

Quality of Accounting Profession In Accordance With International Standards

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Abstract

The quality of financial statements is closely related to quality of accounting professions. It's observed that some financial statements don't reflect the truth literally because of many internal and external factors (e.g. work overload, unfair competition, grey economy, business culture, professional management, lack of institutionalization, failure of effective implementation of legal regulations). This situation concern both independent and dependent accountants and affect adversely the image of accounting profession in society. Independent accountants are out of firms and keep away from financial highlights, so they do accounting transactions without real information about the firms. Accordingly, this study will provide information on the following issues for accountants; how they perform their job with higher quality, what should be the physical conditions, what features accountants should have to be more qualified, which training should be given to them, how much should be paid for them. Consequently, in this study we will attempt to develop a model for accounting profession by basing on the quality control model of auditors that is ISQC 1- International Standards on Quality Control 1.

Keywords: Accounting Profession, Quality Control, Auditors

Introduction

Education in Turkey has become increasingly career-oriented. There exists today a wide range of job opportunities in the field of accounting. Entry-level jobs are dependent on the extent of your education. Positions of bookkeepers and accounting clerks, for example, require a high school diploma and perhaps a two-year associate degree in accounting. The position of an accountant demands that you have a more thorough understanding of financial concepts and so requires a minimum of a four-year bachelor's degree in accounting. Some accountants go on to become certified public accountants, or CPAs, as this opens up additional job opportunities for them. To become a CPA, you will need to earn college credits over and above your accounting major, gain some work experience, and, most importantly, you will need to pass the CPA Exam.

After becoming a CPA, when you are working, you have to comply with the standards. Some of them are ISA, IFRS and ISQC. In Turkey, there are standards on accounting and financial reports. But these are not enough for a well job. Because CPAs are much occupied with documents and they are generally away from the firms in which the accounting occur. Scope of this study is to form qualification standards for the accountants. So the accountants can do more quality works.

Accounting and auditing profession has entered to the 2000's process of change and transformation. Developments and decisions taken in the international arena have made the accounting profession compulsory to act in the whole systems and new rules. Because of this, countries should establish national regulations to follow international regulations.

International Professional Accounting Organizations

History of the accounting profession is based on very old times. The AICPA-American Institute of CPAs is the world's largest member association representing the accounting profession, with more than 394,000



members in 128 countries and more than a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology. Through a joint venture with the Chartered Institute of Management Accountants, it has established the Chartered Global Management Accountant designation to elevate management accounting globally.⁶³ Another international organization is IAASB. The International Auditing and Assurance Standards Board (IAASB) was founded in March 1978. It was previously known as the International Auditing Practices Committee (IAPC). The IAPC's initial work focused on three areas: object and scope of audits of financial statements, engagement letters, and general auditing guidelines. In 1991, the IAPC's guidelines were recodified as International Standards on Auditing (ISAs). In 2001, a comprehensive review of the IAPC was undertaken, and in 2002, the IAPC was reconstituted as the International Auditing and Assurance Standards Board (IAASB). In 2003, IFAC approved a series of reforms designed, among other things, to further strengthen its standard-setting processes, including those of the IAASB, so that they are responsive to the public interest.

In 2004, the IAASB began the Clarity Project, a comprehensive program to enhance the clarity of its ISAs. This program involved the application of new conventions to all ISAs, either as part of a substantive revision or through a limited redrafting to reflect the new conventions and matters of clarity generally.⁶⁴

The International Federation of Accountants-IFAC was founded on October 7, 1977, in Munich, Germany, at the 11th World Congress of Accountants. IFAC was established to strengthen the worldwide accountancy profession in the public interest by:

Developing high-quality international standards in auditing and assurance, public sector accounting, ethics, and education for professional accountants and supporting their adoption and use;

Facilitating collaboration and cooperation among its member bodies;

Collaborating and cooperating with other international organizations; and

Serving as the international spokesperson for the accountancy profession.

