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BEBEK, ISTANBUL

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FOR REFERENCE

NOT TO BE TAKEN FROM THIS ROOM

THE ACCOUNTING PROFESSION IN TURKEY
WITH RESPECT TO
THE NEW C.P.A. LAW

TANER ÖZGEN

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of the Requirements
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the School of Business Administration
and Economics

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I. INTRODUCTION

The title of this paper is: Accounting Profession in Turkey. This sentence is correct if we assume the existence of such a profession in Turkey. It is a debatable subject, but at least accounting is used in this country and developed to such extent that it is becoming the major analytical tool of the businessmen.

The paper also tries to reflect the level of accounting practices in Turkey, but the aim of the paper is not to discuss any one aspect of the Turkish accounting. The reader will find some sections which deal with some accounting methods and procedures, which are included to indicate the problems of the profession.

The core of the paper is the new C.P.A. bill in Turkey. The new bill is the basis to the establishment of the accounting profession. At the present, the bill is yet a draft submitted to the parliament. With the passing of the bill, the new profession of accountants, called the C.P.A.'s, will be established. But, it appears that the bill will not be passed in the near future. It has been in the files of the parliament for about 25 years and still has to wait for a long time. Then, the existence of the profession is not as clear as it seems and there are some difficulties and conflicts existing which block and delay the establishment of the profession.

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This paper is designed as a research work to identify the problems in the establishment of the C.P.A. profession in Turkey. In other words, why does the bill not pass from the parliament? Beside these main questions to be answered, other questions come up, such as: Do we need such a profession now? Do the standards prevailing in the draft bill, that define the profession, seem appropriate to the level of accounting practiced in Turkey? What are the loopholes in the bill? How do the accountants practice in Turkey? What changes will the bill bring? and What will be the benefits of a C.P.A. profession to the Turkish Economy?

The tentative answers to all of these questions were found, though they are not satisfactory. The reasons for not having such clear cut answers are numerous. The paper was prepared through interviews with certain people who were associated with the bill. (See Bibliography.) The discussions held with those people never reached a final point. There were always questions which were not answered by the person due to his personal feelings or to the problem being many sided, so that the answer to one case cannot be given unless the other problems are solved. There were questions which were never discussed before.

The answers to these questions can be given if the political conditions of the country are settled. When will the C.P.A. bill be coming to the Parliament? No one knows. It is assumed that nobody will touch it for a couple of years since it is considered as a minor bill, and more important ones are waiting, such as the land reform bill.

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Time will have a salutary effect on the issue. The present economic conditions and accounting knowledge will certainly be improved and lead towards a more mature environment ready to discuss and accept such a bill. The number of educated people on this issue will increase, and the passage of the bill will be much easier. The only clear cut generalization can I make after having written this paper is the above one. The rest is all dubious.

On the whole, the paper pinpoints the bottlenecks, although it has no final answers to them. The accountants of Turkey have to fight further to make their career a respectable profession in the future.

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II. ACCOUNTING AS A PROFESSION

Growth of the Profession:

Date: 1851

"Practical bookkeeper and accountant. Opposite the Court House. Books opened, closed, posted. Bills and accounts made out. Bookkeeping in all its varied branches taught individually or in classes." (3 pp 45)

"David Franks Conveyance and Accountant No. 66 Broadway begs leave to return his sincere thanks to his friends and the public and hopes the cheapness of the following will continue him their favors." (3 pp 44)

Accounting as a profession has undergone great changes throughout the world during the last hundred years. The growth of the profession of public accounting is one of the outstanding phenomena of the 20th Century. The great American philosopher, Ralph Waldo Emerson once wrote that, "the use of history is to give value to the present hour and its duty." (5 pp 258) The history of the accounting profession, from its genesis to the present time, gives outstanding proof of the soundness of this proposition. In this history, the fact of great growth, while impressive, is of much less significance than an understanding of the forces that gave the profession momentum and brought it to its present size and nature. (4 pp 17)

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In the United States, the profession as such did not exist much before 1880. The above advertisements indicate the type and the functions of the public accountants in the United States during the second half of the nineteenth century. Prior to that time the public accountant was primarily a bookkeeper who made his service available to the public. His main function was to check the arithmetic and the accuracy of the accounting records and to ascertain that all recorded receipts and payments were reflected in the correct ledger accounts. At the time when businesses were small, privately owned, and owner managed, public interest was generally lacking, and the public accountant received his limited responsibility as to satisfy the client. In so far as his work included auditing, his major function was to assure his employer that there had been no fraud. Responsibility to third persons was not emphasized.

The birth and growth of the accounting profession in Turkey is similar to the above described history. But, it is quite a clearly observed fact that this stage in the development of the profession cannot be considered as "history" in a developing country, such as Turkey. Turkey is undergoing a period in which the concepts of westernization and modernization in their broadest aspects are still argued and tried to be defined. Parallel to the economic development, business tends to become more modernized and more productive units. Therefore, the above stage of accounting is rather the "present" in Turkey with little modifications and with better literature and knowledge on the part of businessmen. The concept of the responsibility to the third parties is

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considered so far as the management philosophy is concerned.

About a hundred years ago, legislation for the protection of the investing public was enacted in England which required an audit of public companies by some one not associated with the management. At first, such audits were made by stockholders, but it soon made itself felt that knowledge and experience in accounting were necessary; and gradually from among those who possessed the accounting qualifications, there emerged in the United States and elsewhere, a group who undertook such work and responsibility as a separate occupation. This is the climate into which the profession was born. (3 Chp. I)

There must be fundamental significance to an expansion of such extent and rapidity, in the demands upon a new profession. What forces account for its spectacular expansion in a little more than a half century until its size increased to one hundred and fifty times its proportions in 1900? (3 Chp. I) Has society merely found it necessary to introduce a new type of police force to discipline its economic activities? The expansion in scope of the profession's functions, and the extent of its contributions to business progress in the last fifty years, which was to a desirable extent recognized by the general public. Public accounting means auditing to the general public and, in turn, auditing implies a policiny operation.

In broad terms, economic forces have developed the profession in a rapid pace because the last half century has been a dynamic period. Since 1900, the forces created by the industrial and social revolution have brought the profession to its present

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standing - and these same forces provide the challenge that it will face in the years ahead. Three highly significant trends have brought about the increased importance of accounting since 1900. (3 Chp. II)

1. The great expansion of industrial activity, based largely upon the products of scientific research, with widespread ownership of large corporate enterprises and with greater demands on accounting for financial control.

2. The increase of government influence in the affairs of business, especially through taxation and regulation.

3. The search for increased productivity in industry, through the development of mass production systems, with emphasis on cost control and efficiency. (5 pp 7)

The early practice of public accounting was largely confined to detailed audits of records and investigations where detection of fraud was a major objective. New types of work have been added to the practice of public accounting, including tax services, the design and installation of accounting systems and procedures, efficiency and administrative sum up, engagements in connection with business regulation, business mergers, consolidations, reorganizations, and many other activities relating to financial, production and organizational problems of business concerns and governmental units. In addition, the interest of the creditors, stockholders, the public and government in the affairs of business have created demands for independent audits and unbiased financial measurements and reports. (5 Chp. II)

But this is not the ultimate. There are more milestones

ahead, even though their shapes are not yet clear. The widening road leads into a long and distant horizon, far beyond view.

The Qualifications of Public Accounting:

"The typical auditor is a man past middle age, spare, wrinkled, intelligent, cold, passive, non-committal, with eyes like a codfish, polite in contact, but, at the same time, unresponsive, calm and damnably composed as a concrete post or a plaster of Paris cast, a human petrification with a heart of feldspar and without charm of the friendly germ, minus bowels, passion or a sense of humor. Happily, they never reproduce and all of them finally go to Hell." (5 pp 9)

Certified Public Accountant (Yeminli Hesap Uzmanı) is a professional title which describes a member of the profession of public accounting. But, Certified Public Accountant is more than a title; it is a precise definition of a man's experience, competence, integrity and professional responsibility in the complex profession of public accounting. To be certified, an accountant must demonstrate his ability passing a comprehensive written examination and he must meet education and experience requirements of the jurisdiction which grants the certificate. (5 Chp. II)

Professional training for public accounting is primarily dependent upon the formal educational process which facilitates a logical discussion of preparation for professional practice into two distinct parts, one to be accomplished through the formal educational process prior to admission, and the other through

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practical experience acquired subsequent to admission.

The accountant's possibilities for success are enhanced greatly if he has received a C.P.A. certificate and can practice as a certified public accountant. There is general agreement also that a 4-year college course with a major in accounting and studies in related fields is extremely important. Many accountants without a college degree have established practice, just as many lawyers still practicing obtained their training by "reading Law" as an apprentice with a law firm. However, the problems confronting the accountant increasing in the complexity, are making it more difficult for him to render competent service without a sound basic education. (5, Chp.II)

Also, the accounting concepts and procedures have shown continuous development over a period of years. Since tax laws and interpretations change constantly and since much of the business of the new practice will grow out of income tax return preparation, as much time as possible should be devoted to the continuing study of income tax regulations. The accountant who wishes to progress never finishes his education.

The a priori practical experience in the field of public accounting is an absolute necessity for anyone planning to start a practice. The accountants should at least have the amount of necessary experience that would result in his promotion to the position of senior accountant. A good measure of the amount of experience is whether or not the accountant has had complete charge of numerous engagements of reasonably substantial size. A second important factor as to experience is diversification.

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The accountant will find that he will be dealing with widely varying kinds of business. Therefore, he should have participated in the accounting service for many types of businesses.

In the conduct of his professional practice, he is guided by a high sense of responsibility to the public, as well as to his clients, and he is bound by a rigid code of ethics which the profession imposes upon its members. (2 Chp. I)

This code of professional ethics, or rules of conduct is a formal statement. It deals with five types of responsibility as follows:

1. Relations with clients and public.
2. Technical standards.
3. Promotional practices.
4. Operating practices.
5. Relations with fellow members. (18 Chp. 1,2,3)

Acceptance of the responsibility inherent in these rules is essential to ensure a proper professional attitude, maintain the confidence of the client and promote the confidence of third parties. The certified public accountant must have not only the confidence of those who become his clients, but also the confidence of those who must rely on his reports.

The most important function a certified public accountant performs in our economic life today is the part he plays in the maintenance of mutual confidence which is necessary in the financial relationships among the various groups of our modern society. Such relationships may be between management and its employees, between management and stockholders, between borrowers and lenders,

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between investors and prospective investors, between business and consumers, between business and government, or between business and the public. Whatever the relationship, the certified public accountant makes a vital contribution in meeting the need for an independent, impartial and expert opinion of the financial representation of business management. He has a unique contribution and he bears a unique responsibility. (2 Chp. 1)

Independence has been one of the most important attributes of the public accounting profession. Unless the auditor is entirely objective in his work - seeking all the facts and presenting them with judicial impartiality - the public will lose confidence in his opinion, and the profession's stature will decline.

Independence has two meanings to the certified public accountant.

(7) First, in the sense of not being subordinate, it means an aspect of integrity which enables him to accept responsibility for an impartial and unbiased examination and report thereon. Second, independence means avoiding any relationships which may impair the public's acceptance of his objectivity in examining and reporting on his client's financial representations.

Professional qualifications for certified public accountants include competence, responsibility, and a professional attitude.

Competence means mastery of the fields of accounting and auditing, and is acquired through formal education and through experience in public accounting practice. (2 Chp. 1)

In the field of auditing, the accounting profession has especially undertaken the applicable standards of competence and workmanship. The same obligation of professional competence in auditing

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work applies also to work undertaken in all other areas of practice including the handling of income tax matters, accounting systems installations, the broad field of business counseling and all other services. Responsibility embraces the ideas of integrity and independence. The public accountant, in his capacity as a professional man assumes the responsibilities and obligations general to all professions. He also undertakes certain social, ethical and legal obligations arising specifically from the unique character of his work in relation to the public. Public confidence is the primary justification for the services of a certified public accountant. In a technical sense, the certified public accountant sells his services; in a more philosophical sense, he sells his reputation. His services are demanded by users of financial data because of the reliability which the professional accountant contributes to the financial statements through his professional opinion.

The profession of certified public accountant is a self-regulating profession. Each member of the profession has to appraise the significant value of performing the functions of the profession within the boundaries of its code of ethics - its Rules of Professional Conduct - set up by its organizational institutions, like the American Institute of Certified Public Accountants (AICPA). Rules of ethics and conduct are written into the laws, governing the practice of public accounting. The regulation of the profession is a two sided mechanism. One side is that each member has to try to keep the standards of the services asked from the profession up to the required levels in order to maintain the survival

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of the profession and himself. Second, the association enforces the regulation to maintain the privileges and the prestige of the profession within the country for the survival of the profession and itself as an independent body.

Finally, it may be said that three elements must be present in a man before he can be called a professional accountant:

1. Special knowledge and appropriate skill
2. Moral and economic independence
3. Recognition of an inherent public interest (5 Chp. II)

It is every certified public accountant's solemn obligation, then, to promote public confidence in the profession and create harmony and understanding among its members. When this ingredient is present, the profession will gain significance. When lacking, the profession will falter.

