

# *Accounting and Auditing in Turkish Public Economic Enterprises: Assessment and Evaluation from the Foundation of the Republic to Present*

*Ahmet Vecdi CAN\**

Prof. Dr., Sakarya University, Business School

E-Mail: [acan@sakarya.edu.tr](mailto:acan@sakarya.edu.tr)

ORCID ID: 0000-0002-1105-144X

*Bilge KATANALP*

Res. Assist, Sakarya University, Business School

E-Mail: [bilgeonal@sakarya.edu.tr](mailto:bilgeonal@sakarya.edu.tr)

ORCID ID: 0000-0002-7274-4127

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## **ABSTRACT**

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This study examines the history of accounting and auditing in Turkish

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\* Corresponding author / Sorumlu Yazar

Public Economic Enterprises (PEE) beginning from the 1930s. For after the foundation of the Republic of Turkey in 1923, very few businesses were applying the “double-entry” bookkeeping method. Accountants, who knew this method, were almost non-existent.

In awareness of this deficiency, Atatürk and his friends, who founded the Republic, organized an industrial congress in the early 1930s. They identified the issues of state capital and industrial investment in various parts of the country, however, only a small number of young staff with business education and a few engineers were to be found. Thus, approximately 150 operating engineers were invited to Turkey from Germany and other developed western countries. Circa fifty of the largest industrial and commercial establishments in the Middle East were put into operation in 1934-1939 within the groundwork, where two banks assumed the holding duties, mostly with the guidance of German experts. But given the lack of preparation and professional staff, the problem of auditing these structures proved being problematic during the process. To this end, an auditing body had been established under the name of Auditing Committee (audit group) in PEE (1938-39).

When the German experts started to return to their country due to World War II, Turkish experts tried to develop this auditing body. They put into practice the culture of business auditing, which German experts left behind during their investment activities and reports. They also tried to create uniform financial statements, and consolidated financial statements in line with the German school. These efforts were in accordance with the advanced accounting understanding of the time. However, two important events held up these developments. First was the death of Atatürk in 1938, who was the pioneer of these efforts. Second, Turkey was economically restricted because of the Second World War. For these reasons, the development of Public Economic Enterprises had slowed down and then stopped.

Liberal economic policy practices in Turkey started off in 1950. While the weight of PEE in the economy had been around 50%, this rate decreased in the following period with the effect of liberalization. However, the post-1960 administration began to re-engage PEE, which produced major products in the country, and had large infrastructure investments. So, a commission for reorganizing PEEs was established (in 1967). This commission did very important work in the years 1967-71 and for the first time, the PEEs began to implement the uniform chart of accounts in Turkey.

During the seventy-year period from 1923 to 1992, when the uniform

chart of accounts started to be implemented, the Turkish accounting thought experienced two bright periods, 1938-39 and 1964-71. This progressiveness was evident in both accounting and business auditing practices. These two periods have always attracted attention as the two short periods that Turkish accounting historians are constantly researching. This study delves into these periods in detail, and offers some important assessments and deliberations.

*Keywords:* Accounting, Accounting History, Auditing, Inspection, Public Economic Enterprises.

## ÖZ

CAN, Ahmet Vecdi; KATANALP, Bilge, **Türk İktisadi Devlet Teşekküllerinde Muhasebe ve Denetim: Cumhuriyet'ten Günümüze Tespitler ve Değerlendirmeler**, CTAD, Yıl 18, Sayı 35 (Bahar 2022), s. 205 - 231.

Muhasebe ve denetim tarihi alanında yapılan bu çalışmada 1930'lar Türkiye'si İktisadi Devlet Teşekkülleri (İDT) üzerinden inceleme konusu yapılmıştır; zira, 1923 yılında Türkiye Cumhuriyeti kurulduğunda, çok az sayıda işletme “çift yanlı kayıt yöntemi”ni uyguluyordu. Bu yöntemi bilen muhasebeci sayısı ise yok denecek kadar azdı.

Cumhuriyeti kuran Atatürk ve arkadaşları, 1930'lu yılların başında bu bilinçle bir sanayi kongresi düzenlediler. Devlet sermayesi ile ülkenin çeşitli bölgelerinde yapılacak sanayi yatırımı konularını saptadılar ancak az sayıda işletme tahsili yapmış genç kadroya ve az sayıda mühendise sahiptiler. Bu nedenle Almanya ve gelişmiş Batı ülkelerinden 150 dolayında işletme mühendisi Türkiye'ye davet edildi. Çoğunluğu Alman uzmanların yol gösterici katkıları ile iki bankanın holding görevini üstlendiği bir alt yapı çerçevesinde elli dolayında, Orta Doğu'nun en büyük sanayi ve ticari kuruluşları 1934-1939 yılları arasında tamamlanarak faaliyete geçirildi. Ancak daha önce hazırlık yapıp kadrolar oluşturulmadığından, süreç içerisinde bu kuruluşların denetimi sorunu ile karşılaşıldı. Bu amaçla İDT'lerinde Murakabe Heyeti (denetim grubu) adı ile bir denetim organı oluşturuldu (1938-39). II. Dünya Savaşı dolayısıyla Alman uzmanlar ülkelerine dönmeye başladıklarında, Türk uzmanlar bu denetim organını geliştirme çabası içinde oldular. Alman uzmanların yatırım sürecindeki aktiviteleri ve raporları çerçevesinde bıraktıkları işletme denetimi kültürünü uygulamaya koydular. Yine Alman ekolü doğrultusunda tek tip mali tablo ve konsolide mali tablo düzenlemeye gayret ettiler. Bu uğraşlar zamanın ileri düzeyde muhasebe anlayışına uygundu. Ancak yaşanan iki önemli olay bu gelişmeleri durdurdu. Bunlardan ilki bu yöndeki çabaların başında olan Atatürk'ün 1938 yılındaki vefatıydı. İkincisi de İkinci Dünya Harbi nedeni ile Türkiye'nin ekonomik

kısıtlamalar içine girmiş olmasıydı. Bu nedenlerle İktisadi Devlet Teşekküllerinin gelişmesi yavaşladı ve durdu.

1950 yılına gelindiğinde Türkiye’de liberal iktisat politikaları uygulanmaya başlandı. İDT’nin ekonomideki ağırlığı %50 dolayında iken bu oran takip eden süreçte liberalleşmenin de etkisiyle düşüyordu. Fakat 1960 sonrası yönetimi, ülkede temel ürünleri üreten ve büyük alt yapı yatırımlarına sahip olan İDT ile yeniden ilgilenmeye başladı. Bu amaçla İDT’lerini yeniden düzenleme komisyonu kuruldu (1967). Bu komisyon, 1967-71 yılları arasında çok önemli çalışmalar yaptı ve Türkiye’de ilk kez İDT’de tekdüzen hesap planı uygulamaya başladı.

