

COMMERCIAL BOOKS UNDER TURKISH COMMERCIAL LAWS CONCERNING ACCOUNTING

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Resumen

La modernización de las leyes comerciales de Turquía tiene una historia de 160 años (1850-2010). Los movimientos de occidentalización (Imperial Edicto de 1839) dentro del Imperio Otomano trajeron consigo la creación de la primera ley comercial, Kanunname-i Ticaret (1850 a 1926). Desde 1926 otras tres leyes comerciales fueron promulgadas. En este estudio, examinamos los libros de comercio dentro de esas cuatro leyes comerciales en el ámbito de la contabilidad. Nuestro objetivo es entender los efectos de los cambios de reglamentación comercial sobre la evolución de la cultura turca de contabilidad. Los resultados indican que debido a la ley islámica (Sharia), la aplicación de la ley comercial de 1850 no se había extendido. Las disposiciones legales que entraron en vigor con el establecimiento de la República en 1923 han hecho posible la promulgación de nuevas leyes comerciales. Así, el estudio también se ocupa del proyecto de ley de Derecho Mercantil de Turquía de 2005.

Palabras clave: Derecho comercial; Libros de comercio; Contabilidad cultura; Desarrollo de la contabilidad en el Oriente Medio.

Abstract

The modernization of the Turkish commercial laws has a history of 160 years (1850-2010). The westernization movements (Imperial Edict of 1839) within the Ottoman Empire effected

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the establishment of the first commercial law, Kanunname-i Ticaret (1850-1926). Since 1926, three other commercial laws were enacted. In this study, we examine the commercial books within those four commercial laws under the scope of accounting. Our aim is to understand the effects of the commercial regulatory changes on the evolution of the Turkish accounting culture. Findings indicate that due to the Islamic law (Sharia), the application the commercial law of 1850 was not widespread. The legal regulations which were put into force with the establishment of the Republic in 1923 have made the enactment of new commercial laws possible. Thus, the study also addresses to the bill of Turkish Commercial Law dated 2005².

Keywords: Commercial law; Commercial books; Accounting culture; Development of accounting in the Middle East.

1. Introduction

It is possible to examine the provisions regarding the evolution of accounting in the Republic of Turkey by examining the commercial books of the major four commercial laws. This article aims to examine the commercial books of the four major commercial laws enacted in the Ottoman Empire and later in the Republic of Turkey under the scope of accounting. Thus, the authors believe that understanding the reasons of accounting transition by examining the commercial books will guide us to determine adequate commercial laws of the future.

Turkish accounting thought has been influenced for centuries by the developing accounting practices of the Middle East (Elitas *et al.*, 2008). We can date the commercial changes in the Ottoman Empire back to the *Tanzimat* period of reforms and reorganization in 1839³, and the influential effects of the European countries accounting cultures towards the first half of the 19th century. The commercial law of France titled Code de Commerce was put into force by Napoleon in France, September 5, 1807. It affected the commercial culture of Europe as well as the Ottoman Empire. The first and the second books of this law which were translated in the commercial law (Kanunname-i Ticaret) of 1850 is one of the subjects of this study (Birinci Tertip Düstur, 445-461)⁴.

After the proclamation of the Republic, on 29.05.1926, the law accepted in 1850 was renewed and put into force with the name Commercial Law. This law has given its place to Turkish Commercial Law -put into force in 1957. Turkish Commercial Law No. 6762 dated 9.7.1956 was in force when this declaration was prepared.

² A part of this paper had been presented at the 2BMAC – *Second Balkans and Middle East Countries International Conference on Auditing and Accounting History*, Istanbul-Turkey, September 2010 with the title “Commercial Books under Turkish Commercial Law Concerning Accounting” by Batuhan Güvemli and Fehmi Yıldız.

³ The goal of the Imperial Edict of 1839 was to help modernize the Empire militarily and socially so that it could compete with the great powers of Europe.

⁴ Birinci Tertip Düstur (First Setup Code) involves legislations of the Ottoman Empire between the years 1839 and 1908.

The Turkish Commercial Law which was forwarded to the Turkish National Grand Assembly by the Government of Turkey in 2005 is in a bill status. According to these explanations the Turkish Commercial Law has three laws and one bill of law. Commercial books are examined chronologically within the article.

First, it would be suitable to check the commercial books in the French Code de Commerce. The first and the second books of Code de Commerce were included in the commercial law of 1850 (Kanunname-i Ticaret).

2. The commercial books in code de commerce

The provisions in the French –Code de Commerce put into force by Napoleon in 1807 have affected the Turkish commercial law. This effect shows itself in Kanunname-i Ticaret published in 1850. The commercial books are found in the first book of Code de Commerce.

The first book of Code De Commerce had 8 chapters. In the second chapter, we see the obligatory books which the merchant have to keep. The related information is conceived as follows (Güvemli, 2000a, 78).

