

# THE INFLUENCE OF THE TURKISH REPUBLIC'S REVOLUTIONS ON ACCOUNTING APPLICATIONS (1926 – 1928)\*

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## ABSTRACT

*The purpose of this article is to review the influence of Atatürk's revolutions, which were made during the period of the foundation of the Turkish Republic, on the modernization of the concept of accounting and accounting applications. The actors of the Republic made an effort to ensure the community attained a contemporary structure through social and administrative reforms, on the one hand, and took measures in order to strengthen the economic infrastructure on the other. The measures included such legislative actions as the Turkish Commercial Code and the Income Tax Code. The new codes and the transition to the Latin alphabet all positively influenced the modernization of accounting practice and education, and the adoption of the double-entry recording method. These laws, by mandating the keeping of records of transactions in Turkish extended the application of accounting throughout the country. In this article, the developments between the years 1926 and 1928, when the relevant legislative regulations were made, are reviewed.*

*Key words: Atatürk revolutions, Turkish Commercial Code, double-entry recording method.*

## **TÜRKİYE CUMHURİYETİ DEVRİMLERİNİN MUHASEBE UYGULAMALARINA ETKİLERİ (1926 -1928)**

### ÖZET

*Bu makalenin amacı Türkiye Cumhuriyeti'nin kuruluş yıllarında, Atatürk devrimlerinin muhasebe düşüncesinin çağdaşlaşmasına ve muhasebe uygulamalarına etkilerini incelemektir. Cumhuriyet'in kadroları, bir yandan idari ve sosyal reformlarla toplumun çağdaş bir yapıya kavuşmasını temin etmeye çalışırken, bir yandan da iktisadi yapıyı güçlendirecek önlemler alıyorlardı. Bu önlemler arasında Türk Ticaret Kanunu, Kazanç Vergisi Kanunu gibi yasal düzenlemeler de vardı. Bu yasal düzenlemeler ve Latin alfabesine geçiş, şirketlerin muhasebe kayıtlarını Türkçe tutmalarını öngören*

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\* An earlier draft of this study was presented at "The Balkan Countries' 1st International Conference on Accounting and Auditing," March, 2007, Trakya University, Edirne, Turkey. The authors extend their gratitude to Prof. Oktay Güvemli, who kindly helped them to obtain the historical documents and guided the paper.

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*yasal düzenlemeler, muhasebe uygulamaları ve eğitimin çağdaşlaşmasını, çift yanlı kayıt yönteminin gelişmesini temin edici etkide bulunuyordu. Bu makalede bütün bu gelişmeleri sağlayan yasal düzenlemelerin yapıldığı 1926-1928 yılları arasındaki gelişmeler inceleme konusu yapılmıştır.*

**Anahtar kelimeler:** Atatürk devrimleri, Türk Ticaret Kanunu, çift yanlı kayıt yöntemi.

Atatürk's revolutions were made between the two World Wars. The Turkish Republic's revolutions, in nature, were distinct from communism, fascism and National Socialism, which all were totalitarian ideologies, while defending the French revolution and ideological enlightenment. Though the Republican regime was an authoritative one, as it was a revolution, it never adopted a totalitarian identity and always preserved its intention to transit to democracy. In spite of the revolutions made in the areas of law and culture, a bureaucratic conservatism was observed because the bureaucracy sustained its influence on the decision-making mechanisms since modernization could not be ensured in all sectors.

To Atatürk, revolution meant "replacing by force the existing institutions. It is the demolition of the institutions that have caused the Turkish nation to remain underdeveloped during recent centuries and replacing them with new ones that ensure the development of the nation according to the highest civil requirements." Atatürk thus introduced his own program by which he would radically and compulsorily make changes to the culture. The fundamental point that differentiates Atatürk's revolution project from previous modernization movements lies in the definition of culture.