1938-39 ve 1964-71 yıllarındaki bu çağdaş muhasebe uygulamaları, 1923 yılından, tekdüzen hesap planının Türkiye genelinde uygulanmaya başlandığı 1992 yılına kadar geçen yetmiş yıllık süre içinde, Türk muhasebe düşüncesinin iki parlak dönemi oldu. Bu gelişmişlik hem muhasebe uygulamalarında ve hem de işletme denetimi uygulamalarında kendini gösterdi. Sözü edilen bu dönemler, Türk muhasebe tarihçilerinin sürekli olarak ilgilendikleri ve araştırdıkları iki kısa dönem olarak her zaman dikkati çekmiştir. Bu çalışmada bu iki dönem üzerinde ayrıntılı olarak durulmuş, bazı önemli tespit ve değerlendirmelerde bulunulmuştur.

*Anahtar Kelimeler:* Muhasebe, Muhasebe Tarihi, Denetim, Murakabe, İktisadi Devlet Teşekkülleri.

## Introduction

The newborn Turkish Republic handled two different economic policies: First, liberal economics until the impacts of the economic depression was felt; second, the economic etatism.<sup>1</sup> Economic etatism is, to that time, a new system and peculiar to Turkey.<sup>2</sup> To understand how it came to economic etatism, the era after the proclamation of the Turkish Republic must be examined. The signature of the treaty of Lausanne just before the proclamation brought economic difficulties with it. Hold up during the great economic depression was difficult due to the restrictions of the treaty. The Treaty of Lausanne prevents the application of taxes at different rates and pricing differences on imported and domestic goods. Only goods monopolized by the state could be

<sup>1</sup> Osman Kubilay Gül, “Bir İktisadi Devletçilik Teşebbüsü Olarak Süngercilik Türk Anonim Şirketi Ve Ahmet Hamdi Başar“, *Zeitschrift für die Welt der Türken*, Volume III, Issue 3, 2011, p. 246.

<sup>2</sup> Serpil Kahraman Akdoğu, “1929 Krizi Sonrasında Türkiye Ekonomisinde İktisat Politikası Arayışları: İktisadi Devletçilik“, *Yönetim ve Ekonomi Araştırmaları Dergisi*, Volume XII, Issue 22, 2014, p. 350.

priced higher to increase public revenues. So the only way to circumvent the treaty was to monopolize as many goods as possible.<sup>3</sup> Although customs restrictions began to be lifted in 1928, Turkey's economy faced severe difficulties when the Ottoman debts, the first instalment, had to be paid in 1929, combined with the Great Depression. All these happenings laid the groundwork for protectionist, statist industrialization. Eight laws enacted in the middle of 1932 authorizing the state to intervene in economic matters are the beginning of statist economic policies.<sup>4</sup> Thanks to the economic government policies, the current account deficit turned into a current account surplus.<sup>5</sup>

If the details of the events are explained a little more, after the proclamation of the Republic in 1923, the founders of the Republic determined their industrialization strategy as producing by using domestic raw materials and the domestic production of import products. An industrial congress was held in 1931 for this purpose. In this congress, sector analyses were carried out in order to determine the regional location and capacity of factories. In this way, it was decided to initiate the big industrial move of the Republic. Since there was not enough capital accumulation in the private sector, the government would make the investments and operate enterprises for profit.

For this aim, two banks were established to act as holding companies. One of them was Sümerbank and the other was Etibank. These bank names were taken from the Sumerians and the Hittites, two states in the Middle East in the 2000's BC.<sup>6</sup>

Atatürk, who was elected president, commissioned Sümerbank, which was established in 1933, to invest in iron and steel, textile, chemistry, ceramics, and prompted Etibank (1935), which was established a year later, to make investments in mining and energy. These banks, which would operate as holding companies, were established in Ankara.<sup>7</sup>

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<sup>3</sup> Korkut Boratav, *Türkiye İktisat Tarihi*, Imge Yayınevi, Ankara, 2003, p. 40.

<sup>4</sup> Korkut Boratav, *Türkiye'de Devletçilik*, Savaş Yayınevi, Ankara, 1982.

<sup>5</sup> Okan H. Aktan, "Atatürk'ün Ekonomi Politikası: Ulusal Bağımsızlık ve Ekonomik Bağımsızlık", *Hacettepe Üniversitesi Edebiyat Fakültesi Dergisi*, Cumhuriyetimizin 75.Yılı Özel Sayısı, 1998, p. 29-36.

<sup>6</sup> Oktay Güvemli, Jale Oran, Batuhan Güvemli, and Muhsin Aslan, *Orta Doğu Muhasebe Tarihinde Batılılaşma Süreci: Osmanlı ve Cumhuriyet Uygulamaları (1839-2011)*. M. Aslan, & H. Ç. Köterin (Dü) Orta Doğu Muhasebe Tarihi (MÖ 3000 - MS 2000), T.C. Sayıştay Başkanlığı, Ankara, 2018, p. 655-920.

<sup>7</sup> Muhsin Aslan, *Cumhuriyet'in Büyük Sanayi Hamlesi Olan İktisadi Devlet Teşekkülleri İle Muhasebe Düşüncesinde Yaşanan Büyük Değişim*, XX. Türkiye Muhasebe Kongresi (5-6 Ekim 2018-İstanbul), TÜRMOB, Ankara, 2019, p. 1459-1487.

The establishment of planned state-owned industrial enterprises started in 1934, and in 1938-39, more than fifty industrial enterprises began to operate in various regions of Anatolia. In 1938, the audition of these enterprises proved being problematic.

In the literature, there are many studies examining the role of accountants in certain historical events.<sup>8</sup>

The aim of this study is to analyse the development of accounting and auditing (in Turkey in particular) based on literature, laws and documents following the historical chronology (within cause-effect relations) through the State Economic Enterprises established in the efforts of the state to steer the industrialization process, which is seen as the key to economic development after the establishment of the Republic of Turkey and to reveal the role of professional accountants in this process with the contributions of foreign experts (especially German management engineers and Max von der Porten).

### **The Role of Accountant and Workforce in the Establishment of State Industrial Enterprises**

In the early days of the Republic, the experience of the double-entry method was very poor. The double-entry method was not known and very common. Mostly, there was a double-entry method in foreign capital companies. However, the dissemination environment of the double-entry method was gradually enlarging.

