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THE DEVELOPMENT OF ACCOUNTING IN TURKEY AND ANALYSIS OF THE ACCOUNTING CULTURE IN TERMS OF INTERNATIONAL ACCOUNTING AND FINANCIAL REPORTING STANDARDS (IFRS)

Abstract:

Culture may be defined as 'the collective programming of the mind which distinguishes the members of one human group from another'. Each human group shares its own social norms, consisting of common characteristics, such as a value system which is adopted by the majority of constituents. Moreover accounting is determined by culture and the lack of consensus in accounting practices between countries, because the purpose of accounting is not technical but rather cultural. The culture of a country determines the choice of its accounting techniques and the perception of its various accounting phenomena. For this reason, the accounting culture is to limit the style of financial reporting by determining the principles and rules to be followed in financial reporting and by determining the principles, rules, and valuation measures that the financial reporting based on. Globalization, increase in the international movement of capital, the development of capital markets, changing conditions of competitions, legislative regulations and specialization are the factors affecting accounting culture. Another factor which affects accounting culture is the unfolding experience with the implementation of international accounting and financial reporting systems. International Financial Reporting Standard (IFRS) is formulated for the standardization of accounting regulations all over the world. A growing number of countries have adopted IFRS developed by the International Accounting Standards Board (IASB), and other countries plan to adopt or converge with IFRSs in the near future. IFRS is a set of accounting principles that is generated to support processes of principle based reporting. IFRS is very useful for making the comparability, intelligibility and transparency of the financial statements. Because accounting standards necessitate the development of one unique accounting system across the globe, this necessity leads to changes in the perceptions of accounting and thus a decline in the affect of culture on accounting. When the accounting regulations in Turkey are considered, it can be seen that accounting culture is shaped in parallel with economic and political relations. Accounting culture in Turkey has been discussed within the culture model of the Continental Europe through uniform accounting plan which has to be implemented as from 1994. On the other hand, with IFRS applications, it tends to be closer to the Anglo-American culture model. In the light of these developments, the aim of our study is to discuss the term of accounting culture theoretically; and analyze the affect of International Accounting and Financial Reporting Standards (IFRS) over accounting culture in Turkey.

Keywords:

1. Introduction

It is a fact that the effects of socio-economic factor such as globalization, culture, language, religion, policy and economy on accounting system cannot be ignored. Because accounting system which has become a language providing communication of the enterprises offers service within the socio-economic framework. Whether this system is effective depends on existing perception of the accounting in that country. Culture is one of the most significant socio-economic factors controlling over accounting system (TURMOB, 2013; Varıcı and Özdemir, 2013; Usul and Kıymık, 2010; Akman, 2009; Çankaya and Aydoğan, 2008). However; information on financial statements mean different during implementation in each country due to cultural differences. With the international accounting standards, reflected dimension of cultural differences over accounting system seem to disappear and as a result comparability, explicability and transparency of financial statements increase (Varıcı and Özdemir, 2013; Usul and Kıymık, 2010).

Primarily in our study, the development of accounting during republican era in Turkey is dealt with. Furthermore, accounting culture is discussed comprehensively. Next, accounting models used in the world and Turkey are explained in short and finally the effects of international financial reporting standards on accounting culture are discussed.

2. Development of Accounting in Turkey

When accounting regulations are considered, it seems that studies have been carried out in parallel with economic and political relations. Accounting regulations were influenced by French accounting system in the first years of the republic, which was then followed by German and American ones. It was in 1926 when "Industry and Mining Bank", the first "Public Economic Enterprise", which may be regarded as the starting point of the accounting history in the republic. Public Economic Enterprises played an important role in development of accounting during republic period (Uçma, 2012; Ağca and Aktaş, 2007). In the Commercial Law enacted in 1926, the emphasis was put on keeping the company accounts and calculating the profit in addition to certain principles introduced for inventories, financial statements and profit and loss statements (Avcı, 2011). The chart of accounts in accounting system developed for Sumerbank founded in 1933 was used for all public economic enterprises to be established later on. This chart of accounts became a starting point in forming an accounting system for private entities (Uçma, 2012; Tenker and Tetik, 2007). The statute regarding income tax reform entering into force in 1950 obligated a larger group of taxpayers than before to take a close interest in accounting issues. As from 1960, the impact of Anglo-Saxon accounting started in Turkey (Kocamaz, 2012). Especially in 1964, the commission on reorganization of public economic enterprises aimed to develop a uniform system that could be applied for all entities after evaluating historical developments of financial affairs and accounting system. In 1969, the Banking Associations made various studies of accounting in order to provide a uniform implementation among the banks (Başpınar, 2004). The first accounting regulation related to private sector was created by the Capital Markets Board (CMB), which was founded in 1981. However, the scope of such regulation remained limited to

