A COMPARATIVE ANALYSIS OF SHARES HELD FOR TRADING FROM A PERSPECTIVE OF TURKISH UNIFORM ACCOUNTING SYSTEM AND TMS 39

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ABSTRACT

In terms of financial assets, Turkish Uniform Accounting System and Turkish Accounting Standard 39 have major differences. Scope, accounting and valuation – measurement of financial assets are based on different grounds in these two approaches. This paper handles shares held for trading. In the theoretical part of the study, the scope, accounting and valuation of shares held for trading are examined in depth from the perspectives of Turkish Uniform Accounting System and Turkish Accounting Standard 39. With the examples provided in the practice section of the study, it is illustrated how the differences in these two approaches are reflected on accounting records and financial statements.

Keywords: TMS 39, shares held for trading financial assets, financial assets,

Jel Code: M40

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1. INTRODUCTION

Financial statements are prepared by businesses around the globe for the purpose of informing external users. However, not all financial statements are prepared based on the same foundations. This is because each country has different accounting practices. Therefore, various definitions emerged for financial statement elements. Merger of companies becoming more widespread and integration of capital markets boosting as a result of globalisation have now increased the importance of financial assets group among the other assets in the financial statements. Furthermore, requirement for financial statements based on the same foundations has also increased. In light of these developments, International Accounting / Financial Reporting Standards have made great progress in responding to these emerging needs. Significant efforts are made in Turkey to align with the International Accounting / Financial Reporting Standards. One of outcomes of such efforts is the TMS 39, which is aligned with the IAS 39.

The Turkish Uniform Accounting System (TUAS), which is currently in practice in Turkey, requires financial statements to be prepared based on historical costs. Although using historical cost is an objective method, financial statements prepared with the historical-cost method fall short of producing realistic information. In order to eliminate such drawbacks of the historical-cost method, use of the fair-value method is recommended in the Turkish Accounting / Financial Reporting Standards. According to the Turkish Accounting Standards (TMS39) Financial Instruments: Recognition and Measurement, fair-value method should be used in the accounting and measurement of financial assets actively traded in the market.

This study focuses on shares held for trading. There appear to be no differences between TUAS and TMS 39 on initial recognition and sale of shares held for trading. However, there appears to be significant differences between the accounting records and financial statements issued according to TUAS and TMS 39 in illustrating the decrease in value and next period's sales in the valuation of the shares held for trading on the day of balance sheet, and the increase in value and next period's sales in the valuation – measurement of shares held for trading on the day of balance sheet.

Since the Turkish Financial Reporting Standard 9 (TFRS9), which will replace TMS 39, will be effective as of 31.12.2017, TFRS 9 is not covered in the scope of this study.

2. ACCOUNTING COMMON STOCK IN THE TURKISH UNIFORM ACCOUNTING SYSTEM

Shares held for trading is a concept mentioned in TMS 39 whereas it is not mentioned anywhere in the TUAS. However, common stock listed under the category of marketable securities in the Turkish Uniform Accounting System corresponds to that concept. Therefore, common stock under the category of Marketable Securities and shares held for trading in TMS 39 shall be used in the same meaning in this paper.

Common stock is under the category of marketable shares in the TUAS. In the Explanations on the Uniform Chart of Accounts within the GCASA with Serial No. 1, the marketable securities category is defined as follows: "This category is used in order to monitor marketable securities, such as common stocks, bonds, treasury shares, commercial papers, mutual funds participation certificate, profit and loss sharing certificate, and income sharing certificate, that are acquired to be held for a while with the aim of collecting interest yields or earning profit shares or profiting by making use of price fluctuations and, the decrease in value of those marketable securities" and this category is composed of common stocks, bonds, notes and bills of the private sector, bonds, notes and bills of the public sector and other marketable securities.

Common stock listed under this category is also shares held for temporary investment (with the purpose of trading). In order for a share to be classified as temporary investment, there are two criteria (Ataman; 1996:105):

1.The common stocks must be convertible into cash when required,

2.The management of the business should have the intention to meet its cash needs by selling these assets.