The western-oriented practices of the Turkish Republic were significantly reflected in the accounting system, accounting training and accounting applications. The adoption of western laws that started with legislative regulations was also reflected on accounting. During the first half of the century, the sector was under the influence of the German and French accounting systems, whereas, in the second half, a transition to the practices of U.S. was observed.

Despite the fact that among the revolutions made by Atatürk and his colleagues there were laws and regulations that directly influenced accounting applications and the double-entry recording method, there was also an indirect influence on the modernization of accounting by increasing the level of education and intellectuality of the public.

Some legal reforms within this modernization movement, called the revolutions of Atatürk, had an influence on the modernization of the accounting concept and the development of the double-entry system in education and in practice. That these modernization movements shaping the 20th century were realized within a short period between 1926 and 1928 indicates the persistent character of the Atatürk revolutions. The best example is the adoption of the Latin alphabet throughout the country in as short a time as three months. Atatürk visited towns throughout the country and introduced the new Turkish alphabet. He was then named the Head Instructor.

## ACCOUNTING APPLICATIONS BEFORE THE REVOLUTIONS OF THE TURKISH REPUBLIC

Accounting applications and developments in education were not at satisfactory levels until the 1880s. Accounting in the government sector was carried out according to the traditional Ottoman accounting

system. The system did not resemble the simple recording system of the West. It was an accounting system peculiar to the Ottomans, called the “Step System.” The Step System, which was used by Turkish states between the 14th and 16th centuries, originated in the Ilkhans. It is asserted in the books written on accounting during the time of the Ilkhans that the Step System was a method developed by those wishing to shortcut the way of recording. The Ilkhans, Seljuks and Ottomans used the *Siyakat* script and figures in their accounting records. Some sources indicate that the use of this script was essential for secrecy, preventing unauthorized access by the public (Sertoğlu, 1986).

The Ottomans were greatly influenced by the Ilkhans in terms of public finance. The similarity of the property and taxation systems further facilitated interaction between the two states. Financial structures and accounting systems were similar as well.

The information pertaining to the first half of the 14th century is more relevant to governmental accounting. In the second half of the 14th century, modernization started in the accounting concept. Though the Commercial Code (*Kanunname-i Ticaret*) that was passed in 1850 was not enforced, it contributed much to defining commercial rules, forming corporate entities and keeping account books and records towards the end of the century. At that time the use of the double-entry recording system became possible, although the account records of the State were kept according to the traditional Ottoman accounting principles (Güvemli, 2000). Towards the end of the century, implementation of the double-entry accounting system started and it was decided that the double-entry recording method would be employed in governmental accounting (1879-1880).

Although the Ottomans had been introduced to the double-entry recording method in the second half of the 14th century, they made efforts to adopt the simple method that was well developed in western countries only in the late 19th century. The double-entry recording method was adopted in the 1890s and the first application was made in the Security Department.

Europe was busy with the improvement of the double-entry method while the Ottomans were just being introduced to the double-entry system. The script that the Ottomans used at that time however, delayed the transition to the double-entry system because the Ottoman script was written with Arabic letters, from right to left. In the double-entry system, writing from right to left brought forward some difficulties because in the ledger, the debit account and its balance were to be written from right to left first. The writing of the credit account and its balance from right to left caused various difficulties. The double-entry recording method was based on the Latin culture, the script of which goes from left to right.

The Books on accounting written before the Turkish Republic’s revolutions were translated from French to Turkish. Later, Turkish authors wrote books on accounting, but in the first years of the Republic French culture continued to have an influence on accounting applications. In the books written by Turkish authors that were not directly translated, the double-entry recording system was not adopted and no satisfactory explanations were given for inventory keeping, balance sheets or income statements. The books written using the Step System were written in Arabic letters and therefore the assets and liabilities sides were generally interchanged.