Daily book: It is the book where the commercial transactions are recorded daily; the assets and the liabilities. It allows for the declaration of the expense amounts of the trade house from month to month. It is kept separately from the other books but its records are carried out as dependent on them.

Inventory book: An inventory is issued at the end of every year and the current and the fixed assets take place in it and the assets and the liabilities are recorded.

The daily book and the inventory book have signatures. These signatures are signed by the judge of the commercial court, if not by the mayor or the deputy, and the books are kept for ten years.

Properly kept books can be evidence among the merchants.

These explanations show that it is mandatory to keep the daily book and inventory book in Code de Commerce. It is understood that the other books have been left optional. However, the general ledger has become mandatory in time due to reasons like issuing the monthly accounts.

It is appropriate, to put the subject forward more clearly, to mention the third book of Code de Commerce making reference to balances. In the third book, the procedures the merchant having difficulty to pay debts must be carried out and the procedures in case of bankruptcy, are explained. There are two titles of this book. These are *Faillites and Banqueroutes*. *Faillites* is described as the merchant who stopped payments. *Banqueroute* is the merchant bankrupted from fraud or significant mistakes.

The fifth part of this book has the title *balance*. In this part it is stated that the *bankrupt must prepare his balance or the assets or the liabilities of his works before the declaration of his bankruptcy. It is required that the balance must show the current and the fixed assets, the debts, and the arrangement of the profit and loss table along with the expenses table, It is required that the balance must be signed by the debtor showing the date and the true status of the balance in writing.*

Above explanations show that great importance is attached to the daily book and the inventory book in Code de Commerce and the Balance and the Profit and Loss Table has importance in decision making about legal matters.

In the third section of this study, we examine how the provisions of Code de Commerce have affected The Turkish Commercial Law (Kanunname-i Ticaret) in 1850.

3. The commercial books and the financial tables in Kanunname-i Ticaret

A Turkish Commercial Law (Kanunname-i Ticaret) was put into force in 1850. It was the second law published in the Ottoman Empire after the 1839 Imperial Edict (Tanzimat Fermanı) when the legal regulations taken from the west started⁵ and it has been translated from the Code de Commerce. Dutch, German and Belgian laws were also applied in the different chapters of this law. As mentioned above the first and the second books of Code de Commerce in Kanunname-i Ticaret have been formed by translation. There are general provisions in the first of these books. The second book is about the law of land trade. Additions have been made to this law throughout the 19th century, and the first addition was related to the Commercial Courts in 1862. The second addition was made in 1864 and it is related to Maritime Trade Law. Two additions have been made at the beginning of the 20th century. The addition regarding the Bankruptcy Law was made in 1905, and in 1906 the addition regarding the insurance transactions law was applied (Grzumar and Grzumar, 1962, 45).

In the beginning, the law was generally related to merchants, trade companies and bankruptcy provisions. The provisions about the commercial books take place in the articles 3., 4., 5., 6., 7., 8., 9. We have examined those articles briefly.

Article 3: The merchant has to record his claim, debt to the daily book day by day in articles. He also has to record all his transaction regarding the trade, purchasing, and the policies received and provided, payments, receipts and the expenses.

⁵ The first law taken from the west after the Tanzimat Fermanı (Imperial Edict) is the Penal Law taken from Europe in 1840.

Other than that the merchant has also to record all the letters he has written to his partners, employees and those in cooperation. He has to keep the letters he has received⁶ (Güvemli, 1994, 86).

Article 4: The merchant, other than the book in the 3rd. Article, has to keep another book every year called the balance book. He will write all his properties, portable properties and claims and debts in detail.

Article 5: In the books stated in the above Article there will not be blanks left to record later on, the writings will be readable, the words and signs will not be put in between the lines, the records will be drawn up legibly. The person who keeps the books at the end of every year will sign the daily book, a number will be put on each page of the book and the number of the last page will be written at the beginning of the book and it will be signed.

Article 6: In the books, which must mandatorily be kept in the trading house, in the case the generally accepted rules are not followed, the books are kept improperly and not in conformity with the rules, these books will not be credited and the records in these books will not be accepted as evidence.

Article 7: Displaying the commercial books is not required in the commercial cases. However, in cases of bankruptcy and devolution, because of the company's interest, deficient books can be requested from the trading house.

Article 8: The books of the merchants kept in accordance with the above stated principles can be accepted as evidence.

Article 9: During the progress of a trial, the merchant can ask his book to be accepted as evidence provided that it will be related to the event of the trial subject.

The explanations regarding the financial tables also show in the parts of the law, other than these provisions, related to the bankrupt. The balance book has been handled as follows in the *explanation of the bankrupt* of the law.