The double-entry method was included in the curricula of several higher education institutions in the academic field. To compensate for the lack of accounting education, Trade Secondary Schools and Commercial High Schools were established.<sup>9</sup> These commercial high schools have made great contributions to the national accounting education throughout the history of the Republic. As can be seen from this, in the first period of the Republic

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<sup>8</sup> Sandra Gates, Megan Burke, John Humphreys, "The hidden history of Benjamin Montgomery: Slave, manager, and accountant", *Accounting History*, Volume XXVII, Issue 1, 2021,p. 24-40; Stephen P. Walker, "Accountants and the pursuit of the national interest: A study of role conflict during the First World War", *Critical Perspectives on Accounting*, Volume 47, 2017, p. 8-25; Catherine Ikin , Leanne Johns ,Colleen Hayes, "Field, capital and habitus: An oral history of women in accounting in Australia during World War II" *Accounting History* , Volume XVII, Issue 2, 2012, p. 175-192; Martin Quinn and William J. Jackson, "Accounting for war risk costs: management accounting change at Guinness during the First World War", *Accounting History Review*, Volume XXIV, Issue 2-3, 2014, p. 191-209.

<sup>9</sup> Oktay Güvemli, *Türk Devletleri Muhasebe Tarihi - Cumhuriyet Dönemi XX.Yüzyıl Volume 4*, Proje Danış A.Ş., İstanbul, 2001, p. 42, Batuhan Güvemli - Muhsin Aslan, "Ticaret Ortaokulları ve Ticaret Liselerinin Cumhuriyetin İlk Kırk Yılındaki Gelişimi (1923 -1959)", *XXXVIII. Türkiye Muhasebe Eğitimi Sempozyumu (19-23 Nisan 2019)*, Denizli, 2019, pp.63-78.

(1923-1950) accounting education had been concentrated in two or three high schools and commercial high schools. Among those, the School of Commerce, founded in 1883, which applied the courses of Les Écoles des Hautes Études Commerciales in France, was particularly important,<sup>10</sup> as it became an institution attaching great importance to the teaching of the double-entry method given the reformation of education programs after the proclamation of the Republic.

The number of graduates of the School of Commerce, oriented in Istanbul, was small, around 100. Atatürk wanted to manage this industrialization of the Republic from Ankara, the capital, and for this reason, he established Sümerbank and Etibank in Ankara, which he would use as holdings.

In order to manage this industrialization move from Ankara, Atatürk needed workforce. For this reason, it was observed that approximately 350 graduates of the Trade School were invited to Ankara, where they were given work.<sup>11</sup> These graduates stayed in Ankara for a long time and established the association of their school. It was founded in 1936, and is one of the first higher education alumni associations of the Republic.<sup>12</sup>

These 350 young people with modern accounting education had taken over the management problems of industrialization. A group of graduates of Istanbul Technical University, which was an important engineering university in Istanbul at the time, was invited to Ankara. This young generation would meet the technical personnel needs of the established state industrial organizations.

The school, which today continues to serve education under the name of Istanbul Technical University, was a technical education institution founded in 1774 with the impact of French culture.<sup>13</sup> Atatürk had initiated the biggest industrialization move of Anatolia with less than 1000 young Turks who had been trained in business and engineering.

It should be noted, however, that Atatürk also needed internationally trained staff. He thought of inviting operating engineers from Germany with whom he had good relations. For this purpose, he invited in the years 1934-1935, 150

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<sup>10</sup> Oktay Güvemli, *İktisadi ve Ticari İlimler Akademileri Tarihi*. Avcıol Basım Yayın, İstanbul, 2003, p. 27.

<sup>11</sup> Aslan, *ibid*, pp. 1459-1487.

<sup>12</sup> Yahya Arıkan, "Meslekte Vizyon ve Dünya Muhasebe Kongresi", *Mali Çözüm*, Issue 77, 2006. p. 16.

<sup>13</sup> Mustafa Kaçar, "Osmanlılarda Askerî Teknik Eğitim", *Türkiye Araştırmaları Literatür Dergisi*, Volume II, Issue 4, 2004, p. 464.

operating engineers from Germany<sup>14</sup> to Turkey because he wanted them to take part in the industrialization move. These experts were operating engineers, and had also studied accounting. Atatürk had put forward two conditions while inviting them to Turkey: They would write their reports in Turkish, and take an active part in the move towards industrialization. These 150 engineers trained with German business culture, served in Turkey until the Second World War broke out in 1939. These engineers had brought the double-entry bookkeeping method to Turkey, and so paved the way for the implementation of the German School in Turkey until 1950.

The German School effect lasted in the Turkish accounting culture until 1950, for Germans did useful work and during the Second World War, German-born Jewish businesspeople and professors came to Turkey.<sup>15</sup> When the Istanbul University Faculty of Economics was established in 1936, German accounting professors of Jewish origin were of help. They had continued the activities of the German school. After 1950, the Anglo-Saxon and US-based accounting activity increased through the implementation of liberal economy policies in Turkey.

In the 1930s, there were Turkish academic cadres influencing the accounting thought. These were Armenian accounting professors such as Kirkor K m rc yan, Serkiz Nihad Kiver, and Turkish accounting professors such as Cevat Y cesoy and Osman Fikret Arkun. These Turkish academicians had made significant contributions to Turkish accounting thought after the Second World War. The characteristic trait of Turkish accountants after 1923 had been the fact that they were committed to the expansion of the double-entry bookkeeping method in Turkey.<sup>16</sup> Their sole focus had been the spread of the double-entry method, and they made great contributions both to the academic and practical fields. These academicians, who contributed to Atat rk's industrial move with their accounting knowledge, formed the academic dimension of the Turkish accounting thought during the first period of the Republic.

One of the important events affecting Turkish accounting thought at this time was the transformation of the Turkish alphabet, namely from Arabic into Latin in 1928. This innovation implying the validity of the Latin alphabet - written from left to right instead of the Arabic alphabet from right to left - had

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<sup>14</sup> Oktay G vemli, "T rkiye Muhasebe Mesleğinde Y z Elli Yıllık B y k Yalnızlık (1839 – 1989)", *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*, Issue 14, 2018, p. 23-63; Aslan, *ibid.*, p. 1489.

<sup>15</sup> Aslan, *ibid.*, pp. 1459-1487.