If common stocks have the above-mentioned qualities, then they can be classified as temporary investment and reported under the category of marketable shares.

In other words, the common stock under this category is acquired with a speculative motive. The main goal here is to purchase the share when it has a low stock exchange value and sell it when its stock exchange value is on the rise, thus yield a profit from such appreciation (Tanış: 2009:90).

The category of marketable shares where the common stocks are also listed under the main category of current assets. In the Explanations on the Uniform Chart of Accounts within the General Communique on Accounting System Application with the Serial No.1, current assets are defined as “those held in cash or at the bank as well as those that are foreseen to be converted into cash or spent within a year at maximum under normal circumstances or within the normal operating cycle of the business.” Therefore, in order for an asset to be classified as a current asset, it should be converted to cash within a year at maximum or within the normal operating cycle. Thus, common stocks classified under marketable shares should be those that are planned to be converted to cash within a year or the normal operating cycle. In the event that the common stock is foreseen to be held for a period longer than a year, then that common stock is to be reported within the financial fixed assets under the main category of fixed assets. TUAS bases its approach on the duration of holding the asset.

2.1.Accounting Common Stock

According to the Explanations on the Uniform Chart of Accounts within the GCASA with Serial No.1, marketable securities should be recognised with their acquisition values. The acquisition value is taken as the basis while accounting marketable securities; hence common stocks should also be recognised based on their purchase price. The acquisition value is the stock exchange value on the date of purchase of the share. when the common stock is acquired, then the holder will be indebted based on the acquisition value; and when they are sold, he will be the creditor based on the acquisition value.

According to the Explanations on the Uniform Chart of Accounts within the GCASA with Serial No.1, purchasing costs of marketable securities shall be monitored under the related account within the category of 65 Expense and Loss from Other Operations. In that case, the costs related to the purchase of marketable securities are not added to their acquisition value. Costs that are related to the purchase of common stocks are illustrated separately from the acquisition value.

According to the Explanations on the Uniform Chart of Accounts within the GCASA with Serial No.1, the losses arising out of marketable securities sales shall be followed under the account category of expenses and losses from other operations whereas marketable securities sales profits shall be monitored under the account category of income and profits from other operations. Such an explanation highlights that profits and losses from the sales of marketable securities must be illustrated in the income statement in the TUAS.

2.2. Valuation of Common Stocks

Provisions related to the valuation of marketable securities are stated in the Article 279 of Tax Procedure Law No. 213 as follows: "Mutual funds participation certificates comprised of shares of the companies whose at least 51% of common stocks and fund portfolio are established in Turkey are valued based on their acquisition values whereas all kinds of the marketable securities other than these are valued based on their stock exchange values. If there is no stock exchange value or if the stock exchange value is understood to be prearranged, then the amount to be valued shall be calculated by adding the amount of income to be acquired on the date of maturity from the acquisition date until the date of valuation (including the exchange rate differences), to the acquisition value of the marketable security. However, marketable securities which do not have a stock exchange value and whose yields arise out of the profits and losses of the issuer and thus which cannot be calculated on the date of valuation are valued based on their acquisition values." According to this article, mutual funds participation certificates comprised of companies' shares whose at least 51% of common stocks and fund portfolio are established in Turkey shall be valued based on their acquisition values. Thus, shares shall be valued based on their acquisition values as well.

Furthermore, according to the Explanations on the Uniform Chart of Accounts within the GCASA with Serial No.1, "in the event that there is a significant or continuing decrease in value in the stock exchange or market value of the marketable securities, provisions that should be allocated to meet the losses that will occur shall be monitored under the account of provision for decrease in value of marketable securities. The amount to meet the entire decrease in the event of a decrease in value shall be recorded as a receivable in this account and a debt in the account of "654. Provisions" under the category of "65. Expenses and Losses from Other Operations". When marketable securities which have allocated provisions are sold or when there is no decrease in value, they are recorded as a debt in this account and the provision amount is transferred to the "Account 644. Provisions No Longer Required" and closed thereafter. In line with these explanations, when the market value of a share held for trading is higher than its acquisition value at the end of the accounting period, no transaction is done. However, when the market value of that share falls below its acquisition value, then the losses are recognised under the provisions accounts.