the enterprises included in Capital Markets Law (Ağca and Aktaş, 2007). Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey was founded in 1989. This was noted down as an important progress in terms of appropriation and organization of the accounting profession (Kocamaz, 2012; Aysan, 2008; Tenker and Tetik, 2007). Accounting practices were carried out in accordance with tax laws until the regulations were enacted by Capital Markets Board in Turkey and it was aimed to have tax basis of accounting systems comprehended and to allow tax auditing (Öz and Çevikcan, 2010). To that end, General Communique on Accounting System Application published by the Ministry of Finance in 1992 and Uniform Chart of Accounts entered into application in 1994 brought a certain standard to accounting practices in Turkey (Uçma, 2012; Karakaya, 2010; Avder, 2006; Ağca and Aktaş, 2007: Tenker and Tetik, 2007). It shows that Banking Regulation and Supervision Agency, Capital Markets Board and different regulations enacted brought versatility in terms of accounting practices (Durak and Balsarı, 2012). Nevertheless, due to inadequacy of the laws, various regulations on accounting in such laws and increasing global mobilization and difficulty in meeting the international requirements, different entities and institutions showed efforts to form accounting standards (Güney et al., 2012). The important step in this area was taken by Accounting and Auditing Standards Authority of Turkey (TMUDESK) and as from 1996, Turkey started to publish Accounting Standards. Again in 1999, Accounting Standards Board of Turkey (TMSK) was founded and in 2002 it went into operation after holding its first meeting (Kocamaz, 2012; Avcı, 2011; Karakaya, 2010). On the other part, Capital Markets Board published 33 accounting standards in compliance with IFRS in 2003 (Avcı, 2011; Karakaya, 2010; Çiftci and Erserim, 2008). By March 2008, companies traded at the stock market were made to implement IFRS practices in compliance with the European Union (Gençoğlu and Ertan, 2012; Aysan, 2008; Çiftci and Erserim, 2008). Since 2013, there have been updated and operative 41 IFRS which are proposed and applied by Public Oversight (KGK, 2014).

3. Accounting Culture:

What lies behind the studies in accounting is the definition and classification of societal cultures and researching accounting phenomena accordingly. Conducting a scientific study on a complex issue like the culture has its own drawbacks (Tecimer and Karabınar, 2009).

Cultural environment as a national system composes of the combination of language, religion, customs, morals, living style, values, living together, behaviors, ethical rules, laws, education, policy, social organizations and technology (Limaki et al. 2013; Dima and Dima, 2009). Culture may be defined as the collective programming of the mind which distinguishes the members of one human group from another or which reflects on the behavior of the human beings included in the social belief system and organizations (Limaki et al., 2013; Stander et al., 2013; Akman, 2009; Finch, 2007; Kang et al., 2004). Such remarks were used commonly while studying varieties in international accounting practices and making research on accounting to develop a cultural framework (Limaki et al, 2013; Finch, 2007). However, the importance and origins of culture in accounting literature have just been recognized.

The inception of the studies in this area is that of Hofstede's. Depending on Hofstede's classification, Gray defined accounting values (Tecimer and Karabınar, 2009). Gray's study was built on analyzing explainability of the changes in international financial reporting systems (Akman, 2009).

Hofstede (1980) described culture as a system of societal norms including value system shared by the majority group in a population. Hofstede also indicated four dimensions; which are individualism, power distance, avoiding uncertainty and masculinity to be beneficial to measure cultural values of every country and positioning to one another, corporate structure and behaviors (Heidhues and Patel, 2011).

Before defining accounting values of Gray which may be related to social values, it could be necessary to comprehend the meaning of four dimension as defined by Hofstede (Radebaugh et al., 2006).

Individualism- Collectiveness: Individualism is higher when the interdependence of the individuals in a society is weak (Akman, 2009). In individual societies, individuals prefer being responsible for themselves and only their immediate family members. In collective societies, on the contrary, individuals are in a social environment where they take interdependency for granted (Varıcı and Özdemir, 2013; Alkafaji, 2012; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Birsel et al., 2009; Dima and Dima, 2009; Güvemli, 2008; Soares, 2007; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). At a cultural level, it seems that economically less developed countries are more collective than developed countries. The relation between coworkers in individual societies is based on professional working environment and thus such relation may easily be in the event that there is a likelihood for better conditions. To the contrary, it is taken normally to accept gifts and similar items in business relations. However, when the concepts of gift and relation are misused, there may be corruption (Akman, 2009). It is suggested that financial reports become more protective as the level of individualism decreases (Çankaya and Aydoğan, 2008).

