed yet. It was mentioned above that the first efforts for uniform organization of these tables began in

1939 at economic state enterprises. After 1950, the loan demands of private sector corporations which developed with the impact of liberal economic policies increased the importance of medium-term loans in addition to short-term bank loans, as a result of which Turkey Industrial Development Bank (1951) and Industrial Development and Credit Bank (1963) were founded. These two development banks and State Investment Bank (1964) which was active in the same period made considerable contributions in development of financial tables. In this period, development of banking ensured the proliferation of studies on uniform financial tables before uniform accounting plan.

In the period which passed until uniform accounting plan and uniform financial tables were published in 1992, the following efforts were taken in uniform balance and profit-loss tables and explanatory information (*M. Yazıcı, 2001*).

- balance and profit-loss table to be prepared by credit-seekers between the years 1950 and 1963, Turkish Industrial Development Bank.

- the account statement and explanations declaration to be submitted by credit-seekers which was published by Turkish Union of Banks in 1963. With the mentioned declaration no.20 of Turkish Union of Banks, the uniform financial information application (uniform financial table) became widespread in all banks and acted as an essential turning point. Corporations which demanded credit from banks began to provide the information on their financial tables within the scope prepared in line with this declaration. That the declaration was in effect for a long time was educative for accountants.

- Uniform financial tables proposed with Economic Inspection (control) Guide in 1963. Prime ministry General Inspection Group (Economic Inspection Guide, 1963). This attempt towards enabling economic state enterprises to prepare uniform financial tables was the second step after 1938-1939 attempt. Inspection (control) group took into its agenda the profitability and efficiency principles adopted in 1938 and envisaged the preparation of uniform balance and profit-loss account within a report. This formed the basis of the efforts of Commission for Reorganization of Economic State Enterprises which would be created one year later.

- Between the years 1964 and 1968, based on the reporting system prepared by Commission for Reorganization of Economic State Enterprises (Reporting system, DPT, 1970), the first uniform accounting plan and uniform financial tables began to be applied for the first time starting from 1972 which will be detailed below. Accordingly, uniform financial tables which were applied in 1939 were renewed and the first uniform accounting plan was put into practice in Turkey.

- one of the first works of the Financial Market Board which was formed in 1981 on accounting of corporations was preparing uniform financial tables.

- between 1978 and 1991, works on accounting and inspection standards were conducted by Turkish Standards Institute (TSE).

It will be seen that several public bodies needed to prepare uniform financial tables during the period from 1950 to 1990s.

21. The first uniform accounting plan application in Turkey: Application in Economic State Enterprises

The most important development which was witnessed in this period was uniform accounting plan which began to be implemented in 1972 at economic state enterprises. This is a first in Turkish accounting history.

In line with the liberal economic policies which began to be applied after 1950, private sector corporations displayed essential development. On the other hand, it is observed that economic state enterprises which were founded in Atatürk's period continued their existence. In the first five year development plan (1963-1967), this situation of the economy was summarised as follows: "Turkish economy is a mixed economy where state and private sectors stand by each other." Economic state enterprises which were one part of the mixed economy did not lose their cultural management infrastructure which they gained in 1930s and 1940s. It is observed that the reorganization efforts in 1960s began based on this cultural infrastructure based by revising the 3460 numbered act which was put into force in 1938 and that 440 numbered Law on Economic State Enterprises, Corporations and their Subsidiaries in 1964 (IDT law no 440).

The purpose of this law was defined in the 2nd article as follows: *to ensure that IDTs operate, assist in capital accumulation and are inspected for this purpose within the profitability and efficiency understanding according to the rules of mixed economy.*

The provisional 1st article of the law envisaged that Commission for Reorganization of Economic State Enterprises would be founded under the Ministry of Finance which would be attended by Ministries of Commerce and Industry. In the same article, below were the tasks listed for this commission: *to examine the financial status of enterprises and determine necessary measures, in addition, determine the principles based on which assets and liabilities of the enterprises are to be assessed...* Based on these two paragraphs, the commission determined the principles for uniform accounting plan and reassessment which was applied in Turkey for the first time although it was limited with economic state enterprises.