Services of Certified Public Accountants:

"It is to our advantage that high-standard accounting services be extended as far down the scale of business size as we can manage to do so, while still maintaining adequate levels of professional compensation. The further they are extended the greater the influence of the accountant, the greater the public acceptance and support of the accountant, and the greater the area in which he may find work for himself." (5 Chp. III)

The services performed by certified public accountants are basically divided into four groups:

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1. Those which are substantially of an auditing nature.
2. Those which involve principally accounting work.
3. Those pertaining to income taxes.
4. Special services. (5 Chp. III)

All four types of services are closely interrelated, and often rendered in the same engagement. The classification which follows should not be interpreted as imposing any limitation upon the free operation of clients' wishes regarding the services to be performed. In many instances, the services desired by a client will not fit precisely into the classes presented, and the certified public accountant must abide by his clients' wishes in that respect. The exact nature of the services to be performed in any engagement must be determined specifically for that engagement by the parties concerned. Once an agreement is reached, it is frequently set forth in writing, to eliminate misunderstandings regarding the scope of the work, its cost, or the responsibility of the certified public accountant. If the services are to be performed at the instance of some person or group other than the company - for example, a prospective purchaser or investor, an interested stockholder, a trustee in bankruptcy, or petitioning creditors, or some investigating committee - it is important that there be no questions on the persons authorizing the work regarding who is to pay for the work both for and to the company, whose accounts are to be done.

Auditing Services:

Management, stockholders, bankers, government agencies and others to whom financial data is submitted frequently, require the

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report of a certified public accountant. In many cases, the report is based upon an audit or examination of the submitted financial data.

The financial examination type of audit is the most widely recognized accounting service performed, for reports both to stockholders and for credit and management purposes. Its objective is the expression of an opinion as to the fairness with which the statements of a business presents its financial position at a specified date and the results of its operation for an indicated period in conformity with the generally accepted accounting principles consistently applied. It is based upon tests of records, and inspection and confirmation of selected transactions. (2 Chp.1)

In general, a financial examination covers:

1. A general review of the accounts and records, and comparison of the figures shown on the statements with the sources from which they are drawn.
2. A review of the internal control system and of the accounting principles.
3. Independent sampling of the existence and money amounts of assets.
4. Application of various audit tests to determine so far as reasonably possible that all liabilities are reflected in the balance sheet in actual or approximate amount and that they are appropriately stated.
5. Analyses, tests, and over-all review of the income and expense amounts with respect to internal control.

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6. Test procedures designed to determine the authenticity and general reliability of the financial statements, prepared from the accounts, including adequacy of headings, notes, etc. (5 Chp. I)

A financial examination is designed to satisfy the certified public accountant as to the general fairness of the financial statements. It is not primarily designed to disclose defalcations and other similar irregularities. The extent of the testing is decided by the certified public accountant, in the light of his independent judgement as to the requirement to constitute a fair sampling of the records being tested. (2 Chp. I)

The audit report on a financial examination usually consists of a balance sheet and statement of income and surplus, together with a concise statement of the scope of the audit and the certified public accountant's opinion as to the fairness of the financial statements. This concise statement is usually referred to as the short-form accountant's report or certificate.

Frequently, the certified public accountant submits a more detailed report. In addition to presenting the usual financial statements and opinion thereon, he may outline the audit work performed, comment at some length on the organization's financial position and operations, and present schedules showing details of various accounts or other information considered useful to the management of the business. This is usually called a long-form report.

An audit of details, like a financial examination, also has, as its objective, the expression of an opinion on the fairness with which the financial statement present the financial position

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and results of operations of a business. However, an audit of details is more comprehensive than a financial examination in that it contemplates an extensive examination of the details of the books of account (including subsiding records, and supporting vouchers) for a period of time. Some minor testing may be employed but it must be sufficiently exhaustive to satisfy the certified public accountant as to the details.

Accounting Services:

Although the auditing types of services are usually considered as the primary function of a certified public accountant, he is frequently called upon to render services in which the emphasis is on accounting work. This type of service constitutes a very large proportion of the certified public accountant's practices.

Certified public accountants are sometimes engaged to prepare and record routine bookkeeping entries. More often, however, they are called upon to perform more technical accounting duties, such as adjusting the books to reflect good accounting practice with regard to appointments and deferred items and the preparation of opening and closing entries.

Many certified public accountants are frequently called upon to prepare financial statements from the client's books or other records without audit. In performing this service, they are acting more as expert accountants than as auditors. The statements are intended only for management purposes.

If the accountant submits a report in connection with statements prepared from the books or other records without audit, the report should state clearly that he is not in a position to express

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an opinion on the statements.

The certified public accountant renders system services for companies in order to make their accounting departments more efficient. System services may cover:

1. General accounting systems:
 - a. Conducting surveys
 - b. Devising and installing systems of account and reporting
2. Cost systems:
 - a. Conducting surveys
 - b. Devising and installing cost finding and reporting systems

Budgetary Services:

Budgetary services may consist of investigation and survey work assisting in preparing budgets, designing budget procedures and offering counsel with reference to budget policies and procedures.

Tax Services:

Tax services have become a very important function of the certified public accountant during the recent years. Taxes have not only become more complex, but, because of the high rates, they have become more difficult to pay. The tax expense usually equals about half of the company's entire net income.

Tax services consist of preparing and reviewing tax returns, dealing with proposed assessments and presenting tax returns before tax officials, board and courts, preparing or rendering

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opinions on past and prospective tax matters or transactions with tax implications or making special tax surveys or examinations.

Special Services:

The certified public accountant is often in a position to render special services to his clients.

Investigation of Specific Matters:

Such investigations comprehend examinations of one or more specific features of a business, and may be undertaken in connection with such matters as suspected fraud; disputes regarding payments of royalties, the reason for increasing or decreasing profits; financial policies, adequacy of internal control, measurement of contract obligation, insolvency, bankruptcy, determination from an accounting viewpoint of the possible extent of civil liability and other financial and administrative matters.

In each case, the accountant's instructions from his client should be specific as to the objective of the investigation. The scope of cash investigation is determined by its objective and the extent to which the certified public accountant considers it necessary to go in order to accomplish the objective.

The certified public accountant's findings in an investigation are usually communicated to the client in the form of a detailed report.

Miscellaneous Services:

This class includes services not comprehended in the foregoing classes. It includes such services as acting as the advocate in

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the arbitration of commercial disputes, as umpire in accounting controversies involving accountants or clients, giving testimony as an expert, witness in court and cases of arbitration, interpreting financial data, instructing bookkeepers, checking statements, consulting and advising on accounting and financial matters and other appropriate financial and statistical activities.

The certified public accountant's report in each case should include an accurate description of the work undertaken.

(7 Chps. II, III)

Establishment of the Profession:

One of the most significant features of the growth of the profession has been the increasing awareness of the need for the services of certified public accountants by the managements of small businesses. There are numerous factors which have brought this trend about and which will assure its continuance. First, the growing complexity of tax laws is causing not only managers and owners of small businesses, but also many individuals to realize their need for competent advice. Now, many professional men and many employers are potential users of the services of the certified public accountant. Second, bankers and other credit executives are requiring more frequently, from both businessmen and individuals, financial statements that have been verified independently. Third, the operation of even a small business is becoming more and more complex, and management is seeking increasingly the assistance that can be provided by public accountants. Fourth, the accountants practicing alone or in small offices are

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taking the initiative in bringing to the attention of the managements of small business the many ways in which the certified public accountant can be of valuable service.

The natural result has been that many new accounting practices are being established successfully to serve clients other than large national corporations. The period 1950-1965 is recognized as the one in which the certified public accountant has been acclaimed as a professional man such as lawyers and doctors. In this decade, much attention was paid to the accountants' educational and experiential standards. In today's understanding, an accountant is more than a person who works for some one. He is liable to think and act in terms of the interests of several parties.

As a matter of fact, the role of the accountant is realized better if we consider his detailed functions between the:

- a. Entrepreneur and top management
- b. The employer and the employees
- c. The enterprise and creditors
- d. Government offices and the tax payers

The only person who can correctly determine the responsibility of each party is the accountant. In reality, the overall function of the accountant is between all those people who are related somehow to business. A specific service, in general, will be useful to all parties concerned with that aspect of the business. We cannot strictly say that an accounting service has only one specific purpose; while accomplishing the main purpose, various indirect goals are worked out by which certain considerations of

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different parties are met. Accounting is the basic tool of communication in the business life.

In order to keep up with the growth and expansion of the business, accounting as a science had to be developed. The accounting methods and the principles have constantly been revised and developed to meet the demand. The existence of the profession solely depends on the requirements of business life. There are moral phases of the business life which have changed up to the 20th Century and created a more powerful need for accounting in order to be successful and become a going concern. Now, let us discuss the main aspects which brought this demand.

The first change was the establishment of the corporate type of business. Following the industrial revolution, the new inventions and innovations have greatly affected the industrial world. Parallel to this, the improvement of transportation, growing world population, developing social relations have influenced both the pattern of life and the number of the human needs. In effect, it can easily be said that all commercial and industrial activities have considerably increased. The 20th Century is a unique one in this respect.

Only can the right kind of supply at the right time meet the demand that has increased. A great competition has developed not only among the producing countries, but also among individual producers as well. Today, it is no longer possible for any proprietor to manage all his business effectively by himself. One man cannot take care of all the problems of a business firm, although he may be very competent. In lieu of such firms, the

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corporate type of company which combines the capital of various investors is becoming more and more popular.

For this reason, it is relatively safe to name the 20th Century as the "Century of the Corporations". The development of the countries more or less hinges on the number of the successful corporations. All these corporations are the convergence of interests. The investor naturally hopes a return on his money; the lending institution asks for interests; the employees who are selling their efforts expect a salary; entrepreneur is after profit and, finally, State taxes the company income. To meet all these interests, the transactions and activities of the companies must be based on verifiable documents, accounts, and entries right from the beginning of the corporation to the end. The overall need for keeping a close track of all the activities in a firm, makes the role of sound accounting extremely essential. The nature of all these interests of various parties is at the root of the indispensability of modern accounting.

The corporations are the type of companies by which capital is raised easily. The sale of the securities in the capital market is one of the most economic and financial activities in developed countries. The special nature of the corporations has created "management accounting" which leads to "the decision making" aspect of the business. The financial control of the business depends solely on the accounting information specially prepared for the management: Starting from the preparation of basic financial statements, namely the Balance Sheet and Income Statement, and following all the other detailed statements and

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schedules. Each information put on a financial statement is assumed to be used in a decision making problem. Therefore, all information submitted to the upper levels of the management has to be uniform and concise. Second and more important, is that the information submitted must be correct. The management accounting leads to responsibility accounting. This responsibility assigned throughout the levels of the management is very important. It has two phases which we have to consider here. First, the source of the information from which any statement is prepared must be correct and fit to the accounting principles. The evaluations and estimations that are computed must be based on sound basis. The people who prepare this information have the responsibility of providing reliable data. Second, for the control purpose, the management wants to detect the troubles in the company; so that it can take corrective actions to avoid the bottlenecks in the business unit. If there is any departure from the normal course of transactions as far as the absolute or relative figures are concerned, the management can hold the authorized person responsible for that information. Modern accounting has devised certain tools to provide a mechanism which would accomplish this goal of the management. One of the basic and most important is the Internal Control. It is one of the most significant and fundamental developments in the field of auditing. This development is relatively new, as far as the history of auditing is concerned; however, it represents an important and recent trend and exerts such a direct bearing on the auditing process of the public accountant that is essential to understand its potential

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values. Internal control as a modern concept may be said to be the foundation upon which auditing procedures rest. It is the auditor's evaluation of the degree of internal control present which largely determines the nature and amount of auditing procedure to be performed. Internal control today is as vitally important to the public accountant as it is to the controller and the internal auditor. In a big company, the reliability and accuracy of reports to management, stockholders and public authorities is almost entirely dependent on the adequacy of the company's internal control. To a large extent, the auditing procedures of the internal auditor and the public accountant are dependent on the degree of internal control present in the company. The installment of the internal control is one of the functions of the profession demanded by the management of the corporations, as its significance revealed above. The design of the accounting system to provide efficiency in the operations of the business units is a large volume of work for the profession and it is a great part of the aggregate demand.

The next important function of the profession relating to the corporation is the auditing of the financial statements. This is called the "attest" function. The demand for this device has its own characteristics in certain ways. This is a requirement asked by the legal authorities in every country to some extent. The demand for such a service has two considerations: First, it is a "must" requirement; second, it is the responsibility of the management to stockholders, creditors and other third parties for the substantial accuracy and reliability of the financial statements.

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Both of these considerations lead us to the operations in the capital market. The securities of the corporations are bought and sold in the market. This is the way to raise capital for the corporate type of business. The corporations and the capital market cannot be separated. They are established, grown and live together anywhere in the world. Capital market is what attracts the investors to purchase the securities, because the capital market by itself is a separate business beside the corporations. The people who participate in the operations of the capital market are mainly the stockholders of the corporations. The corporations expand and get to be more powerful through the volume of their securities sold and bought in the capital market. But, in order to be able to sell those securities, especially stocks, reliable information must be submitted to the public. In the meantime, government requests this information; otherwise, they do not let the stocks of the corporations which did not submit those approved financial information, to be sold on the market. There are certain control considerations of government in asking for such statements like income tax computation, unfair competition, expansion.

The buyers of these securities have certain motives behind their purchases. One of the most important is the profit motive. The investor thinks in terms of speculative notion; therefore, it is a risky business. They try to make a profit by the rise in the value of securities. The other consideration is to receive annual dividends and get a rate of return of the investment. Therefore, in order to make good investments, the public depends and relies on the financial information presented to them in the financial

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statements which are approved by the Certified Public Accountant.

The accountant has to make a reasonable examination of the client's financial statements to arrive at an expression of opinion. He must state his opinion clearly in the report attached to the statements and enlighten the investors about the business of the corporations.