Level of Power Distance: Power distance is a value that expresses the level of acknowledgement of unequal power and authority distribution within the institutions and organizations in a society. The societies having higher score of power distance accept hierarchic organization structure in which each individual has a position, donot ask about distribution of authority and form a centralized pattern (Varıcı and Özdemir, 2013; Alkafaji, 2012; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Çarıkçı and Koyuncu, 2010; Birsel et al., 2009; Dima and Dima, 2009; Güvemli, 2008; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). Conversely, the societies having lower level of power distance demand an equal distribution of authority distribution and ask for an explanation rather than accepting when they consider such distribution is not equal and thus centralization rather decrease. In these societies, authority is attained through knowledge, skills and achievements (Akman, 2009; Güvemli, 2008). The societies with larger power distance (societies dominated by hierarchic order) also have legal regulations on financial reports. National laws in Korea and Japan seem to be more effective in preparing financial reports when compared to those of in the USA, England and Germany. In such societies, a

conservative approach has been adopted with regard to explaining financial reports (Çankaya and Aydoğan, 2008).

Level of Uncertainty Avoidance: Uncertainty avoidance is about how the individuals feel uncomfortable with uncertainty. Their level of feeling uncomfortable against uncertainty causes them to develop beliefs that may remove such uncertainty and create institutions that may provide consistency. In the societies with higher scores of avoidance of uncertainty, rules of attitude and belief are stricter and heterodox individuals and ideas are rejected by the society. In the societies with lower scores of avoidance of uncertainty, the rules are more flexible. Implementation rather than principles dominates the behaviors and the level of tolerance to the heterodox attitude and beliefs (Varıcı and Özdemir, 2013; Alkafaji, 2012; Bekçi and Bitlisli, 2012; Akman, 2011; Heidhues and Patel, 2011; Birsel et al., 2009; Dima and Dima, 2009; Çankaya and Aydoğan, 2008; Güvemli, 2008; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). There is not an explicit relation between the level of uncertainty avoidance and economic development. The societies with higher level of avoidance of uncertainty may not obtain good results in bargain when the consequence is hidden and senior management allocates much time for short and medium term planning. However, the societies with lower level of avoidance of uncertainty put emphasis on strategic planning (Akman, 2009).

Masculinity – Femininity: Masculinity is the situation where institutions, success, assertiveness and financial achievements are given priority. In feminine societies, success in social relations, flexibility and modesty are given particular importance and they prefer higher living quality (Varıcı and Özdemir, 2013; Alkafaji, 2012; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Çarıkçı and Koyuncu, 2010; Birsel et al., 2009; Dima and Dima, 2009; Güvemli, 2008; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). In masculine societies, institutions are established and managed based on performance and achievement (Akman, 2009). Feminine socities are the socities of wealth and they try to protect the weak (Heidhues and Patel, 2011; Akman, 2009; Güvemli, 2008; Salter and Niswander, 1995). In masculine societies, competition is perceived as affirmative while in feminine societies solidarity is regarded as positive (Akman, 2009). As explained above, the study conducted and dimensions of the cultural values put forward by Hofstede are not directly related to accounting and financial reporting. Rather, Hofstede suggested that as different societies have different cultural values, it is not possible to govern such with the same way successfully. On the other hand, with Gray's (1988) approach to the relation between accounting and culture, accounting values started to be used in many research on accounting (Akman, 2009).

Gray (1988) determined four accounting values in order to define accounting culture: "statusquoism versus professionalism", "flexibility versus uniformity", "optimism versus conservatism" and "transparency versus secrecy". Gray asserted that these values could explain and predict international differences in accounting systems and development of accounting to international extent (Heidhues and Patel, 2011; Güvemli, 2008; Doupnik and Tsakumis, 2004).

