

## Financial Reporting Standard for Large and Medium-Sized Enterprises in Regard to Agricultural Activities\*

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### ABSTRACT

The operations of turning biological asset such as animals and plants into agricultural products or different biological asset by harvesting them are called agricultural activities. The Financial Reporting Standard for Large and Medium-sized Enterprises had been prepared by Public Oversight, Accounting and Auditing Standards Authority and has come into effect. According to the latest changes, businesses that are not subject to independent audit will be able to apply financial reporting standard for large and medium-sized enterprises upon request.

This study examines agricultural activities taking place in The Financial Reporting Standard for Large and Medium-Sized Enterprises. Accounting practices related to agricultural activities are explained with exemplary applications and similarities and differences other application are explained. The similarities between the Financial Reporting Standard for Large and Medium-Sized Enterprises and Turkish Financial Reporting Standards are noteworthy. There are differences between the Financial Reporting Standard for Large and Medium-Sized Enterprises and General Communique on Accounting System Application and Tax Procedure Law.

**Keywords:** Financial Reporting Standard for Large and Medium-Sized Enterprises, Agricultural Activities, Accounting

**Jel Classification:** M40, M41

### Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı Açısından Tarımsal Faaliyetler ÖZET

Tarımsal faaliyetler, yaşayan hayvan ve bitkileri ifade eden canlı varlıkların hasadı sonucu tarımsal ürünlere veya farklı canlı varlıklara dönüştürülmesi işlemidir. Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu tarafından hazırlanarak yürürlüğe girmiş bulunmaktadır. Son değişikliklerle birlikte bağımsız denetime tabi olmayan işletmeler de isteğe bağlı olarak Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı'nı uygulayabileceklerdir.

Bu çalışmada Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı'nda yer alan tarımsal faaliyetler incelenmektedir. Tarımsal faaliyetlere ilişkin muhasebeleştirme ve ölçüm tasarlanmış örnek uygulamalar ile açıklanarak diğer uygulamalar ile benzerlikleri ve farklılıkları ortaya konulmaktadır. Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı ve Türkiye Finansal Raporlama Standardı arasındaki benzerlikler dikkat çekicidir. Büyük ve Orta Boy İşletmeler için Finansal Raporlama Standardı ile Muhasebe Sistemi Uygulaması Genel Tebliği ve Vergi Usul Kanunu arasında farklılıklar vardır.

**Anahtar Kelimeler:** Büyük ve Orta Boy İşletmeler İçin Finansal Raporlama, Tarımsal Faaliyetler, Muhasebe

**Jel Sınıflandırması:** M40, M41

**Makale Gönderim Tarihi:** 01.06.2019

**Makale Kabul Tarihi:** 01.08.2019

**Makale Türü:** Kuramsal (Teorik) Makale

\*This paper is presented at the V. International Symposium on Accounting and Finance (ISAF 2019), 1-4 May 2019, Bursa, Turkey.

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## **1. INTRODUCTION**

Today, the importance of agricultural sector in the country's economy has been understood and agricultural activities have become one of the most important investment areas. The increase in the need for food in the world has always maintained its importance in terms of providing input to many sectors by the agricultural sector. Agricultural production branches, which is an important area of investment, allow for the establishment of many enterprises and increase the investments in the agricultural sector. Agricultural activities which constitute the subject of agricultural production and biological assets of living things are undoubtedly one of the most important issues. Biological assets have a cycle of biological transformation, such as growth, deterioration, and becoming a product. Valuation and recognition performed during this change period may vary. Agricultural activity is the management of biological transformation of a biological asset for the purpose of harvesting agricultural produce from that asset.

Financial Reporting Standard for Large and Medium-Sized Enterprises (FRS for LMEs), which is subject to independent audit is the financial reporting framework to be applied by enterprises that do not use the Turkish Financial Reporting Standards (TFRS). The purpose of FRS for LMEs is to provide financial statements that are in compliance with financial information needs (www.kgk.gov.tr, 2019).