Article 49: The balance book is also required to be submitted along with the request of the bankrupt. The merchant has to explain in good reason in the case he cannot provide this book. And this book will be prepared to contain the quantity and the amount of the real properties and the securities, the claims and the debts and the profit and the loss and their expenses and it has to be signed and dated by the merchant.

Evaluations regarding the above articles of Kanunname-i Ticaret is as follows.

⁶ The book mentioned here is not the memorial book regarding the document creation mentioned by Pacioli. This book is in parallel with the explanations of keeping of the important documents that Pacioli mentions in the thirty fifth chapter of his book.

The articles regarding the commercial books have been prepared in parallel with Code de Commerce.

The books which are mandatory to be kept are the daily book and the balance book. The balance book will then also be called the inventory book. The book mandatory to be kept is the book where the important documents being received and dispatched are recorded. These are the books for Code de Commerce.

The recording of the books clearly and in legible detail draws our attention. Also a precaution about this matter is stated in the law and it is also stated that any book not kept properly will not be accepted as evidence in commercial disputes.

Another subject drawing attention is the allowing for the merchant to submit his own book as evidence.

These considerations reflect the commercial culture and at the same time the accounting culture which commercial life was not used to in the Ottoman culture until that time. For this and similar reasons it has not been possible for this law to be applied to a great extent.

A law was put into force regarding the use of the double-entry accounting system in this law. Although, a state accounting method called the *Merdiban* (Stairs) Method was being used in those years by the Ottomans. The double-entry accounting system was not known in practice yet. The provisions of Kanunname-i Ticaret regarding the use of double entry accounting system could not get the chance to be applied (Üçok, Mumcu and Bozkurt, 2007, 357). The double-entry accounting system would pass by Sultan's Command in 1879. 'Keeping Books with the Double-Entry Recording Method', the first introductory book of the double-entry accounting system had not been published. Nearly 200 youths who went to France between the years 1840-1850 for training were just getting back to the mainland and they had no power among the Empire yet. The teaching of the double-entry accounting system had not started in related schools yet. Because of these reasons it would be wrong to suggest there was any possibility of applying the provisions regarding the books until the middle of the 19th century.

There were other reasons also making the application of Kanunname-i Ticaret difficult. Sharia rules were applied in the Ottoman Empire whereas in western countries commercial rules were taking a dominant place under capitalism. There was not any civil law yet. In this case, the law being put into force was in question without creating the foundation of the application of the new rules in commerce. We claim that a commercial law should be written according to the rules created in the country, Kanunname-i Ticaret had been put into force without following this rule.

Ottoman community was statist and the state enterprises were at its head. However the Commercial Law had qualities directing mostly the private sector trade. The non existence of the capital establishment regarding the private sector in sufficient number and size is seen as another reason that Kanunname-i Ticaret could not find a successful application field.

4. The commercial books in the Turkish commercial law of 1926

Another Commercial Law was put into force in Turkey in 29.05.1926. It remained in force until 1957. The provisions regarding accounting affected the structure of accounting in the first period of the Republic (Güvemli, 2000b, 148).

Articles 66-86 of the mentioned law are related to the commercial books of the small scale merchant (Ziya, 1928) and are as follows.

Article 66: Every merchant has to keep 3 books by law - assets and offsets (Inventory and balance) book, daily book and the copy book – these are his commercial documents.

Article 67: The Merchant can keep other books too, as required, but he does not have to get them approved as shown in the next article.

Article 68: The Merchant can keep his books himself, or he can have his employees keep them, to; such recordings will be considered to be made on his behalf⁷.

Article 69: The three books mandatory to be kept must be bound. The notary public (katib-i adl) will put a number and a seal to every page of these three books, he will record the number of pages of the book, and he will sign it.

Article 70: In the assets and offsets (Inventory and balance) book:

- *The cash, the claims to be received, stocks and the current assets (number, amount) of the merchant will be written,*
- *All debts,*
- *He will also write the year-end balance after these records in the book. The balance will be issued annually.*

Article 71: The capital is recorded in the daily book as the first article. Then the bonds he received and gave, the receipts regarding the commercial transactions are recorded separately day by day. At the end of every month he writes the expenses he had for his own needs, as an article.

Article 72: The commercial works of the Merchant have to be in the copy book. The letters received, sent and the telegraphs are recorded.

Article 73: The corporate companies keep a book of decisions. In the book, either the decision of the general board or the board of directors is written.

Article 74: The accountant (katib-i tacir) will write an expression that the necessary information to prepare this book has been taken from the daily book. Then, the notary public who does not have the authority to investigate the book will approve it.

⁷ The accounts and the accountants' words do not appear in either the Commercial Law dated 1850 or in the law dated 1926 of 1,100 Articles and in the law dated 1957 with the same breadth.

Article 75: The books that are kept mandatorily and the documents recorded in the copy book and the documents regarding the payments made must be kept for fifteen years.

