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## SME's Views on the Adoption and Application of "IFRS for SMEs" in Turkey

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Asuman Atik, Ph.D.<sup>1</sup>

### **Abstract:**

*Turkey is one of the countries that have debates on the necessary arrangements and preparations before the adoption of "International Financial Reporting Standard for Small and Mid-sized Entities" which was issued in July 2009 by International Accounting Standards Board. In the adoption process, the views of different parties should be sought and the steps should be taken very carefully. This study aims to bring to light the views of small and medium-sized entities (SMEs) which are the most important party in these debates and which will be affected from the adoption most. The objectives of this study are to determine the current structure of SME accounting and financial reporting, the views of SMEs on the adoption and application of the standard and the possible variables that might be affecting SMEs' thoughts. 216 SMEs participated to the research by filling up a questionnaire, and the results show that SMEs support the adoption of the new standard, they want it to be elective, rather than compulsory, and even if it is elective, most of the respondents are eager to apply it.*

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### **1. Introduction**

With the internalization and globalization of the operations of companies, the importance of financial information has increased and the need for the standardization of the accounting regulations has emerged. International Accounting Standards Board (IASB) has worked aggressively to promote the use and application of International Financial Reporting Standards (IFRSs) for many years. It has helped countries in the convergence of national accounting standards with IFRSs. The

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<sup>1</sup> *Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Goztepe Campus, Goztepe / Istanbul TURKEY (Marmara Üniversitesi, İktisadi ve İdari Bilimler Fakültesi, İngilizce İşletme Bölümü, Göztepe Kampüsü, Göztepe / İstanbul / TÜRKİYE),  
Telephones: +90 216 308 28 56 (ext.1174) (work phone),  
E-mail addresses: aatik@marmara.edu.tr and asuatik@yahoo.com*

vigorous efforts of IASB lead the widely adoption and application of IFRSs. In the website of IASB, it is announced that “more than one hundred countries now require or permit the use of IFRSs or are converging with the IASB’s standards.”<sup>2</sup>

As one of the emerging countries, Turkey has been living a big change in the accounting area in the last years. In 2003, in order to increase transparency, comparability and the quality of the information provided by the listed companies, Capital Markets Board (CMB) issued a communique on accounting standards that were in conformity with 33 IFRSs. The communique would be in effect in 2005 but before that date listed companies were allowed to follow it discretionarily. At the end of 2004, CMB added an article to the communique and IFRSs became alternatives of the standards issued previously with that communique.<sup>3</sup> Therefore IFRSs started to be applied by listed companies beginning 1<sup>st</sup> of January, 2005, at the same time with European Union countries.

Turkish Accounting Standards Board (TASB), established in 2002, issues Turkish Financial Reporting Standards (TFRSs) which are translations of original IFRSs. Translations of 29 IASs, 9 IFRSs and 26 interpretations have been completed so far. Application of TFRSs is advised by the board to all companies, without distinction of being public or private, and being small, medium or big-sized. CMB has legal power to force listed companies to apply the standards, however TASB can only advise them. However the new Turkish Commercial Code<sup>4</sup> which is expected to be in force in 2011, is going to change this situation. The Code requires all firms to prepare year-end financial statements according to TFRSs, so, the standards are going to have a legal ground.

The importance of Small and Medium-sized Entities (SMEs) in the countries’ economies becomes higher and higher everyday. 99,9% of the firms are SMEs in Turkey<sup>5</sup>. They are investing, trading, reporting or borrowing abroad and they need to prove their financial strength to their counterparties, or need to evaluate the parties they are making business. Therefore standardization of financial information is also important for SMEs. Using IFRSs may be a solution to provide comparable and high quality financial information, however IFRSs are very detailed and complicated. With the cost and benefit considerations, a debate on developing a separate set of reporting standards for SMEs had been ongoing and on the 9<sup>th</sup> of July, 2009, IASB issued a new set of standards for small companies. It is a simpler and shorter set and excludes some standards which are least likely to be used by SMEs.