Efforts based on this law has essential place in Turkish accounting history as they found a wide application area. The law was renewed with the purpose of adapting to the changing conditions in 1984 and the legal regulations of economic state enterprises was kept vivid (223 numbered by-law, 1984).

The works of the commission began in mid-1964 and continued until 1968. After the term of the commission ended, the Reorganization Group established inside State Planning Organization (DPT) took over these works. DPT completed the publication of the books which were both as a reference book and a guide,

and it ensured the monitoring of application. The pilot application of the first uniform accounting plan was conducted in 1969 at Azot Sanayi AŞ which was an economic state enterprise (Ali Kartal, 2005, page 230).

After the Commission for Reorganization of Economic State Enterprises completed its works in 1968 it prepared a set of seven books. As mentioned above, some of these books were published by State Planning Organization which took over the task later. Prof. Dr. Mustafa A. Aysan from Istanbul University Faculty of Economics played active role in thee publications which displayed the applied issues of financial affairs of IDTs.

a.Improvement and Uniforming of Accounting Methods (Introduction): This is the first book prepared by the commission on the determination of situation (*DPT Publication 867.KD, 1970*). The book has several features. Assessment of historical development of double-side record method and accounting applications of Republican period was made in this work for the first time by a public commission. General or specific application principles of uniform accounting were examined in this book. It is striking that the commission examined developments in Central Europe (France) and United States of America while preparing uniform accounting plan.

b.Basic concepts of Accounting and Generally Accepted Accounting Principles: In this work which was prepared by Reorganization Commission in the second stage (*DPT publications, 863 KD 96, 1970*), it is seen that basic concepts of accounting were listed as follows: *social responsibility concept, personality concept, maintenance of the enterprise concept, money measure concept, seasonality concept, cost-based concept, objective document concept, reporting system concept, full explanation concept, conservatism concept*. This ranking which was made taking the features IDT was the first approach of Republican era to accounting from the view of public in conceptual terms. Another point which can also be evaluated in the same vein is the generally accepted accounting principles which were displayed. It is observed that revenue and expenditure principles, asset-related principles, foreign-resource-related principles and equities-related principles were determined in detail. In an era when profit-loss table was not yet adopted by Turkish accounting applications, the effort for developing revenue table concept and the foresighted display for the first time by the commission of the resource structure of the balance into two as “foreign” and “equity” bears importance.

It would be fair to state that these works of the commission made contributions not only to the economic state enterprises but also theoretical works as well.

c.Uniform accounting plan and explanations: Commission began uniform accounting plan efforts in economic state enterprises after determining the principles of financial tables (*Publication of Commission for Reorganizing IDTs 1968*). The commission determined the main groups of uniform accounting plan as follows.

Table IV

Main accounts of uniform accounting plan prepared for economic state enterprises

<i>Revolving assets</i>	100- 199
<i>Fixed assets</i>	200 – 299
<i>Short-term liabilities</i>	300 – 399
<i>Long-term liabilities and equities</i>	400 – 499
<i>Revenue accounts</i>	500 – 599
<i>Expenses (cost)</i>	600 - 699
<i>Functional cost and expenditure accounts</i>	700 - 799
<i>Profit and loss, extract and distribution accounts</i>	800 – 899

Source : *Publication of Commission for Reassessing IDTs, 1968*

The uniform accounting plan whose outline is given above is the plan prepared and applied for the first time in Turkey.

It would be appropriate to say that Turkey general accounting plan which was put into practice in 1992 was formed by separating the main accounting codes of long-term resources and equity in this accounting plan.

This uniform accounting plan which was prepared for IDTs is a pioneer from several perspectives in Turkish accounting history.

d.Reporting system. IDTs performed the preparations in this book for financial tables which would be prepared as the complementary of uniform accounting plan (*DPT publication no 864 – KD- 97, 1970*). In reporting system balance, revenue table and auxiliary financial tables (profit distribution table, fund flow and net operating capital change table and cash movements table) can be found. Although it was developed only for use at economic state enterprises, as it is the first revolutionary application offered by the state in accounting, it would be appropriate to shortly discuss the uniform balance and revenue table which is included in report system.