Article 76: The books and the documents are delivered to the court for termination and dissolution purposes in case of Merchants death.

Article 77: The commercial books and the documents may be requested by the court during the proceedings of a commercial trial. In this case, only the records related to the subject of the books can be investigated.

Article 78: If the relevant court is in another place, the previous court takes the necessary information and sends it to the relevant court.

Article 79: The owner of the trading house is responsible from the absence of the books or the improper keeping of the books.

Article 80: If the books and the documents are wasted due to reasons like the natural disasters, fire or flooding, the owner of the trading house or his assistant have to notify the court within fifteen days.

Article 81: In the case of disputes the commercial books will be accepted as evidence.

Article 82: The records in the books can be accepted in favor of the trade owner or can be used against him.

Article 83: In order to use the books as evidence, the commercial records must be the same in the book of both sides. If there is any difference, this must be reconciled.

Article 84: If one of the parties does not submit his books, the records of the one who submits his books are accepted as evidence. However, the right of the opposite side to prove its case is reserved.

Article 85: If one of the parties has been notified, he will accept the book of the opposite side and the opposite side can not submit his book, the court can have the opposite side take an oath.

Article 86: Even in the belief that the information in the books is accepted by the court, the court can have the book owner take an oath to make the parties have a clear conscience.

Evaluations regarding the above articles of the Turkish Commercial Law of 1926 are as follows.

This law contains more contemporary provisions compared to the Law of 1850 (Kanunname-i Ticaret).

This law has not been inapplicable like the Law of 1850 and it got the chance to be applied as the Commercial Law of the young Republic of Turkey. The reason for this is

that the revolution of Atatürk prepared the ground for this law to be applied. The Turkish Civil Law has been accepted and the Islamic Sharia rules have been kept out of application both in social life and commercial life.

The copy book from the three books to be kept mandatorily (Güvemli, 2000b, 155) is the weakest side of the legal books. In the case where the account recording documents have not been fully put forward and the principle that the account recording must be based on a document is not completely applied, then this book is required⁸.

The General Ledger does not have a place among the mandatory books. This deficiency will be rectified later on.

It is seen that the approvals procedures in the notary public of the mandatory books have been handled in details. This subject has been a factor of increase on the importance of the account books.

This law mentions that the books have to be kept by the accountant. The name accountant had not been used merely 'someone working in the trading house'. In addition, the daily book seen by the accountant and writing in this book the expression 'has been seen by me' can be accepted as the phrase of the first inspection.

5. The commercial books in the Turkish commercial law of 1957

There are two developments which increase the importance of the Turkish Commercial Law accepted in 1957 (Turkish Commercial Law, Number: 6762). Firstly, The Republic of Turkey had thirty years of experience in the understanding of contemporary commercial laws. Secondly, there was a need to provide conformity within the commercial law to the new conditions arising from The Corporate Tax Law, Income Tax Law and the Tax Procedure Law put into force with the tax reforms carried out in 1949.

This law contains more contemporary provisions compared to its predecessors. The provisions regarding the commercial books were again written between the articles 66-86. However, the provisions in these articles had important changes and innovations. The mentioned articles are as follows.

Article 66: The Merchants have to keep these books for the purpose of economic and financial status of the companies, the relations of the claims and the debts, and to determine the results obtained within the work year: The daily book, the general ledger,

⁸ The tax laws put into force together with Republic have also put the other account books into the agenda. Among them are; the manufacturing book obliged by the sales tax (this book is kept today also), sales book; the book where the revenue and the expenses are recorded obliged by the profit tax; the sales book and the sales invoice book obliged by the internal consumption tax. After determining the evidence property of the book and the documents, many provisions have taken place in order to help the commercial trials to be carried out in the law (Article 76-86). This case clearly shows the importance being attached to accounting.

the inventory book and the minute book. The companies which have legal entities will keep the minute book.

Article 67: The books, regardless of whom the Merchant gave authority to keep them, will be kept by the Merchant. The merchant will be responsible for any absence of the books and any improper keeping of the books. In a case where judges, notaries, registrars identify that the merchant did not keep the books properly, they have to notify the situation to the prosecutor's office.

Article 68: The books and the documents must be kept for ten years. In case of dissolution, the decision on holding them will be made by the relevant court. If the books and the documents are damaged by a natural disaster or fire, the merchant will notify the situation to the court within fifteen days.

Article 69: The mandatory books will be approved by the notary public before the New Year, bound and leafed. The notary must put a number to every page and a seal; he must write the number of the pages at the beginning and the end of the book...

Article 70: The daily records of the commercial works are carried out based on the daily book documents. This information is given in the articles of the Daily Book: the Article order no and date; the names of the debtor and the claimant and the corresponding amounts, the type of the records it's based on, its date and so on...