TASB does not want to stay behind those developments and the discussions on adopting the “IFRS for SMEs” have been continuing. IASB has left many issues to the local jurisdictions of the countries. The questions that should be answered by

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<sup>2</sup> [www.ifrs.org/Use+around+the+world/Use+around+the+world.htm](http://www.ifrs.org/Use+around+the+world/Use+around+the+world.htm)

<sup>3</sup> [www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=178&ct=f&action=displayfile&ext=.pdf](http://www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=178&ct=f&action=displayfile&ext=.pdf)

<sup>4</sup> [www.alomaliye.com/kanun\\_tasarilari\\_ana\\_sayfa.htm](http://www.alomaliye.com/kanun_tasarilari_ana_sayfa.htm)

<sup>5</sup> [www.kosgeb.gov.tr/UserFiles/File/PlanVeRaporlar/KOSGEB\\_STRATEJIK\\_PLANI\\_2008-2012.pdf](http://www.kosgeb.gov.tr/UserFiles/File/PlanVeRaporlar/KOSGEB_STRATEJIK_PLANI_2008-2012.pdf)

the governments or local accounting bodies are; which entities should be classified as SMEs, in other words which companies should apply that standard, whether the standard is going to be compulsory or elective for SMEs, how the SMEs are going to reconcile book income with taxable income, and when the standard is going to be adopted or implemented. Thoughts of different parties should be examined and a consensus should be provided on these issues.

The beginning point of this study is recognizing SMEs, or owners, managers and accountants of SMEs, as one of the most important parties of whom the thoughts and ideas on this issue should be sought. Therefore this study tries to understand, mainly, Turkish SMEs' current accounting structures, their satisfaction with the current accounting standards and practices, their thoughts on the adoption and application of "IFRS for SMEs" and their eagerness to use it.

## **2. Related Literature**

Before determining the research objectives, a literature survey was conducted. The main questions that tried to be answered by the related literature are; should SMEs have their own standard sets, what are the purposes of financial reporting in small businesses, what are the advantages of applying IASs/IFRSs over applying local GAAP, how do firms benefit from financial reporting, what is the relation between financial reporting and growth.

Holmes and Nicholls (1989) searched whether accounting information in small businesses is prepared by the business itself or by an external accountant. According to the results, "business size", "the number of years the business has been operating under existing management", "industrial sector", and "the education of owner/manager of a business" have significant influence on the acquisition or preparation of the accounting information. McMahon (2001) found some associations between "financial reporting" and "growth and performance" of SMEs.

Joshi and Ramadhan (2002) searched the degree of adoption of International Accounting Standards (IASs) by small and closely held companies in Bahrein. 86% of the participant small companies were using IASs, and the external auditors were the most influential parties in the adoption. 84% of the companies using IASs think that IASs are improving their ability to borrow from banks and the effectiveness of their financial reporting.

IASB issued the discussion paper "Preliminary Views on Accounting Standard for SMEs" and invited comments on it in 2004. As a commentary, European Accounting Association Financial Reporting Standards Committee members prepared a paper after reviewing the European studies on SME financial reporting implications. Evans, et al. (2005) classified and summarized many studies conducted in UK, Ireland, Netherlands, Germany, Austria, Finland, Italy, Spain and Poland. Because the committee members were from different European countries, it could also be possible to review non-English studies.

Maingot and Zeghal (2006) tried to understand whether small business entities (SBEs) should have their own set of financial reporting standards or they

should continue to use the standards which are for public companies. A questionnaire was sent to stakeholders who are managers and owners of the SBEs, preparers, auditors and users of small business accounts. The results showed that the financial reports are prepared mainly for taxation and borrowing purposes and the stakeholders are not satisfied with the present standards.

Reid and Smith (2007) analyzed the costs and benefits of adopting UK Financial Reporting Standards for smaller entities, and argued that UK FRs may be an alternative to the SMEs which want to use IASs but complain about the complexities and difficulties of them.

The empirical study of Nerudova and Bohusova (2008) showed that adoption and application of IFRS for SMEs in Czech Republic is problematic. The leading problem is in the suitability of the standard to all type of SMEs. Participants of the survey are very sensitive about cost-benefit analysis and they think that the costs of applying a new standard may exceed the benefits of it.

Köse (2009) examined the primary purpose of financial reporting in SMEs and how much the accounting information is beneficial in the management of an SME. A questionnaire is prepared and sent to managers of the manufacturing firms in the Black Sea region of Turkey. 46 SMEs participated to the study and the results showed that financial reports are accepted as management tools and are used in cost control and planning.

One of the big audit firms, Deloitte, conducted a research in June 2009 in order to determine “the challenges of US GAAP and the level of interest in IFRS for SMEs”. A questionnaire was distributed and 225 private company professionals participated. The results showed that 43% of the respondents are unaware of “IFRS for SMEs”, nearly two-thirds of the respondents would not consider to adopt IFRS unless it is compulsory, and smaller firms are more eager to have a separate set of IFRSs.