Turkey adopted the double-entry recording system during the last 25 years of the 19th century and added it to the curricula of almost all educational institutions from *rüştiye* (junior high school) to *darülfünun*

(university). The use of this system in accounting courses ensured the instruction and dissemination of the double-entry recording system. By a law passed in 1913 following the declaration of the Second Constitution, junior high schools were joined with primary schools and the accounting courses that had previously been in the curriculum were removed. High schools named *Ticaret Mekteb-i Alisi* and *Kısm-i Evvel*, however, were opened. These were the predecessors of today's commercial high schools.

As for pre-Republic accounting education, the School for Finance Officers (*Darül Muallimin*) opened in 1909. The school adopted its identity from a new regulation passed in 1915. The *Mekteb-i Mülkiye*, which was moved to Ankara in the academic year 1936-1937 and became the foundation for the Faculty of Political Sciences of Ankara University, as well as *Ticaret Mekteb-i Alisi* (the foundation for today's Marmara University) are worth mention.

## THE TURKISH REPUBLIC'S REVOLUTIONS

### **The Turkish Republic's Revolutions in Terms of Their Political, Social, Legal and Economic Nature**

The revolutions obviously were designed for the development and modernization of the country in all aspects. The political and social revolutions deeply influenced the way of thinking and life in general. They increased the level of education, literacy and the involvement of the public in social life and introduced the concept of social responsibility, thereby improving the level of intellectuality and interest in business life indirectly, which led to the development of accounting applications and the adoption of western accounting methods.

#### Revolutions of a Political Nature

The revolutions of a political nature undertaken in the Turkish Republic were as follows:

- a) The abolition of the Sultanate (November 1, 1922),
- b) The declaration of the Republic (October 29, 1923),
- c) The abolition of the Caliphates (March 3, 1924).

#### Innovative Legislations of a Social Nature

The innovative legislations of a social nature passed in the Turkish Republic were as follows:

- a) The grant of equal rights to men and women (1926-1934). Along with the Atatürk revolutions, Turkish women, who had been ignored for centuries, were granted new rights. According to the new civil law that was passed women possessed the same rights as men. They were then able to have official duties, to vote and to be elected as members of parliament.
- b) The revolution on hat and clothing (November 25, 1925). With this revolution, women stopped wearing veils and started wearing modern clothing. Men started wearing hats instead of fez.
- c) The closure of recluse's cells, dervish lodges and tombs (November 30, 1925).
- d) The Surname Code (June 21, 1934). Turks adopted surnames and the Nation's Leader was given the surname Atatürk, meaning "the Father of Turks".
- e) The abolition of titles and nicknames (November 26, 1934).
- f) The adoption of international hour, calendar (1925) and length measuring units (1931).

### Revolutions of a Legal Nature

Atatürk, who was well aware of the need for a new law system for the new Turkish Republic introduced the Swiss Civil Law instead of the traditional *Mecelle*, law depending on religious rules. Also he replaced the existing Criminal Law with the Italian Criminal Code. In short, the Turkish legal system was thoroughly modernized according to contemporary requirements. The revolutions of a legal nature were as follows:

- a) The Code on the Abolition of Religious Courts and the Establishment of New Courts (April 8, 1924).
- b) The Turkish Civil Code and the Code of Liabilities (February 17, 1926).
- c) The Criminal Code (1926).
- d) The Legal Procedures Code (1927).
- e) The Criminal Procedures Code (1929).
- f) The Execution and Bankruptcy Law (1923).
- g) The Code for Land and Sea Commerce (1926, 1929).
- h) Religion was separated from the law system and contemporary secular law system was introduced.
- i) The Source Tax Code.