At the first meeting of the IFAC Assembly and Council in October 1977, a 12-point work program was developed to guide IFAC committees and staff through the first five years of activities. Many elements of this work program are still relevant today. Beginning with 63 founding members from 51 countries in 1977, IFAC's membership has grown to now include 179 members and associates in 130 countries and jurisdictions worldwide.⁶⁵

FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) is an international non-profit organization based in Brussels that represents 47 institutes of professional accountants and auditors from 36 European countries, including all of the 28 EU Member States. FEE has a combined membership of more than 800,000 professional accountants, working in different capacities in public practice, small and large accountancy firms, businesses of all sizes, government and education, all of whom contribute to a more efficient, transparent and sustainable European economy.⁶⁶

ACCA-Association of Chartered Certified Accountants is the global body for professional accountants with 162,000 members and 428,000 students in 173 countries. We also have a network of 91 offices and centers across the World. In 1904 eight people formed the London Association of Accountants. Their aim was to provide more open access to the accountancy profession than the two existing accountancy organizations. ACCA went through a number of mergers and amalgamations over the years. In 1984 we became the

⁶³ <http://www.aicpa.org/About/Pages/About.aspx> [01.07.2014]

⁶⁴ <http://www.ifac.org/auditing-assurance/about-iaasb> [01.07.2014]

⁶⁵ <http://www.ifac.org/about-ifac/organization-overview/history> [01.07.2014]

⁶⁶ http://www.fee.be/index.php?option=com_content&view=article&id=2&Itemid=104 [01.07.2014]

Chartered Association of Certified Accountants to reflect the fact that we had been granted a Royal Charter of Incorporation. In 1996 we began to use our current name, the Association of Chartered Certified Accountants (ACCA).⁶⁷

FCM- the Federation of Mediterranean Certified Accountants / Fédération des Experts Comptables Méditerranéens – FCM represents the accountancy profession in the Mediterranean area. Its membership consists of 21 professional institutes of accountants from 16 Mediterranean countries (Albania, Bulgaria, Cyprus, Egypt, France, Greece, Israel, Italy, Kosovo, Malta, Morocco, Romania, Serbia, Spain, Tunisia, Turkey), plus two associate members, ACCA and FIDEF. FCM member bodies are present in 8 member states of the European Union, and represent more than 320.000 professionals. 19 FCM Member Bodies are IFAC members. FCM is a non-profit association created at the end of 1999 on the initiative of a number of leaders of national accounting institutes in the Mediterranean area. FCM is the only representative organization of the accountancy profession in the Mediterranean and is also the regional organization with the widest representation overall in the area. FCM's mission is to promote co-operation among the professional accountancy bodies in the region, both in the private and in the public sector, to share knowledge and provide technical assistance to members to help them achieve and maintain high professional and quality assurance standards. In particular, as a regional organization, FCM's mission is to consider the professional themes in the regional context, with the ultimate goal of contributing to the economic developments of the region and to the implementation of a more integrated and competitive market between the Mediterranean countries. FCM believes that the accountancy profession, in its global dimension and with an advisory responsibility for business around the world, has the possibility to play a key role in addressing the integration and development challenges in the Mediterranean market. Accountants have the privileged position to understand the business' needs and can act as a facilitator of a fruitful cooperation between the public authorities and the business community. Through FCM, the accountancy profession is deeply committed to play a significant role in the development of a Mediterranean market.⁶⁸

Professional Accounting Organizations in Turkey

The accounting profession in Turkey for many years was carried out without the law profession. Business ties to accounting increased day by day, so the need for law profession for accounting has arisen. Enacted in 1989, Profession Act 3568 held accounting profession under 3 titles; accountant, public accountant, chartered accountant. After the changes in 26.07.2008, accountant title removed so there are 2 titles now. Profession Act 3568 held scope of the accounting profession, entry requirements to profession, vocational training and professional qualification exams, chartered accountants' approval authority, organizations of unions and chambers, disciplinary provisions.

TÜRMOB, the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey, is the national professional body with the sole authority to award professional license. TÜRMOB was founded in 1989 with the Act 3568 on Certified Public Accountancy and Sworn-in Certified Public Accountancy.

The organizational structure of the TÜRMOB is supported by two distinct Chambers;

Chambers of Certified Public Accountants (SMMM) and

Chambers of Sworn-In Certified Public Accountants (YMM).