Article 71: The General ledger is the book where the records in the daily book are added by their account names, it must contain this information: Date; the daily book Article no; the amount; the names of the auxiliary accounts in total accounts...

Article 72: The inventories and the balances issued at the beginning and the end of the period are to be recorded in the inventory book.

Article 73: Issuing the inventory is done by determining the currencies, claims and the debts accurately in details by counting, measuring, weighing and evaluating. The inventory contains the assets included in the management.

Article 74: The balance is the summary of the assets shown in the inventory and correspondingly classified by its values (the assets and the liabilities) - the assets in the active and the debts and the capital stock in the passive accounts.

Article 75: The inventory and the balance must be complete, clear and easy to understand and have to be prepared in domestic currency for the relevant persons to hold an accurate idea about the financial status of the establishment.

Article 76: On the left side of the establishment book the expenses are written, and on the right side the incomes are written. This information is to be seen: order, date, type of transaction, amount. The establishment summary is issued at the end of the year. The current property amount, the amount of the property purchased within the year and the expenses made in the work year are recorded in the expense table.

The value of the property sold within the work year, the amount received in return for service, the inventory value at the end of the work year are recorded in the revenue table...

Article 77: Those who work on the goods must show the goods actions in the expense and the revenue parts of the establishment account in a separate column and they have to issue a goods inventory...

Article 78: The decisions of the general assembly and the board of directors are written in the decision book in the legal entities.

Article 79: The book and the documents may be asked in the case of inheritance, bankruptcy and company works and the books and the documents may be investigated.

Article 80: The books and the documents may be requested by the court....

Article 81: The relevant article of the Civil Procedures Law is also applicable in the trials related to accounts.

Article 82: The commercial books may be considered as evidence in commercial trials. The books that are not subject to approval may also be used as evidence with the approved books.

Article 83: If the court has accepted the books as evidence in favor of the merchant, he can get the book owner to take an oath about the accuracy of the book in order to strengthen his belief.

Article 84: The books kept in accordance with the law or not may be used as evidence against the owner.

Article 85: Containing mutually matching records of the books will increase the power of evidence. If the records in the book on opposite sides do not match, or there is no record, it won't be considered as evidence.

Article 86: If the book of one of the parties is in conformity with the law and if the other's is not or he cannot submit his book, the person whose book is in conformity with the law will be accepted as evidence.

Evaluations regarding the above articles of the Turkish Commercial Law of 1957 are as follows.

We observe that mostly, tax laws and financial laws have affected the structure of accounting during the second half of the 19th century and at the beginning of the 20th century. The commercial laws did not have much effect on the structure and evolution of accounting during the mentioned time periods. Commercial laws started to show their effect on the structure of accounting during the period where the law of 1926 was applicable. However, commercial laws started to show their actual effect in the second

half of the 20th century when the private sector started to become effective in the Turkish commercial and economic life. Therefore, the law of 1957 is important.

The Turkish Commercial Law of 1957 was prepared by benefiting from the basics of the Law of 1926. At least, the commercial books and the relevant provisions are in this direction. Taking its place among the mandatory books, the general ledger is an important development. It is also seen that more importance and authority are attached and granted to accounting and accountant.

The commercial law has set the duration period of books for ten years, although the tax laws have set this duration period for five years. This provision had enabled the commercial trials to become longer than the tax trials.

Providing the recording methods for the daily book, general ledger and the inventory book in detail, and the description of the books as well as the definition of the balance, highlights important differences compared to the law of 1926. However, it must be stated that the income table is not mentioned.

The most interesting side of the law of 1957 with respect to the commercial books is without a doubt the operating ledger. Not mentioning the financial tables like the balance and the income table, on the contrary trying to expose a table of cash flow mix this legal regulation, had a quality regarding the carrying out of the account works of the small scale establishments such as a shopkeeper. The application of this book continued to be valid for the most part in the second half of the 20th century.

It is also seen that in the law of 1957 the account documents as well as the account books have not been mentioned enough. It is known that this deficiency has been tried to be recovered by the tax laws.

It is stated in this law that the books can be investigated in authorized institutes and still can be considered as evidence.

6. The commercial books in the bill of Turkish commercial law prepared in 2005

The bill under the same name regarding the amendment of the Turkish Commercial Law put into force in 1957 had not been legalized while this study was being prepared⁹.

The commercial laws are mentioned in between the articles 64-88 of the bill. A different approach has been displayed regarding the commercial books in the bill. The part related to the commercial books has been handled in two parts. The first part has the title

⁹ The bill of Turkish Commercial Law sent by the Laws and the Decision General Directorate of the Prime Ministry to the Assembly of the Turkish National Guard with letter numbered B.02.0.KKG.0.10.101-178- 4903 and dated 9.1.2005.