### Revolutions in Education and Culture

Until the beginning of the 19th century, various education systems existed in the Ottoman Empire. The leaders of the young republic realized the traditional *medrese* system, giving Islamic education, could not address the needs of the new community and that a new education system resembling western models had to be launched. Thereupon, first a law was passed to combine various education institutes under one roof. Foreign schools, theocratic schools and all institutes under *Dar-ül Fünun* as well as all educational affairs were merged under the roof of the Ministry of Education. In 1933, a University Reform was passed. The revolutions undertaken in the fields of education and culture were as follows:

- a) The Code for Combining Educational Institutes (*Tevhid-i Tedrisat*) (March 3, 1924). With this code, all scientific and educational institutes were merged under the roof of the Ministry of Education.
- b) The Code for the Adoption and Use of the New Turkish Alphabet (November 1, 1928).
- c) The foundation of the Turkish History Research Society (April 12, 1931). The society was later named the Turkish History Institute (October 3, 1935). With the foundation of the institute, which introduced a new history concept, the concept of history of community was replaced by the concept of history of nation.
- d) The foundation of the Turkish Language Research Society (July 12, 1932). The society was later named the Turkish Language Institute (August 24, 1936). The purpose of the institute was to unveil the beauty of and to enrich the Turkish language and promote it to its deserved level among world languages.
- e) The Code for Closing Istanbul *Dar-ül Fünun* and the Foundation of a new university by the Ministry of Education (May 31, 1933). Istanbul University started its academic year on November 18, 1933.

### Innovative Movements in the Field of Economy

After the War of Independence was won, the economy of the country was in recession. Almost no industry existed. Also, the Republic took over the debts of the Ottoman Empire (Kongar, 1999).

Atatürk underlined the importance of economic independence by his words, “The aim of our struggle is full independence. Full independence is only possible with financial independence,” in his *Nutuk* (the Speech) concerning the improvement of the economy (Atatürk, 1959).

The revolutions made in economy were as follows:

- a) The abolition of tithes.
- b) Subsidizing farmers.
- c) The motivation of farming through the establishment of model farms.
- d) The motivation of industrial establishments by passing a law for industrial incentives.
- e) Launching the 2nd Development Plan (1933-1937) and constructing new roads.

The condition precedent for the modernization of the Turkish Republic in the 1920s was not only winning wars on battle fields and attaining political success, but also achieving the required improvements in fields such as national education, national culture, and science that determine the social level of a nation. Atatürk, always giving priority to this issue, saw the War of Independence not as an ultimate goal but as a step that had to be passed over in order to attain the ultimate goal. He, believing in the notion that improvement of any kind was contingent on improvements in education and culture, pointed out at the very beginning of the War of Independence and throughout the war that the story would not end with a military victory, but also that a War of Civilization had to be won. The revolutions of the Turkish Republic played a key role in the Turkish Nation achieving contemporary civilization. The revolutions had such a big role because both the Turkish people acknowledged the revolutions with great excitement and Atatürk was very decisive.

The revolutionary legislations during the foundation of the Turkish Republic targeted the fundamentals of a cultural and social change. These legislations provided a basis for understanding the importance of accounting. Four laws ensured the development and modernization of the double-entry accounting method, indirectly helping the modernization of the practice of accounting. This article focuses on these four laws:

- a) The Turkish Commercial Code (1926).
- b) The Code on the Compulsory Use of the Turkish Language in Economic Enterprises (1926).
- c) The Code on the Adoption and Use of the Turkish Alphabet (1928).
- d) The Income Tax Code (1926).

### **The Code Stipulating the Obligation to Keep Records in the Turkish Language**

At the time when the Turkish Republic was founded there were many economic enterprises in Turkey. Most of them were owned by Italian and French nationals who had resided in Turkey for long years. These enterprises kept their books and issued their financial statements in their native languages. Because the double-entry accounting system initially had been developed in their native languages, recording was facilitated in such languages. Because the spread of the double-entry system depended on the creation of Turkish terminology for this system, all foreign and Turkish companies were required to prepare their records and financial statements in Turkish. For this aim, the founders of the Republic passed Law no.805, “Compulsory Use of the Turkish Language in the Accounts of Economic Enterprises.” This law was published in the *Official Gazette*, no. 353, on April 26, 1926. Some of the provisions of the Law were as follows:

Article 1: Any and all companies and enterprises of foreign nationality must keep their books, records and transactions in the Turkish language.

