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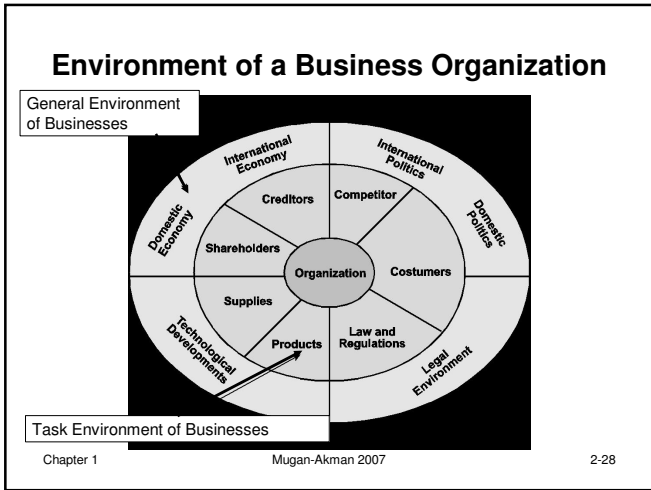
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### Aim of the Accounting Information

- **accounting is an information system that measures, processes and communicates financial information of an economic entity to the decision makers**
- measurable
- systematic
- financial statements and other financial reports
- economic **entity** is an economic organization that acts independently
- business entity is an economic entity that sells goods or provides services

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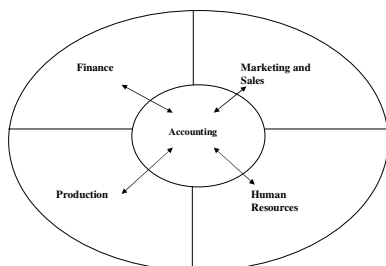
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## Business Information System Components



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## Purpose of Accounting

To provide  
**“decisionmakers”**  
 with  
**“useful”** information.

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## Users of Accounting Information

Internal Users	External Users
1. Top management 2. Department managers	1. Users with direct financial interest 2. Users with indirect financial interest

- executive officers
- 1. creditors ; investors
- 2. government ; regulatory agencies ; labor unions; financial advisors; brokerage firms; auditors; lawyers; consumer groups; and academicians

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## Users of Accounting Information

- **decision makers** - the users of the accounting information
- To whom is the business accountable?
- What is it accountable for?
- What is the role of accounting in this accountability?

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## Business Goals and Strategies

### • Business Goal

- is the target of a business organization towards which all efforts are directed
- the goal of **profit maximization or profitability**
- the goal of **liquidity**

### • Business Strategies

- are the means to achieve the set goals

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## Business Activities



Operating Activities



Investing Activities



Financing Activities

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## Financing Activities

- initially needs funds to setup a business
- in later periods to run operations and to grow
- obtaining such funds either from external or internal sources

<b>Funds obtained:</b>	<b>from creditors</b>	<b>shareholders</b>
<b>Funds provided to:</b>	<b>payment of interest</b>	<b>payment of dividends</b>
	<b>repayment of debts</b>	
<b>Cash management</b>		

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## Investing Activities

- Spending the funds obtained effectively and efficiently
- involve purchase and sale of
  - buildings, machinery or other investment instruments such as government bonds, treasury bills
- extending loans to other companies
- are expected to contribute directly or indirectly to the profit maximization and solvency goals of the business

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## Operating Activities

- involve the daily activities of the entities to run the business
- include
  - sales and marketing of the goods sold and services provided
  - production
  - purchasing merchandise and inventory items
  - managing human resources
- effective and efficient management of operating activities needed to achieve profitability and liquidity

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## Primary Financial Statements

- Income Statement
- Balance Sheet
- Cash Flow Statement (or Statement of Cash Flows)
- Statement of Changes in Equity

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## Income Statement

- summarizes the **revenues** and **expenses** of an entity for a certain period in time
- reveals the results of operations during a period
- shows whether an entity is successful in achieving the goal of profitability

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## Example of an Income Statement

Bonovi Corporation Income Statement For the Year Ended 31 December 2007 (in TL)		
<b>Revenues</b>		<b>7.000</b>
Service Fees Earned	4.000	
Commissions Earned	3.000	
<b>Expenses</b>		<b>3.400</b>
Rent Expense	800	
Wage Expense	2.000	
Insurance Expense	600	
<b>Net Income</b>		<b>3.600</b>

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## Balance Sheet

Bonovi Corporation Balance Sheet As of 31 December 2007 (in TL)			
Cash	30.600	Accounts Payable	200
Accounts Receivable	2.000		
<b>Total Current Assets</b>	<b>32.600</b>	<b>Total Liabilities</b>	<b>200</b>
Building	50.000	Share Capital	98.800
Motor Vehicles	20.000	Retained Earnings (*)	3.600
<b>Total Long-term Assets</b>	<b>70.000</b>	<b>Total Shareholders' Equity</b>	<b>102.400</b>
<b>Total Assets</b>	<b>102.600</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>102.600</b>
(*) Net income retained in the business			
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## Cash Flow Statement