Keeping Books and Inventory; the second part has the title *Opening Balance and the Year-end Financial Tables*.

There are four articles in the first part and twenty one articles in the second part. The related articles of the first part are summarized and are as follows.

Article 64: Book keeping obligation – Every merchant must keep commercial books and has to expose the property status so as to be seen clearly according to Article 88 and Turkish Accounting Standards¹⁰. He has to keep one copy of all the received and sent documents of all types regarding the establishment. All the commercial books have to be approved by the notary public at the opening and closing. The books to be kept other than the daily book, general ledger and inventory book are determined by the Board of Turkish Accounting Standards...

Article 65: Keeping of the books - The recordings in the books has to be give accurate information, in time and in order. The records cannot be presented in such a way that it is not possible to identify the content. The documents that are the base of the records are filed. The books can be kept in an electronic medium...

Article 66: Inventory – Every merchant is to issue an inventory showing real properties at the opening of his establishment, claims and debts, cash money and other assets completely and properly. An inventory have to be issued at the end of every operating period....If the tangible fixed assets, raw and auxiliary materials are of secondary importance for the establishment, they are taken into the inventory with the fixed amount and value. However it is mandatory to perform physical counting every three years ...The property components and the debts can be gathered in groups...

Article 67: The methods facilitating the inventory – the property is specified as an amount and a value with the help of generally accepted mathematical methods and according to the precise method used while issuing the inventory.... If the inventory is being issued with a method appropriate to Turkish Accounting Standards, this inventory will be satisfactory...

The related articles of the second part have also been summarized and are as follows.

Article 68: Arrangement obligation – The merchant has to arrange the balance showing the relation between his property and debt amounts at the beginning of the commerce period and at the end of every operating period. The merchant has to prepare the income table...

Article 69: The principles regarding the arrangement – The yearend financial tables have to be issued in the time required, by the operation flow in a clear and understandable manner by following the Turkish Accounting Standards.

¹⁰ Turkish Accounting Standards Board: The Capital Market Law numbered 2499, Annex 1. Article. Added by the law: the law dated 18.12.1999 and numbered 4487. TMSK became operational in 2002.

Article 70: The language and the unit of currency: the financial tables have to be issued with the Turkish language and with the Turkish currency (TL).

Article 71: Signature – The financial tables have to be signed by the merchant.

Article 72: Precision and deduction prohibition – The yearend financial tables must show all the properties, expenses paid in cash, all the incomes and outcomes properly. The asset items with the liability items, the incomes with the expenses cannot be entered into an account....

Article 73: The content of the balance – the current and fixed assets, equity, debts and the period separating accounts are shown as separate items in the balance. The entities continuously allocated to the establishment take place in the fixed assets.....

Article 74: Capitalization prohibition – The expenses made for the purpose of the foundation of the establishment and for providing equity cannot be put into the assets. The intangible fixed assets taken free of value cannot be put into the assets.

Article 75: Provisions – For suspicious entries and possible losses, the provisions according to the rules predicated in the Turkish Accounting Standards (TAS) are reserved...

Article 76: Period separating accounts – TAS is applied for the expenses that will be the outcome after the balance day and the receipts that will create income components.

Article 77: The responsibility relations – Warranty contracts, given to any third party liabilities arising from guarantees are included at the bottom of the balance of responsibility....

Article 78: The evaluation principles – The previous period closing balance sheet with the valuation of the opening balance sheet should be by the same valuation method. Valuation is essential in the continuity of business operations.

Closing Day of assets and liabilities are evaluated individually. Operating costs and revenues in regard to payment and collection dates of the financial statements have to be received...

Article 79: The evaluation measures – The measures shown in TAS are used in the evaluation...

Article 80: Purchasing and manufacturing values – The determination, descriptions, and scopes of the values to be applied in the evaluation are subject to TAS.

Article 81: The methods simplifying the evaluation – The methods simplifying the evaluation predicated in TAS are applied.

Article 82: The storage of the documents and the duration of storage – The commercial books, inventory, financial tables, the commercial letters received, the copies of the commercial letters sent, the documents the records are based on are kept for five years...

Article 83: The submittal in legal dispute – The court may decide as to the submittal of the commercial books of the parties...

Article 84: Copy receiving in disputes – The parts related to disputes of the books is to be investigated with the participation of the parties and the copies of the relevant leaves of the books are to be taken when considered necessary...

Article 85: The investigation of the books – In disputes regarding property (inheritance, company liquidation) the court may decide the investigation of all the contents of the books.

Article 86: The submittal of the image and data carriers transference – The person who transferred the documents to the image and data carriers, is liable to keep the auxiliary tools available for these documents to be read...

Article 87: The application for the beginners of the trade – these articles are applicable from the moment the liability of the establishment to record in the trade register is raised...