Article 2: This obligation for foreign companies and enterprises is limited to their correspondence, transactions and contacts with Turkish enterprises and persons of Turkish nationality and to the documents and books that they must present to any government official and institute.

Article 3: The companies and enterprises depicted in Article 2 are permitted to use a language other than Turkish, but the Turkish text must be added underneath. Only the Turkish text added under the text written in another language shall prevail.

Article 4: Documents and records prepared contrary to Articles 1 and 2 above after this law is put into effect shall not be considered.

Article 6: The reports to be issued by ministries and government officials about those who violate this law shall be valid until otherwise proven.

Preparation of records and financial statements in Turkish was accelerated by means of this Law. When the foreign companies started keeping their records and books in Turkish, the Turkish government started levying tax on such records and books, facilitating the Republic's administration.

After the adoption of the Turkish Latin alphabet the double-entry method rapidly developed and spread because the method itself had been born and developed with the script from left to right.

### **The Code on the Adaptation and Application of the Turkish Alphabet**

The conflict between the Arabic alphabet and the double-entry system culture at the beginning of the 20th century was reflected in accounting applications to a great extent. For example, the inventory on pages 35 and 36 of *Fenn-i Defteri*, a book on accounting written by Mülâyım-ı Evvel Ahmed Ziyaeddin in 1892, is quoted at Table 1. The merchandise and their values in the shop of Ahmet Efendi, one of the merchants at Asmaaltı, as of March 12, 1890, as converted into the Latin alphabet were as follows (Güvemli, 2000).

This inventory was like a balance sheet. Profit and loss were included to capital account. But assets and liabilities were on reverse sides. This is interesting because it reflects how writers of the Ottoman script viewed the double-entry system.

The main difficulty created by the right to left script of the Ottoman language in terms of the double-entry method emerged in the writing of daily entries in the book. The Ottomans tried to solve this problem by shifting total columns to the left side of the page.

**Table 1**  
**Balance Sheet as of 12 March 1890**

LIABILITIES			ASSETS			
DEBTS			AVAILABLE IN SHOP			
Promissory note payable to Ali Efendi by February No 4	800	00	<b>MERCHANDISE</b>			
Promissory note payable to Mustafa Efendi by February 15 No:6	6,000	00	6,800	Coffee at 2.70 Francs / each kıyye	1,202	50
<b>VARIOUS DEBTS</b>				1.468 kg soap in 29 crates, at 29 Franc / each kıyye	6,148	00
Balance payable to Mustafa Efendi	6,001	50		53 bails of cotton, total 7.049 kgs at 2 Franc / each kıyye	14,098	00 21,447 50
Balance payable to Hasan Ağa	15,906		21,961 50	<b>FIXTURES</b>		
<b>SHARE CAPITAL</b>				Upholstery, tools, equipment, etc., and accessories	8,000	
My share capital	87,307	43		<b>NOTES RECEIVABLES</b>		
<b>BALANCE</b>	<b>116,068</b>	<b>43</b>		Promissory note of Hakkı Efendi dated February 10	940	00
				Promissory note of Rıza Efendi dated February 15	1,346	50
				Promissory note of Rıza Efendi dated March 15	1,940	50
				Promissory note of Rıza Efendi dated April 15	1,325	50 5,552 50
				<b>VARIOUS RECEIVABLES</b>		
				From Hakkı Efendi's account	1,600	00
				From Ali Efendi's account	300	00
				From Hasan Efendi's account	1,968	75
				From Rüstem Efendi's account	1,226	80 10,035 55
				<b>CASH</b>		
				Cash reserve against debts	70,973	38
				<b>BALANCE</b>	<b>116,068</b>	<b>43</b>

It is hereby certified that my assets amount to one hundred and sixteen thousand sixty eight Francs and forty-three centimes; whereas my liabilities amount to twenty eight thousand seven hundred and sixty-one Francs fifty centimes.