Table V

Uniform balance prepared for IDTs

ASSETS	LIABILITIES
<i>I. Revolving assets</i>	<i>I. Short-term liabilities</i>
<i>A. cash - banks</i>	<i>A. Received loans</i>
<i>B. share certificates and bonds</i>	<i>B. Long-term credit instalments</i>
<i>C. Receivables</i>	<i>C. Debts</i>
<i>1. Receivable notes</i>	<i>1. Debentures</i>
<i>2. Receivables from sales (without note)</i>	<i>2. Sellers</i>
<i>3. Receivables from personnel</i>	<i>3. Liabilities to employees</i>
<i>4. receivables from subsidiaries</i>	<i>4. Liabilities to subsidiaries</i>
<i>D. Advances given</i>	<i>D. Advances received</i>
<i>E. Stocks</i>	<i>E. Tax, fee etc. liabilities</i>
<i>1. First material stocks</i>	<i>F. Expense accruals</i>
<i>2. Semi-finished products</i>	<i>G. Revenues of future months</i>

3. Finished products	Total of short-term assets
4. Commercial goods	
5. Other	II. Long-term liabilities
Provision for inventories (-)	A. Received loans
Total of revolving assets	B. Liabilities
II. Fixed assets	C. Received advances
A. Long-term receivables	D. Revenues of future years
B. Capital share in subsidiaries	E. Special provisions
C. Corporations connection account	F. Subsidiaries connection account
D. Tangible fixed assets	Total of U.V. Y. resources
Accumulated depreciations (-)	III. Equities
E. Non-tangible fixed assets	A. Capital
Accumulated depreciations (-)	B. Non-paid capital (-)
F. Depletable assets	C. Reassessment difference
Accumulated depreciations (-)	D. Spare moneys
D. Other fixed assets	E. Profits
Total of fixed assets	F. Losses (-)
SUM OF ASSETS	Sum of equities
	SUM OF LIABILITIES

Source : Reporting system, DPT publication 864 KD 97, 1970

The balance seen in the table above is a financial table which has some characteristics well beyond the balances applied in Turkey on that date. More importantly, it is the first balance which was applied based on uniform accounting plan. Although it is in a narrow area, with this balance understanding both practitioners and academicians made a huge step towards integration with the west. Nevertheless, it could not cure the accounting chaos in private sector. The state did not make any attempt to extend this modern balance understanding to the private sector. However, as mentioned above private sector in this period showed a fast development in terms of both numbers and size of businesses. The point which attracts maximum attention is that the uniform balance declared for application in Turkey in 1992 is almost identical to this balance understanding with slight differences. In addition, it should be stated that the relation of balance with uniform accounting plan was also protected. As there was no major changes in preparations for 1992 compared to 1972 applications it can be concluded that Turkey lost a period of twenty years in transition to uniform accounting plan and uniform financial tables.

As will be detailed below, education industry took some measures to train accountants in this period and an essential number of accountants were trained. This means that the education world made infrastructure ready for transition to uniform accounting plan.

The uniform revenue table which was put into effect in 1972 in economic state enterprises is given below.

Table VI

Uniform revenue table prepared for IDTs

1. *Gross sales revenues*
 - Goods and services sales*
 - Received subsidies*
 - Tax returns*
2. *Discounts from revenues (-)*
 - Cash discounts*
 - Returns*
 - Other discounts*
3. *Net sales revenue (1-2)*
4. *Cost of sales (-)*
5. *Gross sales profit (3-4)*
6. *Period expenses (-)*
 - Research expenses*
 - Marketing expenses*
 - General management expenses*
7. *Corporation operating profits (5-6)*
8. *Non-operating profits or losses (+)*
 - Interest revenues*
 - Subsidiary dividends*
 - Accrual from previous year expenses*
9. *Non-operating expenses (-)*
 - Interest expenses*
10. *Period profits or losses (7+8-9)*

Source : Reporting system, DPT publications no 864 KD 97, 1970.