Article 88: The authority of TAS Board – The establishments subject to the articles between 64-88 must follow the TAS published by the TAS Board, the accounting principles while keeping their books and issuing their financial tables. The standards are specified and published by the TAS Board...

Evaluations regarding the above articles of the bill of the Turkish Commercial Law of 2005 are as follows.

The law has two important properties. Special importance is attached to the developments in the electronic environment by highlighting technological developments. The Turkish Accounting Standards (TAS) is referred almost in every subject. Currently, TAS is only functional for the listed companies. TAS has not become functional for small and medium enterprises (SMEs); also, many of its articles are hard to apply.

There are important problems in the articles concerning inventory. Especially in Article 66 the provisions allowing the existence of the fixed assets and stocks with the fixed values in the inventory must be reviewed again with respect to the problems it will cause due to both the evaluations by tax and the applications of accounting. Choosing such a way due to the difficulties in the inventory arising from the expansion of an establishment does not prevent problems. The precise method in Article 67 raises difficulties in recovering quality in the inventory applications.

Mentioning the income table among the financial tables in this bill expresses a delayed innovation compared to the law of 1957.

Predicting the signing of the year end financial tables only by the merchant, even if only for certain-sized establishments, can be seen as a deficiency of the bill of Commercial Law for not giving it to the inspection institute.

Mentioning the insufficient and the deficient information regarding the contents of the financial tables drew our attention.

It is also observed that there is no harmony with the current tax laws in the evaluation measurement section of the bill.

Decreasing the storage of the books and the documents to five years is seen as an important development in respect of harmony to the tax laws.

Using the books for evidence is generally in conformity with the Law of 1957.

Turkey is experiencing a transitional period in this matter. By not being put into force yet, the TASs also stand out in this situation. It is understood that these properties of the new Commercial Law will become applicable in time.

7. Conclusion

It is a known fact that the Ottoman Empire, beginning from the 19th Century on, embraced the behavior of the adoption and implementation of European Models which started after the Imperial Edict of 1839 (Administrative Reforms-Tanzimat). The establishment of the today's Ministry of Finance instead of *Hazine-i Amire*¹¹ in the year 1838 is certainly one of the important developments which affected the Turkish accounting culture during the time of the Administrative Reforms (Güvemli, 2008, 417). Monitoring the cash flows based on collected taxes which were necessary for the state to stand and for management mechanism to continue running were the responsibility of the *Hazine-i Amire* working on the accounting field. The tracking of cash flows, exact determination of incomes and expenses and keeping accurate records related to these were among its tasks since the foundation of the Empire. The first modern regulations about the books that should be kept by the self-employed traders which were implemented by the Commercial Code of 1850 (Kanunname-i Ticaret) is enacted by the influences of the Ministry of Finance. Today, Ministry of Finance still holds its influence on the regulatory changes on accounting and therefore the commercial codes.

It is important to know that with its own peculiar finance and accounting system which was developed and changed according to the forcing conditions of time until its withdrawal from the stage of history, the Ottoman Empire provides a valuable area of investigation.

In this study, we aimed to understand the effects of commercial regulatory changes on the evolution of the Turkish accounting culture within 160 years period. And, in order to create a perspective on change, we examined the accounting books in all Turkish

¹¹ *Hazine-i Amire* was the main treasury department of the Ottoman Empire.

commercial codes. We saw that keeping the daily book and the balance book under the regulations of Kanunname-i Ticaret (1850) was not possible since the double-entry recording method had not been recognized in the country yet. The Turkish Commercial Code of 1926 comprised the daily book, the inventory book, the balance book and the copy book. The law explained for the first time what information should be in the daily book. One of the advanced level articles of the law –the expression ‘*this book has been seen by me*’– was mentioned in the daily book. The need to conform to the 1949 tax reform caused the preparation of the Turkish Commercial Law to be put into force in 1957. It is seen that the general ledger has taken its place among the list of legal books, and the copy book, that had already lost its validity, has been removed. The content of the books (daily book, general ledger, inventory book) and what information will they cover (and the conditions of their shape) have taken their place in detail for the first time under this law. There is the chance, under this law, to see the description of the inventory conforming to the standards of the time, and, especially, the developed description of the balance. However, it must also be stated that the income table has not been mentioned among the financial tables. Undoubtedly the most interesting side of the law of 1957 with respect to commercial books is the *operating account book*. Being a mix of income table, cash flow and an inventory book and not being seen in the commercial laws of other countries, this commercial book with its Turkey-specific attribute was abolished towards the end of the 20th century.

When we entered the 20th century, international trade had been developed, the electronic IT revolution had taken its place in trade, and international accounting standards had become common. These developments declared that a new commercial law issue was required.