A material income of the certified public accountant has been partly from the tax work done for the companies. Determination of the income tax is a vital point for the companies. A great part of the demand for the profession occurs due to the increasing volume of tax work involved in the operations of the business. Most of the accounting engagements do rise from tax return preparation. The computation of the income tax mainly, and other taxes with the filling income tax and other tax returns, create a huge volume of work for the profession. The main characteristic of this function of the certified public accountant is the tax work being a requirement of the government. The businessmen have to submit their annual income and the amount of tax that they are going to pay to the Revenue Agent. The tax collection mechanism differs from country to country, but, the basic concepts are almost same all over the world. One consideration in any system is to minimize the tax evasion. Beside this consideration, there are certain problems in the mechanism. One of them is how to make the payment smoothly and easily; the second, how to collect it cheaply and efficiently. The profession of public accounting has done a lot towards the accomplishment of these goals by providing the necessary honesty and knowledge with a uniform methodology.

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Today, a certain portion of the certified public accountants do only tax work, and they are called the tax specialists and not considered a C.P.A. any more. Beside the accounting aspects of the tax work, there are the legal aspects which involve the relations between the businessmen and the courts. The constantly changing tax laws and their complexity require the emergence of these tax specialists to devote their time only to this service to satisfy the demand of the businessmen.

The credit mechanism is the heart of the business life today. Most of the transactions are done on credit basis. The funds and capital for financing the various projects and programs are acquired on short-term or long-term credits. Borrowed capital is one of the main accounts in the balance sheet. The credit mechanism involves both the firms and the financial institutions, mainly the banks. The banking system in the developed countries gives great emphasis to the credit policy. Most of the banks suffer from a poor credit policy and go bankrupt. Therefore, the basis on which a credit mechanism is built is very important both for firms and banks. Today, it is believed that reliable information is the sound basis for extending a credit. Certified Public Accountants have also fulfilled this demand by providing the correct information to the third parties. The informative disclosures approved by the C.P.A. on the financial statements testify the correctness of the financial condition of the firms. The amount of credit extended, how efficiently the funds from the loans are going to be used, and the risk factor in collecting the loans as well as the profits, are all judged on the assumption that the

information is correct without any question. Interest is the profit of the financial institutions. When the risk is great in getting the loan back, the interest rate is high and the reverse is true when the risk is low. Therefore, it is to the benefit of the firms to pay less interest and find easy credit. The function of the C.P.A. profession in providing the tools of submitting the correct data helps both parties in deciding on their credit policies.

Compensation of the Profession:

The certified public accounting profession had responded to the demand in certain ways. The profession had gradually developed and achieved its present status. It has diversified and specialized in almost every field concerning accounting and finance and organized itself as business units in the form of partnerships. It has created regulating bodies and established a self-control, so that it is by now accepted as a licensed profession. However profound their philosophy of public responsibility may be, it is not to be expected that public accountants should not grasp the idea of working for profit. "Art for art's sake" is too much to expect, when personal standards of living are at stake. Therefore, it is assumed without much risk that every Certified Public Accountant works with the hope of financial success. The contribution of the profession to the overall business deserves this financial success. The value added concept holds true in the activities of the profession. The value added by the work of the accountant

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to a business unit must be compensated in terms of the gains to be anticipated in the future.

The general basis for the fixing of all profession fees is the value of the service rendered to the client. This is a simple rule but difficult to apply to accounting engagements. It is affected, as between engagements, by the relative and varying importance of the several factors which must be considered. Staff time given to the work is always significant, but it is rarely, if ever, the only determinant. Usually there is one or more vital features such as technical importance of the work, unusual amounts of overhead involved, and so on. Nine basic factors are considered in setting fees in the customary order of their importance, as follows:

1. Staff time devoted to the work;
2. Technical importance of the work and the extent of the responsibility assumed;
3. Value of the services to the client;
4. Difficulty of the engagement;
5. Skill and experience of the principal or firm;
6. Special considerations, in the case of a new client;
7. Size and character of the community;
8. Relation of the engagement to the utilization of the staff;
9. Unusual amounts of overhead caused by the engagement.

(5 Chp. XII)

It is not necessary to consider each factor every time a firm sets a fee. Some are fixed rather definitely with respect to all fees of a given firm. Because of such variables, a fee fixed for

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one engagement may differ from the other, though these two engagements might appear to be almost identical to the uninformed.

However, there are standards, established through general application in practice, which may be used as guides in setting fees for accounting services.

There are several reasons in the willingness of the businessmen to accept and pay for the services, beside the value added contribution concept. It hardly needs repeating that a positive confidential relationship between the accountant and client is essential. It involves considerably more than keeping knowledge of a client's affairs from coming through the accountant, directly or indirectly, to the attention of outsiders. This is one of the greatest and most valuable assets of the profession made accepted to stand side by side with the businessmen.

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III. ACCOUNTING IN TURKEY

The Present Conditions of the Profession in Turkey:

It is difficult to define the Accounting Profession practiced in Turkey in a conceptual way, in which we can clearly point out the functions, standards and the type of people involved in. The profession of accountancy has not yet developed in Turkey, and, parallel to this, it is not organized and institutionalized as a uniform licensed profession. There is no concept of accounting as an independent profession in the minds of people as the profession of doctors, lawyers, etc. It is a primitive profession to which people give a dubious look. There are several reasons for this outlook. One of them is that, the structure of the existing profession has so many diversifications and complexities as far as the placement of certain people in a variety of offices and bureaus under so many various titles. Second, is the general comprehension of the profession by the businessmen and the people, not in the modern sense, but just as a bookkeeper or a clerk, who knows how to write and read plus with a little bit of accounting knowledge.

Following the declaration of republic as a new form of government, accountant-clerks were first employed by the newly established state-owned enterprises, banks and other state-owned institutions. The job of these personnel were simple, and it was not their responsibility to prepare financial statements. Following

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the passage of several laws, which made the hiring of accountants obligatory in the organizations, interest was shown in the accounting courses of Colleges and Universities. The laws enacted were, The Turkish Code of Commerce, Dividends and Income Bill, Procedural and Revenue Bill, and Law of Corporation Taxes. In other words, it can safely be said that accounting in Turkey gained importance as a result of various laws. With the enacted laws, the businessmen were obliged to keep books. An auditing department was set up in the Ministry of Finance called the "Tax Auditors". "Tax Auditors" check and control the methods of income determination and accounting practices. To this end, "Accounting Experts" and "Auditors" were trained and asked to keep in close contact with all the enterprises. This was never accomplished, and the present facts reveal that it is not going to be accomplished for a number of years in the future. Only 2-3% of the tax return are checked today. However, after so many legal developments enforced by the government, and modernization by the internal forces, the Ministry of Finance and the "Tax Collection and Revenue Agency" (Vergi Dairesi), have the best quality of accountants with high standards, at the present. This is also somewhat partly due to the so many functions and duties assigned them. Also, the characteristics of the Turkish economy, mainly composed of state enterprises and government being the pioneer almost in every sector, made the accountants working in the government bureaus equipped with a great deal of knowledge of accounting and finance.

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The Turkish word for "Accountant" (Muhasip), at the present, does not identify the qualified young men in Turkish business life. It is also true that the word accountant does not reflect the real functions and importance of accountants in the organization of a business enterprise. In effect, most of the personnel employed in both public and private sectors chose titles with more significance, to introduce themselves to the business world in a more reputable manner, like "Free Expert Accountant" (Serbest Hesap Mütahassısı), "Expert Accountant" (Eksper Muhasip), "Financial Advisor" (Mali Müşavir), and "Tax Advisor" (Vergi Müşaviri).

Yet, the organization and staffing of the accounting departments are solely made by the arbitrary decisions of the owner or the employer. There is no regulation or bill to govern the organization of the accounting department. It is a haphazard matter and can only be solved if the accountants are competent. The accounting departments of enterprises, which are in the same line, considerably differ from each other. They do different types of work and the degree of responsibility given to them are also different.

There is no law of any kind to restrict the admission of the unqualified and non-eligible to the profession. To hold any responsible positions, to have titles of any kind, are permitted. Anybody can come out with the most expressive and impressive title, and practice accounting at his will. Unfortunately, it has been recognized and witnessed due to the negligence of the owners, that almost always, the inefficient and unproductive personnel who are relatives of the friends of the owner are employed in the accounting

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departments. It is quite necessary not to have the employees of this type in the accounting department, on the account that such personnel cause inefficiency and relatively more harm in accounting departments than in any other department. Unfortunately, the owner or the top management never come to recognize the fundamental importance of accounting.

In Turkey, the accountants are largely employed on the basis of the owners' suggestion or on the basis of a recommendation letter. In fact, it is almost always the case that a company hires an accountant either after a short interview or even without.

The public and private sectors should be distinguished a little and discussed separately, on this issue. If possible, it is very hard to consider all the personnel in public sector who practice the old-fashioned static accounting, as accountants. What they do is a "cliché" and does not have any relation whatsoever to the modern accounting concepts. In the economic state enterprises (Devlet İktisadi Teşekkülleri), seniority is taken into consideration in hiring, promoting or transferring an employer. Professional background, education and training gains more importance in these institutions. However, this patronage system is inefficient and the methods of work are unproductive. The lack of the profit motive creates a suitable ground for the transfer of all inefficient and incapable personnel to the accounting departments in the industrial enterprise.

On the other hand, the private sector, in the last years, took up the delicate problem of hiring good accountants with more attention. Accountants with more experience in different fields

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and with more education, have been recently hired by the private sector, with relatively high salaries. But, this description solely defines the head of the accounting department; that is, the financial manager of the company. However, a large number of firms still have minimum standards required for hiring accountants. Those standards are unfortunately related to good penmanship and enough education which will provide an able mind to grasp the nature of business transactions not within the scope of accounting theory, but in a memorizing fashion. The standards of those people which are realized by the businessmen within the definitions of accounting are good enough to carry the simple daily work of the accounting department. Actually, what the employer looks for is not an accountant but a clerk (katip). Therefore, it is clearly understood that one of the objectives is to hire people who will do red-tape work with a low salary. These people are almost considered as unskilled workers of the accounting profession.

The third main group of accountants that is worth to mention here, is the group who work, in the market, in their own bureaus. They have their own business which can be defined as small accounting firms. They work under various titles and the scope of their work is much wider than the accountants employed by the public and private firms. They earn their income by providing certain accounting services, such as bookkeeping and designing accounting systems, tax work, for their clients. They have substantial revenue and anybody will be confident to say that they are the core of the profession, and the development of the profession will be built on them. Although what they do has nothing

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to do with the modern accounting concepts, the work they do is the same work explained in the earlier chapters of this paper. They are called upon by the clients and hired by them upon their own will. They are, to some extent, independent; but, within the scope of their work, they cooperate with their clients. They fulfill the need of the uneducated businessmen as far as the routine accounting work is required by the various business laws. These laws bring complexities and a lot of restrictions to the free market operations. Those accountants are the response of the profession to the growing demand for such services in Turkey.

The education of these people is also interesting to follow. You can find university graduates and primary school graduates working side by side on the same street under the same title. There is great difference in the type and the length of education which they had. There are lawyers, economists, political science majors, commercial school graduates and accounting majors. Since what they do most is procedural work, which is routine in nature, the expected quality of work proves to be on the same level. The main comparative advantage among these people arises from the years of experience they have had in this profession. The more years they have worked, the better they are known by the businessmen and acquire a good position in the market.

It is also interesting to note the working conditions of these people. Usually they work alone, and some of them have a considerable volume of work. It is too much for a single person. Then, one or two clerks who are usually lycée or freshman students in the colleges, are employed by them. The location of the offices

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and their physical conditions are poor, and most of them are single rooms in dark, shady basements, or at the roof of buildings. It is also interesting to note that they do not want to enlarge their firms and modernize their methods and working places. This is the impression that I got from the ones whom I interviewed.

Today, in our country, there are no laws prescribing the scope of the accounting and responsibilities and authorities of the accountants. In principle, the clauses of the contract signed by the employer and the accountant define the nature of the relationship. The rights and responsibilities of both parties, fees or financial compensations; the place where the accountant will carry on his work, the period in which the work will be covered, are all included. The contract prescribes the performance of the accounting function and the preparation of the balance sheet at the end of the accounting period.

The employer can give instructions of a very general type due to his lack of knowledge on accounting and tax practices in detail. All he asks for is to have his business activities in line with the laws and his records to be kept clearly. At the present, it is not possible to regard accountancy and income tax laws as two separate issues. The history shows that every development on income tax had affected and improved the accounting practices. It is perfectly possible to state that, in our country, accounting has developed not as a managerial tool, but as the outcome of fiscal policies.

It will be proper here to classify the accountants in Turkey again with regard to their practice:

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1. Assistant accountants (Muhasebe yardımcıları)
2. Tax and accounting experts (Vergi ve Muhasebe Mütahassısları)
3. Accountants (Muhasebeciler)

It is quite hard to make a clear distinction between the three types of accountants. Yet, special activities of each class helps us to make some distinctions among them.

The above description of the profession is rather pessimistic but, in the meantime, I observed a tendency toward growth and modernization, at least as a concept, but not yet in practice. The rate of growth in demand is increasing. The judgement of business problems in view of accounting is growing widely in the minds of businessmen. The role of accounting in modern management is recognized by the top managements of large enterprises relative to the level of Turkish economy. It is essential that modern accounting should be applied in Turkey if a high rate of development is aimed. The productivity and overall efficiency will increase, and, in effect, the entrepreneur's profit and taxable income will be more, which will directly increase the revenue of the government. The rate of response by the profession is not as high as the rate of demand. The need for the accounting practices in the modern and scientific sense in management is a recognized fact.