Note : the numbers in the table are added by the authors for convenience.

The expenditure cost table is as follows.

Table VII

Cost of expenses table prepared for IDTs

1. *Production cost*

- Direct first material and workmanship*
- Direct workmanship*
- General manufacturing expenses*
- Indirect materials*
- Indirect workmanship*
- Additional payments related to wages*
- Benefits and services obtained from exterior*
- Taxes related to insurance premiums and production*
- Depreciations and accumulated depletions*
- 2. *Semi-finished stock change (+-)*
 - Beginning of period semi-finished (+)*
 - End-of-period semi-finished (-)*
- 3. *Expenditure of produced goods or services (1 + - 2)*
- 4. *Non-distributed expenses (-)*
 - Spare (non-operating) fixed asset costs*
 - Special product engineering expenses*
- 5. *Product stocks (+-)*
 - Beginning of period products (+)*
 - End-of-period products (-)*
- 6. *Cost of sold goods (3+4 +-5)*

Source : Reporting system, DPT publications no 864 KD 97, 1970.

Note : the numbers in the table are added by the authors for convenience.

The vertical revenue table and cost of sold products table emphasised here is the first revenue table offered by the state in Turkish accounting history. Economic state enterprises acted as pioneers by applying these tables. However, as mentioned above, it did not become widespread as application was not obligatory. Profit and loss table continued to be applied in private sector for long years and revenue table culture could not become prevalent. This period extended as far as 1992 when vertical revenue table which was accepted along with uniform accounting plan was put into practice in private sector without any previous culture. This situation led to difficulties in adoption of vertical revenue table due to lack of experience and criticism based on the fact that it included multiple profits.

d.Terms and explanations: In this period, efforts related to financial affairs and accounting were performed by the financial affairs and accounting group which worked under the Commission for Reorganization of Economic State Enterprises. This group focused on the explanations of terms belonging to

the accounting regulations it made until then. In this book which aimed at ensuring uniformity of terms in the application of general accounting plan and uniform financial tables (*DPT publication no 865 KD 98, 1970*) more than 350 accounting, finance terms and idioms used in settlement of accounts, as well as those related to promotion of documents, organization structure of financial affairs and in accounting-commerce area. It is one of the very few descriptive glossaries prepared in alphabetical order in Turkish accounting history. Although they were prepared for IDTs, it has a special place in the accounting literature of the second half of 20th century.

f. Organization of financial affairs and control offices: one of the last works of the financial affairs and accounting group of mentioned commission was aimed at establishing the accounting affairs of IDTs. In a foresighted manner, the commission divided account affairs order into three (*DPT publication, no 866 KD 99*), namely financial affairs, accounting and control departments. Financial affairs department mostly deals with budget and planning and funding affairs. Accounting department is the one which keeps record of accounting works and prepares financial tables and reports. Cost accounting is a branch under this department. Control department, on the other hand, aims at controlling the accuracy of accounting records and ensuring the execution of these records in accordance with accepted standards and procedures. This distribution of tasks and organization understanding which was applied at IDTs acted as a guide in the management of enterprises in the second half of 20th century.

g. Correction of enterprise balances through reassessment: The financial affairs and accounting group of the Commission for Reorganization of IDTs performed a series of works to ensure reassessment of financial tables in the face of inflation and published a book (*Commission for Reorganization of IDTs publication, 1968*). In the face of decrease of the value of currency that Turkish economy suffered in the last two decades of 20th century and in the early 21st century was a frequent subject. The commission which foresaw this need well in advance emphasised in this work assets first and then liabilities in reassessment in line with the assessment culture of Western Europe. In terms of assessment method, it is seen that the assessment methods envisaged in Tax Procedures Law were embraced.