81 Chambers form the TÜRMOB, of which 73 are SMMM Chambers and 8 are YMM Chambers.⁶⁹

TÜRMOB is the national umbrella for the local Chambers. The Union renders a public service and is founded primarily to carry out activities to insure the development of the profession and the protection of due interests of the members of the profession and the preservation of professional dignity, ethics, order and traditions. To comply with the aforementioned duties and responsibilities, the Union extends a continuous and intensive effort especially in areas such as practical training, licensing, professional rules

⁶⁷<http://www.accaglobal.com/gb/en/discover/about/history.html> [01.07.2014]

⁶⁸<http://www.fcmweb.org/aboutus.asp> [01.07.2014]

⁶⁹<http://www.turmob.org.tr/TurmobWeb/ContentPageDetail.aspx?param=2IDREYITixYtO8ICHbtvBxNnyWcTanyhN7RwxOLLsTvg/sPE9in2M1aTJRQdxM/RwDcGNNfYYFkYjVLkXO5E2Q==> [02.07.2014]



and regulations, publishing and membership and participates in the activities of international professional organizations.

In order to fulfill its duties such as the development of the profession, protection of interests of its members and the preservation of professional ethics and order, the Union carries out comprehensive efforts in areas like awarding of licenses, practical training, examinations, standard setting, quality control, application and enforcement of professional standards, professional rules and regulations, publications and continuous professional education.

The accounting practices in Turkey have a long history. Accounting practices date back to the period of Ilhanlilar in 13th Century. Until mid-19th century, these activities pertained only to the monitoring of public finance. During the rule of Ottoman Empire, the judges consulted expert persons in the area of accounting practices when deciding on cases of disputes between individuals. However, the understanding of accounting that forms the basis of modern accounting practices and which conforms to those practices in industrialized states began after the establishment of Istanbul Chamber of Commerce in 1881 and the subsequent inauguration of Istanbul Accounting High School in 1882. At the time, some foreign capital companies operating in the Ottoman Empire were reported to use accounting practices as well.

4.306 Sworn-In Certified Public Accountants are registered to YMM Chambers. 78.585 CPA is registered to SMMM Chambers. 70.716 Professional accountants graduate from 4 year college, 3.776 MBA and 456 PhD.⁷⁰

KGK- Public Oversight Accounting and Auditing Standards Authority (POA) is established by “Public Oversight, Accounting and Auditing Standards Authority’s Organization and Responsibilities Decree Law” numbered 660, issued on November 2, 2011 and has the authority to set and issue Turkish Accounting Standards compliant with the international standards, to ensure uniformity, high quality and confidence in statutory audits, to set the auditing standards, to approve statutory auditors and audit firms and to inspect their audits, and perform public oversight in the field of statutory audits.⁷¹

Establishment of the POA is a very important achievement for Turkey, in particular for the EU negotiation process and it will make great contributions to the effective implementation of new Turkish Commercial Code (TCC).⁷² POA has 3 inspection and supervision departments, 2 standards departments and 1 education, human resources and information technology departments.⁷³

TMS/TFRS 2013 set was enacted by updating. TDS were published by POA. Especially KKS1 and BDS 220 are related to our study. KKS 1 concerns the auditors from the point of the audit companies. In our opinion, Quality Control Standards for Professional Accounting should be determined for better quality of service of the accounting profession.

International Regulations on Quality

ISQC-1- International Standards on Quality Control; Giancarlo Attolini’s presentation in WCOA states that: Guide to Quality Control for SMP’s are QC Guide, Purpose to help SMP’s apply ISQC 1 cost effectively, first edition March 2009, 2nd edition July 27, 2010, Case study, forms, sample QC manuals.⁷⁴ QC Guide 2nd Edition; Main changes to 1st edition are; Alignment with 2009 revision of IESBA code, updated for 2010 Handbook (ISA references), improved guidance case study and manuals, color design.⁷⁵

ISA 220- Quality Control for Audits of Historical Financial Information is issued by the International Auditing and Assurance Standards Board (IAASB) and is effective for audits of financial statements for periods beginning on or after July 1, 2009. ISA 220 replaces AS-220 for audits of financial statements for periods beginning on or after July 1, 2009.