Statusquo versus Professionalism: This dimension deals with how accounting regulations should be made by the members of professional groups. The degree of professionalism in accounting culture is to point out the level of effect on authority in accounting system. The greater the level of professionalism, the greater the level of self-sufficient. In contract, when the level of professionalism is lower, there is an expectation of government intervention to any (Stander, 2013; Varıcı and Özdemir, 2013; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Dima and Dima, 2009; Güvemli, 2008; Doupnik and Riccio, 2006; Ding et al., 2005; Chanchani and Willett, 2004; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). According to Gray, professionalism is closely related to individualism and uncertainty avoidance. In social systems where individual decisions and efforts are forefront, independent decision mechanism may reveal itself. This is appropriate for the situations where uncertainty avoidance is weak. Gray also determined a relationship between professionalism and power distance. Accordingly, in societies with small power distance in which individuals count on each other much and perceive less threat, professionalism is adopted easily (Akman, 2009; Güvemli, 2008).

Flexibility versus Uniformity: While uniformity approach put an emphasis on a uniform accounting practices in all companies so as to provide comparability by years, flexibility deals with freedom to utilize accounting practices for each business as the situation requires. The higher the degree of uniformity, the lower the degree of professionalism and the stricter rules and procedures must be complied with. This value means the desire of adoption by the operators of new accounting rules depending on types and contents of their preferences (Stander, 2013; Varıcı and Özdemir, 2013; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Dima and Dima, 2009; Güvemli, 2008; Doupnik and Riccio, 2006; Ding et al., 2005; Chanchani and Willett, 2004; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). Gray suggested that uniformity is closely related to the dimensions of uncertainty avoidance and individualism. There is a coherence and relation between the uniformity and uncertainty avoidance in which there appears to be concern about rules and order and written rules and ordinances are required. It is also observed that there is a link between this value dimension and collective one (Akman, 2009; Güvemli, 2008).

Optimism versus Conservatism: It is about adoption of cautious or risk approaches against uncertain events in the future (Stander, 2013; Varıcı and Özdemir, 2013; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Dima and Dima, 2009; Güvemli, 2008; Doupnik and Riccio, 2006; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). To Gray, conservative predispositions in value assessment and recording, the ratio of effect of tax laws on accounting rules and level of development in capital markets are the influential factors (Akman, 2009; Chanchani and Willett, 2004). Dependency on measurement methods used in conservative accounting systems is stronger. In other words, the greater the level of outward-orientation, the greater the level of conservatism. It is likely that in the societies avoiding risks, accounting practices seem to be more conservative, while in optimist and transparent societies, more optimist accounting practices may appear (Güvemli, 2008; Chanchani and Willett, 2004). In addition to these, Gray suggest that uncertainty avoidance, which is a cultural dimension, is also related to conservative

accounting approaches. When the degree of uncertainty avoidance is higher, it is expected that the cautious attitudes that avoid risks should be displayed, which is in compliance with conservative accounting methods (Bekçi and Bitlisli, 2012; Akman, 2009; Güvemli, 2008; Chanchani and Willett, 2004). Moreover, Gray is of the opinion that there is no relation between conservative accounting principles and authority distance value. Apart from such, although the relation between masculinity and individualism is not so strong, it seems to be reverse (Akman, 2009; Güvemli, 2008).

Transparency versus Secrecy: This dimension underlines an accounting system which is more transparent and open to general instead of an accounting system which defends only information dealt with corporate directors should be included in financial statements (Stander, 2013; Bekçi and Bitlisli, 2012; Borker, 2012; Akman, 2011; Heidhues and Patel, 2011; Dima and Dima, 2009; Güvemli, 2008; Doupnik and Riccio, 2006; Ding et al., 2005; Chanchani and Willett, 2004; Amad et al., 1999; MacArthur, 1999; Salter and Niswander, 1995; Gray, 1988). The level of secrecy directly influences the content and degree of the information in the financial statements as well as which information is included or not included. The higher the degree of secrecy, the lower the amount of information in the financial statements (Güvemli, 2008; Chanchani and Willett, 2004). There is a proportional relation between individualism and secrecy. In other words, the higher the degree of individualism, the higher the degree of secrecy (Akman, 2011; Dima and Dima, 2009; Güvemli, 2008; Ding et al., 2005; Amad et al., 1999; MacArthur, 1999; Gray, 1988). Secrecy level specifies the depth of transparency and the details in the financial statements. Similarly, the value of professionalism defines the technical aspect of accounting practices, Professional organization and ethical perception of accountants in that country (Akman, 2009; Güvemli, 2008). Gray associates the secrecy especially with uncertainty avoidance, power distance and individualism. Secrecy is closely related to the dimension of uncertainty avoidance providing security, conflict and preventing competition. It has also ties with protection of balance of power and higher power distance that may provide restrictions for access to information. At the same time, secrecy is in interaction with masculinity dimension (Akman, 2009; Güvemli, 2008).