3. COMMON STOCK WITHIN THE SCOPE OF TURKISH ACCOUNTING STANDARD 32 (TMS32)

Common stock is listed within the scope of financial assets in the TMS 32: Financial Instruments: Presentation. Financial Assets in the TMS 32 are as follows:

(a) Cash;

(b) Financial instrument (common stock) based on the equity capital of another business;

(c) (i) To acquire cash or another financial asset from another business, or

(ii) Rights arising from a contract to trade the financial assets or debts with another business under circumstances that are potentially in favour of the business, or

(d) Assets that will or can be paid by the financial instrument of the business based on its equity capital, and

(i) A non-derivative contract that the business must or might purchase on a variable number a financial instrument based on equity capital, or

(ii) A derivative contract that will or might be paid by the business through means other than trading its certain amount of financial instruments based on its equity capital with certain amount of cash or another financial asset.

TMS 32 approaches the concept of financial assets from a wider perspective than TUAS. For instance, cash and cash equivalents are considered as liquid assets in TUAS while in TMS 32 they are under the scope of financial assets. And while trade receivables are classified as a separate category of receivables, they are classified as financial assets in TMS 32 (Örten, Karapınar and Kaval, 2012, 471).

While TMS32 defines the scope of financial assets, TMS 39 determines the recognition and measurement criteria of financial assets.

4. ACCOUNTING OF SHARES HELD FOR TRADING ACCORDING TO TMS 39

TMS 39 classifies financial assets based on their purpose of acquisition. According to TMS 39 financial assets are classified under four categories:

1.Financial Assets at Fair Value through Profit and Loss

2.Held-to-maturity Investments

3.Available-for-sale Financial Assets

4.Loans and Receivables

Common stock classified under the marketable securities in TUAS shall be recognised as financial assets at fair value through profit and loss according to TMS 39.

According to TMS 39 standards, there are three criteria for a financial asset to be classified as one held for trading:

a) Financial assets that are basically acquired or held for the purpose of selling or re-acquiring in the short term;

b) Financial assets that are managed together and designated during the initial recognition as a part of a portfolio comprised of certain financial instruments for which there is a recent pattern of short-term profit taking, or

c) Financial assets that are derivatives (except those with financial guarantee contracts or those which are designated hedging instruments),

Financial assets in this category are the financial instruments that the business frequently acquires and sells. As an example to the financial assets in this category, common stock, money market instruments, bonds (acquired for trading) can be listed (Ağca et al., 2009, 994).

Not all the financial assets in this category have to be short-term. Long-term financial assets or those that depend on equity capital and those that are not hedging instruments are also under this category. What matters is not the maturity or indefiniteness of the financial asset but it's being acquired to be sold in a short term (Örten, Kaval, Karapınar, 2012, 476).

Such an approach adopted in TMS 39 is quite different from the one in TUAS. While TUAS takes the duration of holding the financial asset as the basis, TMS 39 takes purpose of holding the financial asset as the basis.

4.1. Measurement of Shares Held for Trading according to TMS 39

The statements of "A financial asset or debt shall be measured at fair value on initial recognition" and "All financial assets and debts shall be accounted at fair value on initial recognition" in Article 43 of TMS 39 standards stipulate that financial assets and financial debts must be recognised at fair value on initial recognition. (turkçe anlaşılmıyor)

In the Turkish Financial Reporting Standard 13, fair value is described as follows: "The amount to be paid, at which an asset could be sold or at which a liability could be assigned, in an ordinary transaction between market participants on the day of measurement."

According to Article 48 of TMS 39 standards, if available, a quoted market price in an active market is the best evidence of fair value, yet if a quoted market price of the financial instrument is not available, the business should determine the fair value using a valuation method.

Thus, the best indicator of the fair value of financial assets, hence shares held for trading, is the market value (stock exchange value). So the quoted price of financial assets changes depending on the increase and decrease in their stock exchange value (Örten and Karapınar, 2007:47).