These works of the Commission which emphasised the reassessment of balances was, as in most previous activities, a pioneer in Turkish accounting literature.

In Turkish accounting history, the accounting-related works of the Commission for Reorganization of Economic State Enterprises is a turning point both in terms of theory and application. In the examined 1950-1980 period, the works of this commission were among the very few activities on integration with Western Europe along with academic works.

3. Developments in Accounting Education World

30.

In 1950, the higher education institutions which offered accounting education were Istanbul Higher Economics and Commerce School, Istanbul University Faculty of Economics and Izmir Higher Economics and Commerce School. In addition, Faculty of Political Sciences offered accounting education which mostly trained students for government services. In 1950-1960, two higher schools were added to the aforementioned: Ankara Higher Economics and Commerce School (1955) and Eskişehir Higher Economics and Commerce School (1958). Later in 1960 Faculty of Administrative Sciences of the Middle East Technical University also started to provide education...

The fast numerical increase in private sector corporations after liberal economy policies began to be applied (tables XV and XVI) led to an increase in the demand of workforce with management education in general and accounting education in particular. It is seen that in order to meet this increased demand for workforce, two measures were taken in education world after 1959-1960. The first of them was economic and commercial science academies and their higher schools. The second was the increase in the number of university faculties. These education institutions are handled in detail below.

a. Economic and commercial science academies and related higher schools

Economic and commercial science academies (1959-1982) have a special place in the history of Turkish accounting education. The demand of liberal economy policies for employees first made it evident towards the end of 1950s. This need had created economic and commercial science academies (*15.6.1959 dated and 7334 numbered law*). The directors of four higher economic and commercial schools (*Prof. Dr. Orhan Oğuz, Prof. Dr. Nihat Sayar, Prof. Dr. Ekrem Edgü and Prof. Saffet R. İrtenk*) were the pioneers in the establishment of academies which were a turning point in Turkish accounting education. In the justification part of this law which turned higher economic and commercial schools into academies, the following points stand out:

- *Great importance is given to the development of private sector in our country. Therefore bringing a new order to business management education is needed...*

- *when the first higher economic and commercial school was opened in 1883 in Istanbul, it was one of the four schools of its kind. Although their number has increased rapidly in the world today, the number in Turkey increased to four only. This number has to be increased more.*

- *Today 40% of the graduates of thee four schools are working at private sector companies, 35% are working at banks and insurance companies and 25% are working at economic state enterprises...*

- *The graduates of commercial high schools which have been rapidly increasing in the country can become more qualified if they enter these schools...*

In the justifications of the law summarised above, it is observed that an education structure is aimed which would meet the increased qualified man force need parallel to the development of private sector.

According to this objective, it is known that three more economic and commercial science academies were opened after the adoption of the law in Adana (1967), Bursa (1970) and Trabzon (1978). Until the 1982 education reform when academies were turned into universities, the number of economic and commercial science academies had risen to seven which mostly met the business manager and accountant need of the country.

At this point mentioning is needed of two development which have important place in the history of Turkish management education. The first of them is that economic and commercial science academies were established by giving academicians and managers support to each other (*O. Güvemli, Page 217, 280, 302, 325, 2003*). Eskişehir academy was founded with the support of İstanbul academy, Adana academy was founded with the support of Ankara academy, Bursa academy was founded with the support of Eskişehir academy and Trabzon academy was founded with the support of Istanbul academy. From 1959 until 1982 when they were turned into universities, economic and commercial science academies acted together and they continued their association within the framework of inter-academic board.

The second point which deserves mentioning is that, as a result of the nationalization of private higher schools which were founded in 1970 in order to meet the need for trained employees, the academies within these schools grew into universities. Among these higher schools which were nationalised and added to the structure of academies, there were dentistry and chemistry schools in addition to business management schools. In terms of this status, it is seen that academies became universities in a very short period.

Another point which should be stated here is that, as a result of the successful development of economic and commercial science academies in 1960s, architecture and engineering academies began to be found in the same line. As a result, in 1960-1980 period, academies in Turkish higher education showed a versatile development.