FRS for LMEs was published in the Official Gazette No. 30138 dated 29 July 2017 and prepared by the Public Oversight, Accounting and Auditing Standards Authority (POAASA) and was started to be implemented after 01 January 2018. According to the latest amendments made in the decision of the POAASA dated 13/09/2018 and numbered (03/161), a) the application of FRS for LMEs in the preparation of the financial statements of entities, establishments and enterprises that are subject to independent audit and which do not apply TFRS; b) it is decided that non-subject companies may apply TFRS or FRS for LMEs in the preparation of the financial statements in which they are subject, or optionally in the preparation of their financial statements (www.kgk.gov.tr, 2019). In the literature review, the main studies on FRS for LMEs are as follows.

Gücenme Gençoğlu (2017) in her study "Comparison of the Differences between BOBİ FRS and TAS/TFRS" in her paper, she has compared similar and different aspects of FRS for LMEs and TAS/TFRS. The similarities and differences between these two standards were examined in Ataman and Cavlak (2017) "Comparison of Financial Reporting Standard for Large and Medium Sized Enterprises (FRS for LMEs) with the Full Set Turkish Accounting and Turkish Financial Reporting Standards (TAS/TFRS)". As a result of the evaluations, there are some similarities, but there are also some basic differences. Öztürk (2017), " Comparison of The Measurement and Accounting Principles of Financial Assets in Terms of the Financial Reporting Standard for Large and Medium-Sized Enterprises and Turkish Financial Reporting Standards of financial assets" in his study, FRS for LMEs and TAS/TFRS is explained with examples to compare about financial assets. Şen and Karagül (2018) "Pooling of Interest Method to be Used for Reporting Business Combinations Under Common Control According to Financial Reporting Standards for Large and Medium Sized Enterprises" in their study the suitability of the use of the method of merging rights are explained by the example.

In this study, measurement and accounting of agricultural activities in the Financial Reporting Standard of Large and Medium-Sized Enterprises (FRS for LMEs) are examined. Measurement and accounting of agricultural activities in the Financial Reporting Standard of Large and Medium-Sized Enterprises are measurement and accounting related to Turkish Financial Reporting Standards (TFRS), General Communique on Accounting System Application (GCASA), and Tax Procedure Law (TPL) in terms of similarities and differences have been discussed.

## 2. AGRICULTURAL ACTIVITIES FROM FRS FOR LMEs

Agricultural activities in FRS for LMEs are described in section 7. The accounting records of transactions related to agricultural activities, the issues to be considered while making accounted and some definitions and explanations related to agricultural activities are included. This section sets out the principles for the recognition and measurement of livestock assets and agricultural products at the time of harvest, and the aforementioned provisions do not apply in products after harvest time (BOBİ FRS, 7: 1). The registration and measurement of agricultural products at the time of harvest is related to the “Agricultural Activities” section and does not include post-harvest products. After harvest, the product changes classification.

In order for an activity to be an agricultural activity, biological transformation of living beings must be managed. Otherwise, this activity cannot be regarded as agricultural activity and the provisions of this section are not applied to agricultural products and biological asset related to these activities. For example, it is not agricultural activity to obtain products from unmanaged sources (forests, seas, etc.). However, fish farming is an agricultural activity in fish farms (BOBİ FRS, 7: 2). According to the FRS for LMEs, the activities in the process of carrying out the biological transformation of biological assets and transforming them into products for the purpose of selling the agricultural product are defined as agricultural activities. A biological asset is a living animal or plant. The agricultural product is the harvested product of the biological assets of the enterprise, the harvested product is an agricultural product. Harvest is the separation of the product from biological assets or the end of the life of the biological assets. Agricultural product is obtained as a result of biological change. The following are examples of biological assets, agricultural products and processed products (BOBİ FRS, 7: 3):

| Biological Asset | Agricultural Product | Processed Product(Finished Goods) |
|------------------|----------------------|-----------------------------------|
| Sheep            | Wool                 | Wool yarn, carpet                 |
| Tree             | Log                  | Wood                              |
| Dairy Animal     | Milk                 | Cheese                            |
| Cattle           | Carcass meat         | Bacon, sausage,                   |
| Cotton plant     | Harvested cotton     | Yarn, clothes                     |
| Sugar beet       | Harvested beet       | Sugar                             |
| Tobacco plants   | Collected leaves     | Processed tobacco                 |
| Tea plant        | Collected leaves     | Tea                               |
| Fruit trees      | Collected fruit      | Dried fruit, fruit juice          |
| Olive Trees      | Collected olives     | Olive oil                         |

It is carried out in accordance with the principles in the other related sections where the agricultural products are covered by the accounting records related to the products produced after the harvest. According to the FRS for LMEs, measurement methods for agricultural activities, agricultural products are measured by fair value method and biological assets can be measured with both fair value method and cost method.