In this bill –not legalized yet when this study was prepared and waiting in the Turkish National Grand Assembly since 2005– two subjects draw our attention: One of them is about the technological developments (electronic environment) and the other is the Turkish Accounting Standards. The Board of Turkish Accounting Standards was established by adding an article to the Capital Market Law and it has been operational since 2002. Since then, they have been publishing the TASs in conformity with the International Accounting Standards Board (IASB). The approval of the Ministry of Finance of the Republic of Turkey is being waited on for the standards to be put into force prepared by this board.

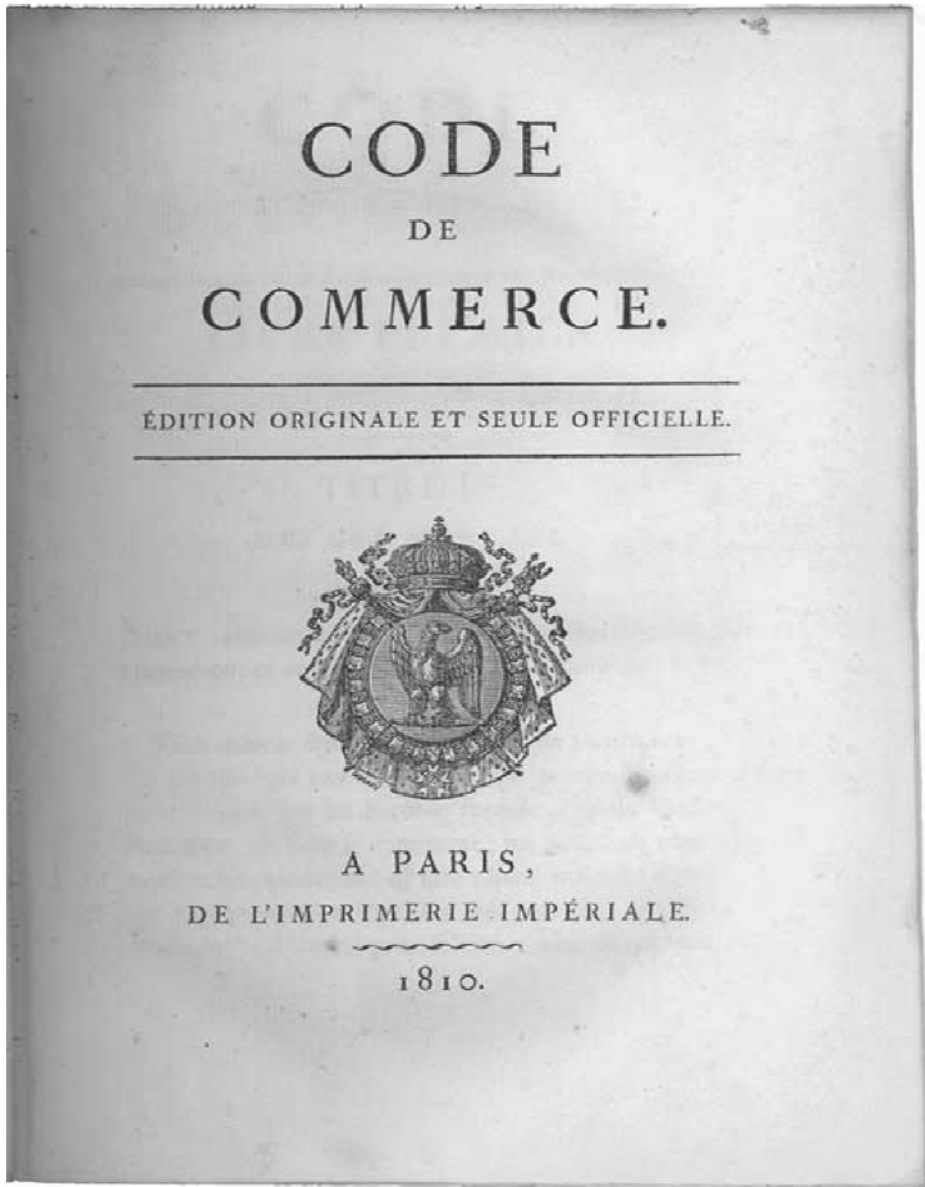
Other important subjects of the bill are about the transparency rules of the financial tables, storage of the documents that are the basis of the records by filing and recording in the income tables and the financial tables. Decreasing the compulsory (predicated in the tax laws) storage time of the books and the documents from ten years to five years, and providing more simplicity in carrying out inventory procedures during the expansion of the establishment are some of the subjects predicated in the law. It would be appropriate to mention here that simplification of the inventory procedures in respect of account applications contain many inconvenient considerations.

Annex: 1 The cover of the edition of the year 1807 of the Code de Commerce
Annex 2. The cover of the explanatory book of Commercial Law dated 1926

8. References

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Annex 1. The cover page of the 1810 edition of the Code de Commerce



Annex 2. The cover of the explanatory book of Commercial Law dated 1926