<sup>16</sup> G vemli et. al, *ibid.*, pp. 808-810.

paved the way for the double-entry bookkeeping method.<sup>17</sup> For the double-sided recording method had developed on the basis of this writing style. Arabic letters turned out to be a difficulty for the Ottomans especially in writing journal entries. They were wavering where to write the asset on the balance sheet, to the right or to the left. That is why after 1928, the number of books introducing the double-entry accounting methods that were written by Turkish academicians increased dramatically, and the double-entry bookkeeping method had entered a rapid development process in Turkey. This letter reform contributed significantly to the development of the double-entry method.<sup>18</sup> The last point to be mentioned here is the fact that the largest industrial enterprises of the Middle East started to be operated by the Republic (1934-1939), which created a mixed economy. On the one hand, the Republic encouraged the private sector with the industrial promotion law of 1927, and on the other hand, followed a path that increased the production of basic industrial products through state industrial investments. The results of the industrialization policies of this period (1923-1950) are seen as a great success of the young Republic.

### **The Effects of German Operating Engineers on Turkish Accounting Thought**

The operating engineers, who came to Turkey, had been experienced operators with a business-focused education from Germany. They have contributed to Turkish accounting and business thought in various ways.

#### ***They brought cost accounting to Turkey***

In large industrial enterprises established by the state, they divided the accounting department of the enterprise into *industrial* and *commercial* accounting. Industrial accounting was cost accounting. They were successful in this area, and it became compulsory for all enterprises to make cost analysis and publish it in reports after industrial organizations started to operate.<sup>19</sup> So the costing culture had been developed by German experts in Turkey.<sup>20</sup> Turkish experts, who were trained in cost applications in industrial organizations (such as the Sumerbank group – especially in yarn, weaving, ceramic industry), guaranteed the continuation of the cost accounting culture in Turkey and over time gained academic titles. These experts, who brought their experiences to

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<sup>17</sup> Oktay Güvemli, Batuhan Güvemli, “Development of Accounting Thought From the Ottoman Empire to the Turkish Republic”, *Journal of Financial Analyze*, Special Issue, 2006, pp. 42-56.

<sup>18</sup> Güvemli et. al, *ibid*, pp. 808-810.

<sup>19</sup> Süleyman Şahinbaş, *Ticari ve Smai Muhasebe Bilgileri*. Bursa Yeni Basımevi, Bursa, 1938.

<sup>20</sup> Aslan, *ibid*, pp. 1459-1487.

the academic field and were trained in Atatürk's economic state enterprises, became important cost academicians of the Turkish academic world in 1945-1950. Among them, Prof. Dr. Nurettin Yelken worked at universities in the Aegean region and Prof. Dr. Nurettin Toköz worked as an academician at universities in Ankara. A part of the Turkish cost accounting experts, trained in state industrial enterprises with the contributions of German operating engineers, were transferred to private yarn and weaving businesses established as a result of liberal economic policies being implemented in 1950, and contributed to the development of private sector enterprises. In the second half of the 20th century, the development of cost accounting by German operating engineers also formed the basis for the development of US-based management accounting in the Turkish academic world.

***They ensured the implementation of a uniform chart of accounts and uniform financial statements in Turkey***

In the first period of the Republic (1923-1950), the double-entry method and the financial culture had been very weak, and the field of application was restricted. Therefore, it was not hard for German engineers, who were involved in Turkish state industrial organizations, to introduce their accounting culture in Turkey.

However, two different accounting cultures developed in the Sumerbank harbouring textile-based enterprises and the Etibank group harbouring mining enterprises. In the textile group Sümerbank (*Sümerbank Establishment Law, Official Newspaper dated 6.11.1933 and numbered 2424*), it was observable that the asset side of the balance sheet starts from fixed assets and the liability side starts from equity. In the textile-dominated Sümerbank group managing approximately thirty enterprises, this approach clearly bore the traces of German accounting culture.<sup>21</sup> However, in the Etibank group (*Etibank Law dated 30 June 1935 and numbered 3035*) containing circa twenty enterprises related to mining, a mixed structure of German and French accounting cultures became apparent.

Both groups underlied a holding structure, however their accounting had been in the hands of different expert groups. The reason why German and French accounting cultures coexisted was that Turkish accounting thought developed under French influence from the second half of the nineteenth century onwards. Moreover, it would be appropriate to say that the French and

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<sup>21</sup> Muhsin Aslan, *Tarihsel Süreç İçerisinde Türkiye'de Kullanılan Muhasebe Sistemleri ve İktisadi Devlet Teşekkülleri Üzerinden Örnekler*, Yayınlanmamış Doktora Tezi, Çanakkale Onsekiz Mart Üniversitesi S.B.E. İşletme, Çanakkale, 2015.

the German cultures left their places to US-led accounting in the second half of the 20th century.

Between 1923 and 1950, German experts working in state-owned industrial enterprises had much more impact on Turkish accounting thought. Among German effects, consolidated financial statements had had a special status. At the end of the year, the Sümerbank group and the Etibank group initiated the culture of preparing a consolidated financial statement, which included the financial statements of both the bank and its subsidiaries. German accounting culture played an active role in the preparation of consolidated financial statements. However, it was the first time that consolidated financial statements covering both balance sheets and profit and loss statements were prepared in Turkey.<sup>22</sup> This was one of the most important steps in the accounting culture, which German engineers successfully promoted.

However, these German operating engineers were unsuccessful in consolidating a uniform chart of accounts. Perhaps the issue of a uniform chart of accounts was the most unsuccessful aspect. If they were successful in the case of uniform chart of accounts in the late 1930s, such would have been implemented before 1992 in Turkey. The most important factor underlying their failure was that they had to return to Germany in 1939, which was immediately after the establishment of large Turkish industrial enterprises. They did not have the opportunity to apply adequate accounting in enterprises.

Nevertheless, given the work duration of 4-5 years, they were partially successful in the preparation of the enterprises' investment period, feasibility report, and financial statements.

German operating engineers also contributed to Turkish accounting thought in terms of operating budgets, but not much success could be achieved because they had to return to their country shortly after the operations started, and they did not have enough time. However, the mentioned Turkish enterprises were introduced to the concept of budget, and started to undertake first applications. The Republican administration made it mandatory to implement the annual operating budget in these giant industrial establishments operating during the Second World War. The reason for the well-developed budget culture in the Turkish state budget is that in the first period of the Republic, the concept of the budget was strictly and carefully applied in economic state institutions.

Here, it should be noted that German operating engineers could not contribute to the development of the income statement for it was not yet developed in the world. However, there was a profit-loss account or a profit-loss statement culture starting off with operating profit. The income statement

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<sup>22</sup> Güvemli et. al, *ibid*, pp. 808-810.

and especially the vertical income statement developed after the Second World War. However, it is also known that after the 1929 economic crisis, income statement practices gradually started to be implemented in Western Europe and America. The income statement culture entered Turkey in the middle of the second half of the 20th century. Therefore, these giant industrial enterprises had prepared financial statements within the framework of profit and loss account culture.