The concept of fair value enables the presentation of real information in the financial statements (Pamukçu, 2011: 81). Fair value: the amount that is required to arise if an asset is exchanged or a debt is paid between knowledgeable and willing groups in a mutual bargaining environment. According to the FRS for LMEs, the price described in the active market, which is valid for the present value of the livelihood or agricultural product, constitutes an appropriate criterion for the determination of fair value. If the active market value is not certain, the transaction price realized in the near future is taken into consideration.

In the event that fair value method is preferred, a biological asset is measured at fair value at the end of each reporting period. If the cost method is preferred, the assets are amortised as in the "Tangible Fixed Assets" section and measured at cost, less depreciation and accumulated impairment losses (BOBİ FRS, 7: 7-9).

According to the FRS for LMEs, if a fair value method is applied in the measurement of the class of assets, then there is no change in accounting policy. Different methods can be preferred for different groups of biological assets.

### **3. IMPLEMENTATION DIFFERENCES AND SIMILARITIES IN AGRICULTURAL ACTIVITIES IN THE CONTEXT OF FRS for LMEs AND OTHER APPLICATION**

It is emphasised that in the FRS for LMEs and TFRS, the biological assets will be valued according to the Agricultural Activities Standard, including harvesting, and the products obtained from the biological asset should not be shown in this standard after harvesting and should be shown in the inventory account. In both the TFRS and in the FRS for LMEs, the agricultural activities standard does not apply to agricultural products after the harvest time.

The assets that are defined as biological assets and agricultural activities are different for TFRS and FRS for LMEs. In the FRS for LMEs, some biological assets in the group of biological that are subject to agricultural activities are referred to as bearer plants in TFRS. The concept of bearer plants is included in TFRS. In TFRS, TAS 41 is the standard for agricultural activities and is applied to biological assets other than bearer plants and to agricultural products at harvest time.

According to the Turkish Accounting Standard (TAS) 41 "Agricultural Activities" standard, some plants, such as tea bushes, grape vines, palm trees and rubber trees, generally meet the definition of the bearer plants and are included in the scope of TAS 16. However, products such as tea leaves, grapes, palm tree fruits and latex that grow on bearer plants fall under the scope of TAS 41. The product grown on the bearer plants is a biological asset. Bearer plant is a living plant with the following characteristics (TAS 41, item: 5):

- (a) Used for the production or supply of agricultural products,
- (b) Expected to yield more than an accounting period
- (c) It is very unlikely that it will be sold as an agricultural product, except for the sale of trivial residue.

FRS for LMEs does not discriminate bearer plants. All plants and all animals are in biological assets; and biological assets are subject to the agricultural activities standard in the FRS for LMEs. But in TFRS, bearer plants are subject to TAS 16: Property, Plant and Equipment. The biological assets related to agricultural activities are not considered as tangible assets (BOBİ FRS, 12: 2).

In TFRS and FRS for LMEs, biological assets are presented separately in the balance sheet, in the biological assets item under current assets or non-current asset class. However, there is no provision in General Communique on Accounting System Application (GCASA) for the separate presentation of biological assets and agricultural products.

GCASA did not disclose which account group should recognize the assets in which account. Accounting registrants are registered in the accounting in accordance with their opinions, comments and suggestions of experts according to the purpose for which they are purchased and produced. In accordance with the purpose of the acquisition, biological assets can be accounted in trade accounts, goods or property, plant and equipment accounts.

According to Tax Procedure Law (TPL), biological assets that are held for sale are not depreciated, and asset held for the purpose of harvesting and selling the product are subject to depreciation. If the asset is registered as an item of property, plant and equipment, such assets are depreciated over the depreciation rates determined by the Ministry of Finance at the end of the period.

In TPL, the agricultural products are measured at cost value. In the TPL, the biological assets are measured at cost value. If the cost cannot be determined, then the equivalent price is used. TPL, beneficial life span is determined by the Ministry of Finance. But, in TFRS and FRS for LMEs, the beneficial life span is determined by the business.

