A Proposal on the Statement of Income and Retained Earnings and the Statement of the Changes in Equity to Be Issued Accounting to the SMEs TFRS Standards: A Sample Case

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Extensive Summary

1. Introduction

Small and medium-sized businesses (SME) has a significant share for the country's economy because of their dynamic structures, excess numbers, employment opportunities and added value created by them (Cengiz, 2014: 169).

New circumstances arised with the globalization process led to the need for the establishment of appropriate reporting standards to the structure of SMEs. In order to meet this need, International Accounting Standards Board (IASB) published the International Financial Reporting Standards for SMEs (IFRS for SMEs) on 9 July 2009. SME standards are being applied, which consists of 35 sections and simplified than the full set of standards has an understandable structure.

Turkey Financial Reporting Standard for Small and Medium Businesses prepared in accordance with this standard in Turkey (SMEs IFRS), published in the Official Newspaper dated November 1, 2010 date and numbered 27746 were included in the legislation. In addition, the real and legal persons, individual and consolidated financial statements, Public Oversight Accounting and Auditing Standards Authority (CRA) would have to arranged them according to the 88th item of Turkish Commercial Code dated February 14, 2011 and numbered 27846 which was published in the Official Newspaper.

The meeting dated November 14, 2012 made by CRA, the individual relating to accounting periods beginning on or after January 1, 2013 and the consolidated company had designated to implement the published standards in the preparation of financial statements. At the meeting, a date for SMEs full transition to IFRS SMEs, implementation had been delayed until after 2015. Despite the continuing uncertainty regarding the implementation of IFRS SMEs, are expected to be implemented recently.
IFRS SME Chapter 6, would be held by businesses with Statement of Changes in Equity and Statement of Income and Retained Earnings describes the regulatory framework. SMEs located in the financial statements in accordance with the standard terms and conditions basket must edit the Statement of Changes in Equity. But if they want to SMEs, under certain conditions described in the standard, Statement of Changes in Equity and regulations to only those tables Statement of Income and Retained Earnings instead table has the opportunity to edit. There wasn’t seen a detailed experimental study about this subject in the review of the literature.

The aim of this study was constructed using the example of an SME financial statements figures; Statement of Changes in Equity for the first alternative and the second alternative were that only the Statement of Income and Retained Earnings of the organization was to create an application of two alternative proposals.

2. Method

IFRS SME Chapter 6, will be held by businesses with Statement of Changes in Equity and Statement of Income and Retained Earnings describes the principles of the arrangement. Standard, occurring changes in equity of an entity for a period, or a change in Statement of Changes in Equity, or when certain conditions are met and the company preferred Statement of Income and Retained Earnings plans to offer in the Table (Akdoğan, 2010: 14).

Statement of Changes in Equity, the profit or amount of loss for the reporting period, the income and expense items recognized in other comprehensive income for the year, corrected errors and amounts recognized in the period in relation to the effects of changes in accounting policies and period, equity investors, investors with the amount of investment made in business shows the amount of distributed dividends and the like (IFRS for SME Training Material).

During the reporting period equity in the changes that occur only profit and the loss amount, payment of dividends, prior period error of cases caused by changes in the correction process and accounting policies, if desired Statement of Comprehensive Income and Statement of Changes in Equity also issuing of Statement of Income and Retained Earnings for the submission of a single table with the table name could be (KOBİ TFRS 3.18).

In this experimental study, a reporting period of Statement of Financial Position, Statement of Comprehensive Income Statement of Cash Flows financial statements and other necessary arrangements, constructed by the SME business, was designed with two options. Located on the first alternative in the financial statements basket should regulate the business SME Statement of Changes in Equity. The second alternative because of providing the conditions mentioned above, Comprehensive Income and Statement of Changes in Equity financial information contained in a single table in the Table of Statement of Income and Retained Earnings were combined in a table. There weren’t seen any experimental study about this combining operation, that’s why this study was presented as a recommendation.

3. Results

ABC company that thought on the work, operating in Turkey, is to not have any obligation to account to the public and external users were in the nature of a business SME publish general purpose financial statements. SME Business of the current and
previous two periods dated 31.12.2013 held by TFRS Statement of Financial Position in Table 2; 01.01.2013-31.12.2013 current period and past two period Statement of Comprehensive Income in Table 3; dated 31.12.2013 current and prior period were given in Table 4 Statement of Cash Flows.

Statement of Changes in Equity or Statement of Income and Retained Earnings in the application of the table, because ABC company belonging to the Financial Position Statement of Comprehensive Income Statement of the need for the past two years of data outside the current period, the relevant tables were thought according to this need.

In the first alternative, ABC company, the financial statements as defined in the standard basket could choose to edit the Statement of Changes in Equity. In this application, the financial data in Table 2, Tables 3 and 4 would be used.

Statement of Changes in Equity, which could be prepared by example SME business on 31,12,2013, were presented in Table 5. Table "Share Capital", "Restricted Reserves from profit," "Retained Earnings" and "Net Profit / (Loss)" is composed of the column. Located to the left of the relevant figures in the table and how the data obtained from the "Note" is defined in the column.

If ABC company wants the second alternative, Statement of Comprehensive Income and Statement of Changes in Equity financial information contained in a single table, Statement of Income and Retained Earnings can join the Table. Statement of Changes in Equity is thus no need for regulation. SME's business to perform this merge agent must meet the requirements in IFRS 3.18. The studies provided by the company have been identified these terms and combining could be done.

Example income of the current period 01.01.2013-31.12.2013 necessary arrangements by the SME businesses and Statement of Income and Retained Earnings was given in Table 6. Edited this table, as the company "Comprehensive Income" and the " Statement of Changes in Equity " was a table showing the combined data. Located to the left of the relevant figures in the table and how the data obtained from the "Note" was defined in the column.

4. Discussion

International Accounting Standards Board (IASB) has prepared and published standards IFRS SMEs in Turkey, SMEs would provide financial reports filed in applications, comparable, understandable and available to be able to provide appropriate information to reality. Offering the opportunity to be able to practice much simpler according to International Accounting Standards, but with the same basic principles and applications was a standard that could provide comfort (Cengiz, 2014: 190).

Date of transition to IFRS for SME applications were not specified exactly by CRA. However, the general expectation was that the start of practice recently. Standards that are likely to be fully used to start experiencing some difficulties in practice. A case study was carried out for the analysis of a number of troubles that may arise in the future in this study.

IFRS SME Chapter 6, will be held by businesses Statement of Changes in Equity and Statement of Income and Retained Earnings describes the principles of the arrangement. Standard reporting period equity in the changes that occur only profit and loss figures from dividend payments from, the past mistakes of cases caused by changes
in the correction process and accounting policies, if desired Statement of Comprehensive Income and Statement of Changes in Equity also issuing of, the Statement of Income and Retained Earnings of name one makes it possible to offer the table.

Implementation work was organized as two alternatives. The first alternative example of SME financial statements using figures Statement of Changes in Equity of the company was organized. The second alternative, assuming that the same sample provided the conditions mentioned above the SME business, Statement of Comprehensive Income and Statement of Changes in Equity for the financial information included in a single table, Statement of Income and Retained Earnings were combined in a table.