In meeting the need for business managers which skyrocketed after 1960, not only economic and commercial science academies but also universities paid effort by founding faculties providing management education which will be discussed below.

b. Faculties established in order to provide management education

It is seen that after 1960 new universities were established and the former universities founded faculties which provided management education. It is observed that in 1970 economic and commercial sciences academy of Bosphorus University, Management faculty of Atatürk University in Istanbul, and Management Faculty of Istanbul University accepted students. In 1975s, Bursa Economic and Industrial Sciences Faculty, Istanbul University Management Engineering Faculty, Ege University Faculty of Economics and Faculty of Management, Çukurova University Faculty of Administrative Sciences and Kayseri University Faculty of Management accepted students (*O. Güvemli, Page 389 – 396, 2001*).

In 1950, there were only four higher education institutions which provided management education; it is observed that with the academies and their higher schools as well as management faculties of universities, this number increased to 48.

The level that management education reached in 1980 is given below in terms of number of students, number of graduates and number of academicians.

Table VIII

Developments in business management education between 1950 and 1980

<i>Years</i>	<i>No. of schools</i>	<i>No. of students</i>	<i>No. of graduates</i>	<i>No. of academicians</i>
1950-51	4	3.471	442	183
1955-56	5	6.673	481	197
1960-61	7	16.131	1.006	338
1965-66	11	25.177	2.099	381
1970-71	20	42.838	4.409	653
1975-76	31	56.338	5.991	1.083
1980-81	48	60.653	7.282	1.793

Source : O. Güvemli, Accounting history of Turkish states, Volume 4, Page 395, 2001, İstanbul.

With the university reform realised in 1982, some academies were turned into universities and some others became faculties of established universities. The aim of the mentioned university reform was to establish a university in every province. As a result of this policy which was followed in 21st century, the number of faculty graduates who received management education in late 20th century and early 21st century passed 40 thousand.

In 21st century liberal economy policies became the rule and the number of small and medium size companies skyrocketed. With education policies which were supported by foundation universities, much effort as paid to meet the demand for management graduates.

31. Developments in business management education between 1950 and 1980

Between 1950 and 1980, successful developments were witnessed in the integration of Turkish accounting understanding with Western Europe in two fields. First one is the adoption of uniform accounting plan and uniform financial table application at economic state enterprises. The second is developments in accounting thinking in the academy.

In this period, several academicians in management education were trained which is shown in table XXII. Keeping in mind that some of these academicians are in accounting and business finance area, it will be easier to understand that staff who would secure important developments in academic area were created. These staff members followed the developments in French, German and American accounting philosophy and tried to give direction to Turkish theory and practice. Making use of these different schools enriched Turkish accounting thinking. It would be fair to note that towards the end of the period, adaptation processes to American-origin developments became more effective.

In order to be able to display the works of Turkish accounting academicians between the years 1951 and 1980, 400 books representing some 60-70% of all books published in this period on accounting and business finance were examined. This research aiming at determining the distribution of subjects in academic accounting publications and the business finance works that are new in the literature is shown in the following table.

Table IX
Publications of accounting academicians in 1951 – 1980 period

Subjects	1951-60	1961-70	1971-80	Total
<i>General accounting</i>	20	29	38	87
<i>Expertise accounting</i>	9	21	25	55
<i>Cost accounting</i>	6	13	22	41
<i>Management accounting</i>	3	14	20	37
<i>Financial table analysis</i>	3	12	13	28
<i>Auditing</i>	4	5	15	24
<i>Tax accounting</i>	4	7	11	22
<i>Accounting theory</i>	3	5	7	15

<i>Inventory - balance</i>	5	6	3	14
<i>Inflation accounting</i>	2	-	9	11
<i>State accounting</i>	3	2	2	7
<i>Various accounting subjects</i>	-	4	13	17
<i>Business finance</i>	2	13	27	42
Total	64	131	205	400

Source : *OG Foundation of accounting and finance history (MUFTAV) Library, 2016, İstanbul.*

Note : 1. *Business finance publications are included in this table as they are conducted based on financial tables and belong to the same scientific field.*

2. *Various accounting subjects include uniform accounting plan, assessment of investment projects, depreciations, accounting terms and explanations, accounting organization and similar subjects.*

Explanations on this table are given below.