The Services Performed by the Profession in Turkey:

The profession of accounting practices a variety of services which can be considered to be within its field of scope as well as

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some services which are to some extent beyond its described functions. The profession, as a whole, consists of several individuals who practice without being legally licensed. The market in which the present profession carries out its activities will be described in the following paragraphs. The accountants perform some services at such a level which fulfill the need or demand for such services. The market conditions of accounting can be stated as in equilibrium in Turkey, as far as supply and demand are considered. The present level of work is far behind the level of the profession legally established in the modern sense. The services are so diversified or so unique that sometimes, a service provided comes under all of the captions listed above. (19 Y.Kovan) But, I am going to discuss them under the separate titles and group them as far as I can, to the extent that repetition will be avoided.

The attest function is almost non-existing in Turkey. (20 İ. Otar) We may conclude that the auditing and consulting functions are interrelated and cannot be defined separately. The overall picture of services that may be discussed under these headings is the same. The consulting job or function is an advisory function and enforces the companies to treat the accounting transactions properly and in conformity with the generally accepted accounting principles applied on a consistent basis and in conformity with the requirements of laws and regulations. That is presumably the auditing function in Turkey. The size of the firms in Turkey does not enable the management to afford an additional accountant to audit the accounting work of the accounting

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department. The size of the firm in Turkey can be said to be of medium size and requiring a capital less than 500,000 T.L. This implies also that these firms are not corporations, since the corporation law states the minimum amount of capital for corporations as 500,000 T.L. In almost all cases the head of the accounting department is also the auditor of the department both in the sense of auditor and controller.

The non-existence of the auditing function is also due to the lack of legal requirements which create such a function in other countries. There is no capital market organized and institutionalized to prohibit the sale of securities and to control the financial conditions of the firms requiring audited statements. There are not big and numerous corporations to facilitate the creation of a capital market. There is no legal requirement of auditing tax returns, or any requirement from the credit sources, like banks, as an audited statement when a loan is requested, to be submitted by the firms.

The auditing function is conducted once a year. It is required by the Corporation Law just before the annual meeting of the stock holders. Two auditors (Murakip) have to certify the statements, so that the information given to the stockholders is correct. This auditing function is no more than checking the mathematical calculations and approving the statements by just putting a signature on them. The examination of these statements is not made in accordance with the generally accepted auditing standards and, accordingly includes such tests of the accounting

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records and other auditing procedures. Those two auditors also need not be accountants of any kind. (26 Aysan)

The lack of the auditing function creates a vicious circle with development. The creation of this auditing function will certainly add to the development and efficiency of the firms. But, it cannot be created unless the economic development of the country reaches a certain level, and creates a demand for the attest function. Turkey can easily develop if sufficient capital is channeled correctly. (9 Aysan) Like in any other underdeveloped country, the economic development and the increase in net national income can only be realized if great amounts of capital is allocated to proper projects. Such investments should be made more by corporate type companies rather than by individuals. The financial resources to meet the requirements of such companies are available in Turkey, to some extent, if asked in the proper way. The formation of capital market, however, would enable the channeling of small savings to large and profitable investments. Thereby, in the long run, the standard of living would increase. One of the basic ways to secure confidence in public for corporations, is to assign competent personnel and establish a good system of internal control. Unless the accounting is organized in Turkey, it is not possible to have efficient administration and a good system of control. The training and education of accountants will lead to increased profits of the business, it will be appropriate to consider these economic reasons. This will certainly result at the organization of the accounting profession.

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Also, it is very common for business to distort the statements in asking for credit. The overall credit policy will be more sound if all these enterprises put an end to the practice of distorting statements. The creditors will extend loans more willingly if they know that statements are correct and consistent with good accounting practices. (23 Akersoy)

When the credit is involved, the consulting function, rather than auditing, may become significant. The level of consulting can be framed in terms of demand and supply. The accountants who give their opinions in judicial and administrative matters, should be more qualified and they should be people of very high integrity. Such a course of action will end abuses and irresponsible practices.

Our laws have very unflexible and difficult clauses that threaten the very existence of all types of business enterprises, especially corporations. These laws also do not indicate any responsible person whom these businesses may consult.

Most of the entrepreneurs have started from scratch. They are not professional managers. They have no idea about the modern concepts of economics, accounting and business administration. They are the owners of the firm. For this reason, they usually ask for the help of experts who practice with the most fancy titles. It is highly probably that these people do not have the necessary qualifications to answer the needs of such businessmen and they do not even give any guarantee of whatsoever. The entrepreneur is the one to pay for the harm brought out by the accountant. (20 Otar)

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Usually, the consultant hired by the companies is called "Mali Müşavir". They may do advisory service in all matters related to the financial conditions of the company. Sometimes, they do legal work too. The name of the legal consultant is "Hukuk Müşaviri". Usually, a single person who is equipped with the knowledge of both fields, accounting and law, performs these services. The main reason for such a combination is that most of the disputes and problems arise from the legal tax matters that need a knowledge of tax accounting and court procedures. Mali Müşavir audits the accounting programs and practices within the accounting cycle, gives opinion to the manager on financial matters, and recommends policies to the employer on tax disputes.

The audit done by the Mali Müşavir is different from an audit done by a C.P.A. First of all, he is not an independent outsider but an officer of the firm. The main job is to check whether the accounting of the firm is done in accordance with the laws, especially with Tax Procedural Law and the Commerce Law. They see whether the bookkeeping is done properly, and in the order requested by the inspectors of the Ministry of Finance. They check the preparation of the trial balance and the statements. They audit the accounts whether they are closed properly and the balances are correct. In the manufacturing, they check the costs and unit costs to see if they are calculated correctly. The most important accounts are the expense items. They check the invoices and bills and sometimes they do tests. They check whether the reserves and allowances are properly determined. (23 Akarsoy)

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Beside the general application of auditing and consulting functions, there are also some specific services that are carried on, that come under these captions. These are problems of the businessmen which often require a consultant and continuous check in their application. These problems have a domestic nature and pertain to the conditions and procedures of business in Turkey.

The first complexity in the procedures is the stamp requirement on the documents. These stamps are the official stamps of the government called "Damga Pulu". Those stamps are some kind of an indirect tax paid on the transactions. They have to be put on every legal document which may be any kind of ordinary petition or invoices, bills, any other paper such as drafts and bills of lading. The stamps are also put on every document of any business relation with banks and government offices. The amount of stamps, in Turkish Lira, that should be put on certain documents, is specifically stated in the Articles 355-366 of Taxes and Tax Procedural Law. The amount of tax which should be put on the document varies also with the amount of money in the transaction, which makes it more complex. The law is very complex as far as the explanation and specifications are concerned. It is also very precise as to the nature of the document and the transaction. Another complexity arises from the composition of the stamps on the papers. There are specifications as far as how many stamps from each set of values should be put. For example, 2 from 200 TL and 1 from 50 TL stamp for certain documents. It is a vast field of specialization which needs detailed knowledge. This is relevant

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to Turkey and it is not practiced in any other country to this extent. (22 Manukyan)

The next issue which mainly requires consulting is the accounting work that has to be done in recording the transactions into the accounts which they belong. We can separate this service into two parts. First is the follow-up procedure which may be called "auditing". It is simply to check whether the recording is done promptly or periodically at the right time to the "ledger accounts". The second one is rather an advisory function which shows how to treat the transactions into the accounts so that they will be in accordance with the generally accepted accounting principles. This complexity arises not from the dearth of accounting knowledge sufficient to handle transactions, but arises from the complexities of the business procedures and regulations, which are peculiar and originated due to a law or regulation established in recent years. This law is the new Turkish Commercial Law (Türk Ticaret Kanunu), established first of January 1957. An example to such a transaction will make our point more clear. The field of export-import accounting is growing today and becoming a specialized field in Turkey. The imports are restricted and a quote system is applied. The importers are licensed in the country, or a license is owned as an ordinary importer. Now, due to this license procedure, a market is developed in which this license can be sold or rented for a certain period of time. Now, how shall we treat the transactions on this asset? If we make a profit in the sale, how shall we record it? The more important is, how shall we determine a profit or a loss on this type of transaction,

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where the market price is the determinant, without any cost of acquiring this asset. The cost is immaterial with respect to the benefits from it. As an additional complexity, the payments on the purchase of such a license is made in installments and according to the sales of the imports. There are some accruals or pre-payment and some allocation problems. Solutions for such problems are not yet found. The treatment of such transactions varies.

(22 Manukyan)

Another example will be the procedures in filling the tax returns. The problem is not the form, but how many tax returns will be submitted if a person works in more than one place and also has a shop. A person may have more than one business; then, which one will be the normal operations? This is a complex problem. Will he have to classify the deductions in the payroll as an expense item? Under which expense caption will it be recorded? To classify them as an expense is another problem, and show the payroll net out of the expenses in the form of deductions. One of them is the deductions of saving bonds (Tasarruf Bonosu).

(22 Manukyan)

The following issues are the workers' insurance problems. The labor relations is a recent subject in Turkey, and it is in its infancy stage. Actually, there is no authority on this subject at the moment to show the methods to deal with these new labor problems not only accounting-wise, but also managerial-wise. The concept of workers' rights is a very popular and a fast growing subject, which necessitates a special field to be established, and requires more emphasis to be put on. A huge job will eventually

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confront the future C.P.A. in Turkey. Today, a great demand for solutions exists for the problems gradually showing up. The management of many companies had faced a variety of labor disputes already, resulting in strikes. Parallel to these movements, insurance is becoming a complex problem and a material item on the financial statements. Workmen's compensation benefits are provided through insurance. Employers pay for such benefits by their purchase of insurance. Premiums are based on several rates. One of the complexities is the computation of the amounts based on several rates according to several headings on the work sheets of payroll. From five to fifteen different computations and deductions are made on the payroll. The calculation and recording phase creates a special knowledge of this issue. Recently, the employers had faced this type of work with which they are not familiar, and the work by its own nature involves a complex procedure. The treatment of the compensation and its determination with their recording is also a procedure which needs specialization.

(22 Manukyan)

Other issues which are often dealt with are, providing financial information to outsiders for certain investment projects and credits. This was discussed above to some extent. Other issues are the mergers, or purchase of the firms, and the establishment of parent and subsidiary relationships. Another issue is the security of the capital of the partners or stockholders, and the control of the surplus account in the balance sheet. Usually this function is carried on when one of the partners

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hires an accountant to control the other partners, due to mistrust among them. Another issue which is pertinent to the corporations, is the determination of the book value of the shares, and informing the shareholders.

The next type of service is the tax work done by the accountants at the present. The tax work makes up quite a portion of the accountant's work, and most of their income comes from this type of work. There are several aspects of this tax work. The main job is the income tax determinations. This is done twice a year. First, it is determined and then, a recalculation is done at the end of the year. The tax of the year is realized in the next year and paid from the income of the next period. The tax work involves the preparation of the tax returns, and the determination of the income. (26 Aysan) In the determination of the income, the real problem comes up, in the evaluation of several items on the basis of estimations. One of the most important points is the inventory valuation. Another source of mistake is the indication of the expense items according to the acceptance of the law as to their nature. Both of these accounting procedures had to be unintentional tax evasions. The businessmen are ignorant of the accounting knowledge and need help on these matters. The next topic in the tax work is the legal problems which arise often between the taxpayer and the tax authorities. This is done usually by the consultants of the firms and it is mentioned above. (22 Manukyan)

The bookkeeping function of the accountants is the greatest volume of work performed in the market. 60% to 70% of their work

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is bookkeeping. This type of work comes from the small individual proprietorships who operate in shops as business units. They cannot afford to employ an accountant, and usually hire part-time accountants to keep the books up to date. A few of these traders keep their own books. Most of them do not know how to keep books, and a lot of them are so busy in their shops or offices that they cannot find time to do this.

There are two types of accountants performing this function. This is a clearcut classification. The first type is the one who is constantly hired by an employer and keeps the books throughout the year in his own bureau. The second type are called the "travelling accountants" (Gezici Muhasipler). They work in the place of the employer and do some work for a period of time. They leave the premise when they finish the job. Then, they take another one, and they shift from job to job. At the end of the year they come and close the books. In this case, the books stay in the shop and the chances of outsiders getting in touch with the confidential matter is eliminated. (19 Kovan, 20 Otar)

The regulations about the bookkeeping methods are not uniform and are scattered in various codes. As a result, there is confusion and considerable misunderstanding. The regulations are principally in the Turkish Code of Commerce and Tax Procedural Law. In many parts, the two laws are not consistent with each other. In at least 30 laws and several government regulations, reference is made to books of original entry. The bookkeeping function will be more uniform if these inconsistencies are eliminated.

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At this point, it is necessary to discuss some of the points about bookkeeping stated in the Commercial Law in comparison with the Tax Procedural Law. The former partially specifies some of the books which are obligatory like journals, ledger, trial balances and minute books, and leaves the rest of the supplementary books to the discretion of the management. The statement runs as follows:

"The enterprise should keep the books which are necessary according to the field of work in which the enterprise is and according to the importance of the work to the firm." (14 Arkun)

This statement is open to criticism. In order to get the maximum use from accounting in a business unit, an accounting system which will fit the operations of the enterprise has to be set up. Then, the accounts which are used, will gain real value and meaning, by indicating the financial conditions of the enterprise. Therefore, it will be more appropriate to restate the above phrase as:

"The enterprise should keep the books which are necessary depending on the accounting system used in the firm, which most fits the organization and needs of the enterprise." (14 Arkun)

The second point to be discussed is the form of the books. Today, modern accounting tends toward machine accounting and toward voucher system. The codes permit the use of vouchers or any columnar books, but then they require that all the transactions

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should be recorded in the covered books (Commercial Law Article 69 Tax Procedural Law Article 183). The first one is for the intimal use and the second one is for tax authorities. This is pure repetition and a headache for accountants. The forms of books should be left free. But the firm should inform the tax authorities about its accounting system and the types of books that it keeps during the registration.