Christie, et al. (2010) made a research to understand which set of standards is used by small business accountants in the USA and which method will be chosen by the accountants in the future. 243 CPAs answered the questionnaire. The results showed that 65% of the respondents use US GAAP rules and 21% use tax accounting rules. Only 2% of the respondents use IFRS. The CPAs do not want to apply IFRS for SMEs until they have more knowledge about it, however, they support the AICPA and FASB plan to develop a separate set of accounting standards for public and private companies.

Albu et al. (2010) compared the current accounting of small entities in Romania with “IFRS for SMEs”. They found many differences between the two in conceptual and normative level. They made interviews with accountants, auditors and regulators. They think overwriting the existing rules will be very hard in Romania. Rule based approach of small business accountants and the lack of their professional judgment are the most threatening factors in the implementation of IFRS for SMEs.

### **3. The Current Study**

Not to have problems during or after the process of adoption and application of "IFRS for SMEs", the views of different parties should be sought and the steps should be taken very carefully. After the new commercial code comes into effect, possibly in 2011, TASB will be the official regulatory body in the accounting area and if the Board makes the application of the standard compulsory, then this means that SMEs will be the party that is going to be affected by the adoption most. Therefore SMEs' thoughts related to adoption and application of the standard are very important. This study is an exploratory study and its main objectives are to determine:

- the current structure of SME accounting and financial reporting,
- the views of SMEs on the adoption of the standard and their eagerness to apply it, and
- the possible variables that might be affecting their thoughts.

#### ***3.1 The Sample and the Questionnaire***

It was not possible to find the list of all Turkish SMEs, and additionally it wasn't possible to get contact information of SMEs from an official resource or a governmental agency. Therefore convenience sampling was used in that research. The researcher found three websites<sup>6</sup> that aim to bring SMEs together and give them opportunity to advertise themselves on the net. SMEs can be members of these websites after providing their name, legal statute, telephone, mail and e-mail information, and this information is open to the public. The firms which became members of those websites were chosen as the sample of that study.

A web-based questionnaire was prepared in order to provide anonymity. The link of the questionnaire was sent to nearly 2,700 SMEs and just 216 of them participated to the research, so the response rate was 8 %.

The researcher benefited from the previous literature while developing the questionnaire. Some questions are just to understand the current situation and some are to determine possible variables that are affecting the views of SMEs.

#### ***3.2 The Results and the Discussions***

##### ***3.2.1 The Characteristics of the Respondents***

The first part of the questionnaire is to understand the characteristics of the respondents. Some respondents did not answer all the questions and some questions were to be answered if the firm was providing the condition such as if the firm has accounting department or the firm is exporting. Most of the respondents are limited companies with sales less than 5 million Turkish Liras and employees less than 10. Nearly half of them do not have an accounting department, this means that they are outsourcing accounting services. 19% of the participants have a foreign partnership, 38% have exports and 34% have imports. The following table summarizes the answers.

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<sup>6</sup> [www.istekobi.com.tr](http://www.istekobi.com.tr), [www.esnafmerkezi.com](http://www.esnafmerkezi.com), [www.imes.org](http://www.imes.org)

<b>Table 1: The Characteristics of the Respondents</b>	F	%
<i>Legal Statute of Firm</i>	215	100
Sole Proprietorship	63	29.30
Ordinary Firm	1	0.47
General Partnership	1	0.47
Limited Company	124	57.67
Joint Stock Company	26	12.09
<i>Total Sales Amount in 2009</i>	214	100
Less than 500,000 TL	80	37.38
500,001 – 1,000,000 TL	51	23.83
1,000,001 – 5,000,000 TL	40	18.69
5,000,001 – 10,000,000 TL	13	6.07
10,000,001 – 25,000,000 TL	18	8.41
25,000,001 and over	12	5.61
<i>Number of Employees</i>	216	100
1 – 10	139	64.35
11 – 50	60	27.78
51 – 100	11	5.09
101 – 150	4	1.85
151 – 200	0	0
201 – 250	0	0
251 and over	2	0.93
<i>Number of Employees in the Accounting Department</i>	216	100
There is no accounting department	100	46.30
1 – 5	109	50.46
6 – 10	4	1.85
11 – 15	1	0.46
16 – 20	2	0.93
21 and over	0	0
<i>If there is accounting department, number of CPAs</i>	164	100
Zero	109	66.46
1 – 5	54	32.93
6 – 10	0	0
11 – 15	0	0
16 – 20	0	0
21 and over	1	0.61
<i>If there is a foreign partner, the percentage of foreign partner's shares</i>	42	100
0 – 20 %	39	92.86
21 – 40 %	1	2.38
41 – 60 %	1	2.38
61 – 80 %	0	0
81 – 100 %	1	2.38
<i>If the firm is exporting, the percentage of its exports over total sales</i>	82	100
0 – 20 %	57	69.51
21 – 40 %	10	12.20
41 – 60 %	6	7.32
61 – 80 %	2	2.44
81 – 100 %	7	8.54
<i>If the firm is importing, the percentage of its imports over total purchases</i>	74	100
0 – 20 %	48	64.86
21 – 40 %	10	13.51
41 – 60 %	6	8.11
61 – 80 %	3	4.05
81 – 100 %	7	9.46