Cost method and fair value method calculate are same in the TFRS and FRS for LMEs. TFRS use cost method TAS 16. In the FRS for LMEs and TFRS, If the cost method is preferred, the assets are amortised as in the "Tangible Fixed Assets" section and measured at cost, less depreciation and accumulated impairment losses. However, the depreciation value in terms of TPL is the cost value of biological assets, the amount in the accounting account

The calculation of depreciation in the TPL is different. The residual value is not in the Tax Procedure Law. But, the residual value is in the TFRS and FRS for LMEs. According to FRS for LMEs and TFRS, depreciation is calculated by subtracting the residual value from the value of the biological assets. However, the depreciation value in terms of TPL is the cost value of biological assets.

According to FRS for LMEs, the biological assets are measured by cost method or fair value method. And, in the event that fair value method is preferred, a biological asset is measured at fair value at the end of each reporting period. In TFRS, biological assets are only measured by fair value method. In the TPL, the biological assets are measured at cost value.

The fair value method is applied in FRS for LMEs for the measurement of agricultural products. In TFRS, agricultural products are measured at fair value method. While determining the fair value, the active market value is taken as the basis. In the Tax Procedure Law, the agricultural products are measured at cost value. There is not fair value method in TPL.

In GCASA, no change or revaluation difference is recognized between the values of these assets and their values at the balance sheet date from the first time they are registered for agricultural assets and biological assets.

When and how the gains and losses are taken into account differs between practices. In TFRS and FRS for LMEs, agricultural products and biological assets are compared with their cost values after being evaluated in the reporting period. The positive or negative differences arising from the comparison are transferred to the income statement. As it is known, if the biological asset is sold in GCASA, the profit or loss on the related assets is sold in the income statement. In FRS for LMEs does not distinguish between interest and maturity for purchases and sales of biological assets and agricultural products with a maturity of up to one year. In TFRS, the maturity differences between all purchases and sales except for purchase and sale are separated and taken into account in the related accounts. In GCASA, the maturity difference amount in forward purchases and sales is accounted for without discrimination.

#### **4. ACCOUNTING OF AGRICULTURAL ACTIVITIES ACCORDING TO FRS FOR LMEs**

In order to provide uniformity in the accounting system and to facilitate the audit, the basic concepts of accounting were defined with the General Communiqué on Accounting System Application published by the Ministry of Finance, which was enacted in 1994, the accounting policies were prepared, the preparation and presentation of the financial statements and a uniform chart of accounts and account framework were arranged. This arrangement, called the Uniform Accounting System and in Turkey in order for understandable and comparable accounting records and financial reporting of the settlement resulted in significant gains (Bayri 2010: 91).

In the Uniform Chart of Accounts, updates have been made on account and group basis due to the emergence of certain needs within the period from the past to the present. The most recent regulation in the Uniform Chart of Accounts was made by the POA. The draft chart of accounts was published on 25.12.2018 to obtain public opinion. The draft chart of accounts, which was opened to the opinion of the public until 01.03.2019, includes biological asset and the related gains and losses related to them. In the draft chart of accounts, "17 Biological Assets and 27 Biological Assets" and value increases and losses are included as "643 Valuation Increases in Agricultural Activities and 653 Valuation Impairments in Agricultural Activities" (www.kgk.gov.tr, 2019).

There is a distinction between current assets and non-current assets in biological assets. Biological assets are subject to change during the period they are held. The biological assets in the non-current assets group are composed of asset that the enterprises hold for more than one year. The products obtained by harvesting from the biological assets in this group and the other assets that the economic benefit to be provided to the business which ends in the group are followed in the accounts under the group of assets. Below is a sample plan designed for agricultural activities by taking into account the draft chart of accounts prepared by the POAASA.

#### 4. 1. Accounting of the Biological Assets

Non-Current assets are accounted for within the group of fixed assets if they remain in business for more than one year. The following is an example of this situation:

On 01.10.2017, the X business purchased 1000 pieces of olive saplings from 50 TL (VAT 1%). On 31.12.2017, 10,000 TL fertilizer, 15,000 TL drug and 10,000 TL and (VAT 18%) pruning costs were made to olive saplings. On 01.10.2018, olive saplings became fruit. All expenses incurred until this date are also accounted for as investments in biological assets in progress. The value of the olive garden is 82,000 TL as of 31.12.2018.