Article 70 of the Commercial Code states that all transactions should be recorded in the journal within ten days after their dates of origin. However, if the transactions are recorded on numbers, then, according to Article 219 of the Tax Procedural Law, they should be recorded in the journal within 3 months after their dates of origin. The Commercial Law has not shown the second case. Although the above statements are not consistent, and faced with criticism, at least the two laws can be made similar. What is the difference between a voucher and an invoice if the final entry has to be on the common journal? The distinction seems to be improper.

It is required that the journals be closed and notarized by the notary public by writing under the last entry the word "Görölmüştür" (It is checked) by the end of January. (Commercial Code No. 70)

However, Article 72 of the same law states that the balance sheet and the final balance can be prepared within the first three months of the next period (year). Therefore, the law should have an article stating that all the closing and adjusting entries of that year must be made within three months.

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The following are the recommendations:

All regulations and documents must be compiled in one principle law and, in the other related laws, reference should be made to the principle law, or at least the two laws must be consistent with each other.

The inconsistencies between the clauses of Tax Procedural Law and Code of Commerce must be eliminated. For instance:

a. Ledger is to be stamped according to the Code of Commerce but there is no need to have ledgers stamped according to Tax Procedural Law Article 220. As no posting can be made without an entry in the journal, it is not necessary to have the ledger stamped.

b. The books of entry must be kept according to the Tax Procedural Law Article 253 for five years, and according to the Code of Commerce Article 68, for 10 years.

c. The Tax Procedural Law leaves the method of bookkeeping to the discretion of businessmen, whereas the Code of Commerce rules detailed inflexible instructions about books and bookkeeping methods. This did not only add to the responsibility of the accountant and businessman, but it also meant a dreadful conservatism.

d. In our laws, there are conflicting articles over what an invoice should look like. All these different types of invoices must be standardized in such a way that all lines of activities will be satisfied. It is best to follow the method described in the Articles 230-231 of the Tax Procedural Law.

The Code of Commerce does not include all commercial activities.

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A number of leakages resulted in, for instance:

It is required to have journals notarized in January; however in our opinion, journals should be notarized during the period when inventory is determined.

According to the Code of Commerce, there are two types of books: Compulsory books, Tentative books. The law does not require the entrepreneur to keep the Tentative books, but expects him to keep necessary books suitable to the nature and functions of the enterprise.

In case the entrepreneur does not keep the other necessary books, the compulsory books are also considered as non-available. This is unfair and very arbitrary. What is the criterion for "necessary books"? The article ought to be altered.

Second, the obligation to keep a "Book of Inventory" (Envanter Defteri) ought to be changed in view of the practical difficulty of keeping this "Book of Inventory". (Trial Balance, The practical difficulty will be the large number of items appearing on the book. They should be put into lists and the balance of the accounts should be shown on the trial balance.

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IV. ORGANIZATION FOR THE FUTURE WITH RESPECT TO DEMAND

The accounting profession has been organized and licensed as an independent profession in almost all the developed countries. The previous description of the accounting profession in our country shows that the name of the profession exists as a concept without its clearcut functions and responsibilities. It is a profession without a specific title and without any solid appearance. It was visualized in different forms and shapes by different individuals. Now, it is currently felt that something has to be done about the existence of the profession in Turkey. Internal pressures within the profession, among the members of the group and the external needs for such a profession, have built up, to shape the existence of such a profession in a certain way. It has to be formulated legally. The existence of such a profession should fit the present conditions of the business and economic development of the country. The present level of economic life in Turkey in its development process, has increased the importance of accounting in the public and private sector. In order to keep pace with the economy, accounting profession had come to a level, where it required eventually a specific education, enough experience and a conceptual appreciation of accounting, and professional attitude. Today, in general, an accountant is not only an individual who works for a company, but he is a person of responsibility and integrity. He is at the service of many people defending

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their rights.

It is to the benefit of both the potential members of the profession and the people who demand the services of a profession, to see that the profession be organized and institutionalized legally. The existence of an easily reached professional accountant with an accepted and known title, will make the relations of the clients and accountants easier and in more direct contact. The problem that the business people, or people related to the business environment face today, is to what extent the profession will be revised, or develop, to attain an organization and professional acceptability that fits to the present conditions. What will be the standards of the profession and what level and types of responsibilities will be given, are the prevailing questions. The determination of the standards will eliminate the inefficient people with inadequate knowledge. The advantages of this will be twofold. First, the members of the profession are in competition. They earn their living by getting fees from the clients. Therefore the number of the accountants will be limited and the supply will be adjusted in a controlled way. The accountants will be in a position to know each other and to get acquainted with each other in order to carry on their functions in a common way, on the accepted standards. This will permit the income of the profession to be channeled to the accountants who deserve it. Second, the clients will be more safe with respect to the services they get from the accountant, and the returns or benefits from the cost of hiring an accountant will be greater. The reputation of the profession will be on high standards, and the accountants' standards of living will rise.

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The underlying causes of why the profession is not organized today are as follows:

1. The accountants who are working in this field had not worked in a coordinated way. They operate without any unity among them. The accountants are all scattered and have no contact with each other. They act as separate individuals and act according to their own discretion and will.

2. The accounting profession and the legal work were not differentiated enough by the businessmen. This is true especially in the areas where accounting procedures bring up some legal disputes. This is somewhat the fault of the members of the profession. Up to this time, they were not energetic enough to introduce themselves as a separate profession with its own field of work and a different extensive education and training. The main effort towards a sound organization and the creation of the profession has to come from the members of the profession independently.

3. The third reason is the lack of ideology among the members of the profession. The accountants had not determined the common goals and objectives of the profession. They have not built common interests and benefits that come from the establishment of the profession. There is no cooperation among the accountants.

4. There has not been any powerful attempt by the members or by the government bodies, to establish the profession in a legal way, by passing a bill. This is partly due to the negligence given to the profession. (6 Ervardor)

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Beside those four points, there is another point that should be considered. This is the role of the educational institutions which offer the accounting courses and necessary knowledge on a college level. Beside the existing members of the profession, they should be stimulating this idea of the profession to the students. The nature of the profession, the field of work it covers, the role and the place of the profession in the economy and in the society must be taught. The courses given must be taught on the same level, and in a uniform way. As a result, a background with a satisfactory understanding will be created, which will develop more modern and energetic future members of the profession. In order to establish the accounting profession in Turkey, the studies in the fields of education, research and publication must be improved and aimed towards modern accounting procedures from which the accountants of Turkey can benefit. There are two basic questions which must be answered in a determined way before planning for the establishment of the profession. The first question is who will be involved in it at the beginning and later according to the standards which are put out for the profession. The second question is, what is the rate of growth of the profession? Is it adequate to meet the demand? In order to create a profession which means the establishment of the standards of the present accountants, is there a need to stimulate the attempts towards an organization? If so, in what way do the accountants have to work, and what methods do they have to use? There are two basic alternatives in the creation of the profession. First is the self-organization in which an attempt and an effort

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will come from the members of the profession, that is, the present accountants of Turkey. The second is the legal way which will be achieved by passing a law. The profession will be organized through codes and regulations.

A commission was formed by the Ministry of Finance, Sultan Ahmet Commercial Academy and the Accountants' Association in 1960, to discuss the matter. The decision of this committee was the second alternative, that is, passing a law from the parliament. The idea is based upon the conditions of the profession and the attempts and activities of members towards organizing the profession. The fact is that all of these efforts resulted in failure. There is not enough incentive and the present accountants are not able enough to create a profession by themselves.

The basic underlying assumption in the establishment of the profession is that there must be a demand. Is there such a demand which is strong enough to stimulate an internal, self-development? The answer to this question is partly "yes" and partly "no". According to the above paragraphs, there are certain services required from the present accountants by the clients. But these services are not the services of modern accounting functions. Auditing in any sense can be considered as existing neither in the banking system for the credit mechanism, nor for the income tax determination. Beside this, there is not a demand for the services which will help the managerial levels such as cost accounting, in the sense of cost control or lowering costs, or designing better and efficient systems in the firms. There is such a demand by the large and usually by the competitive fields,

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but we can state that this is too little to be attributed to all over the country. Today, neither the client hires an accountant to transfer any responsibility to him, nor any organization requires the approval of an accountant on the financial statements. To such a level of demand, the standards of the profession cannot be high.

If we look back to the history of such internal efforts, we see an association of accountants established in 1942. It is called "Türkiye Eksper Muhasipleri ve İşletme Organizatörleri Derneği". It has 40 active members. It is not active now. It has the objectives of establishing standards of the profession, and acting as a regulating body. But now, it is almost non-existing. The headquarters are in an office of an accountant who is the president. The president is Prof. Osman Fikret Arkan of the İstanbul Yüksek Ticaret at Sultan Ahmet. Almost nothing has been done, because of the lack of financial resources. They could not even collect the annual fees, which are 24 T.L. annually, from the members. There is not enough money to pay for a secretary.

The objectives of the association are stated as follows in the constitution:

Article 3.

- a. To develop the accounting practices and methods.
- b. To develop the accounting profession; to protect the benefits of the accountants and to strengthen the relations between them.
- c. To provide high standards for the profession and to protect them.

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d. To act as an advisory organ on the accounting problems of the private and public firms.

e. To enlighten the management as far as the organization of an enterprise is concerned. (13. Nizamname,

The executive committee is composed of three to five members.

The main functions which have to be done by the executive committee are as follows:

a. To work on the accounting methods.

b. To work on the organization of industrial enterprises.

c. To work on the principles of auditing.

d. To make researches on technical terms.

e. Publications.

f. To work on business finance, etc. (13. Nizamname)

But, due to the lack of financial sources none of the expected activities were carried on.

As to the second alternative, that is, the legal way, in the creation of the profession, a draft of the C.P.A. bill has been prepared and submitted to the parliament, for the establishment of the profession. However, it is evident that the conditions are not suitable for the establishment of the profession so suddenly. There are not adequate number of qualified accountants working independently in the market. Also, the profession is not ready to satisfy the requirements of the bill. Therefore, it seems advisable to prefer the self-establishment which is much slower. In order to attain this, more emphasis must be given to education, research and publication on this field. The financial institutions and the Ministry of Finance must be the pioneers in

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this field, due to the better qualifications of the accountants working in these organizations. Then, it will be possible to create the profession on such a level of standards to be ready to respond to such a bill.

Although this line of thought seems reasonable, it is not proper for our country where time element is very important and valuable for a developing country. It can be expected that the number of accountants with high standards will increase in future, but, it is evident that this will be a slow process. To raise such accountants will take time and also, with the present understanding of the functions of this profession, there is the danger of not achieving better accountants due to a lack of incentive to stimulate such a growth. It takes a lot of time to change the curriculum of the schools, to make research, and to translate such advanced literature on this subject, in our intellectual society. The reason is again the lack of material and non-material benefits. For this reason, it will be less costly and more advantageous to put the profession in a discipline by passing a bill, and fight with the discrepancies that result between the standards required by the bill and standards offered by the profession. Later, after the establishment of the bill, the work done on the education, research and publication, will lead to greater interest, and will stimulate the accountants to improve on them.

Revisions of the draft will help the establishment of the profession sooner, and a more easy passage of the bill from the parliament will be attained.

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V. THE DRAFT BILL AND ITS CRITICISM

The bill was first prepared in 1937. Since then, it has been submitted to the parliament several times, and was rejected. The draft of the bill had several revisions and was changed in view of the arguments and criticisms lodged against it. There was not a continuous study of the bill, but, revisions were made on it from time to time when the issue came up. The need for the establishment of the profession came from several sources. The University of Istanbul, the Ministry of Finance and the accountants had several times raised the issue and worked on it respectively to find solutions for the acceptance of the bill. Besides these individual studies, the most serious discussions took place in the first and second Turkish Accounting Congresses. A special commission was formed by the congress to work on the draft. The commission also had the job of discussing the status of the profession and find the best way of establishing and organizing the accounting profession in Turkey. They had also discussed the difficulties that arise with respect to the present appearance of the accountants in their profession. The advantages and disadvantages of the above mentioned establishment were discussed to arrive at a conclusion in the shortest time. However they worked hard, the objective was not realized.

The main revision, and the last one, was made in 1955. Later with small changes, the final form of the draft was prepared and

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submitted to the parliament on January 23, 1965. The draft and the report attached to it were prepared by the temporary commission of the parliament and put into the file. It is believed today that the bill is not going to pass in the near future, since there are more important issues in the parliament. In addition, there is further opposition to the bill. The main opposition came from the lawyers in the earlier periods. The parliament is mostly composed of lawyers. Consequently, the bill did not pass. That opposition no longer exists, but a greater and more vital opposition comes from the profession itself. There is still not a solution found to this opposition.

Essential Features of the Bill:

The preparation of the draft was done with respect to the defined field of activity of the profession stated below by Fehamettin Ervardar, who was the vice-president of the committee selected by the second Accounting Congress. The various functions of Public Accountants were listed, which had been determined after an extensive analysis of the modern accounting practices. This analysis was submitted to the parliamentary committee by Fehamettin Ervardar, who is also a member of the Ministry of Finance.

- a. To set up the accounting departments of commercial and industrial establishments;
- b. To prepare cash budgets;
- c. To prepare income statement, balance sheet and all other necessary financial statements;
- d. To determine the ratios that will reflect the liquidity.

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- productivity and earning power of the organization;
- e. To make cost analyses and determine the unit costs of production;
 - f. To check the productivity;
 - g. To give opinions on fiscal matters;
 - h. To prepare reports on the basis of authentic and verifiable documents;
 - i. To audit;
 - j. To amortize and analyze;
 - k. To arbitrate on accounting and fiscal matters;
 - l. To represent the clients.