### **3.2.2 The Current Structure of SME Accounting and Financial Reporting**

- ***IFRSs or Tax Laws***

As mentioned before, accounting regulations made by accounting bodies are only for the listed companies. They have been applying IFRSs since the beginning of 2005, however the listed firms are very minor part in the population and majority of the Turkish firms apply IFRSs only when they need, such as when they want to report abroad, to submit banks or financial institutions, or potential investors. This means that the application of IFRSs is not very common. Especially smaller firms apply only tax based accounting in order to determine their taxable income and pay their taxes.

One question in the questionnaire is to understand whether the financial reports of the sample firms are prepared according to "IFRSs" or "Tax Laws". 74.70% of the respondents prepare their reports only according to tax laws, and 1.81% prepare according to only IFRSs.

- ***Satisfaction with the Current Accounting Practices***

Another question in the questionnaire is to understand the satisfaction level of the respondents with the current accounting practices. 7.98% of the respondents are very satisfied, 51.59% are satisfied, 29.26% are unsatisfied and 11.17% are very unsatisfied. In other words, most of the respondents are satisfied with the current accounting applications and practices.

- ***Type of Financial Statements Prepared***

Most frequently prepared statements are Balance Sheet and Income Statement, then Cash Flow Statement follows. Statement of Owners' Equity is the least frequently prepared statement.

- ***For whom the Financial Statements are prepared and how frequently***

The questionnaire has required the respondents to mark how frequently they prepare financial statements in order to submit them to tax offices, banks, financial institutions, owners or shareholders, the firms which are currently co-worked or potential business partners. Other purposes of preparing financial statements are also asked with an open-end question. Two firms answered this open-end question as KOSGEB and one answered as tender commissions. KOSGEB is a governmental organization that provides funds, financial and educational aids to SMEs in order to help them to follow technological developments and increase their compatibility.

When we examine the mean scores which are shown on the following table, we see that respondents prepare financial statement most frequently to submit to banks and financial institutions and then to tax offices. "Getting audit report" was also asked because, wherever submitted, audited reports increase the reliability. The answers show that SMEs do not require audited reports very frequently.

**Table 2: Purpose and Frequency of Financial Statements**

	Mean Scores	Very Often		Often		Sometimes		Rarely		Never		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
For tax offices	3.05	19	10.73	52	29.38	49	27.68	32	18.08	25	14.12	177	100
For banks and financial institutions	3.22	27	13.37	47	23.27	86	42.57	27	13.37	15	7.43	202	100
For owners or shareholders	2.73	21	13.29	29	18.35	36	22.78	30	18.99	42	26.58	158	100
For other firms which are worked together or potential business partner	2.02	4	2.60	11	7.14	35	22.73	38	24.68	66	42.86	154	100
To get audit report	2.55	17	10.83	19	12.10	46	29.20	27	17.20	48	30.57	157	100

- **Managerial Areas that the Financial Statements are used**

In accordance with the previous literature, the researcher determined some managerial areas that the financial statements are used or benefited. These managerial areas are performance evaluation, investment, borrowing, pricing, and new product/service decisions, determining business strategies, and in the process of budget preparations.

According to the answers of the respondents, nearly 15-20% of the firms never use financial statements for the mentioned purposes. Although the mean scores are very close to each other, we can say that the respondents most frequently benefit financial statements in budgeting process, then in determining business strategies and borrowing decisions. Least frequently benefitted area is pricing decisions.