With the law that came into effect as of November 1, 1928, Arabic figures and letters were abolished and the Turkish alphabet comprised of Latin letters was adopted. This was one of the most important reforms of the Republic. Atatürk, in a speech given in the Turkish Grand National Assembly on November 1, 1928, talked about the alphabet revolution as follows:

...before all, the Turkish nation must be given the key for easy reading instead of the infertile method that has made all its efforts useless. The great Turkish nation can only overcome ignorance with a key that best suits its beautiful language with the least effort and in the shortest time. This key for reading and writing is the Turkish alphabet based on Latin culture. Simple experience has revealed how suitable the Latin-based Turkish letters are for the Turkish language and how easily elderly Turkish people, in cities and in villages, are able to read and write.

The change in the alphabet, which had been discussed and debated for fifteen years, was legitimized and the new Turkish alphabet replaced the Arabic letters that had played a role in the very low literacy rate. The adoption of the new alphabet and its spread throughout the country took a very short period of time, like three months. Some of the provisions of the Code about the adoption and use of Turkish alphabet were as follows:

Article 1: Instead of the Arabic letters that have so far been used in writing Turkish, the letters of the Turkish alphabet based on the Latin alphabet shown in the enclosed list have been adopted with all titles and rights pertaining thereto.

Article 2: As from the date of the publication of this law, it is compulsory to use the scripts written in the Turkish alphabet in all government offices and institutes, companies, associations and private enterprises.

Article 6: The old Arabic alphabet can be used by the typists of government and private institutes until the beginning of June 1930. Also all books, laws, instructions, records and similar printed material that are already in use in all government offices and departments can be used until June 1930.

Article 8: Use of the Turkish alphabet in all Turkish correspondence and the transactions of banks, privileged and non-privileged companies, associations and institutes shall commence not later than January 1929. Provided, however, any application to be made by the public in the old Arabic alphabet to such bodies shall be honored. Such printed materials as books, catalogues, instructions and regulations written in the old Arabic letters available to such bodies can be used until June 1930.

### **The Income Tax Law**

In all periods of the Republic, one of the main factors affecting Turkish accounting applications and contributing to the overall structure of accounting were improvements in the taxation system. However, the developments in the tax regime were mainly intended to meet the requirements of an accounting system that was mostly government-oriented. As collecting taxes on income, revenue and profit was commenced, it brought forward the necessity to standardize recordings and financial statements.

In this respect, the first tax law with an important influence on accounting applications was the Income Tax Law. When tithes, which had been the most important tax during the Ottoman Empire, were abolished in 1925, efforts were made to cover the deficit in the budget by the imposition of new taxes.

The Income Tax Law was replaced with a new tax code on February 26, 1926.

The most important influence of this law on accounting applications was that taxes were levied on the profit appearing on financial statements as declared. For this purpose, tax payers kept books and prepared balance sheets and income statements showing their profits, and delivered them to the tax office. Since there were not enough qualified personnel to enforce the Law and because the tax authorities did not have the required knowledge, some complaints were raised and then the law was amended by the Law no. 1038 on June 21, 1927. With this amendment, the duty to give financial statement was assigned to commercial companies, foreign companies and their branches. This amendment was a natural consequence of the fact that the new law had narrowed the scope of application and the double-entry culture had not yet spread throughout the country.

In Article 15 of the Law, the use of a ledger book, which had not been classified as compulsory in the Commercial Code, became compulsory with the provision that the merchants keep ledgers in addition to the books that must be kept according to the Law. Also, in the same article it was provided that correspondences could be stored in binders instead of keeping Copies Books. As for the notarization of books, it was provided in Article 16 that books must be notarized at the beginning of each year.