***A business inspection culture has come to Turkey by German operating engineers***

It would be appropriate to state that the applications of German operating engineers starting with cost analysis in the established and operating industrial enterprises had been developed with the financial statement analysis and gradually with the analysis of enterprises. Business analysis is a type of analysis that deals with business in administrative, legal, financial and technical aspects. This culture began to prevail in two aspects in the Republic's giant industrial enterprises. First, annual reports of above-mentioned industrial establishments covered every feature of the business. The purpose of this was to answer the need for general evaluations of the enterprises that became widespread in Anatolia. In these reports, the management of the enterprise had been evaluated, the deficiencies of the technical structure identified, the legal structure reviewed, and the developments in the financial statements discussed. Thus, a general assessment of the business was made through business inspection.

Thus, the field of application for business inspection came to the fore through auditing. This practice was the work of the Auditing Committee (the auditing organization of state-owned economic enterprises), which had been responsible for the auditing of economic state enterprises of the Republic, as will be further discussed below. Therefore, no further information will be provided on this type of auditing. However, it would be appropriate to state that the German operating engineers, who were involved in the establishment of the auditing organization of economic state enterprises, considered it strategically worthwhile to adopt the concept of business inspection in enterprise auditing. In this way, the enterprises, which were to be audited, would know under which aspects they would be scrutinized, and adjust their activities accordingly. While doing so, they would gain experience by creating an own report out of their business inspection every year. The aim, by and large, was to ensure that the enterprises were taught modern management techniques, and were managed respectively.

The most important part of a business inspection was undoubtedly the analysis of financial statements. However, only few financial statement analysis

techniques were known such as the ratio method. It can be said that in the years 1935-1940, when these giant industrial enterprises of the Republic were established, techniques for analyzing financial statements were not much known in the world. German operating engineers pioneered the application of financial analysis techniques in these giant enterprises established by the Republic. By the current state of knowledge, these analyses were superficial and not much detailed. A debt ratio and a liquidity ratio were put into practice, and a limited analysis was carried out by comparing the levels of assets and liabilities of the balance sheet in two consecutive periods, while focusing on sales and expenses in two consecutive periods. The inspection culture had been at this level in the world in those years. German engineers brought the financial analysis to Turkey at that time, which was known at the international level.<sup>23</sup>

Jewish-German academicians, who came to Turkey during the Second World War, and especially Prof. Dr. Alfred Isaac was an expert, who took the analysis culture a step further in Turkey. Still, one can say that the financial analysis was brought to the fore and found space for thriving due to the increasing competition in enterprises in the second half of the 20th century, which was caused by the implementation of liberal economy policies. Moreover, the financial analysis had gained a wide range of application after the Industrial Development Bank of Turkey, established in 1952, and the Industrial Investment and Loan Bank, founded in 1963, started to offer a medium-term investment loan. Thus, it can be concluded that the concept of financial analysis had gained an important place in the Turkish academic world in the last quarter of the 20th century. All these developments hint at the pioneering work of German operating engineers and German-born Jewish academicians, who had fled to Turkey on the course of the Second World War. More precisely, this pioneering work during the founding period of the Republic (1923-1950) had not only implied the implementation of business inspection in giant state-owned enterprises but also the issuing of financial statements. What is more, the financial statement application had occupied an important place within the inspection culture in these state-owned enterprises, which had been put into practice in 1939.

It is known that on the basis of the pre-1950 business culture, there had been around fifty giant enterprises founded by Atatürk through Sümerbank and Etibank, which rose to success thanks to the conscious and modern labour and contributions of German operating engineers.

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<sup>23</sup> Asım Süreyya, *Bilanço ve Bilanço Tetkikleri*. Cumhuriyet Mabaası, İstanbul, 1950.

### ***The work of Max Von der Porten - one of the German Operating Engineers***

Around fifty operating engineers and experts, mostly German, were each undertaking important tasks in their respective areas of specialization. Some of them monitored and reported the realization process of investments, some managed the accounting organization of enterprises, some were committed to the development of financial statements and consolidated financial statements in Turkey, some did cost accounting practices, and some others studied business management techniques. More than one hundred reports on the work of these German experts in their respective fields of specialization have been published in Turkish, and are available today. These reports prove the contribution of these experts - made within four to five years - to Turkish business and accounting culture,<sup>24</sup> and today these reports are an important store of knowledge for Turkish accounting historians.

There is one among these German operating engineers, who is different from the others; Max Von der Porten.

This expert was paid more than the others, and highly contributed to Turkish accounting culture.<sup>25</sup> German operating engineer has produced more than twenty reports in Turkey.<sup>26</sup> In Turkey, little investigation had been undertaken on the work of Max Von der Porten's. Here, we will focus on his farsightedness and on a report, in which he had aimed at meeting the needs of Turkey. The report was headed "*the need to organize Turkish accountants*". Von der Porten prepared this report in 1935, circa one year after arriving in Turkey.

In the first part of his report, Max Von der Porten introduced the organizations established by accountants in Western European countries; Germany, the Netherlands, England, France, and Belgium. In addition, in the second part of the report, a draft legislation upon the example of the Association of Sworn German Accountants was prepared under the name of the Association of Sworn Turkish Accountants.<sup>27</sup> This document, which today lies in the archives of Turkey's Supreme Court of Accounts in Ankara, constitutes a first in the history of Turkish accounting. Furthermore, this bill is the first document on the efforts of Turkish accountants to organize

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<sup>24</sup> Aslan, *ibid*, pp. 1459-1487.

<sup>25</sup> İlhan Tekeli, Selim İlkin, *Dr. Max Von der Porten'in Türkiye'deki Çalışmaları ve İktisadi Devlet Teşekkülleri Sisteminin Oluşumu*. Friedrich Ebert Vakfı, İstanbul, 1992.

<sup>26</sup> Janset Özen Aytemur, *Türkiye'de Yönetim Düşüncesinin Erken Dönemleri: Sümerbank (1930 - 1945)*, Libra Kitap ve Yayıncılık. İstanbul, 2010.

<sup>27</sup> Aslan, *ibid*, pp. 1459-1487.

themselves. Being the first initiation of the 1989 passed Turkish Accounting and Chartered Public Accountant Law, it is of great importance. After this draft law, prepared in 1935, seven more initiatives took place within fifty-four years, and finally accountants were able to found their organization in 1989 known by the abbreviation TURMOB (Union of Public Accountants). When the opening up process of the Turkish economy began in the 1980s, the state had been compelled to organize accountants.