There are two sets of requirements for the profession indicated in the bill:

General Requirements:

1. To be a citizen of Turkey,
2. To have the privilege of using the civil rights,
3. To be honest and not be convicted by the court,
4. To act according to the regulation of the profession,
5. To be free of false bankruptcy,
6. To be known as trustworthy by the businessmen.

Requirements for Joining the Profession:

1. To be a graduate of a college which gives the necessary education and culture,
2. To have an apprenticeship of three years with a public accountant in the activities listed above,
3. To pass the examination,
4. To get the license.

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Education:

It is necessary to have certain personal traits and merits as well as some basic knowledge to practice the profession. It is proposed that accountants be graduates of the institutes of higher learning. In Turkey, the institutes of higher learning that offer accounting specialization are Colleges of Economics and Commerce (Yuksek Iktisat ve Ticaret Okullari), Faculty of Economics in Istanbul University (Iktisat Fakultesi) and Faculty of Political Sciences in Ankara University (Siyasal Bilgiler Fakultesi). Recently, in the Middle East Technical University and in Robert College, schools of Business Administration and Economics have been established to offer special accounting courses. The graduates of universities abroad from the Business Administration and Accounting should also be entitled to work as a public accountant. The accountants who must join the profession ought to be graduates of these colleges. The graduates of the Faculty of Law should not be included in the profession for the reason that law schools do not offer any courses on accounting. However, after having a special training, they shall be entitled to practice the accounting profession.

The main source of future accountants are the commercial schools. They are called "Iktisadi ve Ticari Ilimler Akademisi". The number of them is yet quite few. The list is as follows:

Istanbul Iktisadi ve Ticari Ilimler Akademisi

Galatasaray Ozel Iktisadi ve Ticari Ilimler Akademisi

Şişli Ozel Iktisadi ve Ticari Ilimler Akademisi

Ankara Iktisadi ve Ticari Ilimler Akademisi

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Eskisehir İktisadi ve Ticari İlimler Akademisi
Izmir İktisadi ve Ticari İlimler Akademisi
Izmir Özel İktisadi ve Ticari İlimler Akademisi

The schools in the colleges are as follows:

Accounting and Finance (Muhasebe ve Maliye)
Industrial Administration (İsletme)
Foreign Trade and Tourism (Dis Ticaret ve Turizm)
Banking (Bankacilik)
Marketing (Pazarlama)

Each college in the above list has two or three of the above schools, but not all.

The accounting and finance curriculum in these schools are all the same. The program is set up for a B.A. degree. It takes four years to get it.

The accounting and finance courses are as follows:

Accounting principles,
Intermediate accounting,
Cost accounting,
Advanced cost accounting
Statement analysis,
Accounting systems and design,
Auditing,
Business finance,
Managerial economics,
Banking accounting,
Insurance accounting

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Hotel accounting

Accounting Electronic machines

The number of students in these colleges varies between 1500 and 2000. The accounting students make almost one fourth of the student body. Although this number of students is enough for the establishment of the profession, the rate of graduates is very low.

In the education system, two main problems exist, which are of vital importance. First is the lack of text books. In some courses, there is only one textbook which is not written on the college level. Some are poorly written and, for most of the courses, there are no textbooks. The students study only from the class notes. The standards of the education is very low. There are almost no outside readings due to the language problem, and no homework. The only material is the class notes which do not contribute much.

The second problem is the lack of teachers. Usually, a professor teaches in two or three schools and the classes are very crowded. The professor cannot teach and offer much except what he lectures in the class. The payment is too low, therefore the professors take teaching as a second job and usually have other jobs outside the academic life. They do not write textbooks, nor do any translations, and hardly any research. We can call them "Educational Merchants".

The first step in the establishment of the profession is to revise and establish the education system and give the idea of

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modern accounting as an independent profession, with its acceptable standards.

Training:

Two years of training is considered necessary for the development of effective maturity before they are ready for responsibility. The period of a trainee can be reduced to one year if he had been previously employed either in the private or government offices for a period of at least three years on an accounting job. The training period should never be cancelled altogether in view of the past performances, but it may be shortened.

It is essential to take an apprenticeship licence from the association of public accountants (Serbest Hesap Muhasebeleri Odasi) so as to start the training period. The accountants who are in this period use the word "trainee" in their prospective titles. The trainees are not considered as the active members of the profession.

The establishments in the private and public sector in which employment of the accountants counts for the training period are specified as follows:

1. Public institutions
2. Legal institutions which belong to the Ministry of Justice and Ministry of Internal Affairs
3. Public corporations
4. Banks
5. Insurance companies
6. Private corporations and cooperatives with a paid in capital above 5 million liras

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An accountant who has worked seven years in the first three institutions and in the Revenue Department of the Ministry of Finance is totally exempt from the training.

Test:

The public accountant candidate must be subjected to an examination following the education and training period. The candidates must be tested on the theoretical background they have built during school years and practical experience they have gained during the compulsory training period.

The tests should be prepared and administered jointly by the Professors of Accounting, the Professional Accountants and a representative of the Ministry of Finance. The draft includes certain exemptions for the training and testing of accountants. Mainly, due to these exemptions, the opposition from the profession appeared. In view of the strong objection raised over the new draft and the urgency of the situation, the exemptions must not be turned down by the parliament. Yet, the exemptions given to the Auditors of Ministry of Finance (Maliye Mufettihi), and Accounting Experts from the Ministry of Finance (Maliye Bakanligi Hesap Uzmanlari) on all tests and training requirements must also be extended to the other competent accountants in order to maintain equality. Otherwise, a very subjective discrimination would be made in the profession which will even aggravate the present situation.

The Classification of the Profession:

The profession of accountancy, according to the draft, is

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divided into two groups. Article 6 states the requirements for the Certified Public Accountancy (Serbest Mali Musavirlik). It follows:

- a. The candidate has to be a graduate of the School of Political Science, School of Law, School of Economics, Commercial Academies or any other schools which have been accepted by the Ministry of Education to be equivalent of the above schools.
- b. Two years training period with a Certified Public Accountant.
- c. To pass the examination.
- d. To get the licence.

It is stated in Article 17 that, if the candidate has worked at least three years in the institutions listed on page 10, it counts as a year of the training period required above.

The second group is the Oathed Certified Public Accountant (Yeminli Mali Musavir) which is the same group we call as "Yeminli Serbest Muhasebe Mutehassisi". The requirements for this group of the profession are listed in Article 12 as follows:

- a. To practice four years as a certified public accountant.
- b. To pass the examination (second one).
- c. To get the licence.

It is stated in Article 14 that if the candidate has worked eight years in the above institutions, it will be enough for him to work as a trainee with a "Yeminli Mali Musavir". This will be the fulfillment of the trainee requirement.

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One of the points in the law must be highly criticized and this is the distinction created between the members of the profession. It is stated in the law, in the articles from 10 to 15 that a separate professional group should practice the auditing functions with a legal responsibility. This will include the approval of tax returns and financial statements. This group is called "Yeminli Serbest Muhasebe Mutehassisligi". The distinction between the two groups depends upon an oath given, indicating the honesty and independence of the profession. This is considered and generally accepted by the law to be on a higher level than the ordinary public accountants. They are public accountants with an oath that is actually a higher degree of promise to carry on the functions in accordance with the law and professional regulations and standards.

The candidates for this level of the profession have to be public accountants and fulfill the requirements given above. The first requirement is four years of service as a certified public accountant. Other requirements are a training period of four years more than the normal training period and passing the examination. The candidate writes a petition and sends it to the association to which he belongs and then, the association sends it to the Union of the Certified Public Accountants Association, with a report of its own and a confidential report of the representative of the Ministry of Finance in that Association. The Union adds its own report about the candidate and sends it to the State Supreme Court of Finance (Sayistay Bakanligi). The

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case of the candidate is discussed in a committee under the presidency of the President of the State Supreme Court of Finance.

The members of the committee are as follows:

The head of the department of the State Supreme Court of Finance which takes care of such cases,

The President of the Board of Inspectors of the Ministry of Finance,

The head of the Free Expert Accountants,

President of the Revenue Department,

The head of the Legal Consultants,

The head of the Tax Department, and,

Two representatives from the Union of Turkish Certified Public Accountants Associations.

The C.P.A. Chambers in the Bill (Odalar):

It is compulsory for the certified public accountants to form and establish a chamber of the association in the "Vilayet" in which they practice. Membership to that association is required by the law. The name of the "Vilayet" is attached to the chamber, for example: "Istanbul Serbest Hesap Mutehassislari Odasi". The establishment of an "Oda" needs at least fifteen licenced, certified public accountants in Vilayet. If not, those accountants have to register with the chamber established in the closest Vilayet. It is stated in the law that regional "Odalar" can be established where accountants from several vilayets join in the chamber. The individual chambers join together in an association which is called "Turkiye Serbest Hesap Mutehassislari

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Odalari Birligi". In order to establish a chamber, a permission from the Union and from the Ministry of Finance must be granted.

Beside these chambers of Serbest Hesap Mutehassislari, Yeminli Hesap Mutehassislari has to establish a second chamber in the Vilayet where the greatest number of certified public accountants exist. All of these second group of accountants all over Turkey have to register to that chamber. It is called "Turkiye Yeminli Serbest Hesap Mutehassislari Birligi". Then, those two unions join and form a third union in the Vilayet where there are the greatest number of accountants from both groups. It is called "Turkiye Serbest Hesap Mutehassislari Odalar Birligi" (Turkey Certified Public Accountants Chambers Union). The two thirds of the board of directors of this Odalar Birligi has to be from the Yeminli Serbest Hesap Mutehassislari. The Union of accountants establishes an institution to make research, education, and to publish the recent developments in the field of profession. This institution is called "Hesap Intisaf Enstitusu".

In each Vilayet, where there is a chamber, the Ministry of Finance appoints an executive or controller like an inspector called "Maliye Murahhasi". This is a tool to keep the association under the control of the Ministry of Finance.

Disciplinary Measures:

It is the function of the board of directors of each chamber to take disciplinary measures and to give punishments. Each chamber and union has its own disciplinary committee. Any objections against the decision of the discipline committee can be

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taken to the Supreme Discipline Council (Yukseki Disiplin Meclisi) and the members of the Supreme Discipline Council are as follows: The president is the president of the State Supreme Court of Finance, two members of the State Supreme Court, a member of the Court of Cassation, the head of the legal consultants of the Ministry of Finance, the head of the Expert Accountants of the Ministry, the president of the Revenue Department and, the head of the Taxes Cassation Committee.

The decisions of this council are "stricti juris". The punishments are as follows:

1. Warning
2. Second warning
3. 1000 TL. fine
4. Five years of penalty not to take part in the board of directors
5. Cancelling the "Yeminli" clause
6. One to five years of removing the right to practice the profession
7. Taking the licence back and discharging from the profession.

The Criticism of the Bill:

The draft of the C.P.A. bill was submitted to the general assembly of the parliament on August 19, 1963. The draft was prepared by the Ministry of Finance to facilitate the development of accounting practices in order to speed up the planned development of the country by licencing and organizing the profession of

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accounting. The profession described and identified in the bill seemed to be not in line with the present conditions of accountants in Turkey. The draft has been attacked by certain groups from certain aspects, and it is generally accepted today, that the bill is not a satisfactory one to realize the objectives of the members of the profession. There are two opposite groups arguing on the draft. First is the accountants in the Ministry of Finance who are in favour of the present draft with some changes before it is passed. The second group is the accountants in the market who defend the idea of making some changes in the draft on most of the sections to make it similar to those bills in the other developed countries, such as the U.S.A., Britain and France. The accountants of the Ministry of Finance defend the present bill, defending it on the grounds that it fits the present conditions of the country.

However, many revisions occurred on the bill, but it did not come to a satisfactory level for acceptance. The present draft, if passed, will create many complexities which will not be easily solved in future. This may retard the development of accounting practices in the country. Therefore, there have to be some changes on the basis suggested below. The suggested changes are as follow:

The name of the Profession:

The name of the profession stated in the bill is "Mali Danışmanlık" (Financial Consultant). The name of the profession has been changed many times. First, it was called "Fin. Accounting"

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Experts (Serbest Muhasebe Mutehassisligi). Then, it was changed to Serbest Hesap Mutehassisligi. The word "Hesap" (Account), had replaced "Muhasebe" (Accounting). The concept of "Hesap" is much broader than the concept of accounting in Turkey. This makes it not clear enough to define the profession. Hesap, in everyday language, has many meanings. If it is used only as translation of the word "Account", then it is a very narrow concept compared to the word "Accounting". It does not define the modern accounting profession either. "Muhasebe" as a concept, defines a broader profession more than that is practiced in Turkey. The word does not indicate or remind the overall activities of an accountant to the people; because, accounting is considered as bookkeeping in Turkey. However, it should be used since the understanding of accounting concept will develop in the minds of the people. (6 Sayı 2)

It is now "Mali Musavirlik" (Financial Consultancy), which is not the name of the profession, and it must be changed to "Expert Accountants" (Serbest Muhasebe Uzmanligi). I suggest the replacement of the word "uzman" for "mutehassis", since the latter is not a Turkish word, but an Arabic word.