The Income Tax Law was also very important in terms of rules of evaluation. The provisions of Article 12 concerning balance sheets were significant.

The provisions of this article concerning assets were as follows:

On the assets side:

With the provision that such tangible assets as buildings, lands, tools, equipment and furniture as well as such intangible assets as initial incorporation expenses must be entered on their costs, the concept of both tangible and intangible assets was introduced. On the other hand, with the provision that cost of depreciated items was the cost after deduction of depreciation, the concept of items subject to depreciation was brought forward.

As for foreign currency and bonds:

Foreign currency as well as bonds and securities quoted on the Stock Exchange Market shall be entered at their current Stock Exchange Market prices.

As for notes receivables and their discounting and accounting:

Notes receivables shall be entered at their nominal values. The difference due to discounts between these values and the values during issue of balance sheet will be entered in a special account on the Liabilities side.

As for inventories:

Inventories shall be entered at their cost prices. The cost prices will be calculated by adding the purchasing price and the expenses realized until the goods are received.

As for bad debts:

Bad debts are entered in a special account. Receivables not collected within three years following maturity shall be considered bad debts.

Provisions of Article 12 concerning the Liabilities side were as follows:

On the liabilities side:

- a) There is a Share Capital account.
- b) Bonds issued by companies are entered at their nominal values.
- c) Up to 5% of net profit can be reserved until it adds up to one-fifth of the registered and paid up capital.

Article 13 details how the income statement should be prepared. What shall be considered as incomes and expenses and what shall be not are explained in detail.

The Income Tax Law influenced both taxation practices and accounting applications to a great extent. The speed of the revolutions made at that time, however, justified the hesitation to enforce the law because of the shortage of qualified personnel. Therefore, we note that an intensive program to train accountants was started.

## REVOLUTIONS OF THE TURKISH REPUBLIC THAT INFLUENCED ACCOUNTING APPLICATIONS

The Turkish Commercial Code was revised on January 4, 1926. The Commercial Code that had been passed under the *Acte de Commerce* in Napoleon's time in 1807 had been adopted and applied by many European countries, and adopted by the Ottoman Empire in 1850 following the Declaration of Reforms in 1839. It could not be enforced, however, because Islamic rules prevailed in commerce. It was this Commercial Code, revised in 1926, that the Republic adopted as suitable to its needs and on which today's Commercial Code is based. The 1926 Code was completely revised and supported by other Codes and enforced. The earlier version of the Commercial Code that was passed in 1850 contained some provisions regarding the keeping of books. These provisions pertained to such issues as eligible writing in account books, leaving no space between lines so as not to permit later insertions, inserting no words between lines and words, not erasing mistakes but simply crossing them out with a line and re-writing the records (Ziya, 1928). These provisions were not included in the Commercial Code that was revised in 1926.

In the 1926 Commercial Code books were classified under two main headings, as Optional Books and Compulsory Books. Optional Books were defined as Ledger, Cash Book, Draft Book, Promissory Notes Book, Book for Merchandise and Goods and Invoice Book. These books were not subject to any attestation. The books that merchants were required to keep were described in Section 66 of the Code. They were Books of Inventory and Balance Sheet, a Journal Book and a Copies Book. Ledger was not classified as a compulsory one.

### **The Journal Book**

The Journal Book, one of the compulsory records, was subject to attestation pursuant to Section 74 of the Code. The attesting authority was the judicial clerk pursuant to Section 69 of the Code. The book had to be attested before the commencement of operations. Beside that attestation, the books had to be attested at year ending before closure, according to Section 74.

The Journal Book was defined in Section 71 and given more importance when compared with others. It was subject to two different attestations because it was the basis for the Balance Sheet Book. After the merchant had recorded his share capital, he was supposed to record his financial transactions daily in chronological order, and the total at the end of the month.