Max Von der Porten had been the first expert, who acknowledged this need. He showed the draft law to Celal Bayar, the then Minister of Economics and asked for its enactment. When the investments of economic state institutions were completed, this bill would have been indispensable, and therefore, he wanted the enactment of the bill to be deemed important. Celal Bayar was the Minister of Economics, who had managed the establishment of Atatürk's economic state enterprises. Thus, he had been directly related to the subject. This politician, who became president in 1950 and assumed presidential duties in Turkey until 1960, unfortunately, failed to grasp the importance of the work, and so did not make any effort to enact the bill. Atatürk, the founder of the Republic, who had undertaken great efforts, was of military origin too. He was an Ottoman general. He was not involved in accounting. If the Minister of Economics had told Atatürk about the importance of this work, history would have been changed, and Turkish accountants would have already gotten their organization by 1935.

At this point, it is useful to give some information about Max Von der Porten. In Canset Özen Aytemur's work, headed *The Early Period of Management Thought in Turkey 1930-1945* and published in 2010 in Istanbul, in the chapter dealing with Max Von der Porten's studies, it is stated that this German operating engineer had created more than twenty reports in Turkey.<sup>28</sup>

When Max Von der Porten's draft law on organizing accountants had not been finalized, all state cadres tried to complement industrial organizations. After investments were completed and about fifty major industrial and commercial organizations of the Republic started operating, the problem of training accountants into inspectors recurred. On this occasion, Max Von der Porten prepared a new report lamenting that it was pitiful that time had been wasted, for there would have already been inspectors-to-be, who would have long started their training. Nevertheless, Von der Porten had not neglected to give recommendations on solving the state's problem of auditing enterprises, whose investments had been completed.

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<sup>28</sup> Aytemur, *ibid.*

Considering the contributions of German operating engineers to Turkish business culture between 1934 and 1939 in a multi-faceted way, following aspects become evident;

- During the first period of the Republic (1923-1950), German operating engineers significantly contributed to the major industrialization attempt of the state and to the completion of investments within a short time due their crucial decisions.

- They introduced Turkish accounting thought to topics such as the feasibility report, initial preparation of uniform chart of accounts, uniform financial statement, consolidated financial statement, operating budget, enterprise evaluation and analysis report, financial analysis, by demonstrating the first examples of these issues in practice.

- They made the first attempt to organize accountants, as they prepared a draft law in 1935.

- They introduced the concept of business inspection in Turkey, which they implemented in state-owned economic enterprises.

- They pioneered the culture of cost accounting, which is as important as creating a school of itself. After they returned to their country in 1939, Turkish experts, who had been educated by German engineers, developed this school, and by elevating this effort to the dimension of management accounting, they paved the way for the modernization of the accounting thought in Turkey.<sup>29</sup>

- These contributions to Turkish business administration and accounting by German experts, who had left multi-faceted cultural traces in Turkey, embody an important period in the history of Turkish accounting and management.

### **Efforts to Meet the Auditing Needs of State Economic Enterprises**

As the big industrialization move in the first period of the Republic (1923-1950) was completed, there were about thirty Sümerbank affiliates and circa eighteen major industrial and commercial enterprises related to Etibank, which were operating.<sup>30</sup> Given the fact that such large investments had been newly waged, Republican administrators did not have much experience in investment management and inspection. As experts like Max Von der Porten were leaving after some time, the lack of the auditing task started to stand out while investments were completed. This had unveiled the new problems arising from taking up work and the compatibility need of factories in their administrative,

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<sup>29</sup> Aslan, *ibid*, pp. 1459-1487.

<sup>30</sup> Güvemli et. al, *ibid*, pp.808-810.

legal, financial, and technical structures. Also the evaluation and examination of annual work results were put on the agenda. Within short time, the need for an auditing organization became manifest.

Facing this situation, Republican administrators were observed making an effort to establish an auditing organization. Being confronted with the problems of such large organizations was new to them. They decided to establish an organization called the General Audit Committee. For this purpose, it is observed that the Law on General Audit Committee (group) dated 17.6.1938 and numbered 3460 had been adopted.<sup>31</sup> The important articles of the law are listed below:

“Article 7: State Economic Enterprises are under the supervision and control of the General Audit Committee in administrative, financial, technical and legal terms.

Article 8: An office of the General Audit Committee shall be established. Its head and members shall be determined. The costs of the bureau including fees shall be covered according to the rates that are to be determined by the Ministry of Economics taking into consideration the paid-in capital of the enterprises that are to be audited.

Article 9: The head and members of the Audit Committee shall be selected among those, who have received higher education, and are experienced in industrial and commercial affairs. The Government is entitled to select cadres from among the candidates chosen by the Ministries of Finance and Economics.

Article 10: The duty of the audit committee is to check whether the administrations and working of State Economic Enterprises are efficient and rationally in accordance with economic, commercial, and industrial principles. Cost accounts are inspected, analyzed, and audited at least once in each accounting year, in particular with similar institutions under given circumstances, and the reports thereof are submitted to the relevant ministry or organization.

Article 22: The balance sheet and profit-loss accounts of the State Economic Enterprises, which are subject to this law, shall be issued, audited, and confirmed by their management within the first three months of the following year, and thereafter submitted to the audit committee.

Article 23: Balance sheets and profit and loss accounts shall be prepared according to a type to be prepared by the Ministry of Economics taking into consideration the opinions of the audit committee and the persons concerned.

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<sup>31</sup> The Law No: 3460, Sermayelerinin Tamamı Devlet Tarafından Verilmek Sureti ile Kurulan İktisadi Teşekküllerin Teşkilatı ile İdare ve Murakabeleri Hakkında Kanun. *The Official Gazette (Resmî Gazete)*, No. 3950, 1938.

Article 24: The General Audit Committee shall prepare a report on the balance sheet and profit and loss accounts submitted to them and on the results of the examination of the enterprises.

Article 34: Administrations of State Economic Enterprises shall present their work schedule for the following year to the General Directorate (Sümerbank and Etibank). The envisioned budget should cover the construction and repair as well as the financing need and the staff. This is examined and put into the final form by the board.”

The law on auditing, whose crucial articles are listed above, is a modern law underlying the experiences of German operating engineers. It has a structure that is based on central planning. The facets of the law can be distinguished as follows:

- It is envisaged that giant industrial and commercial organizations are to be inspected in terms of administrative, financial, technical, and legal aspects, reflecting the German culture on business auditing. In other words, enterprises are inspected not only in their finances but also in their administrative, legal and technical structures.

- Since no auditor had been trained until that time, it is to acknowledge that experts from the Ministries of Finance and Economy were selected and appointed as auditors. This had undoubtedly made it difficult in the beginning to implement auditing as it was supposed to be. The return of German experts to their country due to the Second World War had left the audit organization in a state of atrophy and new search.