##### Accounting according to FRS for LMEs

- Accounting of purchased olive saplings:

50 TL x 1,000 units = 50,000 TL

VAT: 50,000 TL x 1% = 500 TL

| 01.10.2017                       |        |
|----------------------------------|--------|
| 278 BIOLOGICAL ASSET INVESTMENTS | 50,000 |
| 191 DEDUCTIBLE VAT               | 900    |
| 102 BANKS                        | 50,900 |

- Accounting of expenditures on olive trees:

10,000 TL fertilizer, 15,000 TL medicine, 10,000 TL pruning costs

VAT: 35,000 TL x 18% = 6,300 TL

| 31.12.2017                       |        |
|----------------------------------|--------|
| 278 BIOLOGICAL ASSET INVESTMENTS | 35,000 |
| 191 DEDUCTIBLE VAT               | 6,300  |
| 102 BANKS                        | 41,300 |

-The olive seedlings when the fruit will be transferred to the current account of the accounting on 01.10.2018:

278 remaining biological assets investments account: 50,000 TL + 35,000 TL = 85,000 TL

| 01.10.2018                       |           |        |        |
|----------------------------------|-----------|--------|--------|
|                                  | 271 TREES | 85,000 |        |
| 278 BIOLOGICAL ASSET INVESTMENTS |           |        | 85,000 |

- The value of the olive orchard on 31.12.2018 is 82,000 TL. 82,000 TL – 85,000 TL = 3,000 TL

| 31.12.2018 |  |       |       |
|------------|--|-------|-------|
|            | 653 VALUATION DECREASES IN AGRICULTURAL ACTIVITIES | 3,000 |       |
| 271 TREES  |  |       | 3,000 |

In FRS for LMEs, biological assets related to agricultural activities are not considered as tangible fixed assets. Therefore, such assets are accounted for under the provisions of the section on agricultural activities in the FRS for LMEs. Since olive trees are included in a separate item in the tangible fixed asset group, the FRS for LMEs is either a cost method or a fair value method.

In TFRS, as in the above example, plants that can be purchased for more than one year of agricultural products are the bearer plants and are accounted for in accordance with TAS 16 Property, Plant and Equipment. The FRS for LMEs have differences in the accounting of such biological assets such as olive trees.

#### **4. 2. Accounting of Agricultural Products**

According to the FRS for LMEs, accounting principles for the registration and measurement of agricultural products at the time of harvest are regulated according to the provisions of "Agricultural Activities". The provisions of Section 7 "Agricultural Activities" are not applied to agricultural products after the harvest time. The measurement, presentation and decommissioning of agricultural products after the harvest time shall be performed in accordance with Section 6 "Stocks". Below is a sample application designed for agricultural product accounting.



Cotton will be planted on 100 acres of farm land. Expenditures made within the period until the harvest time: On 01.04.2018, cotton seeds were purchased in advance with 1% VAT exception at 20,000 TL, and the price was paid by bank transfer. On 20.04.2018, cotton seed cultivation was performed. Irrigation and fuel costs are 15,000 TL until the end of June and direct labor costs are 5,000 TL. The fair value of cotton field in June period was found to be 45,000 TL. Until the end of September, the direct labor cost were 3,000 TL, the manufacturing overhead such as diesel oil and spraying were 3,000 TL and the fair value of the cotton field of 30.09.2018 was determined as 48,000 TL. As a result of the cotton harvest made on 15.10.2018, 50,000 kg and cotton active market price of 1 TL/kg.