### **The Inventory – Balance Sheet Book**

The Inventory-Balance Sheet Book was defined in Section 70 of the Code. It would be kept once a year and all records to be made in this book would be not with their nominal values, but with current stock exchange prices. Also bad debts would not be recorded in this book.

### **The Copies Book**

The Copies Book was defined as a book in which the correspondence of the merchant would be recorded in chronological order, as defined in Section 72 of the Code. It was an old practice to record the letters sent by a merchant regarding his operations. It seems that that the book was intended to create an accounting document (Güvemli, 2001).

### **Chartered Accountants**

Merchants were not obliged to keep their books personally. They could employ staff for this purpose, as provided in Section 68. In the Commercial Code the term “accountant” was not used, but it was provided that books could be kept by employees. Also, it was explained that the responsibility to keep records and to safeguard the books belonged to the merchant himself, not to the party keeping them, in Section 79.

### **Archives**

According to Section 75 of the Code, the books and the documents had to be archived for 15 years. In France in the same period, the amount of time was 10 years.

### **The Ledger**

In the Code, Ledger was not classified as a compulsory book. The obligation to keep this book was imposed by the Tax Codes that were later passed.

The Turkish Commercial Code was the first law of the Turkish Republic containing provisions about accounting applications in terms of its content, approaching such issues empirically.

## **ACCOUNTING APPLICATIONS FOLLOWING THE REVOLUTIONS OF THE TURKISH REPUBLIC**

As already explained in relevant sections of this paper, the revolutions of the Turkish Republic, particularly the Turkish Commercial Code, the adoption of the Turkish Alphabet and keeping account records in the Turkish alphabet, had great influence on accounting applications and training. The

obligation imposed on foreigners to keep their book in Turkish and the legislations in this regard were the harbingers of the future taxation practice of the Turkish Republic.

The efforts to adapt to the double-entry system during the first years of the Republic were simultaneous with the transition to the Republic and the establishment of the Republic's institutions. The instructors of accounting education started writing books on accounting initially by translating from developed European sources. Later they wrote their own books. The authors of books on accounting were also practitioners.

There were two reasons for the prominence of the books on accounting. The first was that the use of Latin alphabet facilitated the use of the double-entry system that had originally developed according to the script from left to right. The second was the importance given to accounting by industrial and service organizations which were established under the concept of etatism. In addition, it is worth noting the obligations brought forward by legislation such as the Turkish Commercial Code and the Income Tax Law.

In the 1930s attempts were made to create a general accounting plan for the accounting applications of the state economic enterprises, which were organized under the concept of etatism, but they failed. In the same period, accounting education was more widely applied due to the facilities created by the Latin alphabet and the double-entry system. The leading accounting school was *İstanbul Ulum-i Aliye-i Ticariye Mektebi*, later Marmara University. Its share of the students who underwent accounting education in the academic year 1927-1928 was 14%. Today this rate is almost 23% (Güvemli, 2001).

## CONCLUSION

While accounting underwent the process of becoming a science in Western countries in the 19th century, the Ottoman Empire made efforts to modernize starting with the Declaration of Reforms in 1839. With these efforts the Empire sought to adopt the double-entry system instead of the Step Method that had been used for centuries. In spite of the long-lasting wars at the beginning of the 20th century, the efforts to modernize continued.

A second movement of modernization took place in the Turkish Republic in the administrative, social, legal and economic sectors following the Declaration of Reform. The implications and decisiveness of the revolutions were not immediately reflected in accounting practices, but they absolutely formed a strong basis of understanding of the concept of western accounting by increasing the levels of education, globalization and modernization.

The reforms of Mustafa Kemal Atatürk have been discussed in this paper. The Turkish Commercial Code and the Income Tax Law providing the taxation of profit shown in financial statements were amended according to the changing conditions and survived through the 20th century. The transition to the Latin alphabet was a great reform, speeding up the process of the dissemination and the institutionalization of the universal double-entry method that was originally developed according to the script from left to right.

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