4. Accounting Models in the World and Turkey

There are too many factors that differentiate accounting systems from each other. Such factors can be stated as level of economic development, economic system, inflation, codes of conduct and standards, professional knowledge background, general education level, status of accounting education and speed of innovations in business, financial resources, level of business practices, structure of business ownership, the role of the government in economy, legal system, culture, the parties using accounting knowledge, status of profession, sanction power on accounting practices, social environment, crisis, history of the countries and economic ties and taxation practices. It is possible to classify these factors into as economic, socio-cultural and legal factors (Çankaya and Hatipoğlu, 2011; Karakaya, 2010; Ağca and Aktaş, 2007; Nalbantoğlu, 2003). The factors effecting accounting enable us to understand the differences and similarities between the countries.

Relations between accounting practices established depending on cultural features in the world are classified. To this, in countries with similar cultures, there are also similarities between the enterprises and behaviors of the individuals. Therefore, the accounting structure and financial reporting systems of the countries with similar culture seem to be similar. The models related to the accounting practices in question are explained below.

Anglo-American Model: In this model, the rules directing accounting practices are create by the professional accounting organs rather than the state itself and it is common in countries in which capital markets are effective. Here, legal rules are valid and thus accuracy and market value phenomena are emphasized. According to economic truths, financial statements are expected to be presented explicitly. To the countries in this group, accounting is a system which only aims to seek solutions to the problems in order to meet the requirement of business world beyond politics and economic concerns such as America, England and Australia (Varıcı and Özdemir, 2013; Wehrfritz et al., 2012).

Continental Europe Model: This model cannot benefit from professional accounting and governments are dominant and it lays little emphasis on requirements such as accuracy and transparency. Accounting practices in this model is intensively related to tax rules. Capital Market is not effective in formation of this model. Yet, capital market is self-efficient. On the other hand, information provided is served to protect the creditors. Another strong country within this model created by the countries of Continental Europe is Japan. It should be noted that Germany is also belongs to this model. In addition to Algeria and Morocco that are under the French culture, Scandinavian countries also have roles in this model (Varıcı and Özdemir, 2013; Wehrfritz et al., 2012).

South America Model: This model is developed against high inflation. There are government controls over accounting practices, because government feels obliged to regulate incomes subject to taxation. Among countries in this model are Argentina, Brazil and Chile (Varıcı and Özdemir, 2013).

Mixed Economy Model: As can be understood from its name, there is more than one system within this model. While there is a structure in which government is influential, there is another system oriented towards producing information and businesses being traded at international markets are close to British-American model. Similarly, while there is a structure which complies with uniform accounting plan as stipulated by the government and produces information for the directors, there is also another structure trying to produce information for investors, creditors and capitalist system. This model is more common in countries that still try to maintain the traces of the communist regime upon collapse of Eastern Europe countries and Soviet Union (Varıcı and Özdemir, 2013).

According to this classification, IFRS seems to be a practice appropriate for the countries with similar cultures, which are close to Anglo-American culture (Varıcı and Özdemir, 2013).

Finally, the place of Turkey within these systems is important. Before IFRS is legalized with the Turkish Commercial Code, it can be said that Turkey is close to Continental Europe model, though it is affected by Anglo-American model with the uniform accounting

plan presented in 1994 (Güvemli, 2008). Nevertheless, by 2012, when TFRS, the version of IFRS translated into Turkish was based on, Turkey came closer to Anglo-American model (Varıcı and Özdemir, 2013).

5. Effects of International Financial Reporting Systems on Accounting Culture

Global developments in economy cause financial reports to be prepared and reported based on common accounting principles and the same financial reporting criteria by connecting countries' economies each other. That the information is to be sharable and comparable at international level leads to studies on standardization to international levels. Accounting regulations peculiar to the countries raise difficulties in terms of global readability and multi-national companies' going into the country's economy. The different regulations of the countries are complex and when compared to those of other countries, there seems to be big differences in practice. While foreign investors consider their capitals, they want to make investment in the countries where they are not likely to encounter problems in terms of taxation and accounting. Thus, international financial reporting standards prepared by International Accounting Standards Board (IASB) set out for the removal of differences in practice, realization of uniformity in accounting plans, preparing financial reports in an explicit, understandable, objective and comparable (Kocamaz, 2012). The International Accounting Standards Committee (IASC), was formed in 1973, and begins to be taken more seriously. In 2000, its International Accounting Standards (IAS) were recognized by most of the world's major stock markets. In 2001 the IASC was renamed the International Accounting Standards Board (IASB) and its International Accounting Standards were renamed International Financial Reporting Standards (IFRS) to emphasize that the primary goal of accounting standards is to insure fair and accurate financial reporting by all entities (Borker, 2012).