Financial consulting is only a portion of the practices achieved by the profession which needs to be established. The limits of the field in which the profession will work are much broader and the usage of the term "Mali Musavirlik", which means only the group of activities, can lead us to misunderstandings in the future. The reason why most of the accounting work in Turkey is composed of the tax work is due to the underdeveloped

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condition of the country. Tax work is done by the financial consultants. (25 Duru) The goal of the new profession is not to deal with the tax work but to provide correct financial information to the people who are concerned with it. The tax work is the result of the establishment of the profession, not the cause. The tax returns will be more correct if the balance sheet and income statements tend to be more reliable. It is unfair to visualize the members of the profession as tax peoples by calling them "Mali Musavir". (9 Aysan)

The Separation of the Profession:

A member of the profession, who has completed all of its requirements, should be accepted to the profession with all of its duties and rights. The members of the profession should not be divided into two groups called "Serbest" and "Yeminli". It is not appropriate to consider one of them "Yeminli", as more relative and give the right of approval of tax returns only to them. If it is assumed that each accountant is a trustworthy person within every respect, and completely eligible in all the fields of the work, then, all members should be assigned equal privileges and duties, on the same basis, including the approval of the tax returns. Otherwise, they should not be taken into the profession.

This separation in the draft resembles the one in France and in the U.S.A. In France, the two groups of accountants exist. They are called expert accountants (experts comptables) and licenced accountants (comptables agréés). In the U.S.A., there

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are junior accountants and certified public accountants (senior accountants). Those different titles are used just to indicate the status of the accountant in the organization. The work done is the same. They are similar to our trainee accountants. The objectives behind those separations, and the separation in our draft, are different. We may have such a classification but no difference whatsoever in the type of work done. Eligibility can not be attained by stating an oath or working longer periods of time on some jobs. It is shown on some basic standards by objective tests. Also, if an oath is considered to be the sign of honesty, then, the other group has to state an oath too, otherwise they should be considered as dishonest people. If it is a free profession like any other profession, I believe that all the full rights and duties must be given, or none of them must be given to a licenced accountant. (9 Aysan) (6 Sayı 3)

The Adjectives of "Serbest" and "Yeminli" (carried on oath):

These adjectives of "Serbest" and "Yeminli" are unnecessary. The title must read as "Muhasebe Uzmani". There is no other free profession, such as "Free Doctors" and "Free Lawyers". Beside this, every member of other professions has to swear and give an oath, but they do not have the word "Yeminli", such as "Yeminli Doctors". It seems awkward and improper. These adjectives seem to be the result of the efforts to legalize the profession. The word "Serbest" is used to separate the members of the profession from the expert accountants of the Ministry of Finance, since both of them can do tax work. The word "Yeminli" arises from the separation of the profession into two groups. But, it is not a good

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we do not need them. (9 Aysan)

The Influence and Super Control of the Ministry of Finance on the Profession:

The individual accountants and firms must not be under the control of the Ministry of Finance but must be controlled by their own associations. If it is desired that the profession should be established and developed with the same insight it has in the West, it becomes strictly necessary that all sorts of auditing and intervention by the Ministry of Finance should be kept at a minimum level. In contrast to the meanings derived from the proposals outlined in the draft, the profession of public accountancy is far beyond being a closely connected institute to the Ministry of Finance. The absolute control of the Ministry of Finance is presupposed in the draft concerning the following procedures: The preparation of admission tests, setting up the exam committee, establishing the codes of ethics and penalty regulations. In order to protect the public prestige of the profession by securing enough able and confident members, the administration of the procedures mentioned above, should be left to the professional associations. The profession of certified public accounting in Turkey, in accordance with its professional aims, is not only related to business institutions of our country and Ministry of Finance, but is also connected to the Ministry of Commerce and Ministry of Industry. Due to this, the control of the profession only by the Ministry of Finance is not appropriate. In fact, the profession should be established and organized with

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the conscientious efforts of its members. The best solution of the problem is to let the associations and individuals work completely independent. The other countries have also experienced this alternative; for example, there are no laws of any sort that regulate the functions of the profession in England, Switzerland and Belgium. There are certain countries where there are laws established. But, these laws are established after the profession is organized by several associations which regulate the functions. (24 Barlas) (25 Duru) (6 Sayi 2) (20 Otar)

However, the question of "How shall we leave the regulation of the profession to non-existing associations at the beginning?" may arise. This may be settled by the temporary articles in the bill. It may be stated in the articles, of a temporary nature, to establish a temporary commission which is responsible for the regulation of the activities of the profession. The members of this commission will be from the Ministry of Finance, Commerce, Industry, Turkish Odalar Union, Turkish Banks Union, Unions and State Council of Inspectors.

The draft has measures to enforce discipline in the profession. The profession comes under the absolute control of the Ministry of Finance. It will completely lose its autonomy due to the following facts embodied in the draft of the bill:

1. All regulations will be drafted and approved by the Ministry of Finance.
2. All decisions will be made by the officials of the Ministry of Finance.
3. Auditing will be carried out by the Ministry.

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4. Public accountants with degree and qualifications could not practice unless a licence is obtained from the Ministry of Finance.
5. The officials of the Ministry of Finance are given the title of "Public Accountants" without any training or testing and even without the opinion and consent of a professional association.
6. Exceptions from training and testing can be made only by the Ministry of Finance.
7. In disputes over the scope of the accounting profession the final word is with the Ministry of Finance.
8. The title of "Certified Public Accountants" is given to a candidate with the recommendations of the representative of the Ministry of Finance in the association, by a committee whose members are from the Ministry of Finance.
9. The administrations of the profession, titles and responsibilities are left to the "Yeminli Accountants" who are appointed by the Ministry of Finance. This is due to the fact that two thirds of the membership of the board of directors of the associations (Oda) has to be from the "Yeminli" group.
10. The representative or the inspector of the Ministry of Finance inspects the activities of the members of that "Oda" and can report them in case of any disputes to the disciplinary committee. The discussions of these discipline committees can be changed by the Ministry of

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Finance, which determines the procedural ways and requirements in which those committees work, and also determines the cases to be taken which require the action of these committees. (6 sayı 3)

The organization of the profession becomes a government agency when it is attached to the Ministry of Finance, due to the control measures listed above. A majority of the members cannot make decisions on any aspect of the profession because they do not have the privilege to do so. Therefore, the profession loses the ability to grow and develop, since it cannot control and regulate itself. Although we believe that a control over the profession is needed until it reaches a level, at the moment, it is not correct to give this control to a single administrative body. (6 sayı 2)

There are certain fields of activity in which the Ministry of Finance can be helpful to the profession. The Ministry of Finance can cooperate with the universities and large business firms, and can determine the standards that will be used in future. The Ministry of Finance can provide the fiscal advantages that are expected from the establishment of the profession by reinforcing the present staff of the Ministry. (Collection of tax and approval of tax returns.)

It is not compulsory for the tax payer to call the accountants for tax work and approval. But, when such a service is done, it is considered as an equivalent approval of the Ministry of Finance. The public accountant has the responsibility, but he can defend himself in the court and clear the case if he can submit enough serviceable evidence on the documents of the tax

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payer, and the default comes from the lack of information not submitted to the accountant by the client upon the request of the auditor, then the tax payer is responsible for the tax evasion.

The close control of the Ministry of Finance is especially felt on the "Yeminli" group of accountants. Although they are the main group of the profession, they tend to be a member of the tax revenue agency of the Ministry of Finance.

The Exemptions From the Examination and Training:

It is essential to remove the exemptions given to the inspectors of Ministry of Finance, and tax auditors of the Ministry of Finance. The functions of the certified public accountant are much broader than the tax work done by the accountants of the Ministry of Finance. It cannot be acceptable to assume that these people have gained enough knowledge on the overall practices of accountancy. Therefore, they cannot be considered eligible for the profession. It can be correct to some extent, to give those exemptions to the people in the Ministry, if the profession that is going to be established is Financial Consulting. The licensed accountant is not a financial consultant, but he is an expert accountant. There is a clear distinction between a certified public accountant and a financial consultant. There must not be any distinction between an experienced person in tax work and an experienced person in law, as far as being a candidate for the profession. Therefore, they have to be treated in the same way.

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Here, we have to throw in the opposite argument led by the accountants of the Ministry of Finance. The principle kept in mind during the preparation of the draft was to organize the cream of the profession in the beginning, as a start. However, to decide what was the cream is very difficult. The accounting profession in Turkey was practiced by a great variety of people with so many different standards and educational backgrounds, under several names. Among these, the "Mali Musavin" is thought to be the closest one to the concept of the cream. It is also the term which connotes prestige and a higher level of accounting in the business environment in Turkey. The idea was to keep the standards of the profession as high as possible in order to eliminate the inefficient accountants in the market who are practicing under the title of "Mali Musavin". (24 Barlas)

(25 Duru) A rough study made by the Ministry of Finance on the accounting functions performed by the known "Mali Musavin" has been useful for drafting the functions expected from the profession. It was understood that the candidates for the profession in the market are so few that the accountants of the Ministry of Finance will dominate the market by becoming certified public accountants through the exemptions. But, again for the sake of the profession, the Ministry of Finance claims that the core of the profession will be the accountants of the Ministry of Finance (Hesap uzmanlari). The reason for this, as they claim, is the prevailing conditions in Turkey. The conditions of the country create a chain reaction. First, the profession must be established by a law, not by a gradual development within itself, since

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the profession is far behind the progress made in the business life. Second, the preparation of the law has to be made by the Ministry of Finance, at least under its own control. Third, if it is so, the accountants of the Ministry of Finance, being a part of the cream, should play a role in the establishment of the profession. (24 Barlas) (25 Duru)

The opposite group thinks that the draft of the bill is a retirement plan for the accountants of the Ministry of Finance. The accountants of the Ministry of Finance claim that it is not easy for them to go into the market, because they do not know much about the mechanism of it, and it is difficult for them to establish the necessary relations with the clients in order to secure an income. They say that they are just a criteria on which the standards of the profession are based. (21 Arslan)

The profession will be in the hands of the people who are licensed by the help of these automatic rights stated in the bill. They will become the majority and control the profession. These exemptions from the exam and training period will make them certified public accountants automatically. The college graduates who are the main source of candidates, will choose the easier way of admission and eliminate the burden of taking an examination and a long training period. They will become civil servants and start working in the Ministry of Finance. As a result of this procedure, the profession will not have any members who have a practical background on the field of work. (10 Aysan)

The defensive argument on these exemptions is made by the Ministry of Finance in the following manner: It is claimed that

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the requirements to become an expert accountant of finance, balance the requirements stated in the bill. A college graduate has to pass an admission test before becoming a civil servant. Then he has a three-year training period. At the end of the training period, he has to pass another exam which will entitle him to a licence. Then he has to work two more years with a senior expert accountant. These two opposite points of view can be compared.

A mechanical problem arises due to the text of the draft. There are two main articles on the exemptions. One of them is the permanent article 15, and the other one is the temporary article 3. Those are the articles which give the exemption rights to the accountants of the Ministry of Finance. They are almost identical. Therefore, which one is true, is the debate which puts the two opponent groups into this struggle. The Hesap Uzmanlari claim that, until the chambers and the exam commissions are established, the temporary article will prevail and create the members of the profession. On the other hand, the other accountants claim that there is the permanent article which will stay, providing the exemptions forever. The problem is to get rid of the article 15. (25 Duru)

In addition, those exemptions will take the best personnel from these institutions to the profession. The qualified personnel will enter the profession because there is a better chance of having a higher income than what they get as salaries. The personnel available in the Ministry of Finance is just able to check the 1-2% of the tax returns at present. If those civil

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servants find the field of certified public accountants more attractive, the Ministry will have less accountants to check the tax returns.

Due to these reasons, we believe that these exemptions should not be given to anybody. These exemptions do not exist in any country. However, there may come a question about the initial period in the establishment of the profession. The commission we mentioned above, can prepare and give the exams. If those exemptions should be given, it should be on a temporary basis, and not last more than two years. This should give a choice to the accountants in the ministry who have had a long experience and broad knowledge of accounting.

The Definition of the Profession, its Field and Limitations:

The second article of the draft describes the nature and the methods of the profession, and names the books of original entry with extremely concise and insufficient wording. In effect, the profession includes all the activities which are left out of the definition. The left-out activities relate to:

- a. All accounting services;
- b. Business administration problems;
- c. Fiscal policies.

The field is very broad and unlimited. Under the circumstances it will be necessary to refer to the Ministry of Finance for the interpretation of the law. On the other hand, it is evident that it is rather difficult to decide on the matters which have not been clearly defined with regulations. (6 sayı 2)

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The draft of the bill tends to be rather a tool of fiscal authorities. The fiscal side of the profession has been emphasized. This will be an important step to make the fiscal organs of the country more efficient. The motivating idea behind the law seems to be the improvement in tax collections. The new C.P.A.'s would be primarily an extension of the tax arm of the government, the weight and importance given to the "Oathed Certified Public Accountants" who only have the privilege to certify the tax returns. It also supports our argument as far as the fiscal side of the law is concerned. The main body of the profession is the auditors with the right to audit tax certificates (beyanname) who become C.P.A.'s through the exemptions, if they should, from the Ministry of Finance. The rules and regulations by which they would be circumscribed, put them in the class of civil servants. This will be a handicap for the profession, since other fields of activities will not develop, with the exception of tax work. It will not stimulate the development of the other services, described later, which C.P.A.'s in other countries are called to render. (21 Arkan)

In the other sections of the draft, the articles ruling the exemption of accountants in training and examination, articles about the eligibility requirements on the representation in court and the right to approve any statement and the articles on acquired rights (Muktesep Haklar) are not clear and informative about the nature and scope of the activities of public accountants.

It is easy to decide on the fiscal matters. However, the expression "All matters within the understanding and field of

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Business Administration" (İşletme Bilimlerinin Sorularına Genel İler), in the draft is inappropriate in the sense that such an expression includes all different phases of Business Administration. It is not possible for an accountant to know about finance, personnel relations, industrial relations, marketing and production control.