The fair value of shares held for trading on first acquisition corresponds to the acquisition value in TUAS. Transaction costs related to the acquisition of the common stock are recognised as period costs just as in TUAS. These costs are not added to the acquisition costs of the common stock. (İsseveroğlu, 2014, 95).

4.2.Valuation of Shares Held for Trading according to TMS 39

Financial assets held for trading are valued at fair value as on initial recognition. If a share is traded at the stock exchange, the stock exchange value of that share is its fair value. Common stocks are valued based on their stock exchange value on the day of valuation. Value differences between the acquisition value of a common stock on the day of acquisition and its fair value on the day of valuation are recognised in the income statement as profits or losses due to value rise.

While accounting and valuing assets and issuing financial statements, TUAS takes historical-cost approach as the basis. However, in historical cost based financial statements, assets do not reflect their market value. Likewise, changes between the date of acquisition and date of valuation are not reflected in the balance sheets, either. Therefore, recognising assets in the balance sheets with their fair value eliminates this problem rooted in historical cost based approach. (Gençoğlu,2007,6).

Differences between TUAS and TMS 39 in accounting and valuation of shares held for trading are as mentioned above. These differences have been laid out in a more concrete manner in the following examples:

EXAMPLE 1:

a) Business A bought 8 lots of common stocks from Borsa Istanbul In order to make use of its cash surplus, belonging to Business C, through Bank X on 01.12.2014, a single lot's price being 200 TL. Business A had 5620 TL cash in Bank X. The commission expenses were 20 TL for all options.

TUAS:

110Common Stocks	1600	
653Commission Expenses	20	
102Banks		1620

TMS 39:

Financial Assets Held for Trading	1600	
Commission Expenses	20	
Banks		1620

TUAS – Balance Sheet

CURRENT ASSETS			5600
1.Liquid Assets		4000	
Banks	4000		
2.Marketable Securities		1600	
Common Stocks	1600		

TMS (Turkish Accounting Standards)– Balance Sheet

FINANCIAL ASSETS		5600
Banks	4000	
Financial Assets Held for Trading	1600	

TUAS –Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		20
Commission Expenses	20	

TMS –Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		20
Commission Expenses	20	

TUAS, takes the acquisition value as the basis during the initial recognition of shares held for trading, yet TMS 39 takes the fair value as the basis. On initial recognition of common stocks, the acquisition value is the same amount as the fair value. Furthermore, both TUAS and TMS 39 designate transaction costs different from the acquisition value / fair value of the shares held for trading. Therefore, there are no differences in the amounts illustrated in the financial statements prepared according to TUAS or TFRS. However, there is a difference in presenting the items of the balance sheets prepared according to TUAS and TMS. While financial assets are reported as being 1600 TL in a TUAS balance sheet, they are reported as 5600 TL in a TMS balance sheet.

b) A business sold 3 lots of common stocks at hand, through Bank X on 10.12.2014, a single lot's price being 300 TL.

TUAS:

102Banks	880	
653Commission Expenses	20	
110Common Stocks		600
645Gains on Marketable Securities' Sales		300

TMS 39:

Banks	880	
Commission Expenses	20	
Financial Assets Held for Trading		600
Gains on Financial Assets' Sales		300

TUAS –Balance Sheet

CURRENT ASSETS			5880
1.Liquid Assets		4880	
Banks	4880		
2.Marketable Securities		1000	
Common Stock	1000		

TMS –Balance Sheet

FINANCIAL ASSETS		5880
Banks	4880	
Financial Assets Held for Trading	1000	

TUAS –Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		40
Commission Expenses	40	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Marketable Securities' Sales	300	

TMS – Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		40
Commission Expenses	40	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Financial Assets' Sales	300	

In common stock sales, TUAS takes the acquisition value and TMS 39 takes the fair value of the common stock during disposal. Since the acquisition value and the fair value are equivalent on initial recognition, the amount of profit gained from the sale of the common stock will also be the same. Therefore, no differences occur between TUAS and TMS balance sheets except for presentation.

c) A business sold 2 lots of common stocks at hand on 20.12.2014, a single lot's price being 100 TL.