**Table 3: Managerial Areas that the Financial Statements are used**

	Mean Scores	Very Often		Often		Sometimes		Rarely		Never		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
Performance evaluation	2.97	19	10.98	45	26.01	51	29.48	27	15.61	31	17.92	173	100
Investment decisions	2.89	16	9.14	44	25.14	49	28.00	37	21.14	29	16.57	175	100
Borrowing decisions	3.03	22	12.22	49	27.22	50	27.78	31	17.22	28	15.56	180	100
Determining business strategies	3.18	28	15.91	45	25.57	58	32.95	20	11.36	25	14.20	176	100
New product/service decisions	2.88	20	11.76	37	21.76	48	28.24	33	19.41	32	18.82	170	100
Pricing	2.87	21	12.35	38	22.35	46	27.06	28	16.47	37	21.76	170	100
In the process of budget preparations	3.21	29	16.57	49	28.00	54	30.86	16	9.14	27	15.43	175	100

### **3.2.3 The Views of SMEs on the Adoption of the Standard and their Eagerness to apply it**

One part of the questionnaire includes questions to understand whether

- the respondents are aware of the standard the IASB established for SMEs,
- they support a similar study in Turkey,
- they want the standard be compulsory or elective for SMEs,
- they are eager to use such a standard or not.

Just 17.87% of the respondents are aware of the IFRS for SMEs that was established by IASB. The reason for such a low awareness rate here maybe because of diversified respondents. Owners, managers and accountants in SMEs filled the questionnaire, if only the accounting managers/accountants were the respondents, this percentage might be higher.

94.41% of the respondents who implied their views on this issue support a similar study and establishment of a similar standard in Turkey. This is a very high percentage and shows the openness of SMEs to new rules/standards in accounting area.

72.67% of the respondents say that the standard should be elective and SMEs should decide whether to apply it or not. Additionally, 88.19% of the respondents would apply the standard even if the decision on the application of the standard is left to the firms. These percentages mean that although the firms are open to new rules and eager to apply a new standard, because the standard is unknown by most of the respondents, they want to see the standard first and then have right to choose "to apply" or "not to apply" it.

The last question in that part is related to the definition of "SME". The criteria that should be taken into consideration when the Turkish Accounting Standards Board makes the definition of SME are asked. The question also mentioned the SME definition of IASB. Small and medium-sized entities are defined and declared in the pronouncement of Ministry of Industry and Trade on the 19<sup>th</sup> of October, 2005. The definition of SMEs in this pronouncement is as follows: "the entities that have less than 250 employees and yearly net sales or total assets less than 25 million Turkish Liras". Additionally, SMEs are classified under three as micro, small and medium entities. Micro entities are the ones that have less than 10 employees and yearly net sales or total assets less than 1 million TL, small entities are the ones that have less than 50 employees and yearly net sales or total assets less than 5 million TL, medium entities are the ones that have less than 250 employees and yearly net sales or total assets less than 25 million TL.

Officially number of employees, level of yearly net sales and net assets are the determinants of firm size in Turkey. Because these are well-known and widely used, we expected the respondents also to prefer them as the determinants of size, however, "TASB should accept the SME definition of IASB" became the most popular answer of that question. Then "net sales", "number of employees" and "net assets" followed. "Sector" and "geographical area" were the answers of the open-end question that was asking possible other determinants of an SME.

### 3.2.4 *The Possible Variables that might be affecting the Respondents' Thoughts on the Adoption and Application of the Standard*

As mentioned before, most of the respondents believe that TASB should make a similar study and establish a similar standard for SMEs. Again most of the respondents think that application of the standard should be elective. If it becomes elective, most of them are eager to apply the standard. At that part of the study, the researcher determined some possible variables that might be affecting the answers of the respondents to the related three questions which are;

- Should there be a similar study and should TASB establish a similar standard?
- Should the application of the standard be elective or compulsory?
- If it becomes elective, do you intend to apply the standard?

The first one of those possible variables is *firm size*. The determinants of firm size are “number of employees” and “total sales”. Our assumption is that bigger SMEs might be more eager to have an international standard, because they are more likely to have international operations. Additionally they may want the standard be compulsory and if elective they may prefer to apply it.