- deals with cash in-flows and out-flows company resulting from operating, financing and investing activities for a specific period
- presents information regarding the goal of liquidity

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## Cash Flow Statement

Bonovi Corporation Cash Flow Statement For the Year Ended 31 December 2007	
<b>Cash Flow from Operating Activities</b>	
Collections from customers	TL 5.000
Payment for Wages	-2.000
Payment for Operating Expenses	-1.200
Cash flow from operations	1.800
<b>Cash Flow from Investing Activities</b>	
Purchase of Buildings	-50.000
Purchase of Motor Vehicles	-20.000
	-70.000
<b>Cash Flow from Financing Activities</b>	
Share Capital invested	98.800
Net Change in Cash	30.600
Cash at the beginning of the period	0
Cash at the end of the period	TL 30.600

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## Statement of Changes in Equity

- summarizes the transactions that affect the shareholders' equity in a given period
- increases in the share capital or payments of dividends to shareholders during the period are presented

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## Statement of Changes in Equity

Bonovi Corporation Statement of Changes in Equity For the Year Ended 31 December 2007			
	Share Capital	Retained Earnings	Total Shareholders' Equity
1.1.2007		TL 0	TL 0
increase in capital investment	98.800		98.800
Net Income of the period		3.600	3.600
dividends paid		0	
31.12.2007	TL 98.800	TL 3.600	TL 102.400

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## Auditing and Auditors' Opinion

- **Independent audit** of financial statements:
  - the examination of the financial statements, accounting system and internal controls, and the accounting records of a company
- purpose of an independent audit is to express an opinion on the financial statements-
  - whether they are prepared in accordance with the generally accepted accounting principles
  - whether they fairly present the financial position of the company
- auditors' report implies that the financial statements are free of **material misstatements**

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Board of Directors

XYZ Corporation

We have audited the accompanying balance sheets of XYZ Corporation as of 31 December 2007 and 2006, and the related statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XYZ Corporation at 31 December 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board.

Signature of the Independent Auditor  
Date and Place  
of the Report

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## Regulatory Bodies

- **National**
  - Capital Markets Board (CMB)
  - Ministry of Finance
  - Turkish Accounting Standards Board (TASB)
  - TURMOB (Union of Chambers of Certified Public Accountants of Turkey)
- **International**
  - International Federation of Accountants
  - International Accounting Standards Board- International Financial Reporting Standards (IFRS)
  - Financial Accounting Standards Board (FASB)
  - Federation of European Accountants (FEA)

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## Development of Accounting

- commercial transaction records - 3600 BC
- first known formal treatment of accounting - Fra Luca Bartolomeo de Pacioli- in 1494- *Summa de arithmetica, geometrica, proportioni et proportionalita*
- 19th century – distinction between creditors and owners - national accounting standards
- early 20<sup>th</sup> century - standardization of financial reports
- end of the 20<sup>th</sup> century, these developments had resulted in the global standardization of accounting standards, and in the beginning of the 21st century, the International Financial Reporting Standards were issued

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## Development of Accounting in Turkey

- Commercial Code of 1850 - translation of the French Commercial Code
- a second Commercial Code was enacted by Law number 826, in 1926-based on the German commerce and company laws that controlled the accounting rules
- 1950s on- American expertise has been utilized and the Turkish economic system - heavily influenced by the American system
- **Istanbul Stock Exchange (ISE)** came out in 1984; full operations started in 1986, and it is still the only stock exchange in Turkey. The foundation of the **Capital Markets Board (CMB)** and the Istanbul stock exchange, and the increase in foreign investments
- The first set of financial accounting standards was developed in January 1989 by the CMB, to be effective for the fiscal years that started on or after January 1, 1989
- The Ministry published the committee's report in a communiqué on 26 December 1992, establishing the principles and the uniform chart of accounts to be in effect starting 1 January 1994
- **Turkish Accounting Standards Board (TASB - IFRS)**, and has issued thirty-one accounting standards and seven financial reporting standards, as of the time this book went to press.

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## Accounting Profession in Turkey

- **Independent Accountant**
- **Certified Public Accountant (CPA)**
- **Sworn-in Certified Public Accountant (Sworn-in CPA)**

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## Career Opportunities in Accounting

- Controller
- Internal Auditor
- Independent Auditor
- Management Consultant
- Careers in Public Sector

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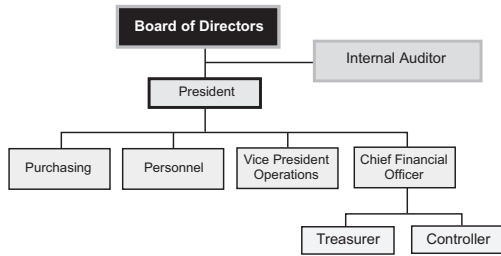
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# Corporate Organization Chart



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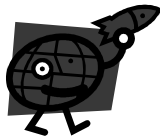
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Welcome to the world of accounting.....



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