**Accounting according to FRS for LMEs**

-Accounting for the purchase of cottonseed on 01.04.2018:

20,000 TL x 1% = 200 TL

| 01.04.2018                    |        |  |        |
|-------------------------------|--------|--|--------|
| 150 RAW MATERIAL AND SUPPLIES | 20,000 |  |        |
| 191 DEDUCTIBLE VAT            | 200    |  |        |
| 102 BANKS                     |        |  | 20,200 |

-Cotton seed cultivation accounting:

| 20.04.2018                     |        |  |       |
|--------------------------------|--------|--|-------|
| 710 DIRECT RAW MATERIALS COSTS | 20,000 |  |       |
| 150 RAW MATERIAL AND SUPPLIES  |        |  | 0,000 |

-Watering and fuel costs 15,000 TL, direct laborcost is 5,000 TL on 30.06.2018.

| 30.06.2018                 |        |  |        |
|----------------------------|--------|--|--------|
| 720 DIRECT LABOR COSTS     | 5,000  |  |        |
| 730 MANUFACTURING OVERHEAD | 15,000 |  |        |
| 102 BANKS                  |        |  | 20,000 |

Since a new product will be obtained from the raw substance and material, the expenses are recognized in the cost accounts.

-The fair value of the cotton field was found to be 45,000 TL on 30.06.2018.

| 30.06.2018   |        |
|--|--------|
| 170 FIELD PLANTS                                   | 45,000 |
| 643 VALUATION INCREASES IN AGRICULTURAL ACTIVITIES | 5,000  |
| 711 DIRECT MATERIAL COSTS TRANSFER ACCOUNT         | 20,000 |
| 721 DIRECT LABOR COSTS TRANSFER ACCOUNT            | 5,000  |
| 731 MANUFACTURING OVERHEAD TRANSFER ACCOUNT        | 15,000 |

-Accounting of the closure of transfer accounts as of the end of the period of 30.06.2018:

| 30.06.2018                                  |        |
|---|--------|
| 711 DIRECT MATERIAL COSTS TRANSFER ACCOUNT  | 20,000 |
| 721 DIRECT LABOR COSTS TRANSFER ACCOUNT     | 5,000  |
| 731 MANUFACTURING OVERHEAD TRANSFER ACCOUNT | 15,000 |
| 710 DIRECT RAW MATERIALS COSTS              | 20,000 |
| 720 DIRECT LABOR COSTS                      | 5,000  |
| 730 MANUFACTURING OVERHEAD                  | 15,000 |

-Direct labor costs were determined to be 3,000 TL, diesel, spraying, such as the manufacturing overhead were determined to be 3,000 TL until the end of 30.09.2018.

Accounting:

| 30.09.2018                 |       |
|----------------------------|-------|
| 720 DIRECT LABOR COSTS     | 3,000 |
| 730 MANUFACTURING OVERHEAD | 3,000 |
| 102 BANKS                  | 6,000 |

-The fair value of the cotton field is TL 48,000 as of 30.09.2018. The registered amount is TL 45.000 as of the end of 30.06.2018. TL 48,000 - TL 45,000 = TL 3,000 fair value difference:

| 30.09.2018   |       |
|--|-------|
| 170 FIELD PLANTS                                   | 3,000 |
| 653 VALUATION DECREASES IN AGRICULTURAL ACTIVITIES | 3,000 |
| 721 DIRECT LABOR COSTS TRANSFER ACCOUNT            | 3,000 |
| 731 MANUFACTURING OVERHEAD TRANSFER ACCOUNT        | 3,000 |

- Accounting of the closure of the transfer accounts as of 30.09.2018:

| 30.09.2018                                  |       |
|---|-------|
| 721 DIRECT LABOR COSTS TRANSFER ACCOUNT     | 3,000 |
| 731 MANUFACTURING OVERHEAD TRANSFER ACCOUNT | 3,000 |
| 720 DIRECT LABOR COSTS                      | 3,000 |
| 730 MANUFACTURING OVERHEAD                  | 3,000 |

-The cotton harvest as a result of the 50,000 kg of cotton 1 TL / kg in the inventory of the receipt of the accounting as of 15.10.2018:

$$50.000 \text{ kg} \times 1 \text{ TL / kg} = 50.000 \text{ TL}$$

| 15.10.2018   |        |
|--|--------|
| 152 FINISHED GOODS                                 | 50,000 |
| 170 FIELD PLANTS                                   | 48,000 |
| 643 VALUATION INCREASES IN AGRICULTURAL ACTIVITIES | 2,000  |

After accounting for the harvest of the agricultural product, the provisions of section 6 "Stocks" shall be taken into consideration in all cotton related transactions.