*Having accounting department or not* is determined as the second possible variable. If the firm has an accounting department, the additional cost of applying another set of accounting standards may be none or very little. Therefore it might be thought that the firms with an accounting department will be more eager to have a new standard. Additionally, *number of accounting personnel* and *employing accountants with certified public accountant degree* in the firm are also thought as other factors affecting the answers of the respondents and tested.

*Having a foreign partner, making imports and exports* are also other possible variables. If a firm has a foreign partner, it will need to prepare its financial reports in a way that can be understood by the foreign partner/partners. If that firm applies an international standard, then financial reporting will be easier. Imports and exports are the simplest way of international involvement. And for the firms which have international involvement, it will be more beneficial to use international accounting standards.

The last variable that is tested is the *legal statute* of the respondents. Financial reporting which is the way of communication with external stakeholders is important for especially the firms which have many shareholders. Therefore we expect that joint stock companies be more eager to have international accounting standards than limited companies and sole proprietorships.

For the mentioned variables, Chi-Square and Mann-Whitney U tests were conducted to compare

- the respondents who said “yes” to a new standard with the respondents who said “no”,
- the respondents who wanted the new standard to be “compulsory” with the respondents who wanted it to be “elective”, and
- the respondents who want to “apply” the standard if it is elective with the respondents who “do not want to apply” it.

Because chi-square test needs at least 5 items in each cell, some variables were recoded into different variables and some answers were eliminated. For example, there are only one ordinary firm and one general partnership. Legal statute variable was recoded into "legal statute grouped" which includes only sole proprietorship, limited company and joint stock company answers.

In respect of "having a foreign partner or not", "percentage of foreign partnership", "making exports or not", and "percentage of exports over firm's total sales" variables, there are some significant<sup>7</sup> differences between the respondents who said "yes" and who said "no". As expected, the firms which have foreign partnerships and making exports are more eager to have a new international accounting standard.

There is no significant difference between the respondents who want the new standard to be "compulsory" with the respondents who want it to be "elective". There is only one significant difference, which is with respect to "percentage of exports over firm's total sales" variable, between the respondents who want to "apply" the standard with the respondents who "do not want to apply" it if the application decision belongs to the firms.

#### **4. Conclusion**

As one of the good followers of IASB, Turkish Accounting Standards Board wants to adopt "IFRS for SMEs". The debates on the issues which have been left to the local jurisdictions by IASB have been continuing. With the current study, the researcher aimed to understand the views of SMEs who are the most important party in the debates on the adoption and application of the new standard. SMEs' views on this issue are very important because they will be affected from the developments most, especially after the new Turkish Commercial Code comes into effect. The Code includes an article that establishes TASB as the legal governor of accounting for all firms.

Owners, managers and accountants of 216 SMEs participated to the research by filling up a questionnaire. The results of the research show that tax based accounting are more common among SMEs and most of the respondents are satisfied with the current accounting practices. Financial statements are prepared most frequently to submit to banks and financial institutions, and they are used most frequently in the process of budget preparation. It is interesting to note that the response rate is lower for the questions that try to understand for whom financial statements are prepared and the managerial areas that the statements are used.

Another interesting finding of the research is that most of the participants are unaware of "IFRS for SMEs" established by IASB. Although that, most of the participants want TASB to adopt the standard. The good image of IASB might have affected the answers of participants to the related question. They might have thought the standard would benefit them just because it was established by a prestigious

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<sup>7</sup> 0.05 is accepted as the significance level.

organization. Additionally the respondents want the standard to be elective rather than compulsory, and they have intent to apply the standard even it becomes elective.

There are not many significant differences between the supporters of the new standard and not supporters. Although all of the respondents support the new standard, the firms which have foreign partners and making exports support significantly more than the others do. Therefore without making any difference, we can generalize the results of that study. All SMEs, big or small, have accounting department or not, or whatever the legal statute, are waiting for the new standard.

These are good news for TASB and for the future of accounting in Turkey. Openness of SMEs to new accounting rules and regulations, especially when they are coming from international sources, eases the job of TASB and encourages the authorities to accelerate the process to have international standards in accounting area.

On the other hand, this research has a major limitation which is small sample size. Many efforts of the researcher to encourage SMEs to contribute to the research unfortunately did not work. More than half of the respondents do not have accounting department; they outsource accounting service from CPA firms. Cost of CPA firms, and consequently costs of SMEs may increase after the adoption of the standard. Cost-benefit analysis and the views of CPAs on adoption may be the subject of future research.

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