TUAS:

102Banks	180	
653Commission Expenses	20	
655Losses on Marketable Securities' Sales	200	
110Common Stocks		400

TMS39:

Banks	180	
Commission Expenses	20	
Losses on Financial Assets' Sales	200	
110Common Stocks		400

TUAS–Balance Sheet

CURRENT ASSETS			5660
1.Liquid Assets		5060	
Banks	5060		
2.Marketable Securities		600	
Common Stocks	600		

TMS –Balance Sheet

FINANCIAL ASSETS		5660
Banks	5060	
Financial Assets Held for Trading	600	

TUAS– Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		260
Commission Expenses	60	
Losses on Marketable Securities' Sales	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Marketable Securities' Sales	300	

TMS – Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		260
Commission Expenses	60	
Losses on Financial Assets' Sales	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Financial Assets' Sales	300	

d) On 31.12.2014, a single lot of common stock is 100 TL.

TUAS:

654Provision Expenses	300	
119Provisions for Decrease in Value of Marketable Securities		300

TMS39:

Loss on Decreasing Fair Value	300	
Financial Assets Held for Trading		300

TUAS–Balance Sheet

CURRENT ASSETS			5360
1.Liquid Assets		5060	
Banks	5060		
2.Marketable Securities		300	
Common Stocks	600		
Provisions for Decrease in Value of Marketable Securities	(300)		

TMS–Balance Sheet

FINANCIAL ASSETS		5360
Banks	5060	
Financial Assets Held for Trading	300	

TUAS– Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		560
Commission Expenses	60	
Losses on Marketable Securities' Sales	200	

Provision Expenses	300	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Marketable Securities' Sales	300	

TMS – Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		560
Commission Expenses	60	
Losses on Financial Assets' Sales	200	
Decrease in Fair Value	300	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Financial Assets' Sales	300	

The value of the common stock of the business on the date of valuation decreases by (200-100)* 3 = 300 TL compared to its acquisition value / fair value. TUAS illustrates this decrease in value on provisions accounts. On the other hand, TMS 39 presents such decrease in value both on the income statement as a direct loss and subtracts it from the value of the common stock. Therefore, while TUAS balance sheets report shares held for trading as 600 TL, TMS balance sheets report those shares as 300 TL.

e) On 15.01.2015, the business sold all of its common stocks, a single lot price being 350 TL.

TUAS:

102Banks	1030	
653Commission Expenses	20	
119Provisions for Decrease in Value of Marketable Securities	300	
110Common Stock		600
644Provisions No Longer Required		300
645Gains on Marketable Securities' Sales		450

TMS39:

Banks	1030	
Commission Expenses	20	
Financial Assets Held for Trading		300
Gains on Financial Assets' Sales		750

TUAS–Balance Sheet

CURRENT ASSETS			6090
1.Liquid Assets		6090	
Banks	6090		

TMS –Balance Sheet

FINANCIAL ASSETS		6090
Banks	6090	

TUAS– Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		580
Commission Expenses	80	
Losses on Marketable Securities' Sales	200	
Provision Expenses	300	
INCOME AND PROFITS FROM OTHER OPERATIONS		1050
Gains on Marketable Securities' Sales	750	
Provisions No Longer Required	300	

TMS – Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		580
Commission Expenses	80	
Losses on Financial Assets' Sales	200	
Decrease in Fair Value	300	
INCOME AND PROFITS FROM OTHER OPERATIONS		1050
Gains on Financial Assets' Sales	1050	

In TUAS, the book value of common stock is 600 TL whereas in TMS balance sheets, it is 300 TL. Thus, gains on common stock sales are different. Gains on common stocks' sales is less according to TMS 39.

When TUAS and TMS income statements are compared, Income and Profits from Other Operations are illustrated in the same amount. Yet, in the TUAS income statement, gains on marketable securities' sales are reported as 750 TL whereas in the TMS income statement, Gains on Financial Assets' Sales are reported as 1050 TL. This difference arises because TUAS subtracts the decrease in value of the common stock from provisions accounts whereas TMS 39 subtracts it directly from the value of the common stock itself. Yet, this is a quite important factor to determine the tax basis.