As far as accounting regulations in Turkey are concerned, it seems that studies were carried out in parallel with economic and political relations. Accounting regulations were initially affected by the French, then German and finally American accounting systems. Cultural properties of continental Europe may be seen on French and German accounting system -collectivity, large authority distance, uncertainty avoidance, femininity-. Governments are effective in Continental Europe and tax regulations are predominant. Use of initiative in the direction of interest of creditors is common in regulations. In the cultures of the countries of this model, conservative, secrecy, uniformity and statusquo are dominant. In Turkey, cultural properties of Continental Europe has lasted until quite recently. However, when development of accounting system in our country is taken into consideration, "Turkish Accounting Law" is composed of primarily Tax Procedure Law and Turkish Commercial Code as well as communiques of Banking Law and Banking Regulation and Supervision Agency, Capital Markets Law and Communiques of Capital Markets Board, General Communique of Accounting System Practice (uniform accounting system), Insurance and Supervision Law, Communiques on Accounting and Insurance System, Turkish Accounting Standards, etc. Among such regulations, uniform chart of accounts, which has been used by public and private sector since 1994 may be referred to as the first standard practice. When studies conducted on formation and development of accounting standards in Turkey are considered, it comes into view that there is a system of multiple accounting standards and therefore, a business may

become subject to more than one accounting system (Kocamaz, 2012; Tenker and Tetik, 2007). To illustrate, in accordance with a public company may be obliged to arrange financial statements based on standard reporting as suggested by CMB. As many international investors have preferred Turkey with globalization our country is forced to use international financial reporting standards in order to provide uniformity with the internationalization of capital markets. However, IFRS consist of standards formed within Anglo-American culture model and therefore reflect cultural properties -individualism, small authority distance, low level of uncertainty avoidance, masculinity-. In the countries of this culture model, accounting regulations are enacted by professional organs rather than the government itself. Rules of law and capital markets are dominant. Financial statements are reported in accordance with economic truths. Professionalism, flexibility, optimism and transparency are predominant.

6. Conclusion

IFRS has been used by many countries all around the World. Still, such countries are not the ones within Anglo-American model. The countries in the Continental Europe (Germany, France, Scandinavian countries, Turkey), the countries with South America model (Chile, Argentina, Brazil) or the countries with mixed economy model (Russia, Eastern European countries) have adopted IFRS recently and started to use in practice. As a result of use of IFRS, a single accounting system may be created in the world and the effects of country-specific accounting cultures may soon be removed. What is important here is not about which system is better or which system is more beneficial; instead; what is important here is to results of conversion of two opposite cultures into one single culture.

As a consequence, Turkey is a developing country in terms of economy. According to cultural values as defined by Hosftede, it shows a collective structure. It is regarded as ordinary to give and accept gifts in business relations and as a result of this, financial reports have become more protective. Hierarchical structure is dominant in Turkey and there is large power distance. However, legal regulations have an impact on financial statements. In our country, where the degree of uncertainty avoidance is higher, senior management allocates time for short, medium and long term planning and finds instant solutions to the problems. Our country tends to be a interdependent society that prefers to protect the weak instead of competitive pattern. According to Gray's accounting values, Turkey displays a statusquoist structure where the government is dominant. Professional groups or organizations are not influential in terms of accounting decisions. Through years, the state of Turkey have been forced to implement the same rules and procedures (within the framework of uniform accounting plan) for the businesses within the same sector and therefore exhibited an inflexible pattern. Turkey is a conservative society not fond of taking risks, tend to be outward looking in parallel with economic and political developments. Thus, dependency on methods of measurement is higher. In our country that is not sufficiently transparent in explaining financial statements, level of secrecy has a direct impact on which information is included in the financial statements, scope and degree of such information. The higher the secrecy level, the lower the degree of information in the financial statement. In accordance with the explanations made, it should be discussed whether Turkey showing Continental Europe features can adopt

Anglo-American culture model. Yet, culture inherently changes and develops within a long period of time.

In our study, we assessed culture and accounting culture of Turkey based on Hofstede and Gray's culture and accounting values. This study may give way to other studies to be made on whether Turkey can adopt IFRS or not. We are of the opinion that this study will cast light upon studies in literature that may be conducted to determine cultural changes.

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