- It is striking that in decade periods, the number of published books increased.

- Expertise accounting included banking, insurance, and agricultural accounting before 1950; in this period, such topics as construction, tourism, hotel accounting were added.

- Subjects like management accounting, analysis of financial tables, inflation accounting added to accounting in this period and are among academic works which try to tune Turkish accounting thinking according to the developments in western countries.

- In the beginning, accounting auditing subjects consisted of the subjects which were handled with the revision and control logic in Central Europe, but it is witnessed that the focus shifted towards external auditing in 1980s.

- Tax accounting showed its development in accordance with the increase in the effect of taxation in accounting philosophy. Publications in this topic are written by experts who changed their academic field from taxation to accounting (i.e. Rasim Saydar, Prof. Mehmet Ali Canoğlu).

- The reason for which inflation accounting is mentioned separately in the table is the desire to show that increase in price levels towards 1980s began to affect accounting thinking in accordance with “reassessment” concept.

- publications on uniform accounting plan which are included in various accounting subjects (there were 8 publications in 1971-1980 period) show that academicians tried to keep the importance of the topic on the agenda.

- cost accounting culture originated from economic state enterprises practices in pre-1950 period and continued its development in this period consistently.

- Management accounting and business finance entered Turkish management literature after 1950 and became one of the most rapidly developing topics in the 30 years afterwards. This occurred as a result of the American-origin cultural development process.

These development show that Turkish academicians acted as leaders in the integration of Turkish accounting thinking with western countries and made important contributions to the continuation of westernization.

4. National Accounting Congresses between 1950 – 1980 and participation in international congresses

40. National Accounting Congresses

The second half of 19th century was the era of fairs which paved the way for international trade. Ottomans attended these fairs and they also organized their own fairs. In the second half of 20th century a similar situation was experienced in congresses. World accountants' congresses which began in the early 20th century have been organized regularly since the second half of the century and the number of national congresses proliferated.

Turkish accounting congresses were launched in the second half of the 20th century and held every year between 1957 and 1966. Later, congresses were held in 1969, 1976, 1980, 1987, 1992, 1997, 2002, 2010, and 2014. After 1987, Turkish accounting congresses began to be held parallel to world accounting congresses. In 2006 world accountants congress was organized in Turkey and therefore Turkish accounting congress was not held.

After the profession was organised in Turkey (1989) accounting congresses began to be held parallel to world congresses by this organization (TÜRMOB). For this reason, it is required to divide Turkish accounting congresses into two periods and examine as congresses before and after TÜRMOB.

Here some points have to be examined related to the first period.

- It should be noted that since 1958 Accounting Journal began to be issued as the publication of the congress. This journal which is published once in every three months and continued its activity as the publication of Turkish accounting world for long years.

- In the congresses organized in this period it is seen that preparation committees determined which topic to be discussed, and that these topics were debated in sub-commissions which prepare reports and that these reports were discussed at general meeting after when congress declaration was prepared.

- Last point to be made here is that in this period congresses were organized by Turkish higher education agencies.

Thirteen of the 19 Turkish accounting congresses were held in the first period. These congresses are detailed below in terms of the organizing body and discussed topics (*O.Güvemli, Ü. Gücenme, C. Toraman, Page 631-642, 2006*).

I. Congress : it was organized in 1957 by Ankara Faculty of Political Sciences. The topic of the congress was determined as *economic development and accounting*. It is witnessed that in the congress education of accountants and accounting terminology were also discussed.

II. Congress : This congress was organized in 1958 by Istanbul Higher School of Economics and Commerce. It was the first time when the organization of accounting profession was brought to the agenda. And, it is interesting that financial tables organized by several sectors in Turkey are discussed in this congress.