EXAMPLE 2:

Let us assume that a, b, c options of the Example 1 are all valid here.

d) 1 lot of common stock at the end of the period is 250 TL.

According to TUAS, its accounting record cannot be kept.

TMS39:

Financial Assets Held for Trading	150	
Gains on Fair Value Increase		150

TUAS– Balance Sheet

CURRENT ASSETS			5660
1. Liquid Assets		5060	
Banks	5060		
2.Marketable Securities		600	
Common Stock	600		

TMS – Balance Sheet

FINANCIAL ASSETS		5810
Banks	5060	
Financial Assets Held for Trading	750	

TUAS– Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		260
Commission Expenses	60	
Losses on Marketable Securities' Sales	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		300
Gains on Marketable Securities' Sales	300	

TMS –Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		260
Commission Expenses	60	
Losses on Financial Assets' Sales	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		450
Gains on Financial Assets' Sales	300	
Gains on Fair Value Increase	150	

Based on the precautionary principle, accounting record of common stock is made in TUAS only when its period-end value falls below its acquisition value. When the value of the common stock at the end of the period is above its acquisition value, then its accounting record is not kept based on the precautionary principle. However, in TMS 39, when the value of the common stock at the end of the period is above its acquisition value, its accounting record can still be kept. Thus, common stock remains at the same value in the balance sheets prepared according to TUAS while the value of common stock is shown (200-150)*3=150 TL more in the balance sheets prepared according to TFRS. In the same vein, income and profits from other operations in income statements prepared according to TFRS will be 150 TL higher than the income and profits from other operations in income statements prepared according to TUAS.

e) In the next period, the business sells all the common stock it owns over a single share's price being 350 TL. The commission is 20 TL.

TUAS:

102Banks	1030	
653Commission Expenses	20	
110Common Stock		600
645 Gains on Marketable Securities' Sales		450

g)TMS39:

102Banks	1030	
653Commission Expenses	20	
Financial Assets Held for Trading		750
Gains on Sale of Financial Assets		300

TUAS– Balance Sheet

CURRENT ASSETS			6090
1. Liquid Assets		6090	
Banks	6090		

TMS – Balance Sheet

FINANCIAL ASSETS		6090
Banks	6090	

TUAS– Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		280
Commission Expenses	80	
Losses on Marketable Securities' Sales	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		750
Gains on Marketable Securities' Sales	750	

TMS – Comprehensive Income Statement

EXPENSES AND LOSSES FROM OTHER OPERATIONS		280
Commission Expenses	80	

Losses on Sale of Financial Assets	200	
INCOME AND PROFITS FROM OTHER OPERATIONS		750
Gains on Sale of Financial Assets	600	
Gains on Fair Value Increase	150	

Due to the fact that TUAS takes the precautionary principle and the acquisition value as the basis while TMS 39 takes the fair value as the basis, the amount of profits gained from the sale of common stock appears to be different. While the gains on the sale of common stock are reported as 750 TL in an income statement prepared according to TUAS, the gains on sale of common stock in the income statement prepared according to TMS is reported as 600 TL.

5. CONCLUSION

The fact that TUAS takes the acquisition value as the basis in the accounting and valuation of shares held for trading does not create significant differences between TUAS and TMS 39 until the date of valuation. However, the decreases or increases in value of the shares held for trading on the day of valuation create significant differences between the two systems. While TUAS presents the value decreases in the provisions accounts, TMS 39 subtracts the value decreases directly from the value of the shares held for trading and presents those decreases directly in the loss accounts. Thereby, the shares held for trading are presented at their fair value in the balance sheet. The increases in the value of the shares held for trading on the day of balance sheet are not presented in the accounting records hence in the financial statements in TUAS, because of the precautionary principle. On the other hand, TMS 39 illustrates such increases in value in the accounting records and financial statements and thereby, the shares held for trading can be presented at their fair value in the balance sheets. The presentation of shares held for trading at their fair value on the day of valuation according to TMS 39 creates a difference between the gains on the sale of next period's shares held for trading and the gains on marketable securities' sales according to TUAS.

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