This very general understanding does not correspond to the objective and philosophy of the law. The present understanding of the functions of accountants are outlined by Assistant Prof. Dr. Kemal Tosun, Professor of Business Administration, Faculty of Economics, as follow:

- a. Determination and classification of capital and Net Worth (Sermet ve sermayeyi tasnif etmek, degerlendirmek)
- b. Preparation of Cash Budget and Funds Statement (Bütçe ve finansman planlari hazirlamak)
- c. To analyze balance sheet, profit and loss statements (Bilanço, kar ve zarar tetkikleri yapmak)
- d. To determine the financial position of the firm and the productivity (Mali durum ve rantabilite tesbit etmek)
- e. To make expense and cost analyses (Masraf ve maliyet kontrollari yapmak)
- f. Setting up accounting departments, revision and follow-up of revisions (Muhasebe kurmak, islah ve kontrol etmek)
- g. To audit and check the overall performance of the firm with generally accepted methods (İşletme muamelesinin muhasebe bilgisi mevzuuna göre usullerle kontrole yarayan sair işler yapmak) (6 sayi 2)

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Of course, all these functions are of great assistance in financial administration, personnel management, industrial relations, marketing, and production control. An accountant contributes to the management by his data and interpretations, but is not competent on all these matters.

There is no clarity in the expression "Manages the Works" (Isleri yurutmek). In paragraph 13 of the second article, the term "extensive education" (tedris) is very general. It is not certain that the courses in the universities meet the requirements of the expression "extensive education" to become an accountant.

The Right to Represent the Clients in the Court:

This issue had been subject to a strong opposition by the lawyers. It is stated in the third article of the draft that the people, only with a certified public accountant licence, can carry on these functions. One of the functions in the list which is stated in the second article of the draft is to represent the client in the court. This function is only assigned to the Yeminli Serbest Hesap Mutehassislari (the accountants who stated an oath). It is also stated that the privilege given to the lawyers to defend the client on the financial matters in the court will prevail. This situation creates two competing groups in the market. As a consequence, some of the lawyers will lose their jobs relating to the financial matters.

It is thought that it will be appropriate to give this right to the accountants, considering the savings that the firms will

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make by hiring one person instead of two. The single person will be both the accountant, usually the financial consultant, and the lawyer. Prior to this, each firm had to hire two people. One financial consultant and one lawyer were employed by the management. These accountants should know enough about the law to carry out these functions. They will be examined on the laws and legal procedures in the admission examination. (24 Barlas)

The idea is not to eliminate the lawyers from the field but to provide a better group who are more qualified to discuss the financial matters at the court. But, on the contrary, the understanding from the draft had been on the other direction and lawyers raised the issue. It seems now there are the two alternative solutions: First, in order to stop this opposition, the accountants will not take the representation right and that article will be removed from the draft. This is not a problem for the accountants. The second, the market will determine the case. The conditions of the market will eliminate the lawyers who are not competent for the financial matters. (10 Aysan)

There is another problem within the profession. The representation right must be given to everybody in the profession. At the present, the draft states that only the Yeminli Serbest Hesap Mutehassislari can do this service. Parallel to our criticisms about the separation of the profession, we may say that this is awkward, too. The difference between the two groups of accountants, the eligible group and the other which is not, is not stated clearly in the draft.

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This issue has been one of the big obstacles in the organization of the profession. The tendency is toward the separation of the field of lawyers away from the field of accounting. It is left to the client to choose either an accountant with a knowledge of law or a lawyer with a knowledge of accounting and finance.

C.P.A. VS Tax Consultant:

Another current topic related with the C.P.A. law was to shape the profession by defining the field of work so as to identify it clearly from a tax consultant. The need for the identification of the profession arises from a debate which took place in the earlier periods. The bill was not drafted within the understanding of classical accounting that is mainly tax determination, but took into consideration the modern accounting theories and expansion of the accounting field. The argument was that the field of accounting identified in the draft was too broad and there is no demand for such an expansion in the field of accounting in Turkey. Today, most of the accounting work is tax work, and there is a need for the specialized tax consultants instead of certified public accountants. The people who favored this idea preferred a draft concentrated in the formulation and organization of a profession called "tax consultants". This is a short term understanding and does not fit to the development. On the contrary, the draft describes a different profession which rather tends towards the managerial accounting. Therefore, the profession is broader than the tax work and similar to the ones in the West. It is a long term view and it is essential

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for the development of Turkey. (21 Arkun)

When the profession is defined that way, the members of the profession who will conduct it has to be equipped with certain knowledge to carry the functions of modern accounting. However, the accountants in our country are not sufficient and able in such a fashion. Therefore, the question is now, what has to be done. It is proper to establish the prevailing standards in the West. There may be some conflicts in the adaptability of the members to those standards. It will be convenient for the members, if the law is drafted a little bit more elastic with some temporary articles. For example, to extend exemptions for the first two years and then stop them.

This discussion brings us to the control of the Ministry of Finance on the profession. There is a contradiction in the draft and that is, since we do not want a profession of tax consultants mainly on tax work, fiscal authorities must be kept away from the profession. It is a great mistake to consider the profession under the conception of classical accounting as tax revisioners. If the aim of the bill is to establish an independent profession of modern managerial accounting, it must claim to the control of the Ministry of Finance.

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VI. CONCLUSIONS

The attempts to establish the accounting profession in Turkey, have a history for about fifty years. However, the result has not been attained yet. Several problems face the members or so called "future members of the profession" today. I shall try to summarize them here. Different people who had interest in the draft of the C.P.A. law had been thinking on solutions for these problems and had been designing plans for the sake of the profession and still are. There is a final draft waiting in the files of the parliament to be accepted. Accountants, both in the public and private sector, accountants of the Ministry of Finance, professors of accounting, business administration, economics, law, etc., businessmen, bankers, merchants, and the accounting students are all interested, in varying degrees, with the future of the accounting profession.

The amount of interest in the above-mentioned groups can be understood even after such a small survey like mine. The undertaken studies and activities and the amount of work done and still going to be done cannot be understood, unless the person can go deep into the files, drawers and bookshelves. They are not on the surface. Every document has been locked and waiting its turn to be shown to any of the interested groups. A thorough investigation of the problem, and a final solution, needs a couple of years.

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It seems to me that the vital problem that concerns the accounting society, is to find such a plan of action to define or set up a profession with its standards and regulations that fit most to the economic conditions of Turkey. The problem expands everyday and new points or areas have to ^{be} explored. A complete comprehension of the word "Why" needs a lot of time. Why don't we have the bill passed? The simple answer to that question is, because it is too complex. It has several aspects which have to be cleared within a certain time. But time is not enough. Maturity of the people businesswise, or accountingwise, is also needed.

The business community in Turkey has rather a peculiar classification. That is, as far as the modern tools of business is concerned, the appreciation of them is in greatly different levels in the concept of the businessmen. For example, there is an increasing demand on the part of some Turkish businessmen for modern accounting techniques, such as standard costs, flexible budgets, better internal control, more efficient bookkeeping, even to some extent, machine accounting, is recognized. However, on the other hand, we find business units who practice the old classical accounting that is just composed of expense and revenue accounts with a ledger which has a large payroll section. My conclusion is that, there are peaks and downs and not a steady, parallel development in the minds of businessmen, as far as the use of accounting is concerned.

Several ways to the attainment of the goal have been blocked in certain ways. Turkish financial accounting practice is almost

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entirely determined by a series of Turkish laws; the law on tax procedure, the commercial code, and to a lesser extent, the income tax. There is almost no freedom of action added to these laws. We have the corporations law, workers' union law, etc. which influence the matter organizationwise. The influence of the laws can be seen on the draft. The fiscal side of the draft is more heavily worked out as compared to the accounting aspects. The draft is somewhat prepared as a remedy to the disease of tax collection. Because taxing is a fiscal measure, especially the determination and the collection of the income tax is a problem in itself. Tax evasion is rather a custom or a very friendly term for businessmen. The main reason is that the sanctions are not adequate. The people who prepared the law, though that the greatest use of the establishment of the profession will be the benefits gained with this respect. This was a tool which they used as a defense for the bill, or in order to pass the bill. The defense has to be done to the people who are against this profession or who are far from the concept of this profession. I think that the second phrase is better, because today nobody is against the profession of certified public accountants as a principle, but against the details, if we can call them details. This line of thought created a class of certified public accountants whose function will be to audit only the tax returns, since they won't have time to do other work. They will not have time because their amount will be quite few, also the standards are high. Besides, not enough people are at the beginning becoming

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members to the chambers which will regulate the members of the body. Also, their salaries will be high because I am sure that the audit of tax returns will be the highest-paid service.

Now, this may sound good. Maybe the rate of the checking of tax returns goes up to 10-15% from 2-3%, but this is not the profession of certified public accountants. Perhaps that is where the C.P.A.'s will most use their independence and contribute much to Turkey. However, the ideal C.P.A. does other services such as auditing, consulting, designing systems, cost control, etc.

This discussion leads us into a struggle between two solid bodies in Turkey on this subject. I believe that, if that struggle never gets settled, the bill will never pass. This struggle exists between the accountants of the Ministry of Finance and the accountants who work independently (not as independent as a C.P.A.) under several titles and doing some basic accounting work, such as bookkeeping. They are usually called the "Mali Musavir" (financial consultant). The top goal, not sincerely on the part of "Hesap Uzmanlari" was to organize the cream of those people and that is why the draft was called "Turkiye Serbest - Yeminli Mali Musavirler Kanunu". While these people claim that the draft is a retirement plan for the accountants of the Ministry of Finance, and cover the personal benefits only, the other party claims that their mental capacities are not enough to see that this draft is for the benefit of the country first, and benefit of the accountants second. It seems that this

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idea is a little bit too nationalistic, but that matter is something else. I am not on either side, but just revealing the facts here. There is some truth in what both of them claim.

The greatest disagreement between the two groups is on the exemptions given to the accountants of the Ministry of Finance. The draft with its present status will never pass. This is what I feel after having consulted a few of the members of both sides. The articles of draft on this issue have to be changed or they have to be cancelled. According to the accountants in the Ministry of Finance, it is a right that must be given to them to be a C.P.A. after working so many years at the top of the accounting profession that is practised in Turkey. It is a fact which nobody can deny, that "Hesap Uzmanlari" are the best accountants of Turkey, but it is still debatable to some extent whether they should leave those exemptions for the sake of the bill and the profession.

The point on which all people agree is the fact that the profession can only be established by passing a law. There is no alternative. The level of the profession of accountancy is not enough to make the members energetic or capable of establishing standards and regulations among themselves, because their origin differs greatly. I think this is a rule in the developing countries, especially in Turkey, that everything has to be within the appreciation of the laws. It is not recognized unless it is defined by a law.

I think the present plan of action is a short-term one. The profession actually cannot be established just after the bill

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passes. The draft will be the guide for everyone and show him the steps of becoming a C.P.A. Although the profession will be established legally, it has to be developed later to place itself on solid basis. In this end, evolutionary steps, supplementary regulations or decisions must be taken by the public and private institutions. For example, banks must require audited statements from the clients who apply for loans. This should not necessarily be an audited statement by an accountant but by anybody as a starting step. Before establishing the profession, banking system has to be revised. Banks must be the pioneers in bringing up the notion of auditing. They have to establish their own way of modern auditing principles. This will inject the concept of modern auditing, and at least help the development of this service of the future C.P.A. In the meantime, banks will have a sound method of extending credits.

The Ministries of Industry, Commerce and Finance have to work cooperatively and put some regulations that will revise the accounting system in Turkey. For example, the three types of balance sheet have to be cancelled, and firms have to have one and only one balance sheet to be used in every place, for every purpose. Also, the balance sheet must include the amount of tax paid by the firm as a deduction from the net income. This will be an automatic declaration of tax, and help the auditing of the accountants of the Ministry of Finance. Also, it will put a pressure on the businessmen to have a more accurate determination of the income tax. There has been an attempt on this direction recently. The amount of tax paid by the private sector is

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published in the newspapers.

The development of capital market will be another factor which will help the establishment of the profession. The investors will feel the need for correct financial information, and look for the approval of an independent person. But this is too general a point. It takes longer than we think to include the small savers and carry this type of service to them, because if the corporations start to sell their securities (one already planned to sell: Koc Holding Company), the buyers will again be the large savers with a ready capital to invest. But, it will be an initial step, and at least the idea of dependable statements will be brought up. The investors will be more conscious of the changes within the balance sheets from one year to another on a comparison basis.

The last project on this long-term approach is to revise the college education on accounting and finance. The idea of C.P.A. will grow eventually with the modern accounting principles and the troubles that we face now will be cleared by the time the younger generation is raised up. They should be the ones who pass this bill. They shall conceive the benefits of the C.P.A. profession by receiving better education on modern text books with a deeper insight to accounting techniques.

I hope the draft waits longer in the files of the parliament before being passed because the country is not ready to accept such a profession as C.P.A., even not one like mentioned in the bill. My opinion is that we should take rather long-run measures instead of passing the bill. It is quite early to have the bill

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of C.P.A. in Turkey, for the life of a C.P.A. is not insured as well as its reputation and income. It is not clearly defined due to the reasons we discussed. There is still the fight going on for personal goals and benefits. If we change the staff who prepared this draft, there will again be similar problems. The important thing is to change the way people think when they are called for such a duty. The environment has to change in order to make them think different than the way they have been used to.

The way I choose is rather a long-term project, but the time limit is unknown. There is one thing evident, that necessity for modern accounting and C.P.A.'s, which go parallel to each other, is increasing. So, sooner or later, we will have the conditions that will enable the bill to be accepted in an easier way, without much headaches.

A P P E N D I X

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