- It is understood from the tenth article that auditing implies business auditing. For this article states that auditing aims at investigating the compliance of enterprises with commercial and industrial principles.

- Instructing a uniform balance sheet and profit and loss statements and requesting the preparation and monitoring of the operating budget are an innovation in Turkish accounting culture.

- The implication of auditing, which envisages the on-site review of the financial statements, has become an important application in Turkish auditing culture. Moreover, sending the results of the auditing to enterprises and demanding the elimination of deficiencies has become another important auditing feature.

Max Von der Porten, was in Turkey at the beginning of the audit application and made arrangements for his return to Germany. He aimed to assist Turkish auditing experts by preparing a report on the content of audit reports. In the

report, which is based on the evaluation of a new company, he focuses on the following issues.<sup>32</sup>

- Examination of the establishment process and costs based on the feasibility report,
- Determination and evaluation of the total investment cost in the corporation,
- Reviewing the quality and physical structure envisaged in the project in comparison to actual accomplishments,
- Determination of the appropriateness of the investment cost to the predicted level,
- Comparing the predicted level of cost of production with the actual level,
- Determining where to make possible savings,
- Reviewing, analysing and evaluating the first-period balance sheet and profit and loss accounts (Tables) and comparing them to the amounts predicted,
- Assessing the realization of the production program, sales program, and sales procedures (i.e. determining the compliance with the project),
- Revision of failing investment places,
- Evaluating resources and their use compared to programmed amounts.

With this report, Max von der Porten introduced the examination of the realization of a feasibility report in Turkey. He instructed the determination of whether an enterprise realizes itself abiding by the capacity and conditions intended. This is the German culture of project evaluation, which aims at examining whether businesses are established on solid foundations.

This report of Max Von der Porten reveals one of the secrets of the long-lasting and successful giant industrial enterprises founded by Atatürk. It is of great importance regarding how business auditing is supposed to be done in a new establishment.

### **The Development of the General Audit Group for the Inspection of Economic State Enterprises and Liberal Economic Policies**

The above-mentioned report by Max Von der Porten includes an assessment of the company's performance in its first year of operation as well as its auditing. Because German operating engineers returned to their country in 1939, there are no reports on this subject. However, there is a concept of auditing created by German experts. This concept, which Turkish experts had

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<sup>32</sup> Güvemli et. al, *ibid*, pp.808-810.

been trying to consolidate, is the concept of *business auditing* and implies the examination of a business enterprise according to administrative, technical, legal, and financial criteria.

The auditing organization of state economic enterprises developed and started employing important auditing cadres during the time, in which a statist economic approach was prevailing in Turkey. Departing from its own auditing approach, the auditing organization developed to an almost school within a short period of time, and these state enterprises started to grow in a healthy way.

However, two important events took place by the end of 1938. The first was the death of Atatürk on November 10, 1938, who had equipped the Republic with these giant industrial enterprises. At this point, state economic enterprises lost the chance to be guided by Atatürk's foresightedness.

The second event was the start of the Second World War in 1939. Although Turkey had not entered the war, this troubled war period put these giant industrial enterprises to a standstill, and forced them to work only to meet the country's essential needs. When the Second World War ended in 1945, Western European countries entered a reorientation period in line with the US economy approach. Against this backdrop, the Turkish economy underwent a shift from a mixed economy to a liberal economy. In the general elections held on May 14, 1950, the Democratic Party, which advocated liberal economic policies, came to power. The party's chairman, Adnan Menderes, declared in his opening speech at Turkey's Grand National Assembly<sup>33</sup> that the country would be governed by liberal economic policies instead of a mixed economy and the giant industrial enterprises, which had been established by Atatürk with state capital, left their time of prosperity to stagnation.<sup>34</sup>

Between 1950 and 1960, state economic enterprises entered a period of stagnation and downsizing. However, some of these giant organizations survived. In 1960, the economy entered an impasse and the country's economy returned to a mixed economy model. Five-year development plans had started to be implemented (1963). These five-year development plans were effective in the decisions taken by state economic institutions to continue their activities. Furthermore, economic state institutions and the General Audit Organization,

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<sup>33</sup> For the program of the 1st Menderes Government see *Hükümetler-Programları ve Genel Kurul Görüşmeleri, Cilt 2: 22 Nisan 1950 – 20 Kasım 1961*, Haz. İrfan Neziroğlu – Tuncer Yılmaz, TBMM Basımevi, Ankara, 2013, pp.747-916.

<sup>34</sup> Oktay Güvemli, Batuhan Güvemli, and Muhsin Aslan, "Cumhuriyet'in Muhasebe Düşüncesinde İkinci Evre: Liberal İktisat Politikalarını Uygulama Dönemi (1950-1980)" *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*, Issue 14, 2018, pp. 157 – 201.

which inspected them, were attached to the Prime Ministry. This auditing organization was given more power, and got rebranded as the Supreme Auditing Board.

With a law adopted in 1964, state economic enterprises were given a modern set-up.<sup>35</sup> The auditing organization and its experts had gained experience. In the planned period, they became active again within the framework of a mixed economy

Thus, a second active period began in these giant state institutions founded by Atatürk. But they no longer had their old weight in economy. For liberal economic policies implemented between 1950 and 1960 had enlarged private sector enterprises working in the same field. Although economy was generally managed under the name of mixed economy, the share of the state decreased to circa 50%. But state economic enterprises held the power of basic raw materials and the production of investment goods in their hands.

As state economic enterprises regained their importance in the economic structure of the country, the modernization of these institutions was brought to the agenda. And in 1967, the reorganization of state economic enterprises had started off.

### **The Reorganization of State Economic Institutions (1964-1971)**

As already mentioned, state economic enterprises were brought on the agenda when there had been a search for new mixed economy models from 1960 onwards, and state economic enterprises together with the auditing organization had been linked to the Prime Ministry, whereby the latter was rebranded as the Supreme Auditing Board of the Prime Ministry (1960). This period marked the rebirth of economic state enterprises.

The first regulation was the 1963 Economic Auditing Guide published by the Supreme Auditing Board of the Prime Ministry. The aim of this guide was to reorganize the uniform financial statements, which had been first issued in 1938-39, in accordance with changing economic conditions in order to meet the needs of the time. As the outcome of this initiative was promising, it had been decided that the reorganization of state economic enterprises would be realized in a larger scale, and the Commission for the Reorganization of State Economic Enterprises, which lasted until 1972, would be established.<sup>36</sup>

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<sup>35</sup> The Law No: 440 İktisadi Devlet Teşekkülleri ile Sermayesinden Yarısından Fazlası Devlete ait Kuruluşları hakkında. *The Official Gazette (Resmî Gazete)*, No. 11662, 1964.

