General Accounting

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Information in the Financial Statements

In order to help the decision-makers understand financial statements easily and quickly they should be comprehensive, appropriate to the needs, reliable, comparable and be timely prepared and presented.

Principles of
Basic Financial Statements

Preparation principles of basic financial statements are dividend into 2 groups parallel to basic financial statements.

- Income statement principles
- Balance sheet principles
    - (a) Principles related with assets
    - (b) Principles related with liabilities
    - (c) Principles related with shareholders’ equity.

Income Statement Principles

The principal purpose of the income statement is to present sales, revenues, cost of sales, expenses, accounts related with profit and loss and operating results of certain periods classified and appropriate to reality.

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Income Statement Principles

- Unrealized sales, income and profits should not be shown as realized, the ones which are realized should not be shown more or less than their real value. In order to show correct operating results of certain period (or periods), correct accounting entries should be made at the beginning and end of the period (or periods).

Income Statement Principles

- Sales and income of a certain period should be matched with the cost and expenses incurred, to generate them. In order to show costs and expenses appropriate to reality, stocks, receivables and payables should be closed correctly at the beginning and end of each period.

Income Statement Principles

- Depreciation, amortization and depletion charges should be provided for tangible, intangible and depletable assets.

- Costs should be allocated appropriately between tangible non-current assets, stocks, repair and maintenance and other expense groups. Direct costs should be accrued directly, whereas costs relating to more than one operation should be accrued and allocated by considering time and usage factors.

Income Statement Principles

- Unusual and extraordinary profits and losses should be accrued in the period they relate but should be shown separately from normal operating results.

- All profits and losses should be shown in the income statement of the current period except for the ones which have a material effect on the financial statements of the previous periods.

Income Statement Principles

- Accruals should not be used to transfer the profit of a period to the following period, or to decrease the current period profit arbitrarily.

- When changes occur in the valuation and costing method of the company, the net effect of these changes should be disclosed.

Income Statement Principles

- Expenses and losses stemming from the consequences of possible future events or conditional cases, as well as those expenses and losses that can be approximated to their actual values are reflected in the income statement on an accruals basis. Income and profit depending on possible future events are not accrued even if they have a high possibility to occur, but are explained in the footnotes to the financial statements.

Balance Sheet Principles

The principal purpose of the balance sheet is to indicate the financial position of a company clearly and fairly at a specific date through recording and stating the sources provided by the investments of the owners and shareholders, retained profits, external borrowings and finally assets acquired by using these sources.

Balance Sheet Principles

All assets, liabilities and shareholders’ equity are shown at their gross values. This principle does not prevent the preparation of the balance sheet according to the net value basis. The discount items must be shown clearly below the individual accounts.

Principles Relating to Assets

- Assets which can be converted to cash within one year are classified as current assets in the balance sheet.

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- Long-term assets which cannot be converted to cash within a year or within the company's normal operating period, and from which the company benefits from services longer than a period, are classified as non-current assets in the balance sheet. Non-current assets which have a life of less than a year at the end of the balance sheet date, are reclassified as current assets.

Principles Relating to Assets

- Provisions for diminution in value of assets is compulsory, in order to show the assets at their net realisable values. In the valuation of marketable securities, receivables, stocks and other current assets provisions are made where considered necessary.

This principle is also valid for receivables, marketable securities, participations and related companies which are classified in non-current assets.

Principles Relating to Assets

- Prepaid expenses and accrued income should be recorded and shown in the balance sheet separately.

- Notes receivable classified in current and non-current assets should be discounted at the balance sheet date to state them at their net realisable value.

Principles Relating to Assets

- Accumulated depreciation of tangible and amortization of intangible non-current assets should be shown separately in the balance sheet.

- The accumulated depletion of assets, subject to depletion, should be shown separately in the balance sheet.

Principles Relating to Assets

- Receivables from and payables to shareholders, personnel, related companies and participations should be shown separately in the balance sheet.

- When the value of receivables cannot be determined they are not accrued, instead they are disclosed in the footnotes and appendices of the balance sheet.

Principles Relating to Assets

- Guarantees and mortgages given and taken should be disclosed in footnotes of the balance sheet. The insurance amount related to assets should also be explained in the footnotes and appendices.

Principles About Liabilities

- Liabilities due in one year or in the normal operation period of the company are shown under short-term liabilities in the balance sheet.

- Liabilities which are not due in one year or in the normal operation period of the company are shown under long-term liabilities in the balance sheet. At the balance sheet date, the ones with a maturity less than one year are transferred to short-term liabilities group.

Principles About Liabilities

- All liabilities of the company which are known and estimated to their appropriate amounts including ones which cannot be determined definitely or which are controversial, should be recorded and identified on the balance sheet. Liabilities which are known but cannot be estimated to their appropriate amounts should be defined clearly in the footnotes of balance sheet.

Principles About Liabilities

- Deferred income and accrued expenses should be identified, recorded and shown separately in the balance sheet.

- Notes payable in short and long-term liabilities should be subject to discounting to state them at their net present value.

Principles About Liabilities

- The amounts which belong to shareholders, personnel, investments and related companies of payables, advances taken and other related accounts which are shown in long-term and short-term liabilities of the balance sheet should be shown separately as a basic principle.

Principles About Equities

- The rights of owners or shareholders of the company on the company's assets are represented in equities. The company's paid-up capital at the balance sheet date, undistributed profit (which may be shown under different captions) generated by operations and net profit (loss) for the period should be shown in the equities group of the balance sheet.

Principles About Equities

- Paid-up capital of the company is shown as a single account in the balance sheet. But, if the basic capital is separated to different share groups, basic capital accounts should be shown in the balance sheet footnotes in a manner to reflect each group’s rights during the profit distribution or liquidation as well as other important ownership characteristics.

- The current and previous periods’ losses are shown as deductible items under the equity group in order to show the net equity figure in the balance sheet.

Principles About Equities

- Equity consists of paid-up capital, capital reserves, retained earnings, previous periods’ profits (losses) and current period profit (loss). Profit reserves consist of legal, statutory and general reserves, the undistributed position of operational profit, like provisions in the nature of reserves and special funds. Capital reserves consist of items like premium reserves, invalidated shares and revaluation. Capital reserves cannot be transferred as income to income statements.