III. Congress : in this congress which was held by Istanbul University Economics Faculty in 1959, it is seen that three topics came to the fore: *organization of the profession, concepts and principles of accounting, and cost accounting applications*.

IV. Congress : In this congress which was organized in 1960 by Izmir Academy of Economic and Commercial Sciences, intense discussions were made on the organization of the profession and accounting profession law. The topic of organization of the profession was a topic which was always on the agenda in this and following congresses.

V. Congress : In this congress which was organized by Eskişehir Academy of Economic and Commercial Sciences in 1961, social responsibility of accountants was discussed for the first time with the topic of organization of the profession.

VI. Congress : In this period when economic and commercial science academies were active, the congress was organized by Ankara academy in 1962 and it was the first time when reassessment of financial tables (balance) in the face of the decline in the value of the currency was brought to the agenda.

VII. Congress : In this congress which was held by Istanbul Academy of Economic and Commercial Sciences in 1963, the following topics were discussed: *economic development and accounting, organization of accounting profession, accounting terms, standard applications in cost accounting...*

VIII. Congress : The specialty of this congress which was organized by Istanbul University Faculty of Economics in 1964 is that commission works were based on questionnaires directed at the practical world. Business finance was handled as a commission working topic for the first time. As a result, the togetherness of accounting and business finance in Turkey was reemphasised.

IX. Congress : In this congress which was held by Izmir academy in 1965 it is witnessed that such topics as organization of the profession, business finance, uniform accounting plan commissions performed heavy duties. This was the first time when the topic of uniform accounting plan was discussed along with academic studies of wider scope.

X. Congress : The topics of this congress which was organized by a higher school in Istanbul were determined as mechanization of *accounting, commercial and financial balances (tax accounting), and accounting order in agricultural corporations*. It would be fair to note that this was the first time when mechanization of accounting was discussed at a congress.

XI. Congress : With this congress, Turkish accounting congresses which used to be held annually began to be organized with intervals. With this congress which was held in 1969, frequent discussions on uniform accounting plan and uniform financial tables were initiated. In this congress this topic was also widely debated and several papers were presented.

XII. Congress : This congress which was held in 1976 was the first congress to be organized by an accounting association (Turkish accounting experts association). It is interesting that social responsibility of accountants constitute the main topic of the congress.

XIII. Congress : In this congress which was organized by Istanbul University Faculty of Management in 1980, an evaluation of previous congresses was made, an attempt is made to give a new direction to the congresses and relations between economy and accounting were brought to the agenda again.

Below is a short assessment of the thirteen Turkish accounting congresses which were held between the years 1957 and 1980.

- The topics discussed in congresses before and after 1980 were different from each other. This is because of the fact that the previous congresses were organised by higher education institutions whereas the latter ones were usually held by professional bodies.
- It is seen that academicians utilized these congresses in order to ensure uniformity in accounting terms and idealise cost accounting and management accounting course programmes. This continued until 1979 when Turkish Accounting Education Symposiums began.

Turkish accounting congresses held after 1980 will be discussed within the scope of examining 1980-2011 period.

41. Attendance at World Accountants Congresses between 1950 and 1980

Turkish academicians and accountants showed increasing interest in world accountants congresses whose international impact increased in the second half of the 20th century. The first world congresses attended by Turks was 1957 world accountants congress (Amsterdam). It was followed by higher attendance in 1962 New York, 1967 Paris, and 1972 Sydney congresses. Turkish accounting academicians attended as a huge group at the 11th World Accountants Congresses which was organized in 1977 in Munich and Prof. Dr. Mustafa A. Aysan signed IFAC's (*International Federation of Accountants*) foundation status on behalf of Turkish Accounting Experts Association (TMUD) which made the association a member of IFAC. Following congresses saw even higher attendance.

These explanations show that between 1950 and 1980 Turkish accounting academicians both initiated congresses at national dimension and by attending at international congresses they led the process of opening of Turkish accounting philosophy to the outer world.

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