## **5. CONCLUSION**

Chapter 7 "Agricultural Activities" of the FRS for LMEs regulates accounting principles for the recognition and measurement of biological assets and agricultural products. This standard does not cover the recognition and measurement of processed agricultural products after harvest. In the FRS for LMEs statement of financial position, the assets are presented as separate items in both the current and non-current assets group. In the initial recognition of the FRS for LMEs, if the assets are less than one year in the entity, the current assets group is accounted for within the fixed assets group if it is in the entity for more than one year.

One of the most important studies is the draft chart of accounts prepared by the POAASA. Biological assets are not defined as separate accounts in the Uniform Chart of Accounts. The draft chart of account prepared in accordance with the financial reporting standards by the POAASA has been submitted to the opinions and suggestions of the public. In the aforementioned draft chart of account, biological assets are suggested as account groups no. 17 and 27, and gains and losses related to the biological assets are calculated as accounts 643 and 653. The Uniform Chart of Accounts in accordance with the financial reporting standards shall ensure that the information presented in the financial statements is understandable, verifiable and comparable. Ensuring uniformity in accounts and accounting used by businesses will facilitate audit activities.

According to the FRS for LMEs, cost method and fair value method can be applied in the valuation of biological assets. If fair value method is preferred, the biological asset is measured at fair value in the reporting periods. If the cost method is preferred by the entity, the assets are amortised and measured at cost less any depreciation and impairment losses. In the case of agricultural products in FRS for LMEs, only fair value method can be applied. Agricultural products are measured at fair value at the time of harvest and any gain or loss is recognized in profit or loss. For the purposes of accounting for profit or loss as a result of periodicity, FRS for LMEs provides the right information in terms of financial statements.

FRS for LMEs has completed very significant gap in Turkey. The similarities between the FRS for LMEs and TFRS are noteworthy. FRS for LMEs is more easily applicable than TFRS. FRS for LMEs is not as detailed as TFRS. Although FRS for LMEs is a standard close to TFRS, it is easier to implement in accordance with TFRS. In addition, companies that are subject to independent audit, as well as being able to apply FRS for LMEs optionally in companies which are not subject to independent audit, is an important and appropriate decision in terms of ensuring convergence in the financial statements. But, there are differences between the FRS for LMEs and General Communique on Accounting System Application (GCASA), Tax Procedure Law (TPL).

TFRS allocates bearer plants from living assets and recognises bearer plants as property, plant and equipment. It evaluates the biological assets and agricultural activities at fair value. In each reporting period, fair value differences are recognized in the income statement accounts. Additionally, the biological assets are presented in a separate item in the financial statements. There is a difference between the TFRS and the FRS for LMEs in the group of biological assets. TFRS recognises some of the assets as a bearer plant and applies them to the TAS 16 Property, Plant and Equipment. In FRS for LMEs, there is no bearer plant

segregation and biological assets are including bearer plants and all of the biological assets are subject to the Agricultural Activities standard. The two standards are similar in terms of the application of fair value method.

In GCASA, biological assets and agricultural activities are accounted at the cost value and accounted with the cost value in the balance sheet. The value increases and decreases in the value of the asset cannot be reflected to the value of the asset in the period. The impairment in the value of the biological assets is calculated only at the time of sale and the impairment of the biological assets as if it occurred in the last period does not coincide with the concept of periodicity in the basic concepts of accounting.

The cost values are measured in TPL. A biological asset that is recorded by valuation on the cost value is shown with its cost value in the balance sheet. In Tax Procedure Law, valuation principles are carried out on the basis of the stock exchange rate, in the absence of the stock market fair value, the registered value, or the equivalent price. These assets, which are considered as tangible assets, are depreciated based on depreciation rates determined by the Ministry of Finance at the end of the period.

FRS for LMEs is a very accurate step for in Turkey. It will be preferable by companies as it is easy to implement for the creation of common financial statements. In addition, their ability to implement according to their preference in institutions and organisations that are not subject to independent audit will provide simplification in Turkey where there is more than one system.

The prolongation of the process of conducting new standards together with our classical systems, which have been applied for a long time in Turkey, brings many difficulties. It is necessary to accelerate the implementation of new systems in the harmonisation process in order to create common financial statements by ensuring simplification in accounting practices throughout in Turkey.

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