<sup>36</sup> Mustafa Aysan, *İktisadi Devlet Teşekküllerinin Yeniden Düzenlenmesi*, Sermet Matbaası, İstanbul, 1978.

Between 1964 and 1968, a range of reports were issued by the Commission of Reorganization of State Economic Institutions. One of them had been about the *Improvement and Standardization of Accounting Procedures*.<sup>37</sup>

What was special about the work of this commission was that it for the first time applied the uniform chart of accounts and financial statements in Turkey. These uniform practices were limited to economic state institutions. However, this was a first in Turkey. In 1972, the uniform chart of accounts and financial statements started to be implemented in state economic enterprises.<sup>38</sup>

Furthermore, this practice was a first in Turkish accounting history and a turning point. After this practice proved being successful in state economic enterprises, the Ministry of Finance prepared the uniform chart of accounts in 1992, and ordered its countrywide implementation. The principles of the uniform chart of accounts and uniform financial statements, which are still applied in Turkey today, were taken from the uniform chart of accounts prepared in 1972 for state economic enterprises.

The most important development between 1950 and 1992 in Turkish accounting thought and applications had been the uniform accounting plan, which started to be implemented since 1972 in state economic enterprises. It was put into practice very consciously. It was first tried in the Nitrogen Industry, and after seeing the benefits, the application was expanded to large commercial and industrial state institutions.<sup>39</sup>

It can be observed that an advanced business analysis and auditing was implemented in this second period of the state economic enterprises, and the success of this organization, which was established in 1938, increased after the implementation of a uniform accounting plan.

It would be appropriate to state that comprehensive studies and researches were carried out in this second period, which included the modernization of state economic enterprises.

First of all, the historical development of the double entry method was taken into consideration and the accounting applications of the Republican period had been evaluated. The features that need to be included in the uniform chart of accounts were determined in detail. It is noteworthy that

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<sup>37</sup> State Economic Enterprises Reorganization Commission(İktisadi Devlet Teřekkülleri Yeniden Düzenleme Komisyonu), *Muhasebe Usullerinin Islahı ve Tekdüřzen Haline Getirilmesi*, Devlet Planlama Teřkilatı, Ankara, 1970.

<sup>38</sup> Aslan, *ibid*, pp. 1459-1487.

<sup>39</sup> State Planning Organization(Devlet Planlama Teřkilatı), *Tekdüřzen Muhasebe Sistemi ve İşletme Bütçesi (Kd 381)*, Devlet Planlama Teřkilatı, Ankara, Mart 1977.

developments in Central Europe (France) and the United States were examined in the preparation of this uniform chart of accounts. Thus, there had been the possibility of being influenced by US-originated events, too.

Another noteworthy point in the work of the commission was that this commission for the first time assessed in detail generally accepted accounting principles and basic concepts of accounting affecting the uniform accounting plan and uniform financial statements, which were presented to the public. The concept of social responsibility in accounting, the concept of personality, the concept of business sustainability, the concept of limping standard, the concept of periodicity, the concept of cost, the concept of objective balance, the concept of the report system, the concept of conservatism was put into practice in the field of application for the first time, what paved the path of application.

For the first time, the public had been informed in detail about the implementation principles of the uniform accounting plan. In short, the studies of the Commission for the Reorganization of Economic State Institutions conducted from 1967 until 1971 had been in such an extent and scope that had not been seen before.<sup>40</sup>

The studies of state economic enterprises in 1938-39 and their studies and accounting and auditing applications in 1967-1971 are of special importance for Turkish accounting thought. And these periods are deemed turning points in Turkish accounting history. For in these periods, accounting had experienced innovations, and progress had been witnessed in both theory and practice.

Apart from the mentioned 1938-1939 and 1967-1971 periods, the mixed economy model and liberal economic policies were applied, and between 1923 and 1992, each enterprise applied the accounting plan, which it considered the most suitable for itself. During this seventy-year period, none of the institutions and enterprises, except economic state institutions, had been in search of accounting plans, and those who managed the economy did not intend to bring any serious innovation to accounting. Therefore, the periods of 1938-39 and 1967-71 have a special place in Turkish accounting history.

### **Conclusion**

The Republican period (1923) did not inherit a strong accounting legacy from the Ottoman Empire. When the Republic was founded, very few companies used the double-entry method, and very few accountants had been familiar with this method. Thus, the founders of the Republic decided to build the giant industrial enterprises of the Middle East with state capital under these circumstances. Atatürk and his friends, who founded the Republic, organized

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<sup>40</sup> Güvemli et. al., *ibid.*, pp. 157 – 201.

an industrial congress in the 1930s. Then, in 1934-39, with the help of local experts and around 150 predominantly German operating engineers and experts, they launched circa fifty giant industrial and commercial enterprises. This had been the biggest industrialization move in Anatolia until that time.

As business enterprises started working, a law on auditing had come into effect, and given the lack of early preparation, they hardly gathered auditing personnel. As the Second World War broke out in 1939 and German operating engineers started to go back to their country, Turkish auditors began to apply the concept of business auditing in line with the foresightedness of German culture. Accordingly, the annual business auditing of enterprises comprised administrative, technical, legal and financial inspection. Most importantly, the labour of preparing uniform financial statements and consolidated financial statements in Turkey, which had been unknown so far, was then initiated. These auditors had even made efforts to create a uniform accounting plan.

After the death of Atatürk (1938) and the start of the Second World War (1939), the development of state economic enterprises first slowed down, and then came to a standstill after the implementation of liberal economic policies of the new government in 1950.

In 1960, the share of state economic enterprises in the economy decreased to 50% due to the effects of liberal economic policies. Hereafter, state economic enterprises started to develop again within a mixed economy. In 1964-1971, the modernization of state economic enterprises was deemed important and the Commission for the Reorganization of State Economic Institutions had been established, which performed great work. The work and development of this commission had been much more effective than the previous work of 1938-39. And in 1964-71, the uniform accounting plan and the implementation of uniform financial statements had started off for the first time in Turkey.

The time spaces of 1938-39 and 1964-71 mark turning points in the history of Turkish accounting as modern accounting rules, which had corresponded to contemporary needs, found a field of application in state economic enterprises only. For, between 1923 and 1992, when the uniform accounting plan had been put into practice, it was only administrative and auditing cadres managing state economic enterprises, who had been committed to the development of Turkish accounting thought and the implementation of business auditing.

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