⁷⁰<http://www.turmob.org.tr/TurmobWeb/Attachment.aspx?param=2AMEHdHlmk6pVnUEzcuw/+Znij11uArK9bRuiDU VGFsPqX/Yh+J6iuvz0oZ6CYoINlzWPzMCX2D5YIsrD5ljq>== [02.07.2014]

⁷¹ http://www.kgk.gov.tr/contents/files/our_duties.pdf [02.07.2014]

⁷² http://www.kgk.gov.tr/eng/contents/files/Pdf/Public_Oversight_Authority.pdf [02.07.2014]

⁷³ http://www.kgk.gov.tr/content_detail-178-733-kgk-teskilat.html [02.07.2014]

⁷⁴ WCOA-Giancarlo Attolini (Quality Control Guide-...)-slayt 13 [02.02.2014]

⁷⁵ WCOA-Giancarlo Attolini (Quality Control Guide-...)-slayt 15 [02.02.2014]

In quality control, there are codes of ethics that must be complied with. These codes of ethics can be summarized as; independency, honesty, objectivity, professional attention and care, privacy and secrecy, professional behavior, Technical Standards.⁷⁶

Regulations on Quality in Turkey

Auditing firms in Turkey consist of SMMM or YMM firms. The inspections are carried out in Turkey to ensure the quality control; some regulations are located in accordance with the Act 3568. For instance; there are some requirements to be an accountant, because of this, accounting profession should have level of knowledge. The requirement, that is stated in ISA 220 that audit team should have sufficiently level of knowledge, is exactly same in Act 3568.

Additionally, the professional features of auditor are given in ISA 200 are also indicated in regulations on working procedures and principles of CPA and sworn-in CPA. Quality issue is highlighted in detail in KKS1, BDS 200 and BDS 220 which are published by POA.

Discussion

The regulations on quality in Turkey are not enough for the accountants. They are affected by many factors. So new regulations should be established by taking into account these factors. Our study led to regulations by affecting factors. Here is a figure that is created by us.

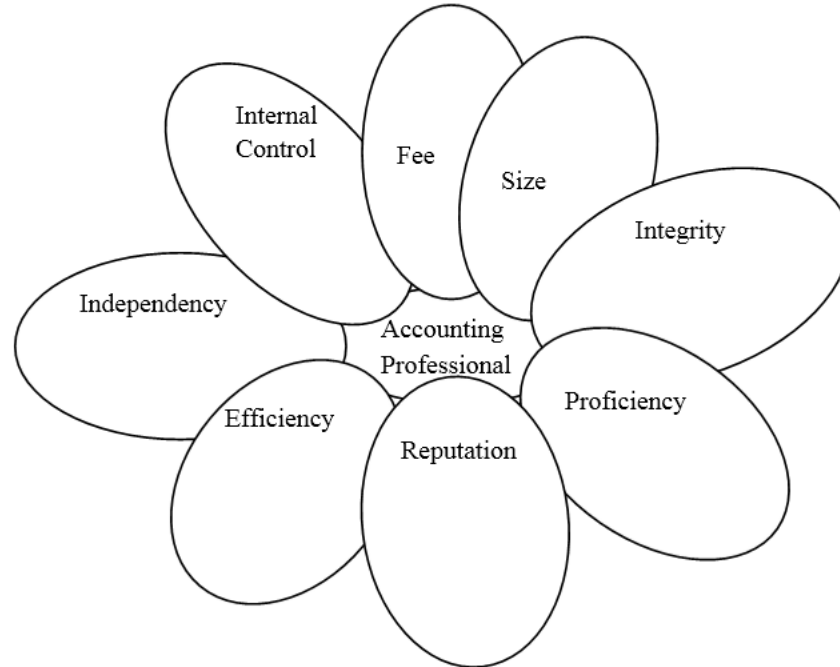


Fig. 1. Factors affecting the quality of the accounting professional (Daisy Model)

Each factors affect accounting profession separately. Quality arrangements can be made with the help of this model. So accountants will have a quality control standard for more quality works.

Conclusion

As a result, accountants who work independently should have offices. QC standards may be formed for offices. Offices should be in certain m2. Accountants should take training to follow current issues. Accountants' choosing their job willingly may affect the quality. Working with low wages may affect the quality of job.

⁷⁶ <http://www.ifac.org/sites/default/files/meetings/files/0521.pdf> [02.07.2014]



Control units may be formed for checking the work of accounting profession. Dependent accountants should be encouraged rather than independent accountants. Because, independent accountants stay away from the firms and they aren't informed about the issues of the firms. They keep accounts by the information that is given. Because they are not in the firms, they don't have opinions if the information given is right or wrong.

In Turkey, although there are ISQC standards of auditors, accountants do not have standards. Because of this, many accountants don't have offices, workers or time to examine the reports. They generally do many book confirms, i.e. 1000 books per year. In our opinion, the more qualified the accountants are, the more qualified the books are. So, we think that the QC standards for auditors can be edited for accountants.

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